

## FSS - Financial Approach for 2026/27

### 1 Purpose of the paper

1.1 The purpose of this paper is to provide the Board with an overview of the process undertaken by the Executive Management Team (EMT) with regards to our budget allocation for the 2026/27 financial year (FY).

1.2 In December 2025, FSS was allocated an administrative budget of £24.8m (as detailed in the [Scottish Budget 2026 to 2027](#)) for the 2026/27 FY which includes:

- £23.7m of the fiscal resource budget
- non-cash (depreciation) budget of £0.7m
- £0.4m for Annually Managed Expenditure (AME)

1.3 The Board is asked to:

- **Note** the FSS budget allocation for 2026/27 and a more detailed financial plan will be presented in June.
- **Note and discuss** areas of risk that this report (and the Operational Environment paper) may present to FSS moving into the next FY.

### 2 Strategic aims

2.1 This work supports the delivery of our three strategic priorities as detailed in the [FSS Strategy 2026 – 31](#):

- Public health and consumer protection
- Evolving and reforming the regulatory landscape
- Providing an effective public service for the people of Scotland

### 3 Background

3.1 As previous years, EMT has undertaken a rigorous exercise to determine the best use, and allocation, of our resource budget for 2026/27 which will be aligned to our three priorities.

3.2 The successful delivery of our Strategy 2026 – 31 will be monitored through a proposed Strategic Delivery Framework which will be presented to the 29 April 2026 FSS Board.

3.3 For 2026/27 FSS was allocated an entire budget of **£24.8m** for the next FY which included:

- £23.7m: resource budget
- £0.7m: non-cash (depreciation) budget
- £0.4m: for Annually Managed Expenditure (AME)

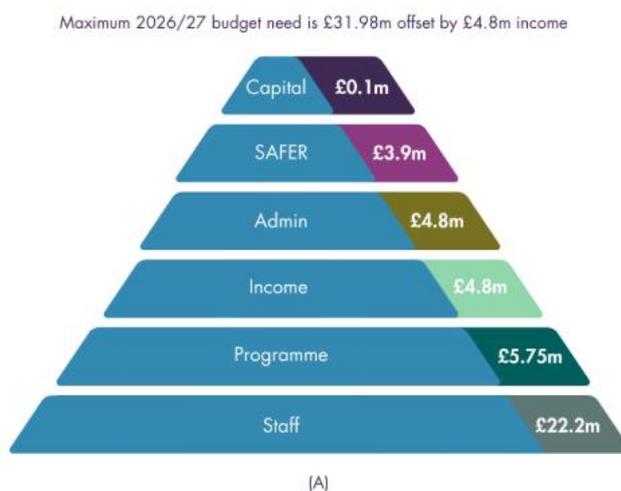
3.4 It is notable that our budget is £1m less than our entire budget allocation for FY 2025/26 (our core budget and additional £2.4 million in year transfer).

