

# FSS Operating Environment for 24-2025 Financial Year

## 1 Purpose of the paper

- 1.1 To share with the Board the operating environment of FSS in the next financial year and the challenges that the organisation faces. The paper is in three parts: part (i) sets out the operational context while part (ii) sets out the proposed response, part (iii) focuses on the role of the Board.
- 1.2 The Board is asked to:
  - **Note** the operating context for FSS in 2024-2025
  - **Agree** the proposals in Part (iii) for the Board

## 2 Strategic aim

- 2.1 This paper supports all of FSS' strategic outcomes.

## 3 Background

- 3.1 As FSS enters its 10<sup>th</sup> year, it is time to take stock and share with the Board the environmental context and operational challenges facing us over the next financial year. The forthcoming year will be the:
  - 3rd year of the present spending review period
  - and thus the 3rd year of the public service review period
  - 4th anniversary of exiting the EU
  - 3rd year of inflationary budget pressures
  - UK general election year
  - first year of a new management structure following the departure of one of the Deputy CEO's
- 3.2 In terms of organisational maturity, we continue to develop. Systems and processes were successfully put in place to cope with the functions we were delegated and over the first 10 years these have been improved. We have also dealt with the consequences of Brexit and operated successfully during the pandemic. But in terms of savings and efficiencies there is no longer any "low-hanging fruit" and we are now facing the need for more radical change as described by the Deputy First Minister to "*change the way that they (public bodies)*

*operate...to ensure the stability of their public services”, but with limited resources to achieve it.*

## 4 Part 1 – Context

4.1 It is important to understand the operating context that the Executive believes will apply in 2024/25. And it is this context that will shape and influence how our year develops. There are a number of key areas relevant to how we operate and while expectations will remain high, they will not be matched with new or additional resources. The key areas are:

1. Stakeholder expectations
2. The financial position
3. Our People
4. The political context
5. Relevant External Factors

## 5 Stakeholder Expectations

5.1 Like FSS, many of our stakeholders face a range of pressures. Food Inflation is still a factor and although it is down from a high of [17%] to now at [8%]<sup>1</sup> there is still considerable industry pressure. EU exports are now more expensive with the range of non tariff barriers, labour shortages remain a challenge and cost of living is impacting on consumer spending. In that context, further public health reform may well be seen as a “further burden”. That said, overall our stakeholder relations are generally very good and while we might not always agree there is maturity in those relationships that enables effective collaboration. Overall, we will need to maintain our efforts working with our stakeholders.

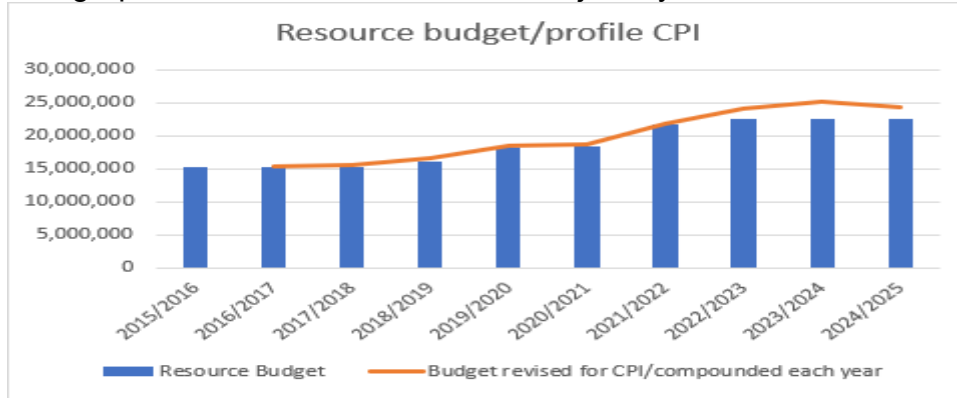
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<sup>1</sup>

[https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food#:~:text=Food%20price%20inflation%20falls%20to,%27%20housing%20costs%20\(CPIH\).](https://www.ons.gov.uk/economy/inflationandpriceindices/articles/costoflivinginsights/food#:~:text=Food%20price%20inflation%20falls%20to,%27%20housing%20costs%20(CPIH).)

