

Food Standards Scotland (FSS) Operating Environment for 2026/27 Financial Year

1 Purpose of the paper

1.1 To provide the Board with an assessment of the operating environment for 2026/27, the principal risks to delivery arising from financial and workforce constraints, and the proposed approach to prioritisation.

1.2 The paper:

- Summarises the key internal and external factors that will shape FSS delivery in 2026/27.
- Sets out the strategic implications for statutory functions, reform activity and workforce sustainability.
- Seeks Board agreement on risk appetite and focus areas for the year ahead.

1.3 The Board is asked to:

- **Discuss and provide a view** on risk appetite for 2026/27.
- **Agree** the proposals in part 10.
- **Agree** that the Executive explores the introduction of charging for shellfish and feed Official Controls costs, while noting that any reform is unlikely to be introduced before 2028/29 at the earliest.

2 Strategic aims

2.1 This paper supports all of FSS' strategic outcomes.

3 Background

3.1 As FSS enters its twelfth year of operation, it is again appropriate for the Board to consider the strategic context in which the organisation will operate in 2026/27 and the implications for delivery of statutory functions and the new strategy (2026–31).

3.2 Over the past decade, FSS has taken on additional responsibilities, particularly following EU Exit, while operating within what has become year on year a real term budget reduction position. At the same time, the complexity of food safety and public health nutrition and regulatory delivery has increased and there are increasing expectations from Ministers and other key partners/ stakeholders on efficient delivery with reducing resources and a reduced regulatory burden.

3.3 The operating environment for 2026/27 reflects the cumulative impact of sustained financial constraint, increasing statutory complexity and rising operational delivery costs. The organisation has reached, and in certain areas breached, the limits of what can be delivered within the current model, requiring clear prioritisation and explicit Board agreement on risk appetite.

4 Context

4.1 Even with the additional £2.3m, the 2025/26 financial year was again characterised by budgetary constraint. While the in-year adjustment provided temporary relief, underlying structural pressures remain, exacerbated by the budget reduction for 2026/27.

4.2 At the start of 2025/26 our headcount was 275 FTE and by the end of the year we expect it to be 280 FTE, a slight increase due predominately to pressing issues surrounding SPS and SAFER.

4.3 **Our Staff engagement** score from the People Survey reduced slightly from 72% to 70%. While engagement remains strong relative to other organisations, there is increasing risk to workforce resilience as workload continues to expand in volume and complexity.

4.4 **SAFER:** The programme has mobilised, but delays in funding have impacted pace and the ability to accelerate discovery and research activity. Confirmation of all SAFER funding for 2026/27 remains outstanding, and this uncertainty continues to constrain delivery of reform at scale.

4.5 **Meat charging:** The year remained challenging for both FSS and industry. For FSS, improved official veterinarian (OV) recruitment has been offset by delays in Scottish Government (SG) processes and the continued need for temporary cover, which has increased costs. Industry continues to highlight cost pressures linked to wider policy and pay decisions. Further detail on meat charging arrangements and income volatility is provided at Appendix A.

4.6 It is important to understand the operating context that the Executive expects to apply in 2026/27. SG expectations will remain high and have not been matched by additional resources for **any** investment to improve efficiency e.g. in digital. The key factors shaping delivery in 2026/27 are:

- Stakeholder expectations
- Financial position
- Our people
- Political context

4.7 This paper therefore focuses primarily on the forward operating environment for 2026/27 and the implications for delivery.

5 Stakeholder Expectations

5.1 FSS operates within a complex stakeholder environment in which expectations of delivery, pace and engagement remain high despite the constrained resource position outlined in this paper.

5.2 Engagement with the meat sector continues to be active and constructive at operational level. However, leadership tone within sector representation has, at times, presented challenge.

While feedback from individual businesses remains broadly positive, cost pressures and wider policy decisions continue to heighten sensitivity within the sector.

5.3 Our relationship with the Food Standards Agency (FSA) remains strong and collaborative, particularly across risk analysis, surveillance, SPS, incidents, food crime and communications. However, differences in scale and resourcing continue to create challenges in maintaining pace with UK-level policy development. Equally, we are likely to need to respond to UKG decisions which impact directly on us.

5.4 SG remains a key partner across Public Health Nutrition, animal welfare, One Health and wider food-system policy. Increasing emphasis on cross-cutting policy agendas — including Good Food Nation, Population Health Framework and Climate Change Adaptation — continues to draw upon FSS expertise without corresponding increases in resource.

5.5 Between 2015-24, FSS employed an independent Chief Scientific Advisor (CSA) to provide assurance over the organisation's use of science and evidence; aligning our governance with other parts of SG and the FSA. We decided to review this model in 2024/25 and operated without a CSA while alternative models were considered. Following engagement with the Board and wider science networks, it was agreed to retain the CSA function, although budget restrictions have hampered our ability to progress recruitment – a situation which has reputational implications for FSS as a science and evidence-based regulator.

5.6 The practical implication for 2026/27 is that stakeholder expectations will remain high while our capacity to respond at pace will be increasingly constrained.

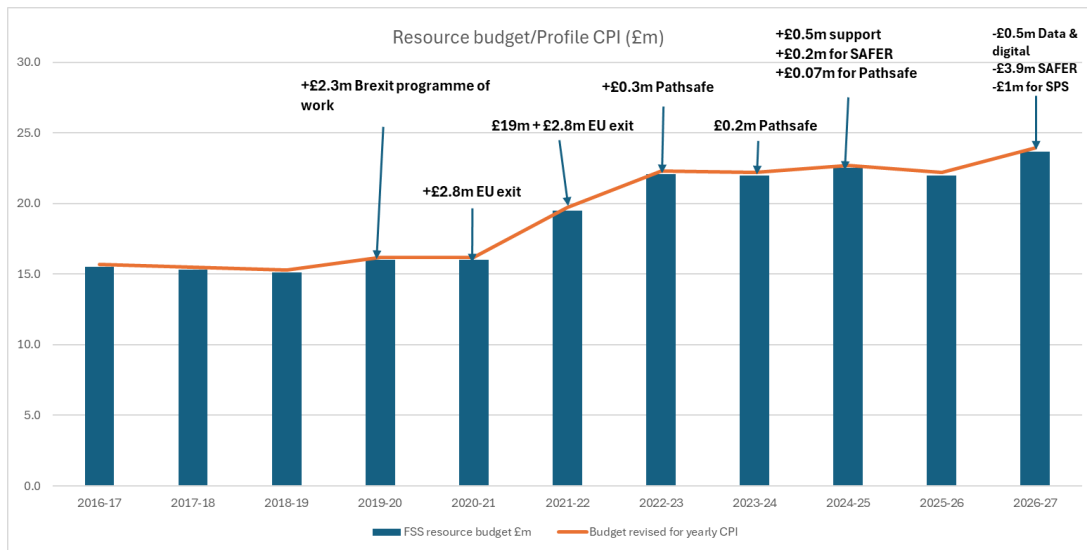
6 Delivery of Public Services

6.1 Overall resource trajectory

6.2 The chart below demonstrates that, aside from the temporary £7m uplift between 2019/20 and 2021/22 to deliver EU Exit responsibilities, FSS has not received a real terms increase in core funding since its establishment.

