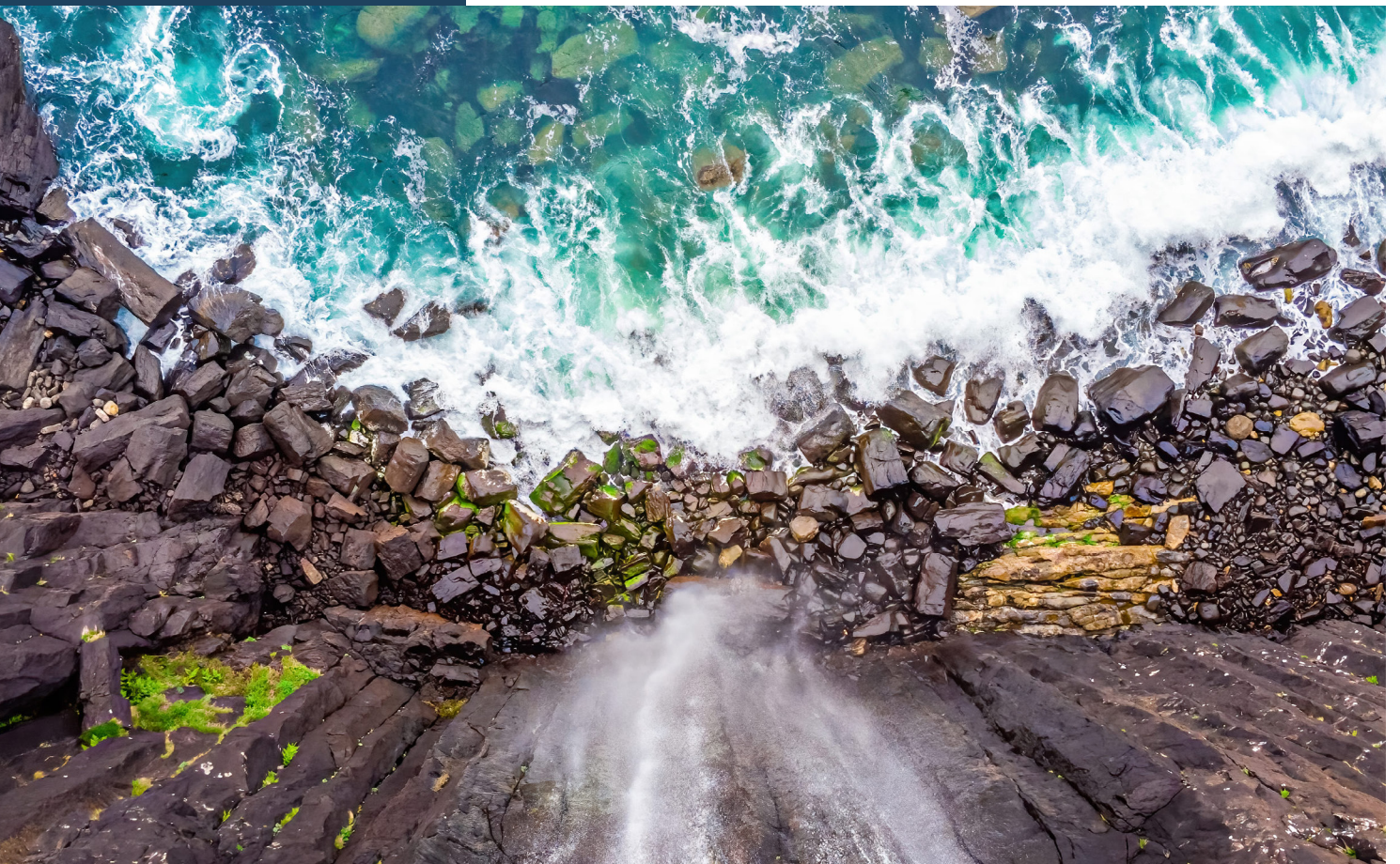


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# Annual Report and Accounts

**1 October 2021 – 31 March 2023  
(18 months)**

October 2023



# Contents

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1. Performance Report	2
2. Accountability Report	40
3. Independent Auditor's Report	68
4. Financial Statements	75
5. Notes to the Accounts for the eighteen months ended 31 March 2023	78
Annex A – Accounts Direction	84

Laid before the Scottish Parliament by Environmental Standards Scotland under The UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021.

October 2023

ESS/2023/01

# 1. Performance Report

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## Chair's Foreword

I am pleased to publish our first set of Accounts and accompanying Annual Report. This document tells our story, and details our activities, from vesting on 1 October 2021 to 31 March 2023.

It has been a remarkable journey. From publishing our three-year Strategic Plan, developing our ongoing investigation processes and procedures, and building our organisational culture, to ultimately delivering on the responsibility given to us when Environmental Standards Scotland (ESS) was created by the UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021.

We continue to strive to ensure that the people of Scotland benefit from a high-quality environment and are protected from harm. We do this through ensuring that Scotland's environmental laws and standards are complied with, and their effectiveness improved, to achieve Scotland's ambitions for the environment and climate change.

I present this report with thanks to the Board, ESS team, partner organisations including the Scottish Fiscal Commission and Consumer Scotland, and officials in Scottish Government, for their commitment and dedication in establishing ESS. My thanks extend to the Scottish Parliament for its support and scrutiny over this period, and that of the Net Zero, Energy and Transport Committee for its endorsement of our work to date.

Jim Martin

12 October 2023



## Overview

- 1.1 The purpose of this overview is to provide a short summary about Environmental Standards Scotland (ESS), its objectives, performance across the period of this report (from vesting on 1 October 2021 to 31 March 2023), the principal risks it faces and a summary of future plans. It is followed by a more detailed performance analysis.

### Chief Executive's Introduction

This report covers the first 18 months of ESS' existence. The Scottish Parliament agreed to establish ESS to replace the environmental oversight and scrutiny function that was previously provided by the European Commission.



Since then, ESS has established itself as an important element of environmental governance in Scotland. We scrutinise how Scottish public bodies are complying with environmental law and how effective that law is, to contribute to ensuring Scotland meets its environmental and climate change ambitions.

The report sets out how we are governed, what we have achieved and how we have used our funding since 1 October 2021.

As an independent, non-ministerial office, our relationship with the Scottish Parliament is critical. A key step in our development was securing the Parliament's agreement to our Strategic Plan for the period 2022-25 in November 2022. We provide updates to the Net Zero, Energy and Transport Committee on our work every six months. Another important event was when we published our first Improvement Report in September 2022, which focused on strengthening the system of air quality management in Scotland. We are currently working across a range of environmental topics including air quality, biodiversity, climate change, water quality and waste management.

ESS came into being during the pandemic. Since then, we have grown as an organisation and now have an enthusiastic and ambitious team who are working on a hybrid basis. We will soon have reached our planned establishment size.

I joined ESS in June 2022. I would like to thank all members of the ESS Board for their support and the ESS team, some of whom set up the organisation during the restrictions resulting from the pandemic, and others who have joined since, but who have contributed immensely to the early life of ESS. I would like to recognise the work of my predecessor, Brendan Callaghan, as Interim Chief Executive and Accountable Officer from October 2021 to June 2022.

Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer

# About Environmental Standards Scotland

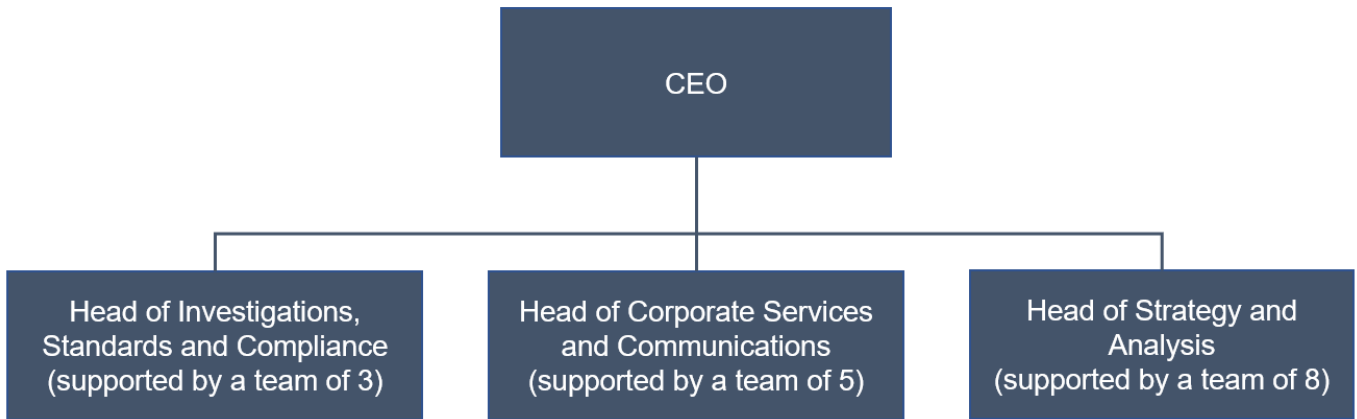
## What we do

- 1.2 Environmental Standards Scotland (ESS) scrutinises public authorities' compliance with environmental law, and evaluates the effectiveness of environmental law and the way it is being implemented and applied.
- 1.3 ESS is a non-ministerial office (NMO). This means it is part of the Scottish Administration directly accountable to the Scottish Parliament, but is not part of the Scottish Government. This ensures our operational independence.
- 1.4 ESS' monitoring and analysis function tracks developments in Scottish, UK and international environmental policy and regulation, actively examines the issues of most environmental concern, and conducts analysis to scrutinise the implementation of environmental law. ESS' investigatory function uses the powers in the [UK Withdrawal from the European Union \(Continuity\) \(Scotland\) Act 2021](#) ("the Continuity Act") to investigate issues identified in monitoring and analysis work and concerns raised by the public, known as representations.
- 1.5 Information is regularly published on the [ESS website](#) regarding monitoring, analysis and investigatory work, including the recommendations made to public authorities to ensure compliance with, and to improve the effectiveness of, environmental law in Scotland.
- 1.6 ESS cannot seek for individual regulatory decisions to be overturned, nor can ESS seek individual redress for injustice or hardship caused as a result of those regulatory decisions.

## Organisational Structure

- 1.7 At 31 March 2023, ESS consisted of five [Board members](#) who are collectively responsible for fulfilling the functions and duties set out in the [Continuity Act](#). Our Board members are appointed by Scottish Ministers, with the approval of the Scottish Parliament.
- 1.8 The Board has one committee, the Audit and Risk Committee ("the Committee"), which undertakes detailed scrutiny of key areas of work and reports these to the Board.
- 1.9 An overview of membership is found at page 40.
- 1.10 The Executive Team is led by the Chief Executive Officer and includes: the Head of Investigations, Standards and Compliance; Head of Corporate Services and Communications; and Head of Strategy and Analysis.

1.11 The diagram below demonstrates ESS' team structure as at 31 March 2023



## Strategic Objectives

### Our Vision and Mission Statement

1.12 The Scottish Parliament approved our [Strategic Plan](#) in November 2022. It was published on 1 December 2022 and sets out how ESS intends to work to deliver our functions.



1.13 We are ambitious for Scotland’s environment and our **Vision** is that:

‘Scotland’s people and nature benefit from a high quality environment and are protected from harm through the consistent application of effective environmental laws, which are recognised internationally as setting high standards.’

1.14 Our Mission Statement:

‘We will ensure that Scotland’s environmental laws and standards are complied with, and their effectiveness improved to achieve Scotland’s ambitious targets for the environment, nature and climate change.’

1.15 Our Values and Principles:

Our work will be informed by our Values and Principles, which will guide all that we do.

1.16 The **Values** set out below embody the organisation that we strive to be, how we want to be viewed by our stakeholders, and how those who work for us feel.

We are	Our staff feel
Independent	Respected
Transparent	Included
Trusted	Innovative
Effective	Collaborative

1.17 The **Principles** set out below will inform how we approach our work.

- 1. We will target our efforts and resources where we can add most value** – focusing where our contribution is needed most or will make most difference
- 2. We will seek to resolve issues through agreement wherever possible** – having recourse to our formal powers where we judge it is necessary to deliver the outcome expected
- 3. We will be evidence driven** – seeking a wide range of inputs and expertise to inform our work and to support our decisions and advice
- 4. We will be open and transparent** – keeping people informed about the progress of our work and providing opportunities to input to and influence it
- 5. We will seek opportunities to work in partnership with others** – working closely with all relevant stakeholders to ensure that our collective efforts deliver benefits for environmental protection and enhancement



1.18 We deliver our **functions** by:

- operating as an effective and efficient organisation with sound governance, effective internal systems and processes, and a highly skilled and motivated team of staff
- engaging and communicating extensively with stakeholders to ensure that everyone is aware of our role and how to raise concerns with us
- drawing on a wide range of data and evidence to monitor and evaluate Scotland's environment to identify areas for closer scrutiny and to understand its comparative performance
- prioritising and undertaking investigations into the most important areas of concern so that we can identify where and how compliance and effectiveness need to be improved
- taking effective action to ensure compliance with, and the effectiveness of, environmental law, working with the Scottish Parliament and public authorities to secure improvements

## Performance Summary

### **Publications, events and evidence overview**

1.19 A range of work was carried out in ESS' first 18 months of operation, as set out below:

#### **Engaging and communicating**

- ESS vested on 1 October 2021, holding a launch event via Zoom attended by 138 people. Following the launch, ESS continued to actively engage with stakeholders, from members of the public to bodies responsible for implementing environmental law.
- this engagement included two online public information sessions, bespoke presentations to environmental organisations and groups, and regular liaison meetings with key stakeholders. ESS also engaged with the Scottish Parliament, issuing regular [publicly available updates](#) on activities to relevant committees to demonstrate our transparency and accountability.

- on vesting, ESS published its [Interim Strategic Plan](#) in October 2021. In addition, ESS published a number of documents key to its operations as a new statutory body. These included a [Framework Document](#) setting out the roles and responsibilities, and shared principles, of ESS and the Scottish Ministers.
- the draft Strategic Plan was published for public consultation in May 2022. The consultation ran until August 2022 and informed the [proposed Strategic Plan](#) that was laid in the Scottish Parliament in September 2022. The Scottish Parliament approved the [Plan](#) in November 2022 and the final version was published on ESS' website on 1 December 2022.
- eight [Baseline Evidence Reviews](#) were published in September 2022 to support the identification of ESS' [analytical priorities](#) for inclusion in the Strategic Plan.
- an overview of these first six months was provided in an [Annual Report](#), published and shared with the Scottish Parliament in May 2022.

### **Investigating concerns**

- ESS launched its first investigation<sup>1</sup> in November 2021, looking at compliance with air quality limits for nitrogen dioxide in Scotland.
- an investigation into the delivery of climate change targets was launched in June 2022. In addition, two other cases<sup>2</sup> concluded: reaching informal resolution with Marine Scotland on the use of Acoustic Deterrent Devices in August 2022; and issuing an improvement report to the Scottish Government on air quality limits, which was laid in the Scottish Parliament in September 2022.
- details of all these investigations can be found on the ESS website's [ongoing and completed casework page](#)

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1 Investigations are defined as those which have been agreed by the ESS Board and formally announced publicly.

2 Cases are defined as any enquiry or representation which is considered by the Investigations team, whether it is progressed to investigation or not.