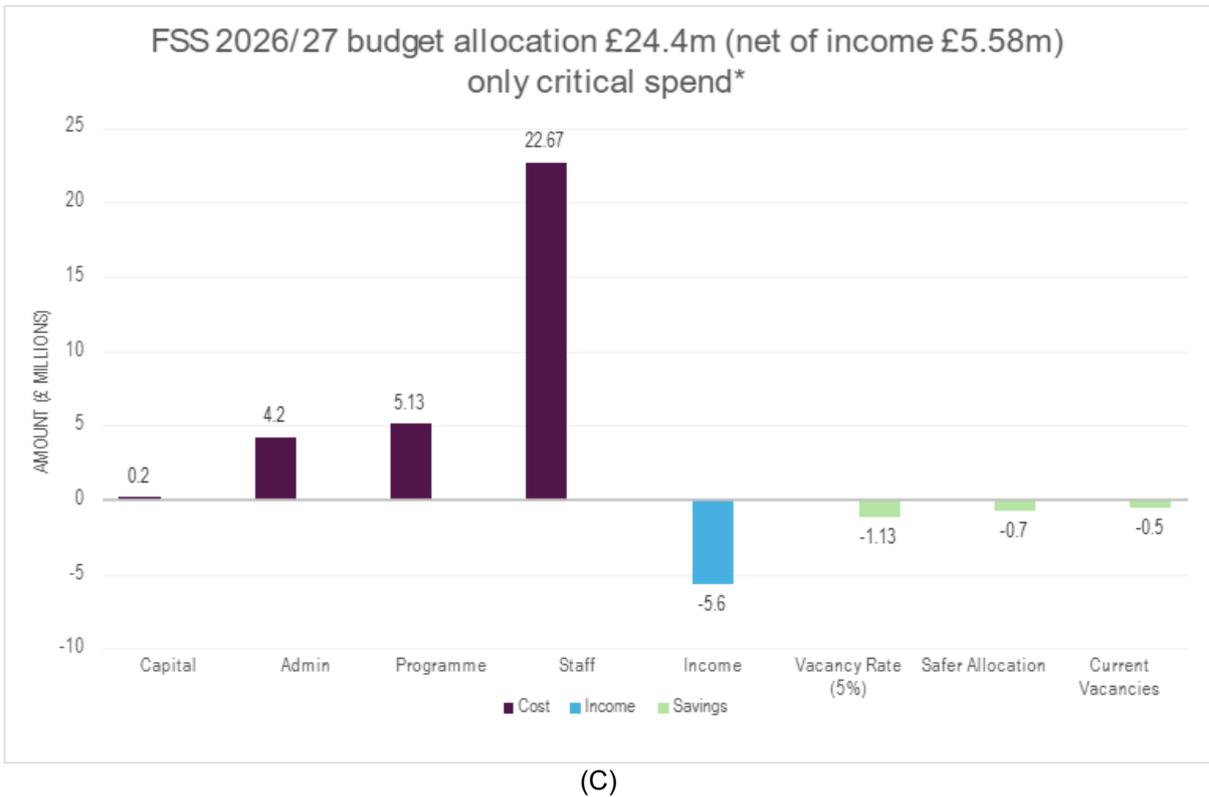
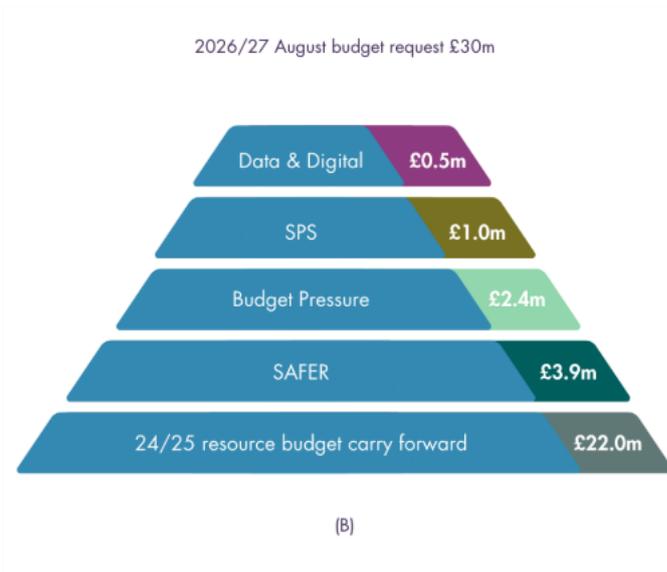
3.5 The FSS allocated resource budget of £23.7m (net of income) remains below the estimated cost of maintaining our current delivery levels without reprioritisation.

3.6 Therefore, budget planning for 2026/27 has required FSS to make significant reductions across all budget lines. Whilst remarkable progress has been made, FSS will currently start the 2026/27 FY with a £720k overspend position. The pyramids and charts below illustrate the gap between maximum delivery requirement (**Figure A**), FSS Budget request to SG (**Figure B**) and FSS budget allocation (**Figure C**).

