

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE

1 Purpose of the paper

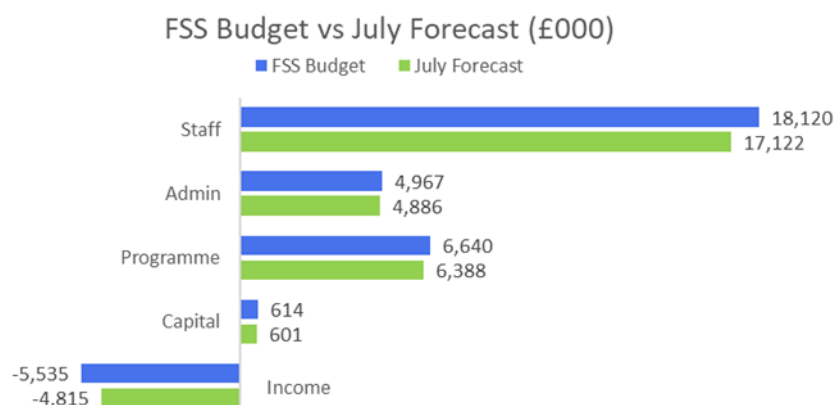
- 1.1 This paper is presented to the Finance and Business Committee for information and reports on the financial performance of Food Standards Scotland (FSS) up to 30 June 2022.
- 1.2 At the end of Quarter 1 FSS is reporting a full year forecast is £24.2m. It is showing an underspend of £624k against the internally allocated budget of £24.8m. The forecasted spend for 2022/23 exceeds the Resource Budget by £1.3m.
- 1.3 The Board is asked to:
- **Note the financial information reported as at 30 June 2022.**
 - **Note the Resource and AME budget amounts for 2022/23.**

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 2022/23 is £22.9m that includes £0.3m for the UK Pathsafe research programme. 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 £24.8m budget is allocated to deliver the FSS strategic objectives and the following chart provides the top level budget categories with the updated forecast at July.



- 3.3 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).

- 3.4 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 budget, forecast and actual amounts for the financial year 2022-23. The financial performance is based on both the internally allocated budget figure and the updated forecast that is reviewed on a monthly basis.

Quarterly Budget Profile v Actual expenditure

- 4.2 The first quarter budget profile presented in Figure 1 is based on the assessment provided by branches in April 2022. The actual spend to the end of the first quarter when compared to the budget profile was £267k under the quarter budget (5%).
- 4.3 The main budget category contributing to this underspend is Staff (£235k) due to a hold on actively recruiting and backfilling the majority of vacant posts. In addition, there is also an underspend in Admin (£89k) and Capital costs (£66k) and the generated income is £88k lower than budgeted. Further detail of the quarter variances are as follows:

Staff -£235k (5%) under budget

The underspend is mainly as a result of the controlled recruitment delays as well as staff leaving, retiring and not being replaced; going on career breaks which has impacted on the number of the posts that are vacant.

Admin -£89k (8%) under budget

The admin overspend is mainly related to removal of conference costs, reduced training costs and travel during the quarter.

Programme £9k (1%) over budget

This overspend for the quarter is a result of spend being brought forward from the coming quarters for a number of projects across the organisation.

Capital -£41k (31%) under budget

This underspend is due to less IT equipment requirements eg docking stations as well as less mobile phones required.

Income £88k (6%) under budget

Less income generated across all Operational Delivery areas for recovery of charges for official controls and in Fish Hubs.

Full Year Forecast

- 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. The 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.

- 4.5 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

- 4.6 Through the monthly 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 chart at Figure 4.
- 4.7 Below is a high level overview which seeks to provide context and explain the drivers behind the quarterly adverse variance of the actual expenditure against forecast of **£31k** for each of the three months.

April 22: As no forecast was set ahead of April, the April actual figures are also used as the April forecast, so there are no variances in the 'April Monthly Actual and Forecast'.