## **Building an efficient and effective organisation**

- ESS recruited and inducted 19 members of the team (80% of the permanent staff complement), including the appointment of [Mark Roberts](#) as the permanent Chief Executive in June 2022. Further information on this can be found at pages 52 and 53.
- ESS became a 'prescribed person' in December 2022, allowing whistleblowers to raise concerns. An external [whistleblowing policy](#) was published on the website at this time.
- memorandums of understanding (MoUs) were signed with: the Interim Environmental Protection Assessor for Wales and the Office for Environmental Protection (our [counterparts](#) elsewhere in the UK); the Scottish Government's [Rural and Environment Science and Analytical Services Division](#) (to access elements of the Strategic Research Programme); and with the [Climate Change Committee](#)
- ESS submitted its carbon emission reporting to the Sustainable Scotland Network in November 2022 and used this data to inform the development of its [Sustainability Plan](#). The Plan was published in January 2023 to inform ESS' route towards net zero for the years 2022-2025. Further information on this can be found on page 31.

## **Business Plan objectives delivery**

- 1.20 Two Business Plans have been published during the period of this report. The first in [January 2021](#) (running through to March 2023) and the second in [March 2023](#) (running through to March 2024).
- 1.21 These Business Plans link directly to the Strategic Plan. Key areas of work identified to deliver against ESS' strategic outcomes are set out below.

## **Taking action to ensure compliance and effectiveness**

- 1.22 ESS' Business Plan sets out its intention to:
- seek to work constructively with public authorities where possible to reach informal resolution
  - use our statutory powers to prevent further harm, or to reduce the risks to the environment or public health

- issue a compliance notice where we consider that: there has been a failure by a public authority to comply with environmental law; harm to the environment has been caused; is continuing to be caused; or is at risk of being caused as a result
- prepare an improvement report where we consider that there is a failure by one or more public authorities to comply with the law or where a systemic change is required by the public authority(s) concerned to improve compliance with, and/or the effectiveness of, environmental law
- consider the use of our powers to make an application for judicial review, or intervene in civil proceedings taken by another party

### 1.23 In this 18-month period, ESS:

- sought to resolve matters by agreement with the relevant public authorities where possible within a reasonable timescale. In August 2022, ESS' first informal resolution report into Marine Scotland's enforcement of unlicensed Acoustic Deterrent Devices was issued. ESS also reached informal resolution with a local authority in respect of its permitted development policies and we are working to reach informal resolution with the Scottish Government in respect of the findings of our climate change investigation<sup>3</sup>
- in September 2022, we completed our first investigation into the systems in place to improve air quality. Given the longstanding, systemic and persistent exceedances of legal requirements in this area, we took action to strengthen the operational and governance arrangements around air quality management
- in February 2023, we also concluded the investigatory work into the system which underpins the delivery of local authorities' climate change responsibilities
- we have been actively engaged with a number of public authorities on a range of issues raised through representations, which we continue to monitor closely and publicly report on
- further information on this can be found on pages 14 to 15
- we began work on our community and stakeholder engagement programme, which will become operational late in October 2023

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<sup>3</sup> All information on investigations is set out on the ESS website [Investigations - Environmental Standards Scotland](#)

## Investigating the most important environmental concerns

1.24 Our Business Plan sets out our intention to:

- assess whether representations made to us may trigger an immediate investigation due to importance, neglect or added value
- take into account importance, scope and nature, neglect and added value when prioritising our work
- notify the public authorities and relevant parties of our decision where we decide to investigate a matter of concern
- gather information from the public authority(s) concerned through the issuing of Information Notices
- work quickly and efficiently throughout our investigations and provide relevant parties with updates and an estimate of the completion date of each investigation as soon as we can

1.25 In this 18-month period we have:

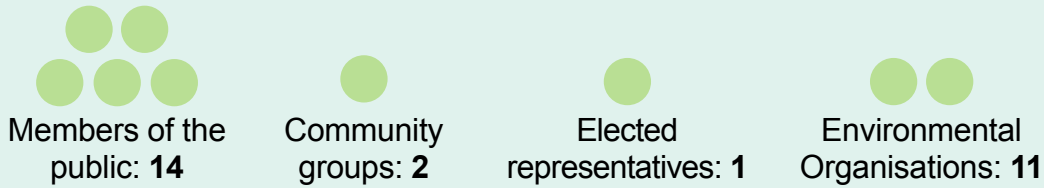
- actively supported parties submitting representations, particularly where they are unfamiliar with ESS' processes, to ensure their concerns are accurately captured
- developed, published and regularly reviewed our forward work programme, so that we are investigating the most important environmental concerns. A new [webpage](#) detailing all ongoing and completed casework has been published
- developed and regularly updated our publicly available register of investigations and carried out these investigations
- developed and implemented our approach to keeping those who have made representations informed about our consideration and investigation of their matter of concern. Those submitting representations are kept updated on the representations they bring to ESS and the final outcome is published as set out above
- developed our approach to publishing reports about the issues we have investigated and the actions that have been taken
- continuously assessed our systems and processes to ensure the effectiveness of our investigations

- published our [Customer Service Standards](#) setting out the standards the public can expect when dealing with ESS. Our performance against these standards is set out at pages 26 and 27
- built and developed the capability of the Investigations Team. A team of three Senior Investigations Officers, led by the Head of Investigations, Standards and Compliance, is in place and operating effectively. An additional Senior Investigations Officer will be recruited in 2023

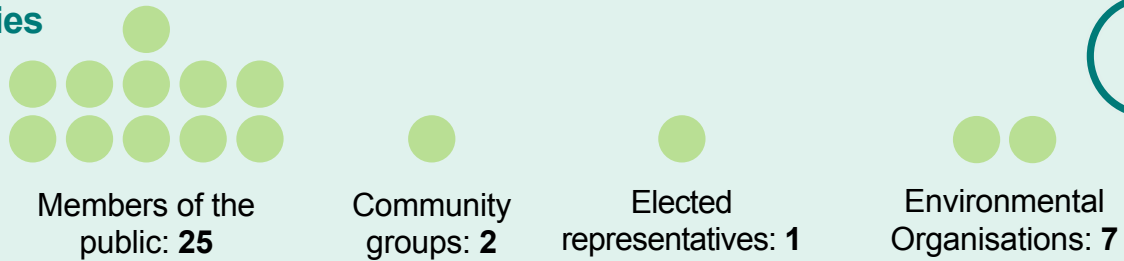
### **Our work in numbers**

1.26 Since 1 October 2021, we have received 63 submissions, including 35 enquiries and 28 representations from members of the public, environmental groups and elected representatives from around Scotland, as shown in the graphics below.

## Representations



## Enquiries



Of the 28 **representations** received, we have carried out substantive work on eleven of these, including investigation, pre-investigation research and pursuing informal resolution. Details of these cases are available on our [website](#) and we will continue to publish the outcome of our considerations when they are concluded.

Of the representations which we did not take forward, in seven cases we provided assistance in identifying an alternative route

for the concerns to be pursued and four did not meet our investigation criteria. In addition, four cases were closed on the grounds that they related to an individual regulatory decision. Two cases were withdrawn or premature, requiring additional information to be gathered before re-submitting to ESS.