3.7 It is worthy to note that **Figure C** includes additional savings built in i.e.:

- £1.13m: a 5% staff vacancy rate
- £700k: an in year cost recovery from SAFER monies for FSS staff time committed to SAFER work
- £500k: a deliberate recruitment pause on some key staffing posts built into the staffing budget for the year



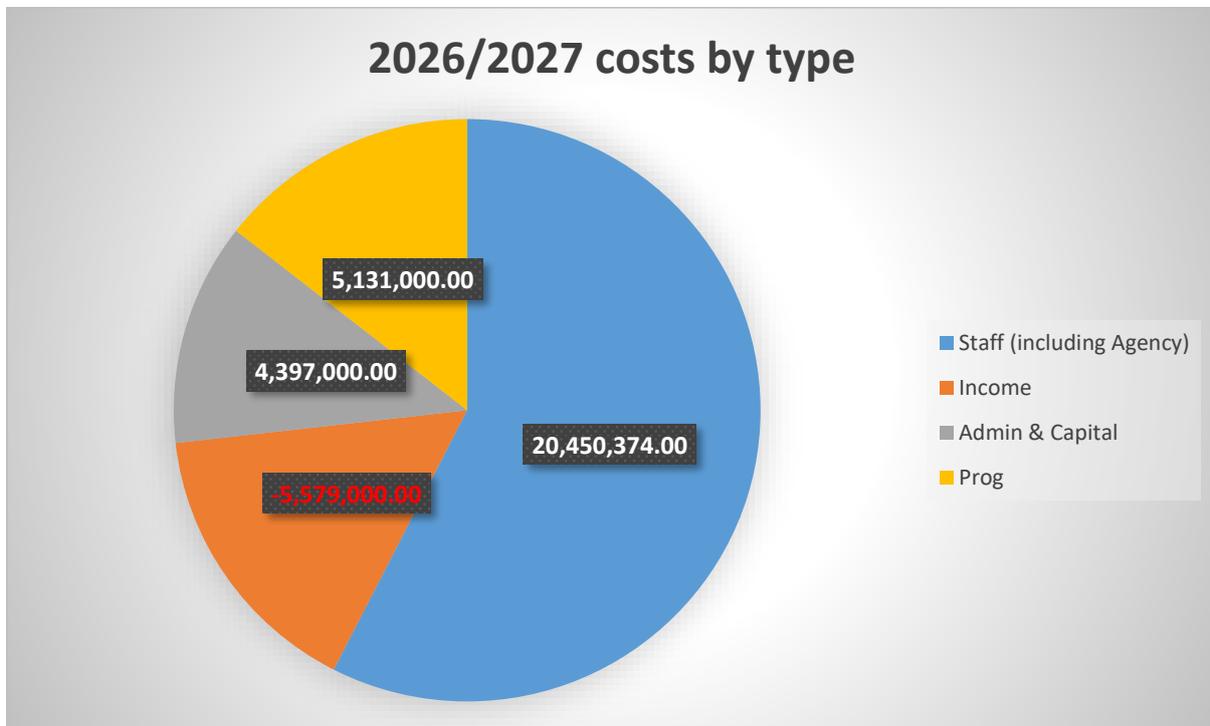


\*Overall budget pressure of £0.7m

## 4 Discussion – allocation of budget

4.1 The staff budget allocation is based on an average 280 full-time equivalent (FTE) being filled during the year and at the start of 2026/27 FSS will carry 18 vacancies. A 5% vacancy assumption has been built in based on the current level of vacancies and experience from previous years. We anticipate that the ‘staff in post’ will likely be less than this during the forthcoming year if staff turnover reflects that of the previous year. It is worthy to note that there remains additional resourcing pressures on the horizon re SPS which is still subject to ongoing discussions between CEO and SG.

