

2025/26 Budget Update

1 Purpose of the paper

- 1.1 The purpose of this paper is to provide the Board with an update on our budget allocation as a result of developments since the Board discussed the 2025/26 budget at their March meeting.
- 1.2 The Board is asked to:
 - **Note** that the Executive Management Team (EMT) has progressed with the 2025/26 budget allocation to deliver the FSS priorities including our statutory functions well as essential underpinning core business activities.

2 Strategic aims

- 2.1 This work supports delivery of all the strategic outcomes and roles in our strategy to 2026 with the focus on the final year of the 2024-2026 corporate plan.

3 Background

- 3.1 In the [Scottish Budget: 2025 to 2026](#), FSS has been allocated an administrative budget which includes Resource allocation £22.7m for the next financial year which includes:
 - £22m of the fiscal resource budget;
 - non-cash (depreciation) budget of £0.7m; and
 - £0.4m for Annually Managed Expenditure (AME).

The non-cash element does not affect the Food Standards Scotland spending power, as HM Treasury rules mean that these resources cannot be used for spending on cash goods and services. This non-cash element simply provides budgetary cover to meet differences in accounting estimates in areas such as the depreciation of fixed assets.

Since the budget requirement return submission in November 2024, FSS is in a continuous dialogue with DG Director-General Health & Social Care highlighting the estimated budgeting pressures in 2025-26 expenditure. The Scottish Government acknowledged the identification of the core operating pressure of £2.5 million against the published budget. Any adjustments to address the pressure identified and reallocation between resource split will take place at either the Autumn or Spring Budget Reviews.

At the last meeting in March 2025, the Board agreed that FSS could plan for an expenditure budget of £24.5m (net of income and depreciation) to support the organisation's priorities, statutory functions, and essential core business. We have internally allocated the resource budget for planning, monitoring, and reporting purposes.

In addition, FSS will receive £50k funding to support REHIS activities. This budget will be a part of the SG Autumn Budget Review (ABR) and is in addition to the £2.5 million core operating pressure.

As part of the ABR transfers, FSS will receive £3.1m for SAFER work from the 'Invest to Save' allocation from SG, to be undertaken in 2025/26. The budget split, spend monitoring, and reporting against the spend categories for this programme will be managed separately from FSS's resource budget allocation with oversight provided by the FSS SAFER Programme Board.

4 Discussion – Allocation of Budget

- 4.1 Following the various asks for Divisional level budgetary reductions and discussion on the budget bids, £24.5m budget (net of income and depreciation) has been internally allocated to deliver the FSS priorities and is the basis for forecasting across FSS. This budget broken down into committed and non-committed spend will result in an approx 85/15 split. The flexibility in the non-committed spend is mainly within the admin budget eg training, travel, consumables etc., as well as with funding provided for new project activity.
- 4.2 The allocation of the budget is taking into account an expected 3% vacancy assumption running through the year. This will be subject to ongoing review by EMT and form part of our usual monthly budget and forecasting update. After the end of the first quarter the forecast outturn for the year will be formally reviewed and an assessment made as to whether some projects or activities need to be paused or stopped to enable the expenditure to be brought within budget.
- 4.3 The budget has been allocated across five budget category areas as well as across our five strategic outcomes and the seven new roles detailed in the corporate plan. The charts in Annex A provide the high level summary of this allocation, the percentage spend against each of the outcomes and roles where for example 38% of the budget is for delivery against Strategic Outcome 1 – Food is Safe and Authentic. Further detail of the spend within each budget category can be found in the 2025-2026 Financial Management Plan previously tabled at Board and FBC
- 4.4 The Staff budget is based on an indicative 306 (including 8 members of the Board) posts being filled either partially or fully funded during the financial year. We were carrying a number of vacancies at the end of 2024/25 and it is expected that updates to forecast will show an underspend against the staff budget that will continue during the current year until posts are filled. A number of recruitments are in progress for core business activities, including within the Operational Delivery Division, to backfill vacancies when staff left FSS or temporary backfill maternity leaves.
- 4.5 The recruitment panel will continue to monitor and scrutinise new and emerging vacancies this the financial year. This will bring together business and workforce planning arrangements and ensure senior management oversight.
- 4.6 Administration (running costs) budget has ensured ongoing costs across the business can be met for areas such as accommodation costs, training, shared

services for IT, HR, Legal, Procurement etc. The budget bids exercise initially led to increased requirements in some areas for example subscriptions and licence fees; the majority of these budgets have been kept at the outturn spend for 2024/25 with 3% CPI forecasted increase. The shared services resource costs for procurement activity have also been set based on the outturn spend for the previous financial year.