6.3 For 2026/27, the financial allocation is £24.8m, this comprises of £23,7m resource budget including £700k depreciation costs and pension costs of £385k. It is notable our budget is £1m less than our entire budget allocation for FY 25/26 (core budget and additional £2.4 million in year transfer).

6.4 When the £7m EU Exit funding is excluded, core allocation has increased from £15.7m in 2015 to £17.766m — an increase of approximately 12% over twelve years. Over the same period, prices have increased by 39.9%. Had funding kept pace with inflation, gross allocation would now be in the region of £33m.

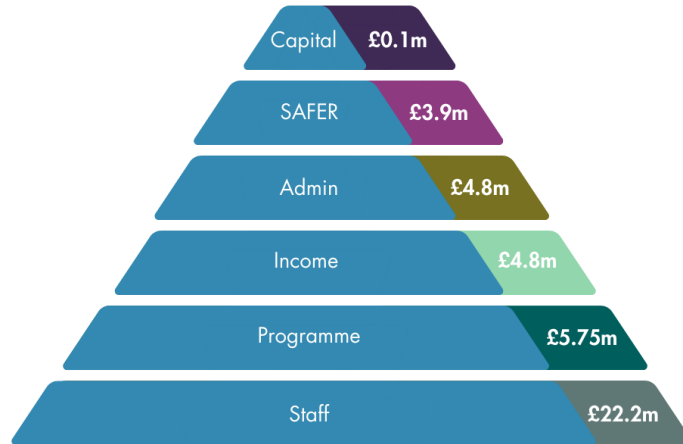


6.5 Gap Between Allocation and Requirement

6.6 The pyramids below illustrate the gap between maximum delivery requirement (fig a), FSS Budget request to SG (fig b) and FSS budget allocation (fig c).

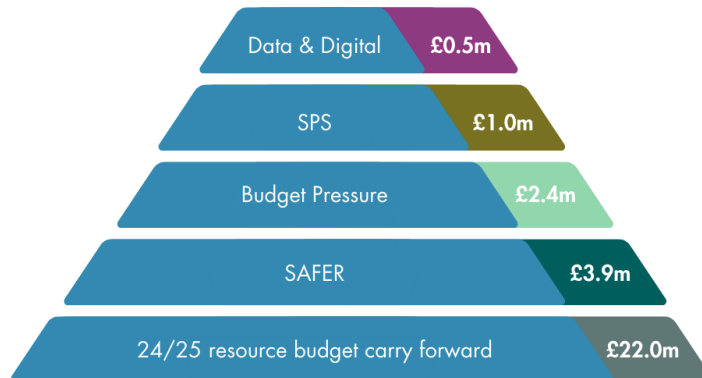
6.7 The FSS allocated resource budget of £23.7m (plus income) remains below the estimated cost of maintaining current delivery levels without reprioritisation. Therefore, budget planning for 26/27 financial year has required FSS to make significant reductions across all budget lines as highlighted between figures a and c detailed below. Whilst remarkable progress has been made, this means FSS will start the financial year with a £720kk overspend position. It is worthy to note that figure c below includes an already built-in 5% staff vacancy rate. The Board should note that on staff costs, a further 4% pay rise for 27/28 means the staff budget will increase to £23.577m which is more than the allocation for 26/27. Based on average costs, we will need to reduce by a minimum of 11 WTE to maintain current staff costs.

Maximum 2026/27 budget need is £31.98m offset by £4.8m income

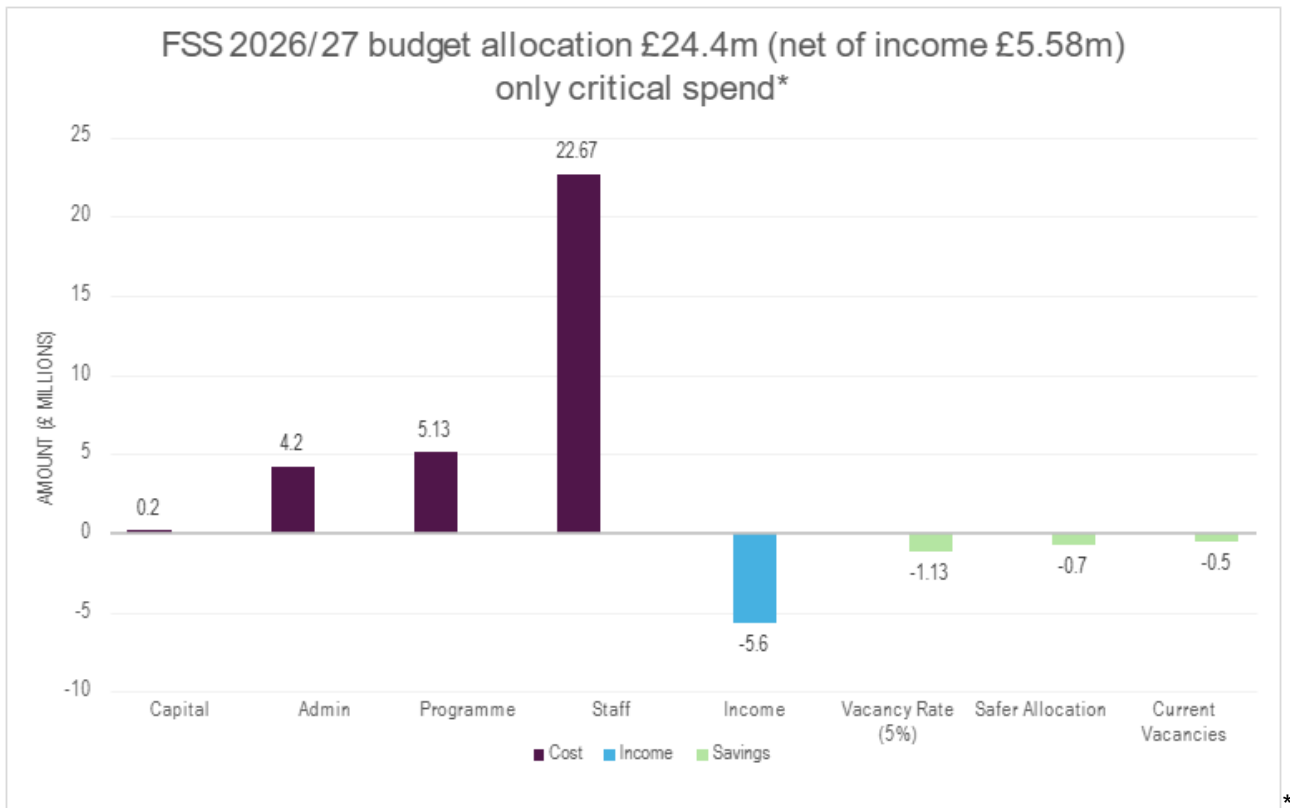


(A)

2026/27 August budget request £30m



(B)

