

FOOD STANDARDS SCOTLAND FINANCIAL PERFORMANCE UPDATE

1 Purpose of the paper

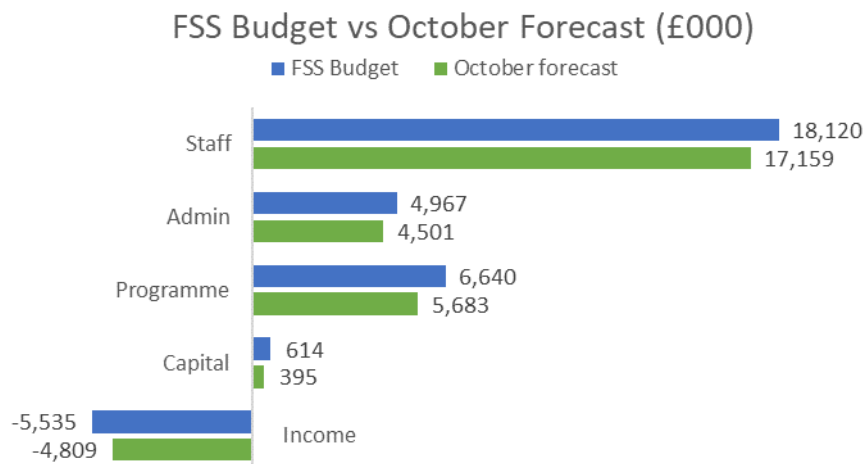
- 1.1 This paper is presented to the Finance and Business Committee for information and reports on the financial performance of Food Standards Scotland (FSS) up to 30 September 2022.
- 1.2 At the end of Quarter 2 FSS is reporting a full year forecast of £22.93m. This is an underspend of £1.88m against the internally allocated budget of £24.8m agreed at the start of the year. The forecasted spend for 2022/23 exceeds the Resource Budget by £30k.
- 1.3 The Board is asked to:
 - **Note the financial information reported as at 30 September 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 second 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 second quarter when compared to the budget profile was £1.3m under the quarter budget (20%).
- 4.3 The main budget category contributing to this underspend is Programme (£648k) due to removal of several projects from the forecast to reduce expenditure. In addition, there is also an underspend in Staff (£438k) due to a hold on actively recruiting and backfilling the majority of vacant posts and Admin costs (£295k) reduction across a number of budget lines. The generated income is £198k lower than budgeted mainly due to the termination of one of the Export Hub agreements. Further detail of the quarter variances are as follows:

Staff -£438k (10%) under budget

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

Admin -£295k (24%) under budget

The admin underspend is mainly related to significant reduction of: development and corporate training fees, job related training, recruitment spend in line with activity, and travel expenditure; also most of the conference costs were removed during the quarter. This is offset by the higher legal charges from Scottish Government.

Programme -£648k (33%) under budget

This underspend for the quarter is a result of the removal of a number of projects from the expenditure forecast

Capital -£135k (75%) under budget

This underspend is mostly due to suspension of the Operational Workflow system replacement, less IT equipment requirements e.g. docking stations and mobile phones, office repairs were removed.

Income £196k (14%) under budget

Less income generated across all Operational Delivery areas for recovery of charges for official controls and in Export 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 October 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 and Programme expenditure to date. The increase in spend for Goals 4 & 5 is caused by the reduced income.

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 **£574k** for each of the three months.

July 22: The reduction in spend of £271k mostly due to licences and subscriptions costs reprofiled to later in the year and reductions across Admin expenditure (£105k). Containments in Seafood sampling and Emergency Exercise projects were not going ahead and other project costs were reduced in Programme spend (£59k). Also reductions in Capital expenditure (£52k) following the suspension of the Operational Workflow system replacement (OWS) and office repairs. The reduction in Staff costs (£30k) was mainly due to lower overtime costs and staff leaving. More income (£27k) was generated in the month due to additional farm visits and meat plants work during the bank holidays in the previous month now invoiced.

August 22: The reduction in August spend of £113k (6%) was mainly due to reduced Admin expenditure (£45k) for travel and the computer software renewals costs accounted for as a prepayment and spread over the year. The underspend in Programme (£38k) was caused by rescheduling the food sampling project, and the biotoxin and phytoplankton sampling work to later in the year. The reduction in Staff costs (£18k) was mainly due to lower overtime costs, staff leaving and other staff costs less than forecasted.

September 22: The underspend of £190k (10%) was driven by reduced Admin costs (£82k) due to lower than expected IT shared services costs and reduced telecommunications spend. Also reprofiled Programme spend (£63k) to later in the year, due to delays in project work. The reduction in Staff costs (£34k) was mainly a result of reduced overtime costs, staff leaving and other staff costs less than forecasted.