## 6 Delivery of Public Services – Financial Position

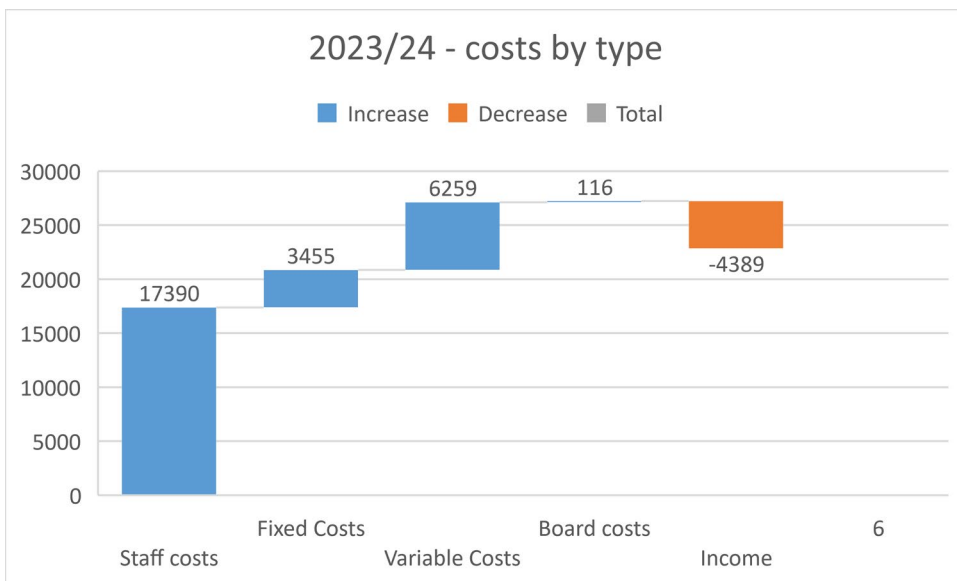
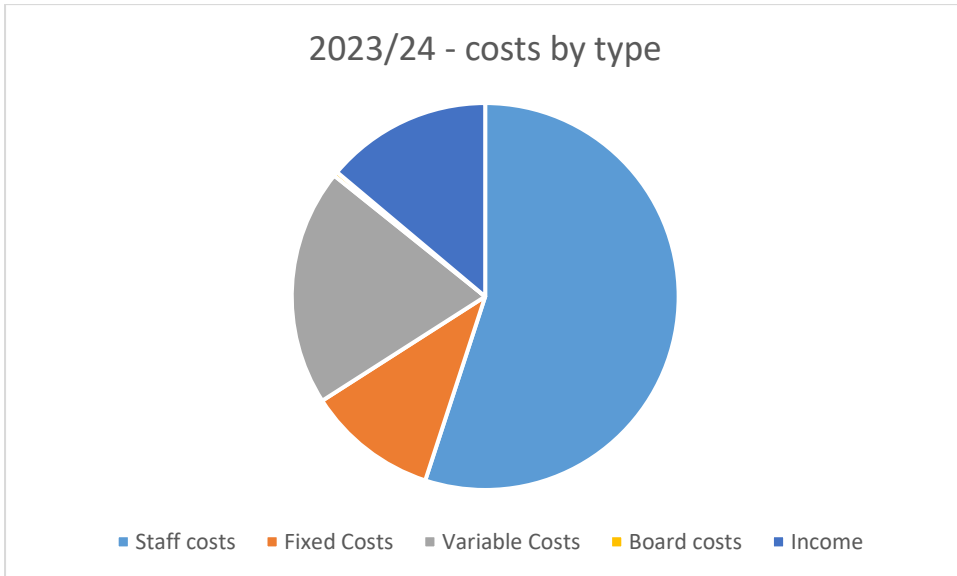
6.1 The graph below shows the resource trajectory for FSS since 2015.