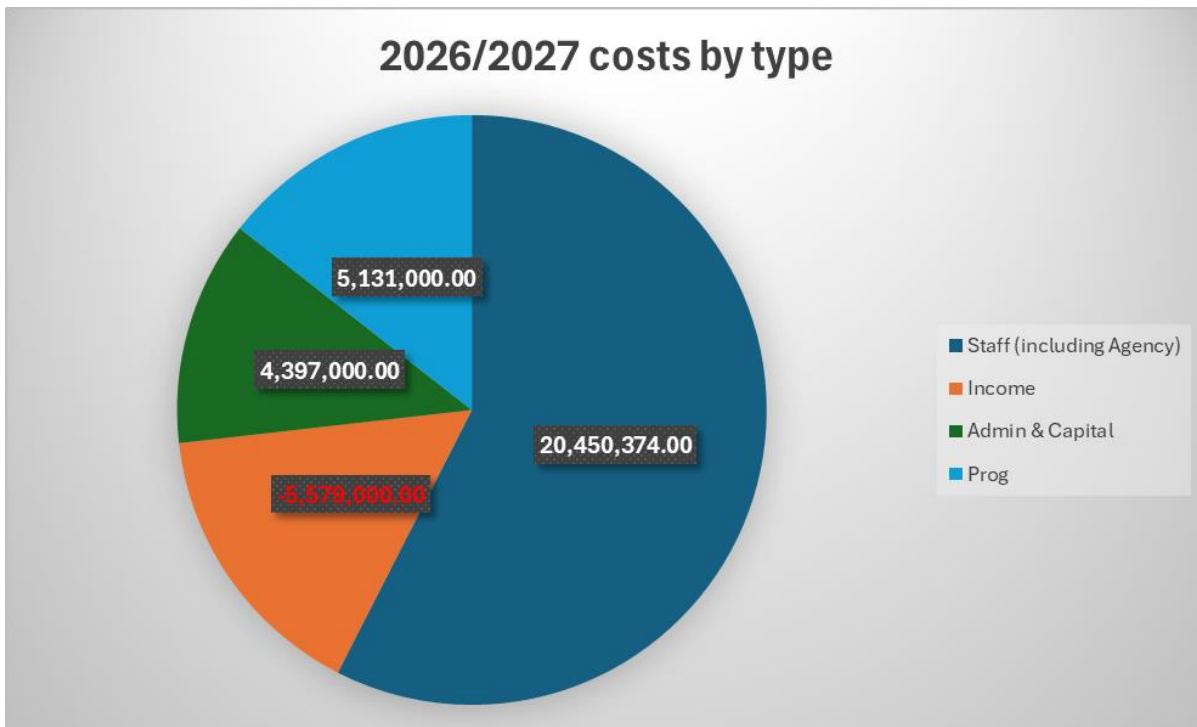


Overall budget pressure of £0.7m

6.8 Staff / Non-Staff Balance and Cost Pressures

6.9 In 2026/27 the balance between staff and non-staff costs will shift from 78%:22% to 82%:18%. Increased staffing costs (in particular the pay settlement and National Insurance which we have no control over) and escalating statutory delivery requirements are placing increasing pressure on the programme budget available for other core functions.

6.10 Research and data capability has been particularly affected. 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.



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

6.11 Official Controls Cost Pressures

6.12 Delivery of Official Controls (OCs) across feed, shellfish and meat represents one of the most significant areas of programme spend. Based on current figures:

- Total cost of delivering OCs across Operations (staffing, programme, admin and capital) is approximately £12.9m. 54% of our total allocation leaving 46% for all our other statutory and non-statutory obligations.
- Income associated with OCs is approximately £5.2m.
- Net cost to FSS therefore remains substantial and rising as a proportion of our costs with a fixed/reducing budget.

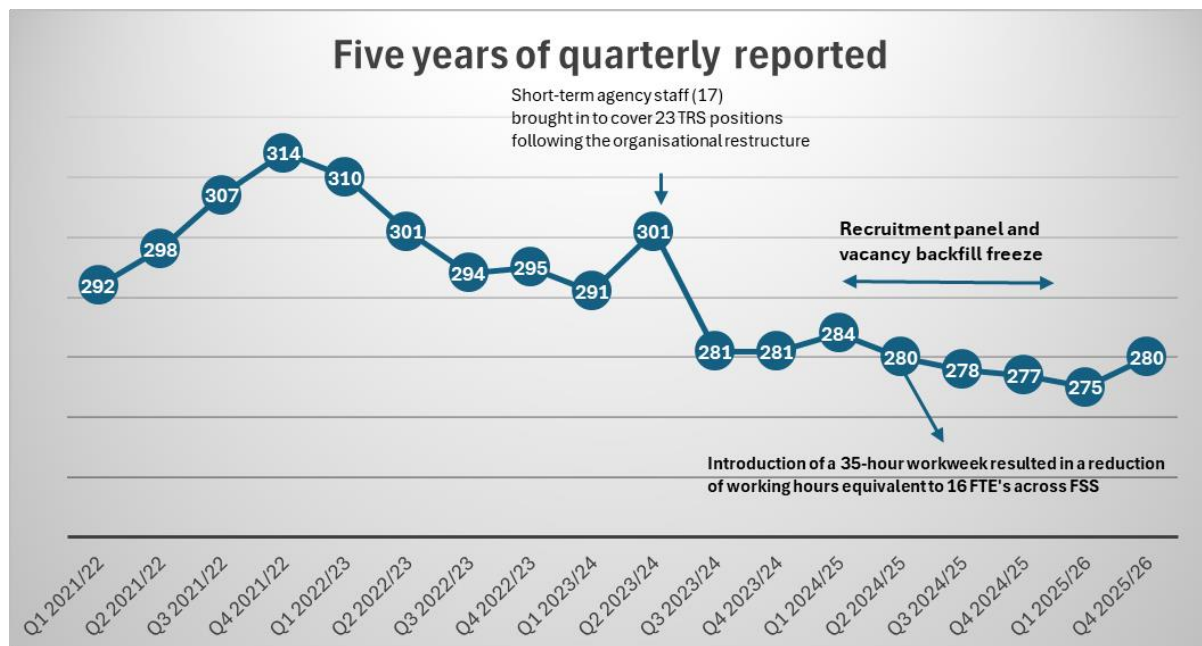
6.13 Feed programmes spend, including extended DSLA support, has been approximately £1.4 m across 2024/25 and 2025/26.

6.14 Shellfish monitoring costs have increased year-on-year since 2015, including an 8.9% RPI increase in 2024/25 (c.£330k) and a further 3.1% increase in 2025/26 (c.£80k). On current trajectory, shellfish monitoring costs are expected to approach £4m per annum within the next 2–3 years. There are again questions around the sustainability of FSS continuing to meet these costs and further consideration may be appropriate for a charging model, for both shellfish and feed.

6.15 Official Controls programme spend for 2026/27 shows an estimated 11% increase compared to 2025/26, reflecting rising SLA and delivery costs, very few of them recovered via income.

6.16 Article 78 of the Official Controls Regulation requires that appropriate authorities (Scottish Ministers) ensure adequate financial resources are available to perform official controls and other official activities. In a flat budget environment, the rising cost of OCs creates increasing and significant pressure on the remainder of the organisation’s functions.

6.17 Our People / Workforce trajectory



6.18 Whilst there has been a very modest increase between years 2025 – 2026 (4 posts) this is accounted by an increased focus on FSS priority work. All other areas now carry vacancies. The inability to routinely backfill posts, including maternity cover, is creating delivery risk across statutory and strategic functions.