May 22: The reduction in May spend of £63k (4%) was mainly due to reduced Capital expenditure due to delays in delivery of laptops and the cost reprofiled to the following month as well as less Admin costs due to computer software renewals accounted for as a prepayment and spread over the year, corporate training fees reprofiled to later in the year; reduced travel costs for the month. The underspend was partially offset by increased Programme costs mostly due increased sampling costs and additional spend for events eg Edinburgh Science Festival.

June 22: The overspend of £32k (2%) was driven by higher Programme spend (£17k) for Royal Highland Show and Parliamentary event; Admin costs (£12k) due to additional spend for Sustainability Plan and healthy eating campaign. Income was lower during the month due to over-forecast in Fish Hubs cost centre.

5 Identification of risks, issues and highlights

- 5.1 During quarter 1 there were reductions in our Admin expenditure for travel and accommodation, training, conferences etc. as office staff were still working mainly at home and did not travel as planned.
- 5.2 The Staff Complement table (Figure 5) provides the posts that were filled at the end of June. In June 285 posts were filled permanently (4 currently on maternity leave), 21 temporary staff covering a number of vacancies either on fixed term or interim basis and 2 were seconded staff into the organisation. During Quarter 1, 13 employees left the organisation of which 2 retired.
- 5.3 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 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 in the year. All invoices have been paid within the standard 30 day contract terms.

- 5.4 At the end of June, the cash drawn down from the Scottish Government relating to the 2022/23 budget was £5.3m. The bank balance as of 30th June was £4.8m.
- 5.5 At the end of the quarter, the outstanding debt was £511k which was a decrease of £24k (5%) from the previous quarter. £155k (66%) was over the accepted 31 day payment term, of which £10k was over 61 days from date of invoice.
- 5.6 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. There are a number of invoices with Harper Macleod at Court Action stage in progress £8k (no change from the previous quarter).

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 provisional outturn position reported as at 30 June 2022.
 - **Note** the Resource and AME budget amounts for 2022/23.

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 2022. The performance is based on comparing the actual spend for the quarter with the budget profile during the financial year.

£'000	Budget Profile 22/23					Actual Spend 22/23					Variance	Var %
	Budget	April	May	June	YTD	April	May	June	YTD			
Staff	18,120	1,514	1,514	1,511	4,539	1,429	1,455	1,420	4,304	(235)	-5%	
Administration	4,967	327	406	388	1,121	305	348	379	1,032	(89)	-8%	
Programme	6,640	330	363	525	1,218	325	406	495	1,226	9	1%	
Capital	614		97	35	132		26	65	91	(41)	-31%	
Income	(5,535)	(452)	(449)	(537)	(1,438)	(458)	(509)	(382)	(1,350)	88	-6%	
Total	24,806	1,719	1,931	1,921	5,571	1,601	1,725	1,977	5,304	(267)	-5%	

Figure 1: Quarter 1 Performance

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

	FSS Budget	July forecast	July forecast vs FSS budget
CEO	649,795	638,268	(11,527)
DPSO	14,069,187	13,736,574	(332,613)
DSCA	10,086,709	9,807,097	(279,612)
Total	24,805,691	24,181,939	(623,752)
Staff	18,120,096	17,121,725	(998,372)
Admin	4,967,386	4,886,325	(81,061)
Programme	6,639,913	6,388,249	(251,664)
Capital	613,700	600,983	(12,717)
Income	(5,535,404)	(4,815,344)	720,060
Total	24,805,691	24,181,939	(623,752)