6.2 As can be seen by the graph, apart from the £7m injection to deal with the EU, our budget has remained flat since our existence. As in 2023, the FSS financial allocation for 2024/2025 will be £22.7m which represents another real terms decrease in our allocation. In this respect FSS is being treated no worse than any other organisation in the Scottish Administration. In 2015 our original allocation was £15.7m and, according to the Bank of England inflation calculator<sup>2</sup> that would now be £20.7m at 2023 prices taking our budget to £27.7m with the Brexit allocation of £7m. This works out at a 24% real terms reduction in our funding since our coming into being. The efficiency challenge for FSS is not new, it has existed every year and will continue in 2024.

6.3 The organisational challenge is to continue to get the right balance between staff and non-staff costs. The graph below shows the staff/non staff split.

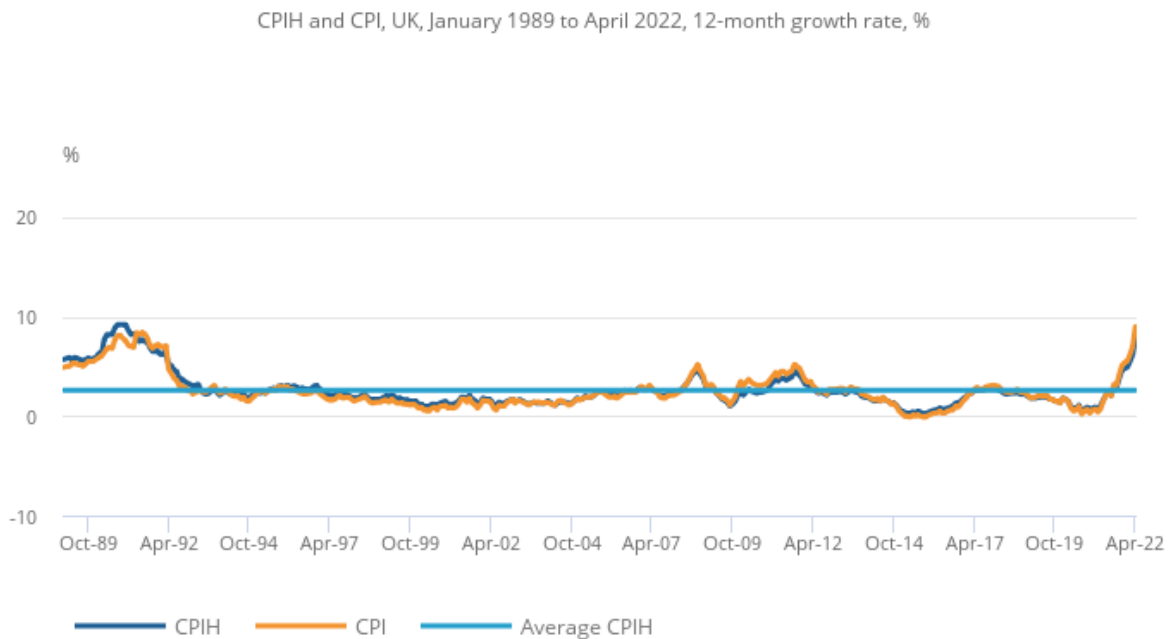
<sup>2</sup> <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>



6.4 Our intention is to have a balance between staff and non-staff costs of 80%:20% but the difficulty is that there are standing costs (rent, heat, light etc) that are increasing with inflation so in cash terms the 20% is under pressure and while we

are bearing down wherever we can on non-staff costs, the graph below shows the significant spike in inflation which clearly has had an impact and while inflation was fairly static, the budgetary pressures were generally manageable. However, now with a flat-line budget and inflation having increased significantly the pressure on budgets has been significant too.