6.19 Within Field Operations, the veterinary position has improved compared with the previous year. However, recruitment timelines and the need for temporary cover have continued to generate additional agency costs. While the OV pipeline remains positive, extended time-to-hire remains a material factor affecting cost control and operational stability.

6.20 Within Operational Delivery, where there is a statutory requirement to provide daily staffing in meat establishments, recruitment timelines and temporary cover requirements have resulted in additional cost pressure.

6.21 The cumulative effect is that reprioritisation is no longer occasional but continuous and decisions on what to slow, pause or stop are increasingly necessary to protect core legal obligations.

6.22 Income and Volatility

6.23 Net income from the meat industry was approximately £5m in 2024/25 after application of discount (c.£1.07m). Charging is based on agreed industry hours within individual business agreements. Businesses may vary hours with 14 days' notice, affecting cost recovery where redeployment is not possible. Recruitment delays and temporary cover requirements introduce additional unpredictability and costs.

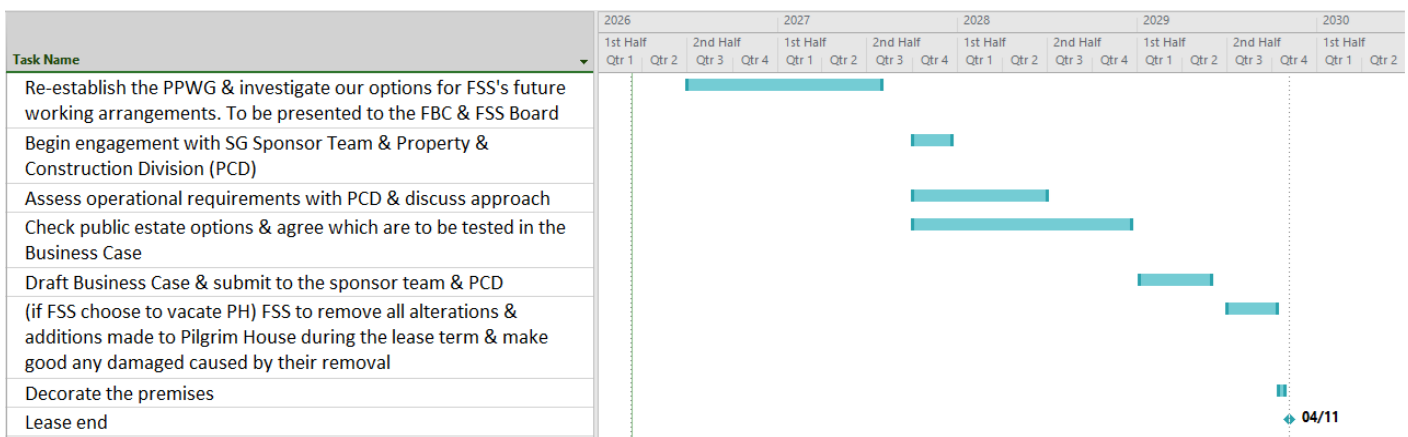
6.24 The number of operating plants has reduced from 43 in 2015 to 35 currently, affecting cost distribution across the sector.

Ways of working

6.25 Hybrid working arrangements are now embedded across FSS. Pilgrim House attendance remains consistent, although it has not returned to pre-COVID levels and is not expected to do so. In 2025, an average of 870 desks were booked per month, compared to 328 per month in April 2024.

6.26 Following the conclusion of the SG hybrid working review, FSS established a People and Place Working Group (PPWG) to develop an approach suited to our operational model. Divisional Team Agreements have now been approved and will be implemented from 1 April 2026.

6.27 The lease for Pilgrim House expires in November 2029, with vacation required by late Spring 2029. PPWG led on Hybrid working across FSS and a key focus of the group in the coming 12 months is to review current working arrangements for all non-Operational staff. This will include the long-term requirement of Pilgrim House including other opportunities for shared services and co-location. Below is a high-level timeline which could yet be subject to change



Staff wellbeing and sustainability

6.28 The cumulative pressures described throughout this paper present ongoing risks to staff wellbeing and organisational resilience.

6.29 The 2025 staff survey recorded a proxy stress index of 23%, unchanged from 2024. Average working days lost to sickness absence are 8.1 days, below the SG average of 8.7 days.

6.30 While performance remains strong, the combination of vacancy management, continuous reprioritisation and increasing external demand presents a sustainability challenge that will require careful management through 2026/27.

7 The Political Context

7.1 SPS and UK Government Policy

7.2 The UK Government's proposals to reset EU relations through a potential UK-EU Sanitary and Phytosanitary (SPS) Agreement represents one of the most significant external drivers of FSS workload for 2026/27 and beyond.

7.3 An SPS Agreement based on dynamic alignment would introduce substantial and ongoing changes to food and feed law, regulatory processes and governance arrangements across the UK.

7.4 FSS has a statutory role to protect public health and advise Scottish Ministers on food and feed matters. The organisation will therefore play a central role in providing independent, evidence-based advice throughout negotiations and any subsequent implementation.

7.5 Given the budget challenges, there is a strategic question that FSS needs to pose to SG officials and Ministers with regards to their expectations of FSS in a post SPS "world". The continuing pressure on resources suggests that the direction of travel needs to be minimalist with pretty much 100% reliance on UK Government using the consent process for legislation. However, if the desire is for FSS to continue to engage and represent Scotland's interests then it will need to be funded appropriately especially given the lesson from Brexit was that the funding was insufficient for the scale of responsibility that transferred to us.

7.6 Immediate workload

7.7 Work to prepare for a potential SPS Agreement is already drawing on policy, science, legal, operational delivery and communications resource. Currently 6–10 FTE are engaged directly on SPS-related work. Initial estimates indicate that an additional 15–20 FTE may be required over the next two years, subject to final scope and implementation requirements.

7.8 While Scottish Government is assessing SPS resource implications, only limited additional funding has been confirmed (*verbally only in March 2026*) for FSS for 5 WTE. In the absence of additional resource, SPS delivery will require further internal reprioritisation, although legal have advised they will have capacity, within the broader SGLD division only for SPS so anything extra could not be accommodated which is one way in which priorities would be decided for us.

7.9 Future workload implications

7.10 Beyond the negotiation and initial implementation phase, dynamic alignment would create an ongoing requirement to monitor ~~COB/COB~~ and implement changes to EU legislation on a continuous basis.

7.11 This represents a structural workload increase rather than a temporary programme and would require sustained legal, scientific and policy capacity.

7.12 Delivery will also require continued close coordination with the FSA and other UK Government departments to ensure effective participation in evolving regulatory and governance arrangements.

7.13 EU Exit Legacy Pressures

7.14 Although EU Exit functions have transitioned into business-as-usual activity, capacity and capability pressures remain, particularly within legal, science and policy teams supporting risk analysis and regulated products.

7.15 Market authorisations remain an acute pressure point due to statutory timelines and application volumes across the GB service operated with the FSA; SPS has also led to requirements in this area. The same specialist cohort of staff are engaged across EU Exit legacy work and SPS preparation, creating concentrated capacity risk.