- 4.7 The income budget has been adjusted to include the charge out rates for 2025/26 and to reflect any changes to the requirements for the delivery of meat official controls in plants during the year. This resulted in additional income that will partially offset the increased costs of delivering the service. We will continue to track industry activity that could influence income forecasts and will ensure the Board is appraised as required.
- 4.8 There are new project bids that will be required to be taken forward via a procurement exercise by SG procurement shared services who carry out the procurement tenders for FSS. This timetable of work is being finalised to prioritise activities, together with existing contract renewals or extensions, to ensure that key projects are delivered within the timeframes required. The procurement requirements for the SAFER work are still being discussed.
- 4.9 Any further funding proposals that come forward will go through a process of prioritisation that will require further discussion by EMT. The intention is that this will support EMT to deliver the strategic outcomes and to make decisions on what may or may not be funded depending on the final financial position we find ourselves in.

5 Identification of risks and issues

- 5.1 As part of our approach to managing risk, we continue to identify one of the main risks we face as an organisation is our budget being reduced or being impacted by wider financial pressures across the Scottish administration due to the ongoing financial challenges in the public sector.
- 5.2 SG Health Finance officials have continued to engage with FSS to ensure that its business and associated pressures are appropriately understood. Regular dialogue will continue with SG colleagues to ensure they are kept informed of issues faced by the organisation.
- 5.3 From the figures in Annex A the budget is currently over allocated by £2.5m at the start of the financial year. The over allocation of budget will be a risk for the organisation and will be closely monitored during the year by the EMT and through our monthly financial reports.
- 5.4 FSS is part of the SG Main (SGM) bargaining unit for pay settlements and is responsible for implementing the agreed settlement. The staff costs in the budget allocation in Figure 1 reflects the assumed 3% pay increase 2025/26 and any pay progression as staff move up their pay grades. Factoring in this cost gives an overall increase of approx. 4.1% in the pay costs for the year leading to a 5% cut in flatlined budget.

- 5.5 The Staff budget allocation is on the basis of an average 306 full-time equivalent (FTEs) being filled during the year. A 3% vacancy assumption has been built in based on the current level of vacancies and experience from previous years. We anticipate that the actual staff in post will likely be less than this during the forthcoming year if staff turnover reflects that of the last year.
- 5.6 The additional national insurance employer costs (NIC) of £0.3m has also been included in the staff cost calculations due to lack of published guidance and possible refunds from Scottish Government.
- 5.7 FSS is part of the SG Main (SGM) bargaining unit for pay settlements and is responsible for implementing the agreed settlement. The Public Sector Pay Policy for the next 3 years has not been finalised nor published yet. FSS calculation of the staff salaries cost for 2025/26 is based on 3% increase during the year and totals to £19.9m (including salaries, NIC and pension contributions, excluding vacancy assumption overtime, on call and supplements costs).

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. The strategy was finalised in 2021 and the new Corporate Plan for 2024-26 agreed in March 2024, both 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.
- 6.2 The current budget allocation is aligned to both the strategy and new corporate plan and there is no new areas of business that FSS is responsible for delivering in the current year.