4.2 The following chart indicates the breakdown of the budget allocation for FY 2026/27.



\*The staff figure above (£20,450,374) includes the vacancy rate (-£1.13m), Safer allocation (-£0.7m) and current vacancies (-£0.5m) reductions

4.3 FSS is part of the Scottish Government (SG) Main bargaining unit for pay settlements and is responsible for implementing the agreed settlement. FSS calculation of staff salaries cost for 2026/27 is based on a 3.5% increase during the year and totals £22.7m. Pay negotiations for FY 2027/28 are due to commence in Q1 2026/27 and will be led by SG colleagues.

4.4 The **administration** budget aims to ensure that ongoing costs across the business can be met. These are the running costs for the business including:

- Pilgrim House (rent, rates and utilities)

- Shared service delivery (IT, HR, procurement and legal)
- Health and safety training
- Travel, subsistence and conference events
- Noncash elements for depreciation and external audit charges

4.5 Shared service costs are still being finalised with SG colleagues, however FSS has built in a 3% inflationary pressure across all budget lines including shared services. This may be subject to change as there may be scope to reduce some shared services costs across the year due to improved practices and reduced scope in the procurement programme business area.

4.6 The proposed **programme** budget allocation across our core activity is largely based on:

- Continued obligations on the delivery of official controls for food and feed
- Scottish Authorities enforcement delivery support
- Food Crime and Incidents management
- Communications and Marketing

4.7 In addition, our science and evidence work is delivered through the Food and Health Research Programme which includes projects already contracted with committed spend and new project ideas.

4.8 The proposed 2026/27 allocation requires a **44% reduction** in research and data expenditure. This will constrain surveillance activity, analytical development and the pace at which we embed data-driven delivery. These capabilities underpin dietary health policy, food safety risk assessment, food chain assurance and preparedness for a future SPS relationship.

4.9 FSS has an ambition to implement a programme of work for our Data and Digital strategy however with no additional funds made available this will be constrained. The new Head of Data and Digital joins FSS in April 2026 and will assess our organisational needs and propose a plan, aligned to our strategy and affordability.

## 5 Identification of risks and issues

5.1 Our budget allocation is being managed via a strategic issue and monitored through reporting to the Audit and Risk Committee (ARC). This issue is currently being refreshed in line with our FSS Strategy 2026 – 31.

5.2 SG Health and Social Care finance officials continue to engage with FSS to ensure that our business and associated pressures are appropriately understood. Regular

dialogue will continue with SG colleagues to ensure they are informed of pressures and issues faced by the organisation.

5.3 Funding for the **SAFER programme** in 2026/27 has not yet been confirmed and the programme will run on a £1m loan from DG Communities until a decision is made post-election. SAFER currently funds several core FSS roles. If SG does not provide the expected reform funding, staff will revert into the FSS core budget, which is already under significant pressure. This would create an immediate and material financial risk, reduce programme capacity, and limit our ability to maintain statutory delivery and reform activity

5.4 **SPS** remains a Strategic Risk with no formal commitment from SG to any additional spend to cover the increased resource requirements. At the time of writing this report negotiations remain ongoing.

## 6 Equality Impact Assessment and Fairer Scotland Duty

6.1 The 2026/27 budget will fund the delivery of our three priorities. An [Equality Impact Assessment \(EQIA\) and Fairer Scotland Duty \(FSD\) review](#) was undertaken in the development of the FSS Strategy 2026 - 31.

6.2 When the budget allocation is finalised the EQIA and FSD will be reviewed to determine where any further updates are required to either of these requirements.

## 7 Conclusion/Recommendations

7.1 The focus for FSS will be to deliver our three priorities, through deliverables contained within the EMT delivery plan, which is currently being developed.

7.2 The Board is asked to:

- **Discuss and provide a view** on the FSS budget allocation for 2026/27.
- **Note and discuss** areas of risk that this report (and the Operational Environment paper) may present to FSS moving into the next FY.

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18/03/26