7.16 Public service reform

7.17 PSR is a SG priority and aligns with FSS' own reform ambitions, including the SAFER programme. However, reform activity requires upfront investment in digital capability, data infrastructure and change resource. In a constrained financial environment, protecting statutory delivery inevitably takes precedence over transformation activity. As a result, the pace of reform is directly influenced by available resource.

7.18 Expectations regarding back-office rationalisation are unlikely to yield significant savings given the current size and structure of FSS corporate services. Opportunities for efficiency will therefore be incremental rather than structural.

7.19 Cross Government Policy Drivers

7.20 FSS continues to support Scottish Government priorities including Good Food Nation, Population Health Framework, Climate Change Adaptation and Antimicrobial Resistance.

7.21 The establishment of the Scottish Food Commission is expected to generate additional engagement and advisory requirements as well as the need to clarify respective roles and responsibilities to minimise confusion. While the Commission's statutory role is distinct from FSS, its scrutiny and oversight function may create further demand for scientific and regulatory input. No additional resource has been allocated for this purpose and going forward the intention will be to develop a MoU and ensure regular Chair/CEO liaison.

7.22 The forthcoming Scottish Government Diet and Healthy Weight Implementation Plan will also require ongoing PHN input and support as will UK proposals on healthier foods reporting.

7.23 Misinformation and public confidence

7.24 The increasing prevalence of misinformation and disinformation in the food system presents a reputational and operational risk. Recent debates on methane-reducing feed additives and ultra-processed foods illustrate how complex scientific issues can rapidly become polarised.

7.25 Maintaining public confidence requires proactive, evidence-based communication and monitoring capability. Resource constraints limit the extent to which FSS can expand this activity.

7.26 Electoral context

7.27 The 2026 Scottish Parliament election will bring a pre-election period during which communications and policy engagement activity will be necessarily constrained. The election will also result in significant parliamentary turnover, requiring FSS to re-establish relationships with new MSPs and Ministers. Following the election, FSS will need to assess manifesto commitments and emerging Ministerial priorities for implications across food safety, public health nutrition and regulatory reform. The concurrent Welsh election may also influence four-country dynamics in areas of shared responsibility.

8 Relevant External Factors

8.1 The external environment in which FSS operates continues to evolve rapidly and introduces additional complexity to delivery.

8.2 Evolution for the food system

8.3 The food policy and regulatory landscape have evolved significantly since FSS was established in 2015. Food safety, nutrition, climate change adaptation, food chain security, trade resilience and One Health are now deeply interconnected policy areas, which rely heavily on cross-cutting evidence and system-level insight.

8.4 As Scotland's national food body, FSS sits at the centre of this system. In addition to our statutory and competent authority functions, we provide independent scientific advice, public health nutrition leadership and research capability to support Scottish Government priorities. These demands have increased in recent years, are frequently non-discretionary and not accompanied by additional funding.

8.5 At the same time, the regulatory environment is being reshaped by technological advancement. Digital inspection tools, data analytics, artificial intelligence, remote verification and automated reporting systems are increasingly central to modern regulatory models internationally. Realising efficiencies through innovation requires upfront investment, specialist capability and organisational capacity to redesign processes.

8.6 Within the current financial envelope, FSS has limited space to invest in transformation at scale. The lack of upfront resource to recruit the necessary specialist skills constrains our ability to innovate and streamline delivery, meaning that long-term cost reduction opportunities remain unrealised. Without strategic investment, the organisation risks becoming locked into legacy delivery models that are increasingly resource intensive.

8.7 Operational Delivery provides a practical example. The work involved in delivering statutory official control obligations for Scotland's meat, shellfish, wine and animal feed industries is inherently labour-intensive. Rising input costs and inflation have significantly increased the proportion of organisational resource required to sustain these functions. Without structural change or investment in modernisation, those costs will continue to exert incremental pressure on the wider organisation, reducing flexibility to invest in science, digital capability and preventative work.

8.8 **Four-country working**

8.9 The four-country model continues to function effectively in many areas, particularly with the FSA and within established Common Framework arrangements. However, differences in scale, pace and resourcing across administrations can create pressure for FSS to respond quickly to UK-level developments in food safety, labelling and nutrition policy.

Scottish Food Commission

8.10 The establishment of the Scottish Food Commission introduces a new institutional actor within the wider food system landscape. While the Commission's role is distinct from FSS, focusing on oversight and scrutiny of Good Food Nation Plans and wider food-system strategy, there is likely to be overlap and confusion over the distinct remit of both organisations as well as an expectation that FSS will provide scientific, nutritional and regulatory input where required.

8.11 Engagement to date has been constructive, including chair-to-chair dialogue. However, no additional resource has been provided to support any increase in advisory demand arising from the Commission's work.

8.12 **Diet and population health policy**

8.13 The forthcoming Diet and Healthy Weight Implementation Plan is expected to introduce additional commitments across public health nutrition. FSS's PHN team will play a key role in supporting implementation, alongside ongoing work to improve dietary health outcomes.

8.14 Given the resource constraints outlined earlier in this paper, careful prioritisation will be required as further clarity emerges on expectations.

8.15 **Communications, public confidence and information risk**

8.16 Public confidence in food safety and nutrition policy remains central to FSS's strategy.

8.17 **Policy complexity:** SPS negotiations, food system reform (including SAFER), nutrition policy developments and wider Good Food Nation activity all require careful, evidence-led explanation. These are technically complex issues with political, economic and trade dimensions. Communications demand is increasing, both reactively and proactively.

8.18 **Information risk and narrative inconsistency:** Online amplification of contested narratives around ultra-processed foods, feed additives, dietary guidance and food technologies continues to increase. Issues can escalate rapidly across digital platforms, requiring monitoring,

horizon scanning and coordinated cross-government messaging. While FSS has strengthened its monitoring capability, expansion is constrained by resource.

8.19 Financial constraints: While FSS retains operational independence, public communications must reflect wider public sector constraints and optics. The 2026 pre-election period will also restrict certain types of engagement and public-facing activity. FSS will prioritise:

- Clear, transparent publication of evidence and policy decisions
- Targeted stakeholder engagement rather than broad campaign activity
- Alignment with UK partners where appropriate
- Strengthening digital channels and owned platforms to maximise reach within constrained budgets

However, capacity to improve organisational awareness at a brand level, expand proactive public health messaging or strategic narrative building remains limited within the 2026/27 allocation.

9 Part 2: FSS' Response

9.1 Despite the operating pressures outlined in Part 1, FSS continues to prioritise delivery of its statutory obligations, protection of public health and targeted reform activity.

9.2 Given the financial and workforce constraints facing the organisation, the Executive has adopted three core management principles for 2026/27:

- Protect statutory and competent authority functions
- Prioritise activity that mitigates highest public health and regulatory risk
- Sequence reform and digital transformation activity in line with available capacity

9.3 The sections below summarise how this approach is being applied across key delivery areas.

9.4 Incidents and food crime

9.5 Incident response remains a priority and statutory function. Revised recording standards have resulted in a 35% increase in reported incidents in 2025 compared to the previous three-year average. More significant than volume is complexity, with recent incidents involving novel supplements containing multiple Salmonella strains (including AMR profiles) and Scotland's first Level 3 feed incident.

9.6 Increased complexity requires cross-organisational mobilisation, scientific input and proportionate risk management decisions. Prevention activity continues through root cause analysis and sector engagement, but capacity constraints create risk to sustained preventative work.