The outcomes of the **35 enquiries** are broken down as follows:

13

Assistance given in identifying an alternative remedy

5

Enquiry considered to be premature

8

Subject did not relate to environmental law

1

Subject did not meet ESS criteria for investigation

3

Subject did not relate to a public authority

4

Closed awaiting further information

1

Representation form issued and awaited

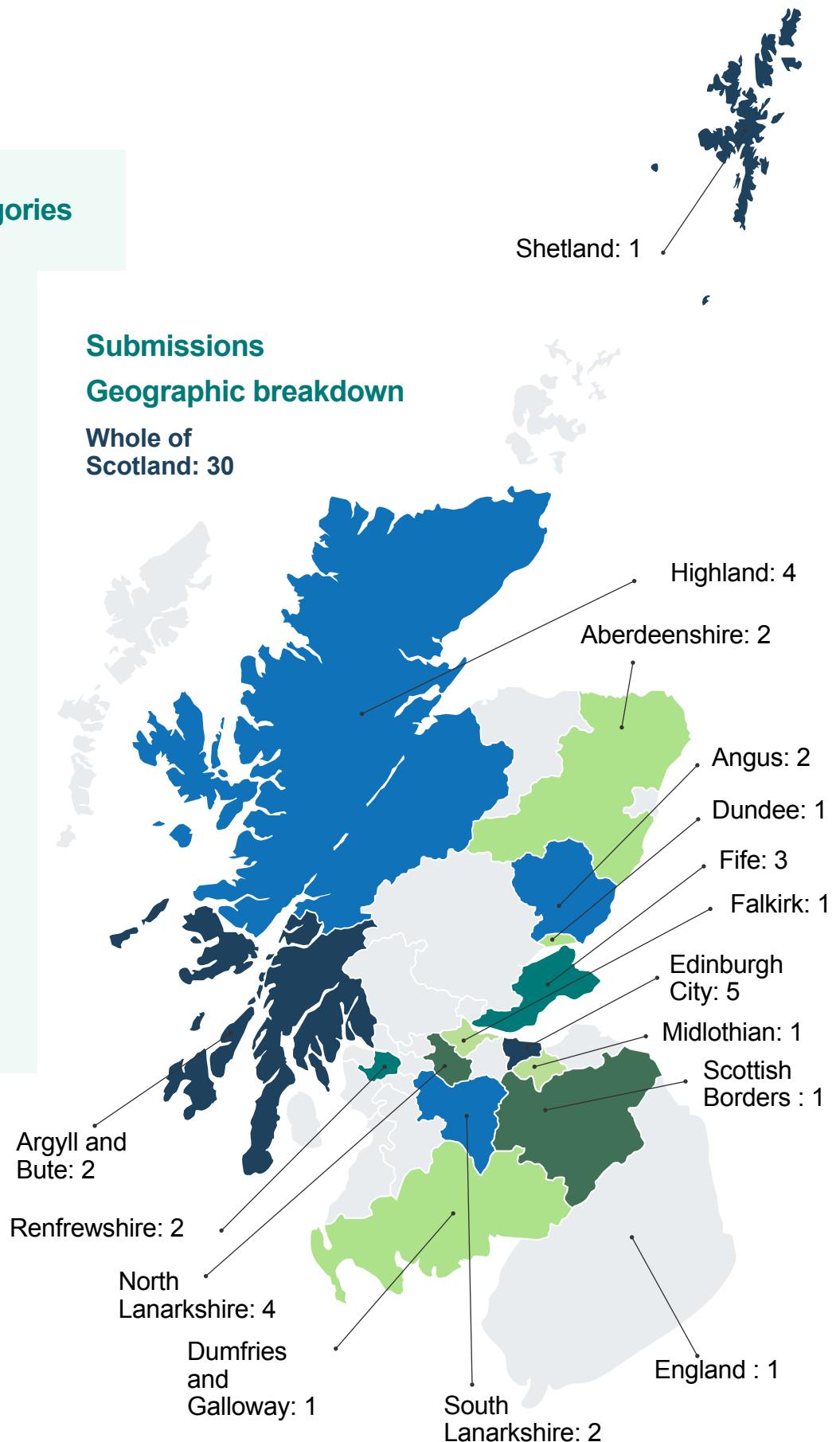
1.27 The **submissions** cover a wide range of environmental categories and topics and contain a mixture of issues which affect local communities and those which have nationwide implications. The environmental categories and geographic breakdowns are as follows:

## Submissions Environmental Categories

-  Air: **5**
-  Biodiversity and ecosystems: **14**
-  Climate change: **3**
-  Cross-cutting environmental governance: **5**
-  Land and soil: **8**
-  Population, human health and cultural heritage: **13**
-  Resource use and waste: **7**
-  Water: **7**
-  Other: **1**

## Submissions Geographic breakdown

Whole of Scotland: **30**





## Monitoring and evaluating environmental performance and change in Scotland

1.28 Our Business Plan sets out our intention to:

- collate, synthesise and assess the evidence about potential matters of concern (including matters of public concern) against a range of criteria, including impact; nature and scope; neglect; and added value<sup>4</sup>
- cast our net widely, identifying and interrogating data, reports, submissions and intelligence from partners and stakeholders that can help us identify instances of non-compliance or ineffective implementation of the law
- quality-assure the evidence we use to ensure it is robust, reliable and objective
- progress our monitoring and analysis work through a series of stages, from horizon scanning to identify high-level areas of concern, through a deepening analysis and understanding of how things are changing in that area, the causes of this, and how policy and regulatory decisions affect this
- continue to monitor environmental performance more widely to assess whether any other matters of concern should be prioritised. We will also undertake horizon scanning to identify emerging matters of concern and relevant improvements in environmental law elsewhere

1.29 In this 18-month period we have:

- prepared and published eight [Baseline Evidence Reviews](#) to support and inform the preparation of our Strategic Plan. These summarise how the environment is changing in Scotland and whether Scotland is on track to achieve its environmental objectives. This informed the identification of a set of 14 priority issues for further analysis over the 2022-25 Plan period
- begun work on five of our 14 [analytical priorities](#) during the period October 2022 to March 2023. This includes progress against air quality targets and standards (with a focus on particulate matter); sewage discharge into the aquatic environment; biodiversity decline (with a focus on pressures and mitigation strategies); antimicrobial resistance, controls and impacts; and threats to the marine environment

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<sup>4</sup> All information on monitoring and analytical work is set out on the ESS website [Monitoring - Environmental Standards Scotland](#)

- begun preparations for recruiting members to an advisory panel on international developments in environmental policy and law. The first meeting of the panel is expected to be held later in 2023
- finalised and put into practice a number of key processes to guide and assure our monitoring and analytical work. This includes: an analytical process to guide analytical work from inception to finalisation; a quality assurance process to ensure that our analysis is robust and to verify and validate our findings; and a prioritisation process to sift issues identified through our monitoring and horizon scanning work for potential further analysis
- built a multi-disciplinary team of eight with a range of quantitative, qualitative, scientific and policy analysis skills and experience, led by the Head of Strategy and Analysis

### **Engaging and communicating effectively about our role and how to raise concerns**

1.30 Our Business Plan sets out our intention to:

- be accountable through reporting annually to the Parliament on our activities
- liaise with relevant committees to provide six-monthly updates on our work and avoid unintentional overlap in our work programmes
- liaise with other oversight and scrutiny bodies to ensure that we add value and avoid unnecessary overlap in our functions
- be open to anyone raising a concern with us about compliance with, or the effectiveness of, environmental law in Scotland
- regularly [publish](#) information on our live investigations, pre-investigation casework and [frequently asked questions](#) on our website
- continue to develop our communication with stakeholders in the public, private and voluntary sectors, and develop our [Communication and Engagement Strategy](#) to broaden our reach, in particular to marginalised or disadvantaged communities and groups, to ensure they are aware of our role and how to raise concerns

1.31 In this 18-month period we have:

- developed effective liaison and working relationships with a range of evidence and data partners who can support and inform our work
- established regular liaison meetings with the Scottish Parliament Information Centre (SPICe)
- carried out extensive consultation to support the development of the [Strategic Plan](#)
- updated our website regularly with key documents, videos, vlogs and responses to frequently asked questions
- shared information through our social media platforms on a regular basis
- finalised our [Communication and Engagement Strategy](#) to inform all of this work
- provided six-monthly updates on our work to the Net Zero, Energy and Transport Committee in [August 2022](#) and [February 2023](#)<sup>5</sup>
- continued to engage with a range of stakeholders throughout the year, informed by the publication of the Communication and Engagement Strategy in December 2022. For example, three online public information sessions took place to support the [consultation on the Strategic Plan](#) and an online Workshop was held to support early development of the biodiversity analytical project
- further information on this can be found at pages 24 and 25