Identification of risks, issues and highlights

- 4.8 During quarter 2 there were further reductions in our Admin expenditure for travel and accommodation, training, conferences etc. due to budget overallocation followed by the exercise to bring the spend down in line with the resource budget.
- 4.9 The Staff Complement table (Figure 5) provides the posts that were filled at the end of June. In September 280 posts were filled permanently (8 currently on maternity leave), 20 temporary staff covering a number of vacancies either on fixed term or interim basis and 2 were seconded staff into the organisation. During Quarter 2, 12 employees left the organisation of which 1 retired.
- 4.10 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 95% 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.
- 4.11 At the end of September, the cash drawn down from the Scottish Government relating to the 2022/23 budget was £10.1m. The bank balance as of 30th September was £4.7m.
- 4.12 At the end of the quarter, the outstanding debt was £441k which was a decrease of £70k (14%) from the previous quarter. £136k was over the accepted 31 day payment term, of which £16k was over 61 days from date of invoice (almost 60% increase from the previous quarter).
- 4.13 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 £6k. This is a reduction from the previous quarter, however we are anticipating an increase in the next quarter.

5 Equality Impact Assessment and Fairer Scotland Duty

- 5.1 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.

6 Conclusion/Recommendations

6.1 The Board is asked to:

- **Note** the financial information and provisional outturn position reported as at 30 September 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 September 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						Q1 Var %	Q2 Var %	
	22/23 Budget	YTD Q1	Jul	Aug	Sep	YTD Q2	YTD Q1	Var Q1	Jul	Aug	Sep	YTD Q2			Var Q2
Staff	18,120	4,539	1,509	1,509	1,509	4,526	4,304	(235)	1,389	1,362	1,337	4,088	(438)	-5%	-10%
Administration	4,967	1,121	425	394	406	1,226	1,032	(89)	301	335	295	931	(295)	-8%	-24%
Programme	6,640	1,218	608	611	719	1,939	1,226	9	395	443	453	1,291	(648)	1%	-33%
Capital	614	132	45	45	90	180	91	(41)	18	15	12	45	(135)	-31%	-75%
Income	(5,535)	(1,438)	(505)	(463)	(439)	(1,407)	(1,350)	88	(491)	(375)	(345)	(1,211)	196	-6%	-14%
Total	24,806	5,571	2,082	2,096	2,285	6,463	5,304	(267)	1,612	1,780	1,752	5,144	(1,319)	-5%	-20%

Figure 1: Quarter 2 Performance

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

£'000	FSS Budget	October forecast	October forecast vs FSS Budget
CEO	650	631	-19
DPSO	14,069	12,746	-1,324
DSCA	10,087	9,552	-534
Total	24,806	22,929	-1,877
Staff	18,120	17,159	-961
Admin	4,967	4,501	-466
Programme	6,640	5,683	-957
Capital	614	395	-219
Income	-5,535	-4,809	726
Total	24,806	22,929	-1,877