9.7 The Scottish Food Crime and Incidents Unit (SFCIU) continue to manage complex investigations, including cases at petition stage with COPFS and proactive intelligence activity. Demand for digital forensic capability and cross-border collaboration is increasing.

9.8 Given the growth in both incident complexity and food crime intelligence requirements, capacity sustainability remains under review.

9.9 **Data and digital**

9.10 Digital transformation continues to be central to FSS's ability to improve efficiency and strengthen public health protection through better use of data.

9.11 During 2025/26, governance was strengthened through a refreshed Data and Digital Strategy and oversight via the Digital and Data Steering Governance Group. Progress has included development of in-house systems to support official controls, enhanced cyber assurance arrangements, improved analytical reporting capability and establishment of appropriate governance for the responsible use of Artificial Intelligence.

9.12 However, specialist digital and analytical capacity remains limited. The 2026/27 budget position restricts expansion of analytical/data science and infrastructure capability. A strategic review of resourcing in this area will be required to ensure the maintenance of critical systems is sustainable and that we have the skills that will be needed to optimise our data into the future

9.13 **SAFER Programme**

9.14 The Scottish Authority Food Enforcement Re-Build (SAFER) programme remains FSS's principal reform initiative, aimed at modernising food law delivery in Scotland and developing a sustainable regulatory and funding model.

9.15 SAFER seeks to improve risk-based targeting of interventions, strengthen routes to competency for food law officials and introduce digital solutions to improve efficiency and transparency. The programme aligns with wider public service reform objectives.

9.16 Delivery at pace remains dependent on confirmation of programme funding. Sequencing and prioritisation will therefore be critical to ensure reform activity does not destabilise core statutory functions.

9.17 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 would fall back 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.

9.18 Any backtracking on the principle of charging from a new administration would cause significant problems for the programme and indeed the sustainability of the current food law system.

9.19 **Strategic planning and corporate governance**

9.20 FSS launched its 2026–2031 Strategy in February 2026. Delivery will be managed through annual delivery plans aligned directly to the Strategy’s three priorities.

9.21 This approach provides flexibility within a constrained operating environment while maintaining clarity of focus. Strategic Indicators and an enhanced assurance framework are being developed to support Board oversight.

9.22 Workforce and financial planning capability has been strengthened through the introduction of the EPM Workforce Planning module, improving visibility of budget pressures and staffing forecasts. Further operational detail can be found in Annex C.

10 Role of the Board

10.1 Governance and Risk Appetite

10.2 The Board’s role is to provide strategic direction, clarity of risk appetite and governance oversight in relation to the operating environment set out in this paper. Given the structural gap between allocation and requirement, the Board is invited to confirm its position on the following:

1. Review the current risk appetite agreed by the Board in December 2025 (**included in Appendix C**) and determine whether there is any change to the level of risk the organisation is prepared to carry in relation to delivery of statutory and competent authority functions within the current allocation.
2. The degree to which reform activity, specifically digital transformation, should be sequenced or moderated to protect core delivery.
3. The extent to which FSS should seek further engagement with Scottish Government regarding the sustainability of Official Controls funding and SPS-related resource implications.

10.3 Clear articulation of Board risk appetite enables the Executive to prioritise consistently and operate within an agreed framework.

10.4 Board engagement and championing

10.5 The Board Champion approach has been embedded across key areas including Strategy development, Digital Programme governance and Public Health Nutrition. This has strengthened non-executive insight into delivery challenges and reform sequencing.

10.6 During 2025/26, political engagement involving the Chair, CEO and DCEO was increased to ensure cross-party understanding of FSS’s statutory remit and operational pressures. This approach will continue into 2026/27, particularly in the context of the Scottish Parliament election.

10.7 Principal risk

10.8 The principal strategic risk facing the organisation is the ability to continue meeting statutory and legal obligations, including competent authority functions, within a flat or reducing resource envelope. This risk is compounded by:

- Increasing Official Controls costs

- SPS implementation pressures
- Sustained workforce reduction
- Rising complexity of incidents and food crime

10.9 Without additional funding or structural reprioritisation, the organisation will be required to narrow focus to core statutory requirements.

11 Equality Impact Assessment and Fairer Scotland Duty

11.1 There are no specific equality or Fairer Scotland Duty implications arising directly from this paper, which provides an overview of the operating environment.

12 Conclusion/Recommendations

12.1 FSS continues to operate effectively and deliver its statutory responsibilities within a highly constrained financial environment.

12.2 However, capacity remains tightly aligned to minimum statutory delivery, leaving limited flexibility to absorb additional policy or operational pressures. The decisions taken in relation to the 2026/27 allocation, and any subsequent funding adjustments, will materially determine the scope of activity that can be sustained.

The Board is asked to:

- **Discuss and provide a view** on risk appetite for 2026/27.
- **Agree** the proposals in part 10.
- **Agree** that the Executive explores the introduction of charging for shellfish and feed Official Controls costs, while noting that any reform is unlikely to be introduced before 2028/29 at the earliest.

Please direct queries to:

Geoff Ogle
Chief Executive Officer
Date March 2026

Appendix A – Operational Delivery Operating Environment 2026/27 and Wider Impacts

1. Overview

Operational Delivery Division (ODD) is responsible for statutory Official Controls (OC) delivery across meat, shellfish, animal feed and wine, together with wider assurance, verification and regulatory operational functions. The 2026/27 operating environment creates material and compounds pressure on ODD’s ability to sustain statutory obligations within the available budget and workforce. Protecting core legal obligations will increasingly require explicit prioritisation and sequencing decisions with implications for service delivery, workforce sustainability and sector relationships.

2. Financial position and share of FSS budget

Table A summarises the key operational delivery financial position for 2026/27 based on the current Operating Environment paper.

Table A. ODD Financial Statement

| Item | Amount (£m) | Proportion of FSS allocation | Notes |
|---|-------------|------------------------------|---|
| FSS total allocation 2026/27 | 23.6 | N/A | Allocation includes resources, depreciation, and pension costs. |
| Official Controls gross cost (Operations) | 12.9 | 54% | Figure drawn from current draft paper. |
| Income from Official Controls | 5.6 | | Net income after discounts as per draft paper. |
| Official Controls net cost | 7.3 | 29.5% | Calculated from gross cost minus income. |

Table B. Cost dynamics and pressures

This table highlights areas where costs are rising or where pressures are likely to increase in 2026/27 and beyond

| Area | Latest figure or projection | Trend or timeframe | Risk note |
|--------------------------------|---|-----------------------------------|---|
| Shellfish monitoring | Projected to approach £4.0m p.a | Within 2–3 years | Sustainability risk. Potential need to consider charging model. |
| Shellfish monitoring increases | c. £330k in 2024/25 and c. £80k in 2025/26 | Year on year increases since 2015 | Inflationary and compliance driven increases are largely non-discretionary. |
| Feed programme including DSLAs | c. £1.42–£1.43m over (each) 2024/25 and 2025/26 | Ongoing statutory requirement | Structural pressure. Future funding model to be clarified. |
| Research and data budget | Reduction of 44% in 2026/27 | Immediate | Constrained surveillance and analytical development. |

| | | | |
|--|--|--|---|
| | | | Slower progress embedding data driven delivery. |
|--|--|--|---|

OCs currently account for around half of the total FSS allocation on a gross basis and around a third on a net basis. If shellfish costs rise toward four million pounds annually, the proportion would increase further with a flat budget. The precise impact will depend on movements across other Official Controls cost lines and any offsetting income changes. If the budget allocation for 2027/28 remains at £23.6m and OC costs increase by 4%, then that is around 56% of the total allocation so it is easy to predict the future trajectory if we continue as we are.