Figure 2: Inflation has typically been lower since 1989 than between 1950 and 1988



Source: Office for National Statistics – Consumer price inflation

6.5 The other side of the finance equation is our income. On average, our net income from the meat industry has been around £4m after the discount of £1.m is taken off. Our calculation of cost is determined primarily by the number of industry hours divided by the staffing requirement and that is then spread across the relevant parts of the meat industry. We can only charge for the utilised hours and where we are unable to charge, FSS meets the staff cost. In 23/24 the balance of charged v non charged hours was 88%:12%. What we are seeing for 24/25 is a reduction in the hours the industry requires (2.3% from prior year forecast) as well as reductions in the number of plants that pay charges. In 2015, we had 43 plants and we now have

30 operating plants. This will mean that our charges will increase, even though the hours have gone down because the costs are spread over a reducing number of businesses.

- 6.6 Finally, on the financial position, the Board will be aware that in terms of prioritisation of funding, it will need to be focused on meeting statutory obligations first. And while we are running out of areas of discretionary spend, it will be discretionary spend that will need to be cut first. Other non-staff costs will of course be considered too.

## 7 People

- 7.1 We estimate that to balance the budget in 2024/25 we will:
- need to reduce cost by the equivalent of around 25 WTE. This will be in addition to the 16 FTE capacity we will lose with the introduction of the 35 hour week for A-C bands;
  - be running with staff deficits in a number of areas with it being particular acute in SAFER, policy and Field Operations;
  - for SAFER we need a minimum of 7.5 WTE to deliver it;
  - in policy we need at least 6 WTE; and
  - in field operations we are currently 6 OVs short and are losing or will lose 6 Meat Inspectors through retirement.
- 7.2 With regards to the last bullet above the replacement costs creates a £800k cost pressure – although it is highly unlikely all of that will materialise in 24/25 – and we are unable to charge while staff are in training so there is no off-set of those costs. As there is a statutory obligation to provide official controls, the short-term solution is the use of Agency staff which is around 1.5 times the cost of an FSS employee. Recruiting staff will also have the advantage of reducing industry costs.

## 8 COVID

- 8.1 The way we work is fundamentally different to how we operated before COVID and while hybrid working is clearly here to stay, we need to recognise that it introduces a different way of working as well as leadership challenges that come with an organisation that is split between home and the office. Pilgrim House isn't being used enough, but equally simply telling people to come to the office isn't the answer either, especially if the day is full of Teams calls. However, there are advantages from office attendance and we need to do more around encouraging the benefits of office attendance as well as looking at the ways in which we use Pilgrim House. We have already decided to trial Mon/Friday office closure for three months to see what

impact it has besides the potential to save money and contribute to sustainability requirements.

## 9 Staff Wellbeing

- 9.1 Many of the challenges outlined above increase the risk of further pressure on staff trying to deliver a significant agenda with diminishing resources. Two key areas we will need to keep a focus on are sick absence and turnover. The latter has been high over the last 18 months and was discussed at the FBC, but turnover has mainly been driven by either retirement or people leaving on promotion. I am concerned about organisational stress and while the staff survey showed a marginal increase from 21% to 23% between last year and this year, the evidence suggests that there are increasing risks in this area. We are intending to undertake a stress survey to help us better understand how staff are feeling.

## 10 The Political Context

### EU Exit and UK Government

- 10.1 EU Exit is the “gift that keeps on giving” and there is still EU exit related activity that FSS has to be involved in, in particular the introduction of the remaining Border Controls in 2024/25. While we had a very welcome £7m increase in our budget in 2020/21 as a consequence of Brexit, practical experience has shown that the TCA – which is barely much better than a No Deal – has had a significant adverse impact on FSS and the £7m addition in reality was insufficient. As the Board may recall, prior to the Spending Review we had for another £3m for 50 additional staff. Additional hurdles, such as revised UK Government Immigration rules which makes vet recruitment significantly more difficult, has added significantly to organisational pressure.
- 10.2 In recent years, we have also been impacted by the UK Government introduction of the Internal Market and REUL Acts; both of which absorbed a significant amount of staff time to deal with. More recently, regulatory reform has moved up the UKG agenda, and we are already considering options around reform of regulated products legislation with the FSA, as well as being mindful of proposed labelling changes announced by Defra could also have some impact on us. And while legislation might not materialise before an election it is possible that labelling, and other potential areas of reform, will continue to exist post election. This presents challenges to stretched resource who are trying to deliver BAU as well as progress potential reform, in line with the Board and SG principles. The results of the election

and a new Government of whatever complexion, may also bring additional challenges.