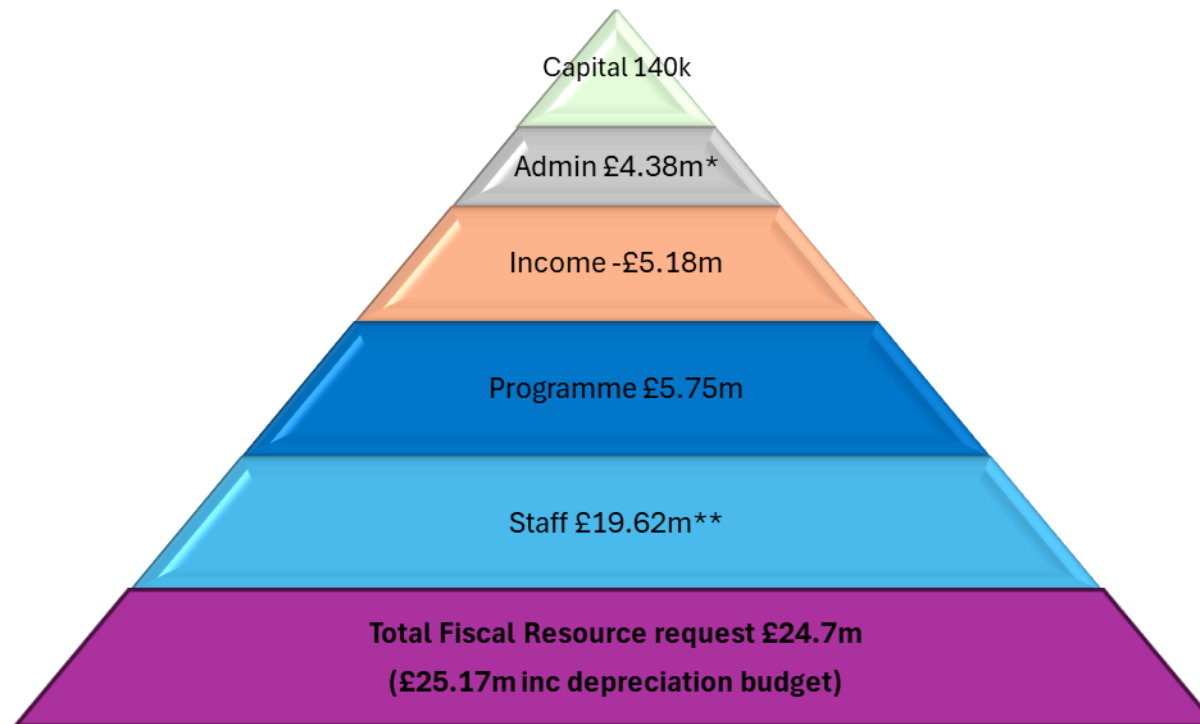
7 Conclusion/Recommendations

- 7.1 The focus for the year ahead will be deliver our core business as usual activities and the priorities identified in the new corporate plan including key programmes of work to meet the aims of our strategic plan.
- 7.2 The Board is asked to:
- **Note** that the EMT has progressed with the 2025/26 budget allocation to deliver the FSS priorities including our statutory functions as well as core business activities.

Please direct queries to:
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13 June 2025