3. Statutory functions requiring protection

ODD holds non-discretionary statutory responsibilities that must be protected to maintain legal compliance and Ministerial assurance. These include:

- Meat hygiene official controls including veterinary and hygiene inspection, approvals, audit and verification, and any work delivered via SLAs with other Government Departments.
- Shellfish monitoring and classification.
- Animal feed official controls including delegated work (DSLAs).
- Wine controls.
- Enforcement and verification under food law.
- Urgent public and animal health response activity linked to official controls.

4. FSS profile is shifting toward operational delivery

The balance of FSS resource is moving increasingly toward operational delivery because OC costs are rising faster than the overall allocation. This means there is less and less funding for all other statutory and non-statutory functions, For example, while absorbing OC costs, at the same time the proposed budget requires a 44% reduction in research and data expenditure and for a science and evidence based organisation that presents a number of difficulties around credibility, reputation and the evidence base for strategic and policy decisions. The current trajectory means FSS becomes more and more delivery centric and less able to invest in science, evidence, and policy development.

Attendant risks and issues

- Science and evidence base. Reduced research and data spend constrains surveillance, analytical development, and the embedding of data driven delivery. Ironically, one means of reducing OCs is the use of data and digital but there is no funding to make the investment to ameliorate the rising costs. This increases the risk of slower detection of system signals and reduced ability to quantify impact.
- SPS readiness and dynamic alignment. SPS will create a structural and ongoing workload that requires sustained legal, scientific and policy capacity. A pivot toward operational delivery risks under resourcing these functions.

- Reputation and assurance. Operating as a science and evidence-based regulator requires visible capability, including the Chief Scientific Adviser function. Delays or reductions risk confidence in our advice and decision making.
- Prevention and reform. Less capacity for proactive assurance, modernisation and digital transformation creates a risk that legacy delivery models become entrenched and more expensive over time.
- People sustainability. Continuous reprioritisation, vacancy management, and time to hire pressures increase burnout risk and erode resilience.

5. 2026/27 prioritisation choices for Operational Delivery

Priority 1. Must deliver

- Maintain daily statutory cover for meat hygiene and veterinary controls, including minimum audit and approvals activities.
- Sustain shellfish monitoring and classification to legal standards.
- Deliver DSLA and animal feed statutory controls.
- Meet enforcement and regulatory response obligations.
- Support incident response where Operational Delivery input is required.
- Roll-out ODITS (OWS replacement).

Priority 2. Deliver if capacity exists

- Enhanced audit and verification beyond statutory minimum.
- Expanded sector engagement and non-essential operational projects.
- Wine-related OCs
- Continuous improvement and training that goes beyond competency minimums.

Priority 3. Defer, slow or pause

- Operational contributions to cross-government and industry stakeholder initiatives that are not statutory (e.g. various working groups, FSA-related stakeholder meetings etc.)
- Selected proactive assurance activity that can be safely deferred.
- Operational support to internal programmes unless time bound and critical.

The risks associated with deferring some of these activities relate to FSS remaining out of the loop in relation to upcoming changes, less visibility with external stakeholders, potential longer-term impact around recruitment for operational roles etc.

The Introduction of Charging as a Potential Solution

Currently, charging is applied only to the meat sector and that means OCs for all other products are paid for by FSS/the taxpayer. Given the SPFM requirements for full cost recovery for statutory services, there is an argument for introducing charges for other commodities, in particular shellfish and feed. This approach would introduce alignment and consistency with the meat sector as well as the intended introduction of charges for businesses currently under LA oversight for OCs. Inevitably, it is likely that there will be objections to this, but in the absence of budgetary increases, there are few alternatives. However, this works only if the introduction of charging does

not lead to a 100% netting off from the FSS budget; that approach would not address the budget pressures we currently face. This approach would also address some of the current inflationary pressures we face because they would be included in the cost of OC delivery that we don't control for example sampling costs but impact directly on our budget. It is also not a short-term resolution to the funding challenges we face as any introduction of charges is unlikely before 2028/29 at the earliest.

6. Board asks

- Provide a view on developing charging reform options for shellfish and feed to improve long term sustainability.
- Accept the scaling back of non-statutory activity required to protect legal obligations.
- Support engagement with Scottish Government on the sustainability of Official Controls funding and SPS resource implications.

Appendix B – Stakeholder Context

This appendix provides additional context supporting the stakeholder considerations outlined in the main paper.

1. Meat Sector Engagement

FSS continues to host and attend regular engagement forums with the meat industry, including:

- Monthly Meat Industry Forum
- Technical Subgroup meetings
- Attendance at the SAMW annual conference and New Year meeting
- Attendance at Bridge of Allan Winter Fair
- Attendance at the Royal Highland Show

In addition, FSS has supported industry with third-country audit preparation and trade-related developments, including BSE negligible risk status impacts.

While operational relationships remain constructive, industry continues to raise concerns regarding cost pressures linked to wider policy decisions and regulatory requirements.

While operational engagement remains constructive, leadership-level tone from some sector representatives has occasionally presented challenge, in contrast to broadly positive feedback received directly from individual businesses.

2. Food Standards Agency (FSA)

FSS continues to work closely with FSA across risk analysis, research and surveillance, incidents, food crime, SPS and policy. Collaboration is particularly important in relation to UK Common Frameworks and shared regulatory services.

FSA has announced proposals to review its approach to the charging discount. Developments in this area will continue to be monitored.

3. Scottish Government Engagement

FSS continues to support Scottish Government policy areas including:

- Public Health Nutrition
- One Health
- Good Food Nation
- Population Health Framework
- Climate Change Adaptation
- Antimicrobial Resistance

The FSS/SG Forum is now embedded and has strengthened structured engagement across portfolios.

Across several SG policy areas, expectations on FSS engagement and technical input continue to rise without corresponding resource increases, which is heightening pressure on specialist teams.

Chief Scientific Advisor (CSA)

Engagement with the Board and science networks across Scotland and the UK confirmed that maintaining an FSS Chief Scientific Advisor remains the preferred model. Approval was granted to recruit at SCS1 level in line with parity across other scientific portfolios. Recruitment timing remains subject to budget considerations.