## 11 Public Service Reform

- 11.1 This continues to be a SG priority and remains a priority for us also; indeed our proposals around SAFER are entirely aligned with transformation and reform. However, the fact remains that given the financial challenges above, and unless there is some short term funding to enable the transformation, what we can achieve will be limited. While we have a clear agenda for reform unfortunately at the moment the funds to support it have not been forthcoming -even though the saving to the public purse would be significant - so it is inevitable that our reform programme will be scaled back.
- 11.2 Later in the year, we can expect some disruption as the new HR, purchasing and finance systems are introduced. For example, there will need to be a recruitment freeze at some point to allow for implementation of the new system.

## 12 Relevant External Factors

- 12.1 Besides the UK General Election, it is harder to predict what these might be. Based on the last few years, there will be an on-going risk of UK Government decisions impacting on us both within and outwith the four countries framework. In general terms the four countries model has had mixed success. It generally works well with the FSA, Defra and DHSC who we have agreements with, but other Whitehall departments have been less cognisant of it and, besides the Internal Market and REUL Bill announcements which were major challenges to deal with, we have had decisions on Precision Breeding and Labelling, where there has been no prior consultation but there has been considerable hikes in workload.
- 12.2 At a devolved level, we can expect to see further developments with regards to the Scottish Food Commission as both the plans and structure of the Commission emerge. As yet it remains unclear what impact this will have on FSS but we are aware of the potential risks associated with it, including mission creep and blurred lines of responsibility, duplication of effort, and increased scrutiny on FSS roles, remit and functions. What we do know is that there has been no funding for additional activity that would enable us to support the Commission.



- 12.3 At a geo-political level, there is also less stability and as we saw from the Russian invasion of Ukraine, the global food system is sustainable to shocks and with it comes the need to respond to those appropriately.
- 12.4 And finally, the other relevance here will be the UK General Election. Whenever it is, there will be the usual Pre-Election Period that will bring limitations on what we can say and do during that time. Thereafter, the new Government and new Parliament will be in place and we will need to analyse and understand the potential implications of their Manifesto Commitments and where they may be relevant to us.

## 13 Part 2 – FSS’ Response

### 14 Prioritisation

- 14.1 The Board are aware of the exercise we undertook and the agreement that the priorities would be: Official Controls on Food and Feed, Incidents and Food Crime, Public Health Nutrition, SAFER, Data and Digital, SVS and REUL. Of these, we are now able to focus more on the first five as the REUL Act<sup>3</sup> is now in place and while we await a Minister decision on SVS we are not directing resource towards it. The Executive is also undertaking some detailed analysis of “Business as Usual” activity to understand with more precision where we are spending our time and effort. Of course, our BAU is core to what we are here to do, but our intention is to get a fuller picture of where staff time is being spent and help determine where we can be more efficient or indeed where we need to alter the way we work, pause or stop certain BAU activities. The composite of priorities and BAU, as well as identifying changes to the way we work, should then inform further decisions on resource allocation. Nonetheless, while it will help, the scale of financial challenge means it is inevitable that we will need to make further choices on what we scale back or stop/pause. The added challenge is that while data and digital can help improve our efficiency and effectiveness, the reality is that it is possible that even that becomes subservient to our need to meet statutory requirements and has to stop.

### 15 Data and Digital

- 15.1 This will continue to remain a priority and a key area is the replacement of the field operations computer system, enhancements to analytical tools for datasets relating

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<sup>3</sup> The REUL Act is in place but the work around assimilated law hasn’t stopped as we are seeing around reform of Regulated Products that creates significant handling and work for FSS and our legal team.

to food business compliance (Scottish National Database), sampling (Scottish Food Sampling Database) and consumer retail purchasing. Further digital discovery work is also underway to scope out our requirements for a new digital system to support SAFER, assuming funding can be secured for SAFER.