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5 Information is made public on the ESS publications webpage [Publications - Environmental Standards Scotland](#)

## **An effective and efficient organisation**

1.32 Our Business Plan sets out our intention to:

- ensure our plans and operational activity are regularly reviewed and accountable
- continue to maintain a clear approach to how we allocate and prioritise our spending to ensure best value
- regularly assess ESS' staffing complement necessary to ensure we can perform our functions effectively
- prioritise the development of our team by implementing our learning and development programme, pulse surveys and events, to build our organisational culture, with a particular focus on equalities and wellbeing
- establish our core internal communications policy and continue to create an inclusive culture where team members are consulted and involved in the development of key policy areas

1.33 In this 18-month period we have:

- prioritised the development of our new team by implementing our learning and development programme, pulse surveys and events
- developed and implemented our approach to finance monitoring, reporting, budget setting, including Board and Audit and Risk Committee scrutiny, to ensure efficient and effective use of resources
- commissioned an independent review into the initial ESS set-up and arrangements to ensure their effectiveness, taking into account all feedback and audit recommendations. This work provided positive feedback on the success of this early period of organisational development
- established our processes and policies for monitoring and minimising ESS' impact on the environment and published our [Sustainability Plan Phase 1](#). Further information on this can be found at page 31

## Principal risks

1.34 In recognition that the early set-up stage of an organisation can be a challenging period in its development, risks have been identified, monitored and assessed by the Executive Team on a monthly basis, and by the Audit and Risk Committee and the Board at each of their meetings, in line with our Risk Management Policy.

1.35 The principal areas of risk that we face are:

- **compliance/regulatory** – our compliance in relation to all relevant laws, regulations and governance requirements
- **reputation** – the decisions, actions, responses or positions we take in relation to the broad scope of our work
- **financial sustainability and performance** – the decisions we take in how we will deploy, utilise and monitor our resources to maximise their public value and ensure long-term financial sustainability
- **business continuity** – the decisions we take on how to assess threats, remain operational, and structure the organisation in response to challenges (including our internal business process and delivery model, and the use of supporting systems)
- **people and culture** – the provision of a safe and inclusive workplace with a focus on service provision to stakeholders
- **operational** – the actions we take in relation to the performance of others through our external facing activities such as investigations, enforcement and compliance procedures
- **environment and social responsibility** – ESS' own performance and behaviours in relation to Scotland's environment

1.36 Further information on this can be found at pages 34 to 37.

## Performance Analysis

- 1.37 The purpose of this section is to give a detailed account of ESS' performance against our strategic objectives.

### Performance and Management Indicators

- 1.38 We have developed a set of performance and management indicators (PMIs) spanning ESS' actions, outputs and intermediate and long-term outcomes. These measure how the resources that we deploy, and the actions that we take, bring about changes to Scotland's policy and regulatory environment which, ultimately, lead to improvements to environmental quality and public health.
- 1.39 The table below sets out the quantitative data collated against our PMIs, alongside a high-level summary on trends. Details on the definition of each PMI can be found on ESS' [website](#).
- 1.40 As this is our first time reporting against our PMIs the figures below will form the baseline for comparison in the future. Targets have been met, unless specified in the table below.

Performance Indicators	2021/22 <sup>6</sup>	2022/23	Summary
Number of investigations completed	0	2	<p>ESS has completed two investigations in the last 18 months, concerning air quality and the systems in place to support local authorities in the delivery of climate change targets. The findings of the air quality investigation have been published on the ESS website and ESS is engaging with the Scottish Government to see if informal resolution is possible in the climate change delivery investigation.</p> <p>Further information on investigations is available on the ESS <a href="#">website</a>.</p>
Number of representations considered	8	20	Awareness of ESS' role is increasing and there has been a significant rise in representations submitted to ESS.
Number of investigations resulting in:			ESS' investigation into Air Quality Limits resulted in an improvement report being issued to the Scottish Government.
- Compliance notice	0	0	
- Improvement report	0	1	
- Judicial review	0	0	
Number and proportion of issues resolved informally	0	2 out of 6 33%	ESS has reached informal resolution following two out of six cases which have been closed following substantive casework: use of Acoustic Deterrent Devices and local authority permitted development policies.
Percentage of compliance notices implemented in full, on schedule	n/a	n/a	To date, none of ESS' investigations have resulted in the issuing of a compliance notice.

Performance Indicators	2021/22 <sup>6</sup>	2022/23	Summary
Percentage of recommendations implemented from Improvement Reports	n/a	83%	The improvement report relating to the air quality limits investigation contained six recommendations. Four were made under ESS' section 26 powers and have been implemented by the Scottish Government. Two were made under section 20 powers, one of which has been implemented so far. ESS is monitoring the implementation of the final recommendation.
Percentage of recommendations/actions implemented in full, on schedule from informal resolution	n/a	100%	Three recommendations were made in pursuit of informal resolution, all of which were implemented in full and on schedule by the public authorities concerned.
Number of analysis projects completed	n/a	8	<p>No projects were completed in 2021/22, as the Strategy and Analysis Team was not yet established during this period. Recruitment of the majority of the Team took place from February 2022, following which detailed analytical work began.</p> <p>The Team began drafting eight Baseline Evidence Reviews in 2021/22, which were then completed during 2022/23 and published in September 2022. These Reviews provided the evidence base upon which decisions were taken on the issues which would be prioritised for further work as part of our Strategic Plan. Work began on these issues at the end of 2022/23.</p>



<b>Performance Indicators</b>	<b>2021/22<sup>6</sup></b>	<b>2022/23</b>	<b>Summary</b>
ESS' assessment of Scotland's progress against environmental indicators	n/a	n/a	The methodology for this indicator has been in development and has only recently been finalised. Progress will be reported in future annual reports. This indicator will consider how ESS has contributed to delivering improvements in selected environmental outcomes where it has undertaken scrutiny work. This will involve formulating theories of change, identifying specific indicators to monitor changes in outcomes at a high level and undertaking light touch impact assessments (once every three years) of how ESS' work has contributed (directly or indirectly) to changes.
<b>Management Indicators</b>	<b>2021/22<sup>6</sup></b>	<b>2022/23</b>	<b>Summary</b>
Number attending public/ stakeholder engagement sessions	260	110	<p>ESS held three stakeholder events in 2021/22, including its launch event and two public information sessions. A total of 260 people attended these events.</p> <p>ESS held four stakeholder events in 2022/23, including consultation information sessions and a biodiversity workshop. A total of 110 people attended these events.</p> <p>Further events are planned as part of the new community and stakeholder engagement programme planned for the financial year 2023/24.</p>
Percentage of feedback positive from public/ stakeholder engagement sessions	n/a	100%	<p>Due to capacity and resourcing during ESS' set-up phase, no feedback was gathered for the months of October 2021 - March 2022.</p> <p>A standardised template for overall feedback has been applied across stakeholder events since April 2023 and we have received 100% positive overall feedback.</p>

Management Indicators	2021/22 <sup>6</sup>	2022/23	Summary
Number of citations in parliamentary reports or meetings	2	8	<p>As awareness and activities of ESS increase, ESS is being cited in parliamentary meetings, as well as giving evidence to parliamentary committees, more frequently.</p> <p>This indicator will report the number of agenda items in Scottish Parliament Official Reports<sup>7</sup> in which ESS is cited in the reporting period. An agenda item can only be counted once, regardless of how many times ESS is cited in that section. However, a report may count more than once if ESS is cited under more than one agenda item covered by the report.</p>
Number of social media followers	<p>X (Twitter): 351</p> <p>LinkedIn: n/a</p>	<p>X (Twitter): 539</p> <p>LinkedIn: 346</p>	<p>ESS' followers on X (Twitter) have continued to increase since vesting in October 2021: from 351 at 31 March 2022 to 539 at 31 March 2023.</p> <p>LinkedIn Analytics retains data for one year and on this occasion we have been unable to retrospectively obtain data as at 31 March 2022. As at 31 March 2023, we had 346 LinkedIn followers.</p>
Number of new and return visits to ESS website	<p>New visits: 4,400</p> <p>Return visits: 1,200</p>	<p>New visits: 7,200</p> <p>Return visits: 1,600</p>	<p>ESS' website has had a steady number of new and return visits over this 18-month reporting period. The website is frequently updated with publications, latest news, videos and information on casework and analytical projects.</p>

<sup>7</sup> Official Reports are the written record of public meetings of the Parliament and its committees.