Figure 2 – FSS Budget and October Forecast

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

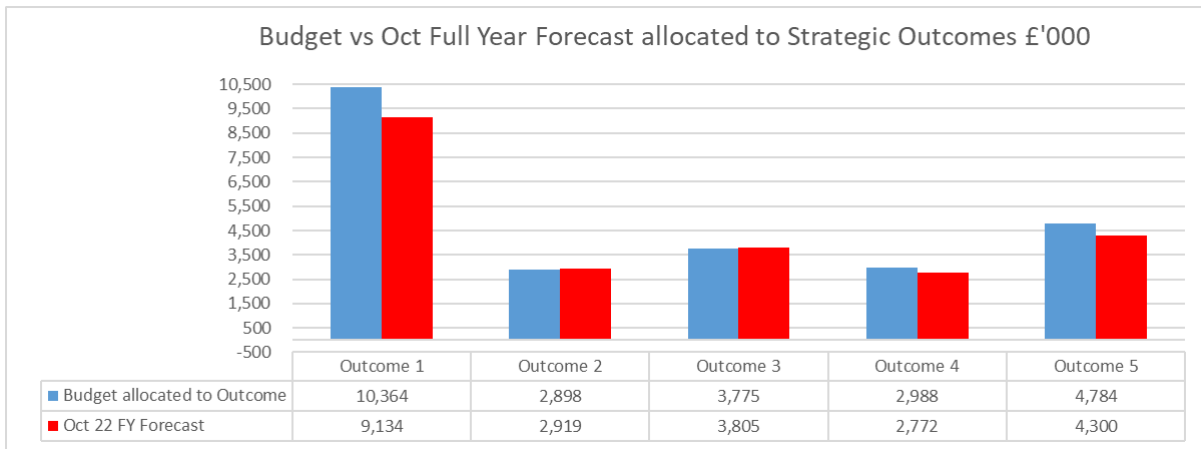


Figure 3a – Allocation of resource expenditure to Strategic Outcomes

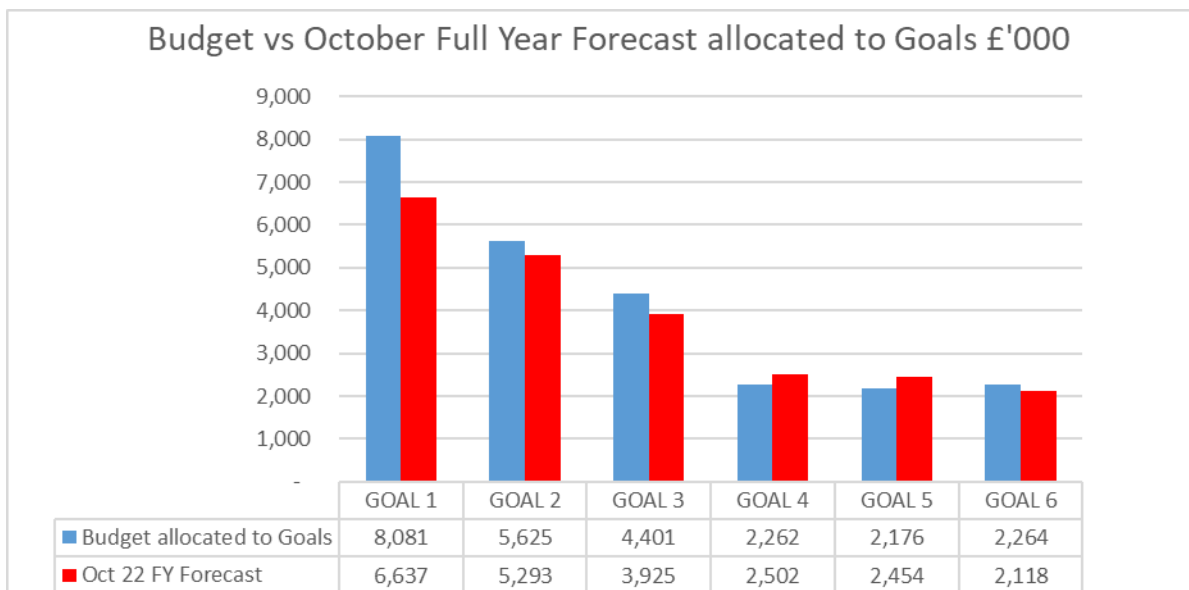


Figure 3b – Allocation of resource expenditure to Strategic Goals

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.*

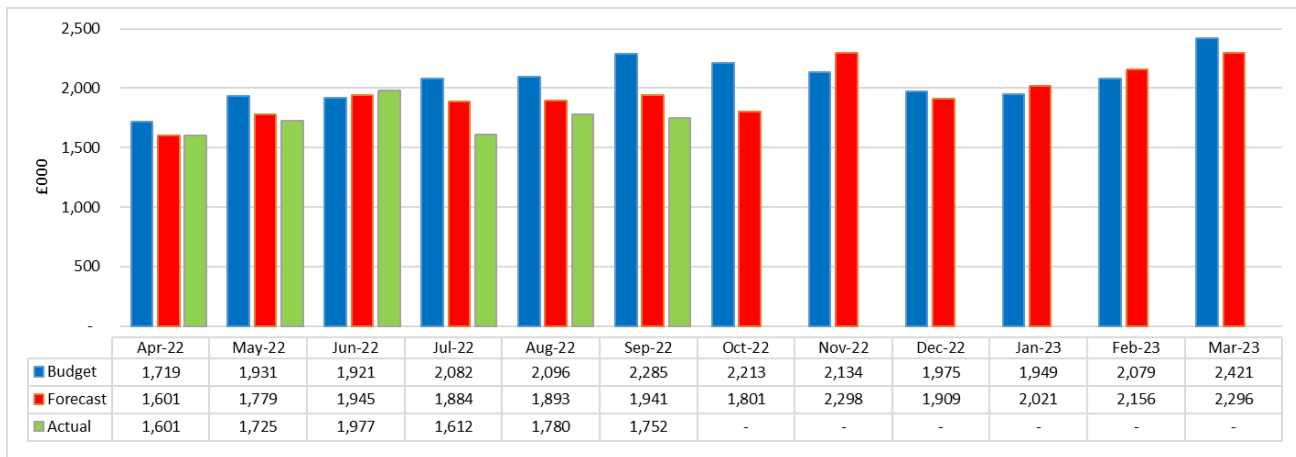


Figure 4 – Full Year Forecast vs Budget

Staff Complement and Supplier Payments

Year	Q1 22/23		Q2 22/23	
Type of post	Staff in Post	Leavers	Staff in Post	Leavers
Permanent Staff	285	9	272	10
FTA - not permanent	15	2	12	1
Agency Staff	6	2	8	1
Maternity Leave	4	0	8	0
Seconded Staff	2	0	2	0
Total FTE	310	13	301	12

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%
Jul-22	243	97%
Aug-22	219	99%
Sep-22	241	98%
Total	1531	95%

Figures 6 – Supplier Payments