- 15.2 In the last year, we have established a digital and data steering board to provide strategic direction and governance to digital developments. The group aims to optimise value for money from digital systems and ensure end products are future proofed and fit for all users.
- 15.3 We are also currently undertaking a Data Maturity Assessment which will help us to better understand capacity and capabilities across the organisation and how to target our resources in this critical area going forward. We will use the results of this assessment to develop a road map for our digital and data strategy going forward.
- 15.4 The opportunities for in-house development of new modern, digital systems have been demonstrated with the development of wireframes, prototypes of web forms and database that will be hosted on an FSS Azure Cloud network. We are also testing a digital component that enables the capture of data offline to then be uploaded to a cloud database when an internet connection is established. While we are seeing small wins in our in-house development, it is clear we are currently limited in terms of the digital and data science expertise needed to develop the organisational capability and we lack the necessary infrastructure to deliver further significant digital enhancements that FSS will require to become a more data driven organisation.
- 15.5 Cyber resilience is now more critical than ever with the increased convergence of digital technology. We must put in place appropriate measures to safeguard our data, systems, and infrastructure from potential cyber-attacks. The anticipation and mitigation of potential cyber risks will come at a significant cost to the organisation in cyber security awareness campaigns, training, audits, threat detection system, reliable data back-up and cyber incidents response solutions.

## 16 Ways of Working

- 16.1 The proliferation of new technologies like the fast-moving rate of cloud computing and generative AI in the provision of public services poses a challenge to our ways of working. We must remain competitive by replacing redundant legacy systems but also mindful of our people and processes when adopting new technology. The roll out of any digital change takes time and is expensive. Our approach to digital change is iterative 'small digital wins' to streamline operations, improve productivity and allow for adaptations to be made along the way. We must ensure that the

introduction of any new digital technology to our infrastructure is done in an innovative, ethical, secure, reproducible, and proportionate way.

- 16.2 The use of IT, attendance at meetings, knowledge management, email etiquette etc are all ways in which we can look at how we can be more efficient: it is the Brailsford “sum of marginal gains” philosophy we are looking at. The greater use of data to develop evidence will also shift the way we work. Key systems such as Intake 24 should transform our capability around dietary monitoring and of course helps with capacity as we can do significantly more with the same or less resource. And we now have a number of examples of changes we have made that have made a difference ranging from an on line booking system to support hybrid working; a food crime profiling tool through to the development of several digital components to support our delivery eg the nutrition dashboard.
- 16.3 From a leadership perspective, we also expect to introduce more autonomy and empowerment at C2 level and remove or reduce some of the hierarchy around decision making. The intention is to set clear parameters around delivery requirements, budget and staff resources so while the “what” is defined we enable more autonomy on the “how”. This will of course be supported by appropriate governance and accountability.
- 16.4 Staff are without doubt our greatest strength and it is why retaining our focus on staff well-being will be important. The staff challenge **isn't** our capability because we have experienced, knowledgeable, skilled and committed staff; the challenge – and perhaps frustration – is that impact of the lack of capacity. I expect that we will continue to deliver to the very high standards we set ourselves, but the quantum of what we can do will need to be reviewed constantly against the context outlined above.
- 16.5 With regards to the delivery of change, we now have considerable experience of both business and organisational change. While perhaps we don't recognise it enough, our experience of change over the last 9 years should give us confidence in our capability to continue to deliver change. We will also be introducing a revised structure to replace the temporary one we put in place in February 2023 following the departure of one of the deputy CEOs. The new structure will be flatter as the DCEO role is not being replaced.

## 17 Our Planning

- 17.1 Delivery of public services isn't getting easier; if anything, it is getting harder, not least because of the financial pressures and while there will be a need to be agile and flexible, we can also bring certainty to some degree. As part of the planning for

2024/25, we have already had to review what we can deliver. **Annex A** includes the list of priorities we would deliver if and where resources allow. The Corporate Plan – which the Board is also considering – gives us clarity on what it is we want to do, even though we'll have to accept there is some element of risk in having to adapt to circumstances. The two year plan at least enables us to make some decisions beyond a one year time horizon.