Management Indicators	2021/22 <sup>6</sup>	2022/23	Summary
Stakeholder perception of ESS role	n/a	n/a	<p>This management indicator will be reported every two-to-three years.</p> <p>ESS will gather this information by issuing a survey to stakeholders to gather views on the perception of ESS' role. In addition to this survey, ongoing feedback will be gathered, for example, through questionnaires related to the effectiveness of our processes or engagement events.</p>
Service standards met	n/a	6 out of 8	<p>ESS' service standards went live on 8 July 2022. Since then, ESS has met six out of eight of its quantifiable standards:</p> <p><b>Investigations, Standards and Compliance</b></p> <ul style="list-style-type: none"> <li>- initial acknowledgement within three working days: 97%</li> <li>- decision on pre-investigation within 20 working days: 79%</li> <li>- responding to representation correspondence within five working days: 100%*</li> <li>- responding to all other correspondence within 20 working days: 100%*</li> </ul> <p>*These figures were the result of <u>dip sampling</u> of ESS' case tracker</p> <p><b>Corporate Services and Communications</b></p> <ul style="list-style-type: none"> <li>- responding to general enquiries within 20 working days: 100%</li> <li>- responding to complaints within SPSO timelines: 50%</li> <li>- responding to FOI requests within 20 working days: 100%</li> <li>- paying bills to businesses within ten working days: 99%</li> </ul>

Management Indicators	2021/22 <sup>6</sup>	2022/23	Summary
			ESS did not meet its service standards in relation to timescales for responding to complaints and for making a decision on pre-investigation status. In respect of responding to complaints, ESS missed the 20-working-day target on one out of two complaints, by one day. In respect of making a decision on pre-investigation cases within 20 working days, there were four cases where the complexity of the issues, and/or the fact ESS had to request information from the public authorities concerned, meant the 20-working-day target was missed.
Percentage of corporate reporting requirements delivered to schedule	100%	100%	To date, ESS has met all corporate reporting requirements to schedule, and published these on the ESS website where applicable.
Number of complaints received	1	1	ESS received one complaint in the 2021/22 reporting period and one complaint in the 2022/23 reporting period. Further information can be found on pages 29 and 30.
Board and staff diversity information	Suppressed <sup>8</sup>	Suppressed	<p>ESS collects equality and diversity data on its staff and Board members. Since vesting, ESS has consistently met the gender representation objective, meaning 50% or more of its Board are women<sup>9</sup>.</p> <p>ESS has published its equality outcomes for 2023-2027, with the first seeking to achieve a diverse workforce that is representative of the Scottish population. Progress against this outcome will be reported in 2025 and again in 2027.</p>

<sup>8</sup> Due to the small size of our organisation, we have suppressed the findings of ESS' monitoring activities as respondents may be identifiable by either primary or secondary disclosure.

<sup>9</sup> As per section 1(2) of the Gender Representation on Public Boards (Scotland) Act 2018, due to ESS' Board comprising an odd number, the 50% figure applies as if ESS' Board has one fewer member.

Management Indicators	2021/22 <sup>6</sup>	2022/23	Summary
Staff engagement	n/a	84.667%	ESS ran its first staff engagement survey in December 2022 and achieved 84.667% on its staff engagement index. Comparing to the Civil Service People Survey results, this would put ESS in the top 2% of participating organisations. <sup>10</sup>
Organisational carbon emissions (tonnes of CO <sub>2</sub> equivalent)	3.9	10.5 (projected)	<p>ESS calculated its organisational carbon emissions to be 3.9 tonnes of CO<sub>2</sub> equivalent for financial year 2021/22.</p> <p>ESS has projected carbon emissions of 10.5 tonnes of CO<sub>2</sub> equivalent for financial year 2022/23. Final calculations will be submitted to the Sustainable Scotland Network in November 2023.</p> <p>The projected increase in carbon emissions during 2022/23 is due to an increased staff complement and an increase in commuting as Covid-19 restrictions were lifted.</p>

Note: the National Performance Framework has statutory effect through [section 1 of the Community Empowerment \(Scotland\) Act 2015](#). As set out in Section 1(2)(b), a Scottish Public Authority must (Section 1(9)) have regard to the national outcomes in carrying out (Section 1 (3)(b)) any function that does not relate to reserved matters. ESS contributes across the 11 National Outcomes and 81 National Indicators (as at 23 June 2023) through meeting the PMIs set out above.

<sup>10</sup> [Civil Service People Survey: 2022 results.](#)

## Financial Performance

- 1.41 This report covers the 18-month period from 1 October 2021 to 31 March 2023.
- 1.42 ESS received a budget allocation of £1.5 million (prior to vesting) in the financial year 2021/22. ESS agreed to return £193,000 at the point of vesting, reducing this budget total to £1.308 million. ESS received a budget allocation of £2.192 million in 2022/23.
- 1.43 ESS had operating costs of £526,166 in 2021/22 and £1,570,393 in 2022/23, resulting in an underspend of £781,834 in 2021/22 and £621,606 in 2022/23.
- 1.44 Across the reporting period, at points where it was known that the full funding wouldn't be utilised, budget allocation was returned to the Scottish Government. The Audit and Risk Committee and Board were kept updated on these returns. Not utilising the full budget was reflective of the early life of the organisation.
- 1.45 Staff and related costs continue to be our biggest category of expenditure, at £368,939 in 2021/22 (70% of operating costs) and £1,196,167 in 2022/23 (76% of operating costs). Staff costs have increased as new staff are recruited and existing staff progress up their pay scales. The dominance of staffing costs in our budget, coupled with the small number of staff we have, means that our budget is vulnerable to changes in staffing levels and pay awards.
- 1.46 Further information on this can be found on page 62.
- 1.47 Our policy is to pay all invoices that are not in dispute within 10 days. We aim to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in accordance with these terms. For the 18-month reporting period, we paid 99% of all undisputed invoices within 10 days of receipt. This represents 221 invoices out of an annual total of 223.

## Non-financial information

### Complaints

- 1.48 ESS implemented a complaints handling policy and a procedure to ensure that complaints can be dealt with as quickly as possible, using our best efforts to resolve issues. In the period 1 October 2021 to 31 March 2022 ESS received one complaint. This complaint was not upheld. ESS responded within 20 working days in line with our service standards.

- 1.49 In the period 1 April 2022 to 31 March 2023 ESS received one complaint. Regarding ESS' case decision, this complaint was not upheld. However, where ESS' service standards were not met, including breaching the 20-working day response time by one day, errors have been mitigated for by tightening processes and procedures.

### **Information security**

- 1.50 There were no known data breaches across the 18-month reporting period of this report.

### **Freedom of Information**

- 1.51 ESS aims to be fully compliant with Freedom of Information legislation. We received six Freedom of Information requests across the 18-month reporting period of this report, all of which were completed within the statutory deadline for responses and [published](#).