Annex A



* excluding non-cash element - depreciation

** 3% vacancy assumption included

Figure 1 - Allocation of budget

FSS Budget 2025/26 allocated to Outcomes

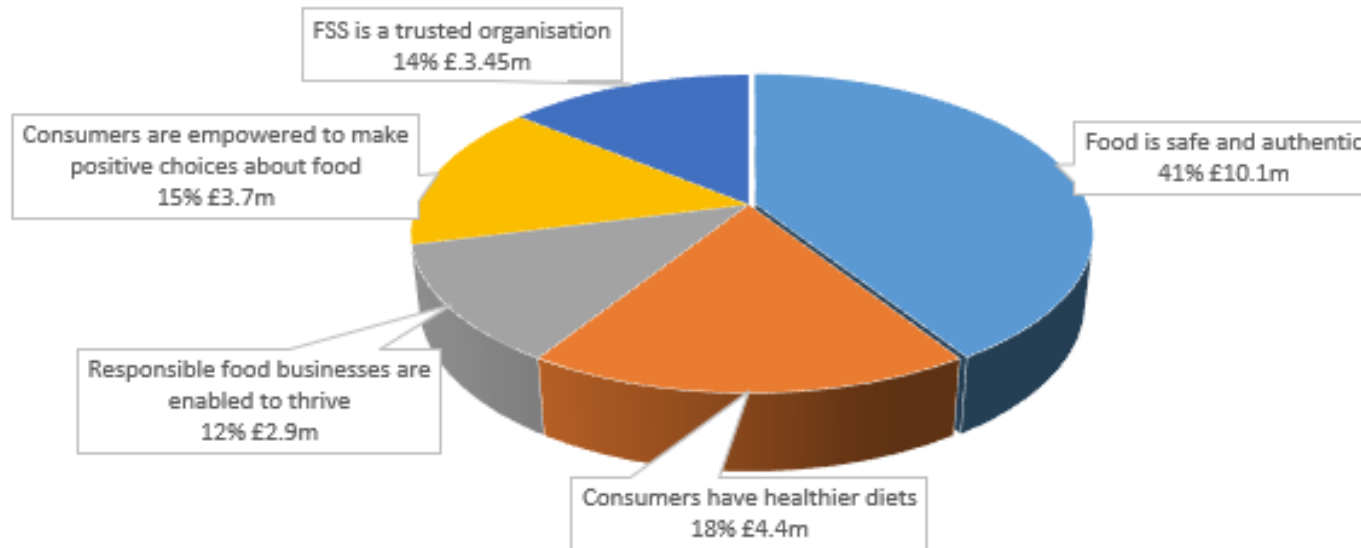


Figure 2 - Allocation of budget to Strategic Outcomes

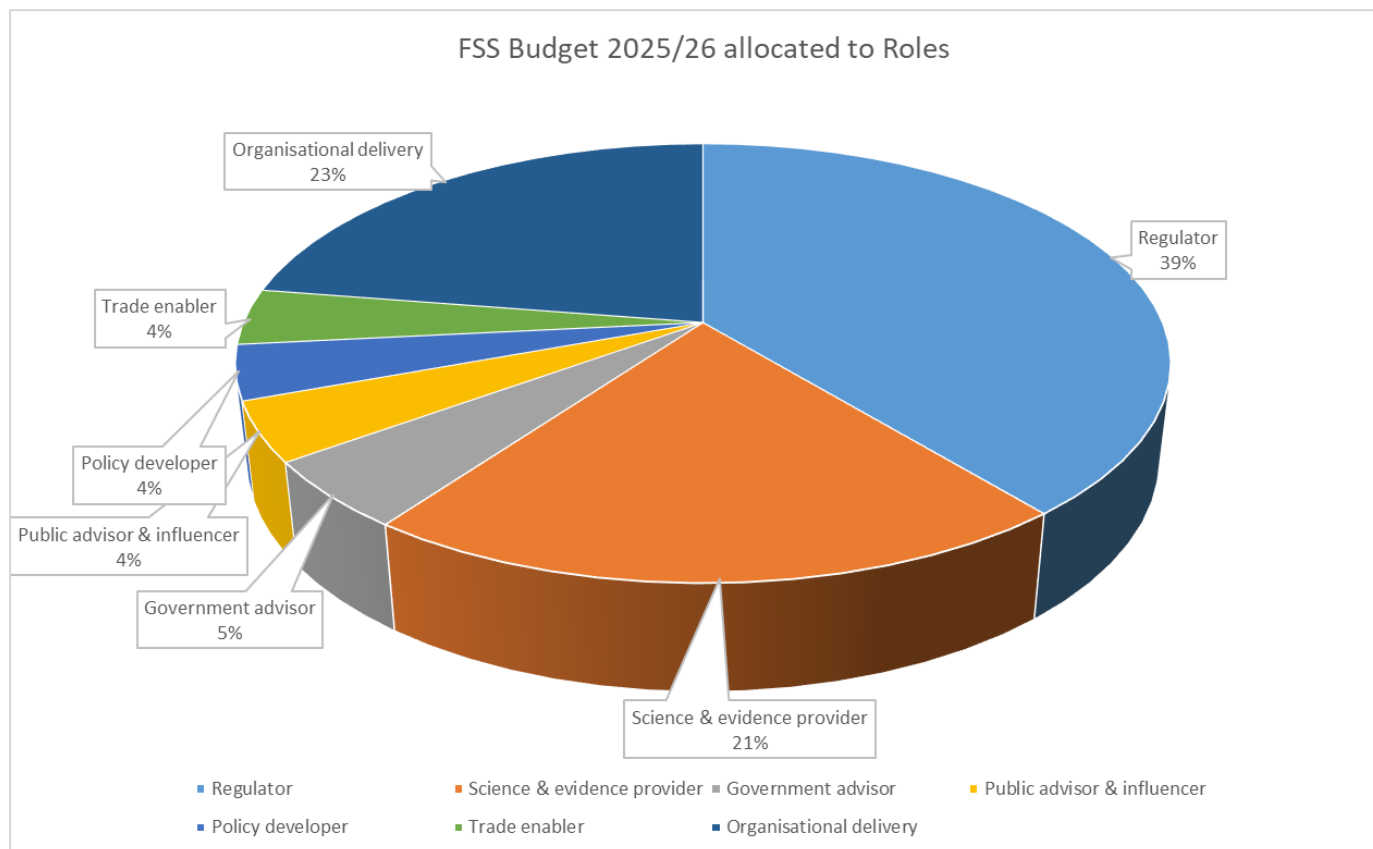


Figure 3 - Allocation of budget to Roles in Corporate Plan