## 18 Part 3 – Role of the Board

- 18.1 At a strategic level, the Board's decisions and expressed views give the Executive its "licence to operate". Once the Board has decided or commented on an issue, it enables the Executives to operate within that framework. This manifests itself most obviously in the Executive being able to say "the Board's view is...". That means that looking at the way in which we articulate the risks and issues and indeed the Board's concerns so that the Executive can reflect them.
- 18.2 The other area of focus for the Board will be greater use of the Risk Appetite when it comes to decision making and where resources are allocated. This works both in areas where the Board is averse to risk, where, as above, the Board should be more vocal on its concerns (eg greater use of social media after a Board meeting) and where the board has more risk appetite support the Executive in pushing the envelope and encouraging risk-taking. This is not necessarily an easy culture for the Civil Service where "who's to blame" is more often the question when something goes wrong. The challenge here is often that behaviour is driven by a concern around the consequences of failure or mistakes, but Board acceptance, especially where there is an appetite for innovation etc, that there may be mistakes would encourage risk-taking and innovation. Put another way "to get trust, you have to give trust". However, we should also be clear that this is not about introducing an absence of assurance or accountability from the Executive to the Board.
- 18.3 In 2024/25, we should also look to continue to increase the political engagement of the Chair and Vice Chair (with the CEO and DCEO) to ensure that there is a broader apolitical understanding of FSS's remit and the challenges in delivering it. Certainly, in addition to Ministerial engagement, we should look to meet Opposition spokespeople on both health and agriculture to discuss our challenges and agenda.
- 18.4 From a communications perspective the Board have a role to play in supporting brand awareness of FSS with key stakeholders. As per a previous board presentation, the ways in which board members can support this work fall into 3 buckets:

- Advocacy and stakeholder engagement – actively promoting FSS mission, vision and values, facilitating and partaking in stakeholder engagement and advocating for FSS, promoting the work of the organisation in appropriate forums.
- Education and awareness – participation in public awareness campaigns and engagement with and sharing of content from FSS communications channels.
- Research and innovation – showcase our active research initiatives and collaborations, offer advice and guidance relevant to areas of expertise and help foster new partnerships for research to advance FSS work and reduce financial burdens.

18.5 Internally, the Board has been asked to agree to the Board Champions concept and, assuming that is agreed, greater Board member visibility with teams would ensure that the Board has more understanding of the scale and scope of the work we're doing as well as providing assurance to other Board members of the Executive's activities. There are also benefits from staff at all levels having more frequent engagement with Board members.

18.6 On prioritisation, it is possible that there will need to be further debate with the Board. At this stage, the original priorities have shifted in that the REUL Act is now in place and we are now focussing on five priorities. As we develop the work on BAU activities as well as the Priorities, it is possible that further decisions will be required around prioritisation.

## 19 Identification of risks and issues

19.1 There are no specific risks highlighted given the paper itself sets out in some detail the key risks the organisation faces. Needless to say, the main risk is going to be our continuing ability to protect public health against an increasingly challenging resource envelope. The board should also note, subject to its agreement, that the Corporate Plan identifies the core strategic risks the Executive will manage with support from the Audit and Risk Committee. The Risk Appetite sets the framework within which we will operate and if resourcing decisions are required then the Executive will use the Risk Appetite to help inform any decisions and recommendations.

## 20 Equality Impact Assessment and Fairer Scotland Duty

20.1 There are no specific issues relevant to this paper as it is an overview of the 24/25 Operating Environment.

## 21 Conclusion

21.1 There is no doubt that we are facing considerable challenges not just in 24/25 but also in 25/26 and while our capability remains high, capacity will continue to be a challenge. The role of the Board and the Executive will be to continue to focus on the protection of public health to the best of our ability. Flexibility and agility are likely to be a constant as will working in an uncertain environment and it is therefore important that the Board and senior executive are aligned in a shared understanding of the challenges and that we also ensure that we capture and celebrate the successes, of which there will continue to be many.