Figure 2 – FSS Budget and July Forecast

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

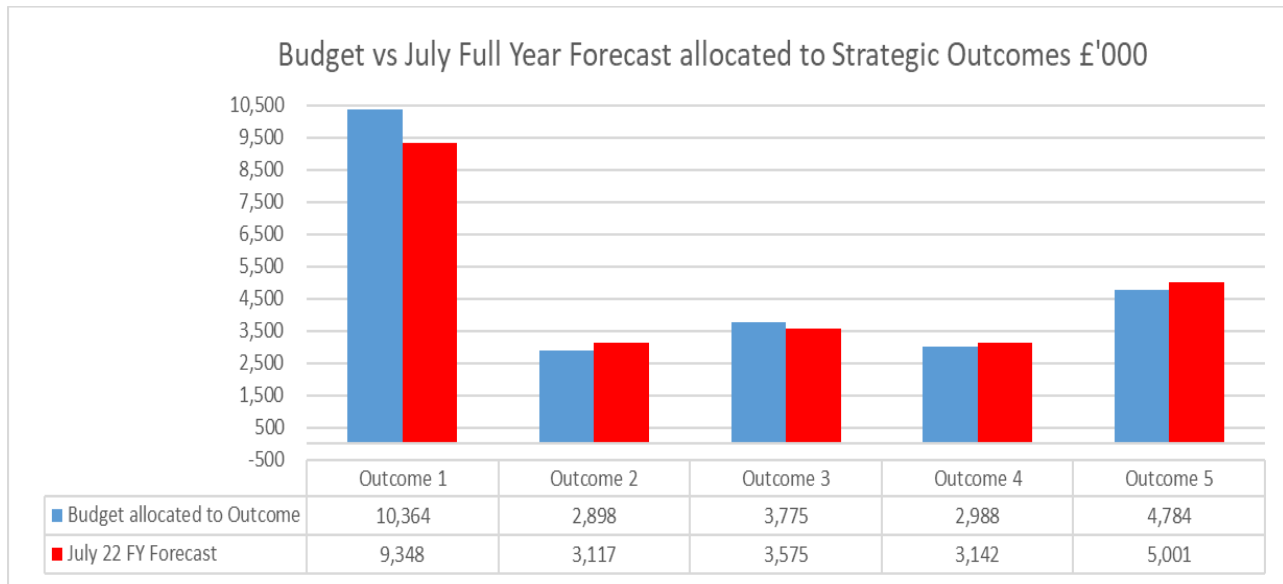


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

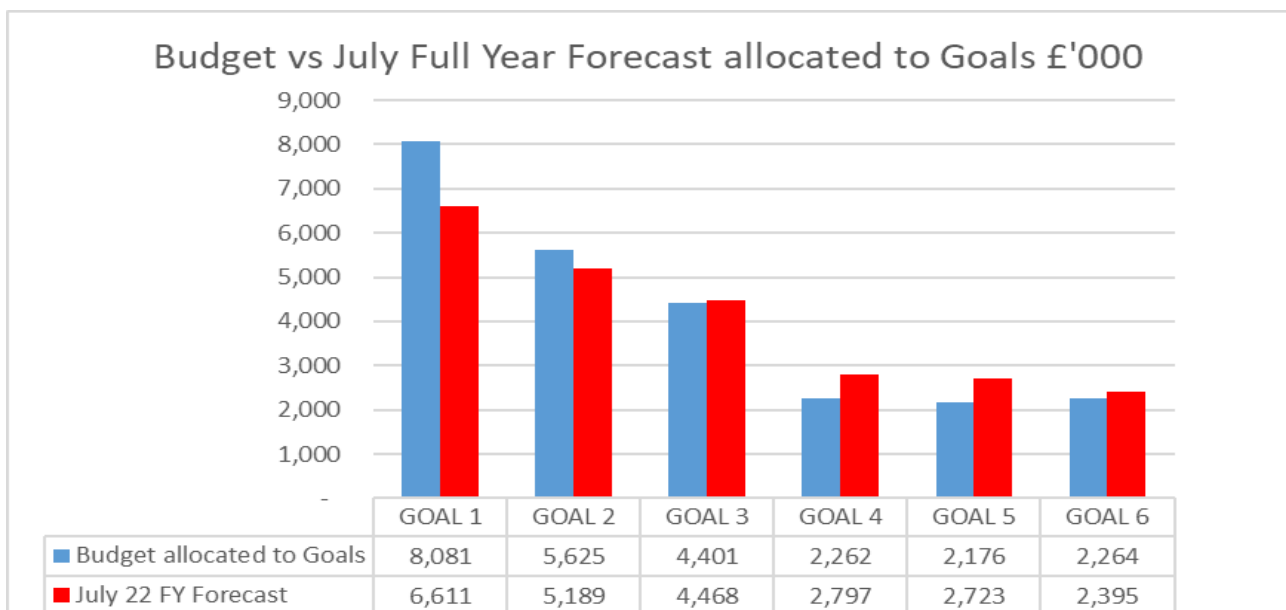


Figure 3b – Allocation of resource expenditure to Strategic Goals

Forecast Accuracy v Actual Expenditure

In Figure 4 the financial performance is based on both the original budget figure and the updated forecast. Each red column 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 green column. *This provides the month to month comparison of 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.*