### **Community and social**

- 1.52 ESS is committed to being an open and transparent organisation. ESS is committed to engaging productively with individuals, communities and environmental groups to help them understand the work that ESS does and how we can help improve the environment for the people of Scotland.
- 1.53 A community and stakeholder engagement programme is in development for delivery in the financial year 2023/24.

### **Fraud, corruption and bribery**

- 1.54 ESS is committed to preventing fraud, corruption and bribery in relation to its funds and activities. There is a counter-fraud policy in place and staff are bound by the Civil Service Code which governs the behaviour of staff and deals with the receipt of gifts and hospitality. Relevant gifts and hospitality received by staff are recorded.
- 1.55 The Board Code of Conduct sets out the behaviours expected of our Board members. It is based on the Scottish Government's Model Code of Conduct for Members of Devolved Public Bodies. Declarations of interest are made at each Board and Audit and Risk Committee meeting.

- 1.56 The [register of interests](#) for the Board and external member of the Audit and Risk Committee, which includes gifts and hospitality received, is updated by the Board and the external member as and when required and formally reviewed at least annually. Further information on this can be found at page 41.
- 1.57 There were no known or suspected incidences of fraud or bribery across the 18-month reporting period of this report.
- 1.58 ESS has a shared service agreement in place with the Scottish Government Procurement and Property Directorate and adheres to the Public Sector Procurement guidance. This agreement covers compliance with regulations and value-for-money savings.

### **Environment and sustainability**

- 1.59 The [ESS Sustainability Plan 2022 - 2025](#) (“the Plan”) is published and sets out phase one of our plans to ‘meet net zero objectives by 2045’.
- 1.60 The Plan is based on requirements to meet the duties for public bodies set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. We will also embed sustainability and biodiversity into our ways of working, and explore how we can influence and improve outcomes for biodiversity in Scotland.
- 1.61 The focus for our climate duties is on using the best science available to ensure that we meet a target of net zero emissions by 2045, and on sharing good practice both within the organisation and outside to demonstrate leadership and innovation.
- 1.62 The aims of this Phase 1 Plan from 2020 - 2025 are to:
- understand our emissions and define a baseline measure. This will support the production of annual reports as per our responsibilities under the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The first report was submitted in November 2022
  - understand the sources of emissions so that we can collectively implement sustainable solutions to reduce our emissions
  - incorporate sustainability into relevant policies for the organisation
  - understand our impact on biodiversity and include practical solutions for improving biodiversity outcomes, where we have the influence to do so



1.63 A revised Plan will be developed and published in 2025 to review progress and set out next steps towards achieving net zero by 2045.

## Risk Profile

1.64 Having identified seven main areas of risk, ESS has applied a risk appetite to each, and the Executive Team, Audit and Risk Committee and the Board monitor risks according to the risk management framework, to ensure proportionate and effective mitigation. The most recently reviewed risk appetite statement for each is set out below:

- **compliance and regulatory:** we are **averse**<sup>11</sup> to risks which threaten our ability to perform our regulatory oversight functions, or which pose a significant or systemic risk to our objectives (e.g. undesirable business models). As a Scottish Public Sector organisation we are averse to the risk of behaving in an illegal, unreasonable or irrational way. However, due to the nature of our organisation and powers we retain a **cautious**<sup>12</sup> risk appetite to participating in judicial review and the potential to be unsuccessful in this.
- **reputational:** we rely on our reputation in order to influence and secure the engagement of the regulated community and stakeholders. Our work and the decisions we take will attract a high level of interest from the public, stakeholders and regulated bodies. We will hold a strong commitment to being seen as a proportionate and respected authority within the environment area and retain an overall **cautious** risk appetite with regard to our reputation. We will balance the need to take stances which may result in disagreement or opposition from those we regulate, with the need to base our recommendations on strong evidence and clear messaging. We will also be proactive in how we communicate our position so that there is a clear understanding about our stance.
- **financial:** we are **averse** to the risk of poor financial performance or fraud and will maintain appropriately robust controls and sanctions to prevent, detect and minimise the likelihood of such occurrences. To enable sound performance it is important that ESS is adequately resourced to fulfil its statutory functions or take on costly legal actions where necessary. In relation to making the case for resources we are willing to accept a degree of risk, but will adopt a **cautious** approach.

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11 Averse: avoidance of risk in the achievement of key outcomes is paramount. Activities undertaken will only be those considered to carry little inherent risk e.g. around statutory requirements.

12 Cautious: willingness to accept a degree of risk in order to achieve key delivery outcomes, particularly where the opportunity of significant gains has been identified. Inherent risk is deemed controllable to a large extent.

- **business continuity:** we will maintain a **cautious** approach towards sustaining operational processes, systems and controls to support delivery, and when considering the future development and enhancement of these systems. We are committed to maintaining continuity of operations within a sustainable business model where it is responsible to do so, with a minimal<sup>13</sup> appetite for risks, incidents, or events which could impact upon our ability to effectively deliver functions. We are heavily reliant upon information and data to be able to operate as an effective oversight body. The accidental loss of data or systems would prevent us from being able to function. We have a **minimal** appetite for such risks.
- **people:** the organisation aims to value, support and develop our staff and members to enable their full potential, creating a stimulating and safe place to work. We place high importance on developing a positive organisational culture of equality and diversity, dignity, respect, and collaboration, and the health and wellbeing of staff/members. We have a **minimal** risk appetite for any deviation from our standards in these areas or developments that could weaken our culture.
- **operational:** within our analysis, investigations and enforcement functions where we are working with relatively untested legislation, we have an **open**<sup>14</sup> risk appetite to achieve our statutory objectives whilst we test and determine the extent of our powers and jurisdiction. We have an **open** risk appetite to tackling environmental issues and cases where there may be a moderate likelihood of success, but a positive outcome would help communities in areas with high indices of multiple deprivation. We will take a **cautious** approach to issues where our jurisdiction potentially overlaps with that of other bodies, reflecting the cross-cutting nature of environmental issues.
- **environment and social:** as the body responsible for improving the environmental standards in Scotland we have a **minimal** risk appetite around the environmental sustainability of our business model and our own practices. We will aim to be an exemplar and set a positive example with our own environmental performance.

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13 Minimal: tendency to undertake activities that are considered safe in achieving outcomes. There should be a low degree of inherent risk. The pursuit of opportunity is not a key driver in this area.

14 Open: aim to undertake activities that have a high degree of value, with the likelihood of incurring risk in the process.

1.65 This table describes the specific risks we face, how they have affected ESS' achievement of its objectives, how they have been mitigated for, and how this may affect future plans and performance.

Risk	Description	Summary
Compliance/regulatory	Our compliance in relation to all relevant laws, regulations and governance requirements.	<p>Originally pertaining to the risk of overlap or conflict with other oversight bodies, ESS' risks in this area expanded to cover compliance with corporate reporting requirements and the Scottish Government's Review of Environmental Governance.</p> <p>This remained a medium-level area of risk throughout much of the reporting period, decreasing to low-medium approaching the end of the 18 months. This has been due to a number of mitigation methods, but largely by active engagement with stakeholders, including the implementation of a number of MoUs with other bodies, and involvement in the Scottish Government's review process.</p>