21.2 The Board is asked to:

- **Note** the operating context for FSS in 2024-2025
- **Agree** the proposals in Part (iii) for the Board

Please direct queries to:

Geoff Ogle  
Chief Executive Officer  
Date 20 March 2024

## Annex A Our priority deliverables that are dependent on resources being made available

Due to the ongoing challenges we face some of our deliverables are dependent on additional resources being made available. These deliverables are noted below under the relevant FSS role and objective.

**Regulator Role** [Our objective is to ensure food and feed is safe by working with delivery partners, professional associations, industry, and stakeholders to develop and implement more effective, efficient and sustainable approaches to regulation, official control delivery and regulatory assurance for food and feed law.]

- **Allergens** Explore potential approaches to improve consumer confidence in allergen information provided in restaurants and cafes.
- **Approved establishment model (Local Authority enforced approved establishments)** The current protocols and guidance will be reviewed, updated and developed into a cohesive and accessible suite of guidance for use by Local Authorities.
- **Cooksafe** The Cooksafe suite of guidance is one of the most downloaded documents provided on the FSS website. It is a key document to guide the safe operation of a food business. Working with the Scottish Food Enforcement Liaison Committee we will update the document to reflect regulatory changes and advice and ensure it meets the Scottish Government's accessibility requirements.
- **Egg audit review** FSS has statutory responsibility for official controls for egg production at primary production level. Following the FSS audit the current approach requires to be reviewed. We will develop a new framework for delivery of this requirement and work with Audit colleagues to address their recommendations.
- **Official Control Delivery** A base level of permanently employed authorised officers, line management and support staff are required, to deliver an employed model for all meat official controls, and a delegated model for Feed and Shellfish.
- **Official Control Regulations (OCR) requirements in the dairy sector** The current enforcement approach in the dairy farm sector requires to be aligned with requirements in the OCR. Working with Local Authorities we will develop a project to develop a framework for this sector that is compliant with legal requirements and allows for sufficient veterinary oversight.

- **Regulatory Reform**

- We will consider potential improvements to food labelling legislation and food information for consumers in Scotland, working with the Scottish and UK governments to assess the outcomes of the UK-wide consultation on animal welfare and country of origin labelling.
- We will provide advice to Scottish Ministers on gene editing technology and its application to precision bred food and feed, including implications for the existing genetically modified food and feed regulatory regime in Scotland following adoption of the Genetic Technology (Precision Breeding) Act 2023 in England, and publication of the EU's New Genomic Techniques (NGT) proposals.

**Science and evidence provider role** [Our objective is to commission research and undertake analyses which ensure our evidence base is scientifically robust and supports advice and decision making on food safety, public health nutrition and consumer interests relating to food.]

- **Strengthening surveillance** Deliver an augmented food surveillance strategy for domestically produced and imported products ([as agreed by the FSS Board in March 2022](#)), to enhance our evidence base on food safety and standards assurance, safeguard laboratory capacity and capability and support wider One Health objectives in Scotland.
- **Aligning our evidence base with a changing food system** Work with the FSA to build the evidence base needed to understand risks associated with a changing food system; including the impacts of regulatory reform, new technologies and consumer attitudes to emerging issues.
- **Intake24** Publish an assessment of the impact of changing dietary intake assessment methodology from previous approach to adopting the data assessment tool, Intake24.

**Government advisor** [Our objective is to continue to advise, inform and assist the Scottish Ministers, public bodies, board members, and other persons in relation to food and feed matters and public health nutrition.]

- **Public health nutrition** Lead delivery of a monitoring plan for fortification of folic acid in bread and flour.



**Public advisor and influencer** [Our objective is to work collaboratively with stakeholders and speak out publicly about areas of consumer interest to encourage high food standards and healthy eating in Scotland.]

- **Public health nutrition** Develop and publish consumer advice on how dietary climate change recommendations can be adopted.

**Organisational delivery** [Our objective is to deliver within our resource constraints and continue to provide the people, resources, and processes to deliver our corporate and statutory services whilst investing in meaningful training, development and opportunity for our staff.]

- **Stakeholder engagement management system** Replacement of the stakeholder engagement management system.