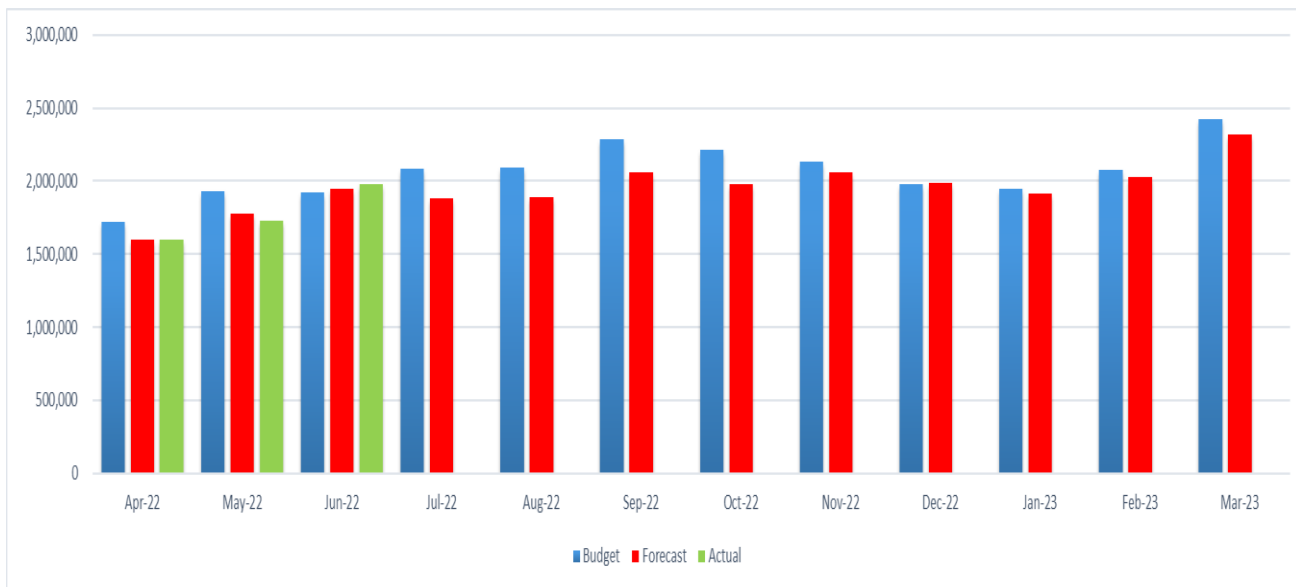


Figure 4 – Full Year Forecast vs Budget

Staff Complement and Supplier Payments

Year	Q4 21/22		Q1 22/23	
	Staff in Post	Leavers	Staff in Post	Leavers
Permanent Staff	271	6	285	9
FTA - not permanent	24	1	15	2
Agency Staff	15	1	6	2
Maternity Leave	3	0	4	0
Seconded Staff	2	1	2	0
Total FTE	314	9	310	13

Figure 5 – Staff Complement and Leavers

Month	Number of Invoices	% invoices paid in 10 days
Apr-22	282	93%
May-22	268	94%
Jun-22	278	92%
Total	828	93%

Figures 6 – Supplier Payments