Appendix C – Risk Appetite Statement 2025-2026

Risk appetite categories and definitions

| Category | Category definition |
|--|--|
| Impacts on Public Health | This category refers to the degree of risk we are willing to accept in relation to potential adverse effects on the health and wellbeing of the public arising from food and feed safety, nutrition, and related regulatory decisions. |
| Legal or Regulatory impacts | Risks arising from a legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property) |
| Impacts on our People | This category refers to the degree of risk we are willing to accept in relation to the impact on our people. It encompasses risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance. |
| Impacts on our Finances | This category refers to the degree of risk we are willing to accept in relation to the impact to our finances. It encompasses risks arising from not managing finances in accordance with requirements, not being able to balance our budget, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting. |
| Impacts on our cyber & data security | Risks arising from a failure to prevent unauthorised and/or inappropriate access to information and non-compliance with General Data Protection Regulation requirements. |
| Impacts on our Reputation | This category refers to the degree of risk we are willing to accept in relation to the impact on our reputation. It encompasses risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations |
| Impacts on our Partnerships | This category refers to the level of risk we are willing to accept in relation to the quality, effectiveness, and sustainability of our relationships with external stakeholders, including government bodies, industry and academia (could include examples of specific partners) |
| Impacts on the delivery of our Strategy | <p>This category refers to the degree of risk the organisation is willing to accept in relation to achieving its strategic objectives. It encompasses risks that could affect the successful implementation, timing, or effectiveness of strategic ambitions. It considers both internal and external factors that may disrupt or delay strategic progress or compromise intended outcomes.</p> <p>Note: There is a difference between risks that fall into this category and risks that fall under the banner of 'strategic risks' as presented to the Board. The two will be different and not all 'strategic risks' will fall into this category.</p> |
| Impacts on our Technology and Innovation abilities | Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development. |

The risk appetite levels and thresholds relate to our **ambition** of where risk scores should be mitigated down to. Note our mitigating actions may not always result in bringing the risk score down to our appetite level (e.g. due to resource constraints) and these are the risks that need to be considered carefully at the appropriate forums.

Risk appetite level and threshold

| | | | | | |
|-------------------|----------------|----------|-------------------|-------------------|---------------------------|
| Impact | Very high (50) | | high / open | very high / eager | |
| | High (25) | | medium / cautious | | high / open |
| | Medium (10) | | low / minimalist | | |
| | Low (5) | | very low / averse | | |
| | | Rare (1) | Low (2) | Medium (3) | High (4) Very high (5) |
| Likelihood | | | | | |

Risk Impact Matrix Key

| IMPACT | Multiplier | 1 | 2 | 3 | 4 | 5 |
|-----------|------------|------|-----|--------|------|-----------|
| Very High | 50 | | | | | |
| High | 25 | | | | | |
| Medium | 10 | | | | | |
| Low | 5 | | | | | |
| | Multiplier | 1 | 2 | 3 | 4 | 5 |
| | LIKELIHOOD | Rare | Low | Medium | High | Very High |

| Category | Risk Appetite high level statement | Risk appetite Level | Risk appetite score / threshold |
|------------------------------------|---|---|---------------------------------|
| Impacts on Public Health | <p>As the body responsible for food safety, we are committed to protecting public health and maintaining consumer confidence. Our remit covers all aspects of the food chain which can impact on public health.</p> <p>Our public health appetite is very low, and we are averse to taking risks that impact on our ability to protect the interests of consumers in relation to food and risks that could negatively impact public health.</p> | Very low | 5 - 10 |
| Legal or Regulatory impacts | <p>As a public sector food body for Scotland, we will always comply with legislation and our statutory obligations.</p> <p>Legal risk appetite is very low, and we are averse to taking risk that impacts on our ability to be compliant in the delivery of our statutory duties.</p> | Very low | 5 - 10 |
| Impacts on our People | We will take a low tolerance to adverse impacts on the wellbeing of our staff. | Low | 20-30 |
| Impacts on our Finances | <p>We recognise public finances will continue to remain under increasing pressure. We will therefore ensure that we are proactive and proficient in the decisions we take on the use and deployment of our resources to maximise business benefits, ensuring financial resilience. FSS aims to maintain a balanced budget at the end of each financial year, meet its statutory obligations and avoid instances of fraud. Our financial risk appetite is very low, and we are averse to taking risks that negatively impacts on the management of our finances.</p> <p>We shall also pursue opportunities to diversify our funding, identify areas for income generation and take a lead role in the development of shared services and/or partnership working to minimise our overall costs and maximise returns on our investments. To improve sustainability of our resources our risk appetite is low when they secure longer-term business benefits.</p> | Risk to the management of our finances – Very low | 5 – 10 |
| | | When longer term business benefits can be sought – Low | 20-30 |

| | | | |
|---|---|--|---------|
| Impacts on our cyber & data security | There will be occasions where a more risk averse approach may need to be taken in response to specific threats. Due consideration should be given to risks related to information classed as OFFICIAL-SENSITIVE, when dealing with personal, HR, legal or security information, where a very low approach may be more appropriate. | OFFICIAL-SENSITIVE information – Very low | 5 - 10 |
| | Our risk appetite for risks which may give risk to the unauthorised access or release of OFFICIAL information is low . This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media. | Unauthorised access / release of OFFICIAL information – Low | 20-30 |
| Impacts on our Reputation | Our key priorities are public health and consumer protection and as an organisation it is crucial that we are trusted, viewed as being transparent and having integrity therefore our reputational risk appetite is very low . We are averse to organisational decision making where decisions attract risk to how we are perceived and decisions that could impact on our ability to influence effectively and protect consumers. | Risk to reputation – Very low | 5 - 10 |
| | Alongside the importance of taking account of all views interested parties in undertaking our duties, as an evidence-based organisation we must also be rigorous in ensuring decisions we make are transparent and based on robust evidence. As such, we have a medium risk appetite to reputational risk where consensus cannot be reached across all relevant parties to ensure there is no impact on our ability to influence effectively to protect consumers. | When consensus cannot be reached – Medium | 40-75 |
| Impacts on our Partnerships | We work collaboratively with stakeholders and speak out publicly about areas of consumer interest to encourage high food standards and healthy eating in Scotland therefore our partnership risk appetite is medium , and we are cautious to activities that risk our independence and risk the prioritisation of consumer interests. | Medium | 40-75 |
| Impacts on the delivery of our Strategy | We maintain a medium risk appetite in relation to the delivery of our strategic ambitions. | Risk to delivery of our strategic ambitions - Medium | 40-75 |
| | We have a high risk appetite where it enables innovation, improves efficiency, or enhances long-term outcomes for consumers and stakeholders. | Enables innovation, improves efficiency or enhances long term outcomes - High | 100-125 |

| | | | |
|---|--|---|-----------------------|
| Impacts on our Technology and Innovation abilities | <p>We also have a high risk appetite when exploring new ways of working, encouraging our staff and stakeholders to identify and suggest alternative approaches, systems and methods that help our effectiveness through efficient practices and tools.</p> | <p>Exploration of new ways of working / Ensure we are not developing at an impactful pace – High</p> | <p>100-125</p> |
| | <p>However, we have a high risk appetite in relating to ensuring we do not develop at a pace that impacts on capacity and capability at an organisational and individual level. We also remain cautious in ensuring our exploitation of data, and use of technology, is not at the expense of data security or the use of sensitive/personal information.</p> <p>Our risk appetite for technology, data and innovation is very high, and we are eager for opportunities to use innovation and technology to deliver wider business benefits and to leverage innovation to enhance our regulatory frameworks, operational efficiencies and enhance our ability to monitor food safety, predict risks, and respond swiftly to emerging issues.</p> | <p>Opportunities to deliver wider business benefits - Very High</p> | <p>150-250</p> |