<p>Reputation</p>	<p>The decisions, actions, response or position we take in relation to the broad scope of our work.</p>	<p>ESS' reputational risks related to challenge regarding ESS' independence, effectiveness, operational decisions and outcomes of investigation processes. As ESS progressed through its first investigations, a lack of effective communication strategies for individual investigations was acknowledged as a potential risk.</p> <p>This area of risk decreased over the last 18 months from medium-high risk to low-medium. In addition to putting in place communication strategies for investigations, ESS continued to communicate widely about its role and independence. This included ensuring transparency and making publications available and accessible on the ESS website. Other mitigating actions include implementing strong quality assurance and governance mechanisms and development of staff.</p>
<p>Financial sustainability and performance</p>	<p>The decisions we take in how we will deploy, utilise and monitor our resources to maximise their public value and ensure long-term financial sustainability.</p>	<p>This area of risk focused on the potential outcomes should ESS receive inadequate resource to fulfil its role, including not coping with demands or meeting the quality of standards expected.</p> <p>This risk decreased slightly over the year, but remained a medium-level risk throughout the 18 months. ESS has mitigated this risk with careful consideration of resource requirements and long-term financial planning.</p>

<p>Business continuity</p>	<p>The decisions we take on how to remain operational and structure the organisation, including our internal business process and delivery model, and the use of supporting systems.</p>	<p>This area of risk has broadened over the 18-month reporting period, from a focus on cyber-attack and leaking of data, questions over the effectiveness of ESS' leadership and ESS' systems going down, to including the risk of data loss affecting ESS' ability to operate.</p> <p>This risk has increased from a medium- to high-level risk over the 18-month reporting period. Despite mitigating actions which include: the implementation of ESS' Business Continuity Plan; staff training and simulated business continuity exercises; and reviews of data sharing agreements with third party organisations, the inherent significance of this type of risk and the multiple external factors affecting the likelihood mean this is ESS' highest-scoring risk.</p>
<p>People and culture</p>	<p>We provide a safe and inclusive workplace with a focus on service provision to customers and stakeholders.</p>	<p>This is another risk area which has evolved as ESS moved from establishing to operational. An initial focus on risks pertaining to failing to retain senior staff involved in the set-up process and recruit to the organisation's intended full staff complement expanded to encompass considerations of staff wellbeing, development and progression.</p> <p>This risk score decreased from a medium- to low-level risk over the 18-month reporting period as ESS moved from interim Transition Team to permanent Executive Team roles and made progress in recruiting to its full complement. Mitigating actions included widely advertising roles with an increased advertising budget, developing attractive job specifications, and providing enhanced learning and development and hybrid-working equipment offers to staff.</p>

Operational	The actions we take in relation to the performance of others through our external facing activities such as investigations, enforcement and compliance procedures.	<p>This area of risk has focused on ESS' investigatory and analytical work, and considers elements such as receiving an overwhelming amount of representations, a lack of robust monitoring and reporting systems, and disagreement with other bodies over analytical work requirements.</p> <p>This area of risk remained at a low-medium score over the 18-month reporting period. However, the scoring did slightly decrease due to mitigating actions such as adequate resourcing of the Investigations Team relative to demand, application of internal reporting and quality assurance mechanisms and engagement with relevant bodies on ESS' forward analytical work plan.</p>
Environment and social responsibility	ESS' own performance and behaviours in relation to Scotland's environment.	<p>This risk area relates to ESS, as an environmental organisation, not being seen as exemplar in reducing carbon emissions, understanding our biodiversity impact, and building a sustainable organisation for the future.</p> <p>This remained a medium-level risk throughout the 18-month reporting period. ESS has developed and published its Sustainability Plan and will seek to mitigate this risk further by implementing the associated delivery plan.</p>

- 1.66 Looking forward, ESS' risk profile will transition from a set of risks involved with setting up an organisation, to the risks ESS faces as a fully established oversight body over a year into its operation.
- 1.67 With effective policies, procedures and staff in place, we expect our operational risks to take a more external view, looking at potential disruption of shared systems, for example, the Scottish Government's new financial shared service project.
- 1.68 Our people and culture risk will focus on retaining, developing and progressing staff who have been recruited to the organisation under the original recruitment plans. However, initial fixed-term appointments will come to an end and there is potential for staff to move on after two to three years in the organisation. Recruitment will therefore remain a key element.
- 1.69 In addition, ESS will continue to monitor and plan for outcomes of the Scottish Government's Review of Environmental Governance, as well as other legislative developments. This has potential to impact on both financial and people risks, as we may need to increase capacity in the case that additional powers are given to ESS.
- 1.70 Finally, we expect business continuity to remain ESS' most significant risk. Despite efforts to mitigate this risk, led by ESS' Executive Team and Cyber Security Champion, the potential high impact on ESS' ability to operate, and its reputation, means this risk will be carefully considered at all levels of ESS' risk management process.

## Future plans

- 1.71 Our future plans are set out and published in our [2023/24 Business Plan](#). These continue to build on the key pieces of work identified and set out in our existing performance plans, which support the delivery of our Strategic Outcomes.
- 1.72 New initiatives include:
- responding to the Scottish Government's consultation on their report into the effectiveness of environmental governance arrangements following EU withdrawal (as required of them by the Continuity Act)
  - delivering the programme of digital communication work identified in the Communication and Engagement Strategy including updating the ESS website to ensure it complies fully with the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018 and delivering the community and stakeholder engagement programme

- enhancing the capacity of the Board through the recruitment of two new members and reviewing the performance of the Board and Audit and Risk Committee through self-assessment
- continuing to focus on the culture of the organisation, equalities, and the learning and development programme by bringing this planning together with a People Strategy

1.73 As the organisation develops in these early years, financial planning is underway to scenario plan delivery of the organisation's objectives going forward. This will be reported to the Scottish Parliament directly as part of each six-monthly update.



## 2. Accountability Report

### Corporate Governance Report

- 2.1 This section provides information across the period of this report (from vesting on 1 October 2021 to 31 March 2023): on the composition of the Board and senior management over the period; ESS' governance framework; the Accountable Officer's responsibilities; their sources of assurance and assessment of ESS' corporate governance; risk management arrangements; and parliamentary accountability.

### The Board's Report

#### The Board

- 2.2 The Continuity Act provides that there shall be a Chair and at least four, and no more than six, members appointed to the ESS Board. All appointments to the Board are made by the Scottish Ministers and approved by the Scottish Parliament.
- 2.3 At 31 March 2023, ESS consisted of five [Board members](#) who are collectively responsible for fulfilling the functions and duties set out in the Continuity Act. There were no changes to the Board during the 18-month reporting period, but two additional members have since joined. An overview of Board membership as at time of writing is set out below:

Name	Role	Date of appointment	End of term
Jim Martin	Chair	1 April 2021	31 March 2025
Dr Richard Dixon	Member	1 April 2021	31 March 2025
Marie Fallon	Member	1 April 2021	31 March 2025
Dr Paul McAleavey	Member	1 April 2021	31 March 2025
Dr Annalisa Savaresi	Member	1 April 2021	31 March 2025
Morag Sheppard	Member	7 June 2023	6 June 2027
Professor Christopher Spray	Member	7 June 2023	6 June 2027

- 2.4 The Board convened four times between 1 October 2021 and 31 March 2022, and six times between 1 April 2022 and 31 March 2023. Each meeting is attended by Board members, all members of the Executive Team and any other staff or substitutes at the Chief Executive's discretion. Minutes, including a record of attendance, of each Board meeting are available on ESS' [website](#).

- 2.5 A [register of interests](#) for Board members is available on ESS' website and on request. All members are required to review and update the register at least annually, or when there are any changes within relevant scope(s) of interest.
- 2.6 Where conflicts of interests are identified, they are declared at each Board meeting, noted in the public minute, and if significant, Board members are required to recuse themselves from relevant agenda items and related correspondence. Two conflicts of interest (Dr Richard Dixon and Dr Annalisa Savaresi's involvement in matters of air quality) were declared in the reporting period, and resulted in Dr Richard Dixon's recusal from discussions on ESS' investigation into air quality limits.
- 2.7 Otherwise, no member of the Board held a directorship or significant interest which conflicted with their governance responsibilities.

### **Audit and Risk Committee**

- 2.8 The Audit and Risk Committee supports and advises the Board in relation to its responsibilities for risk, control, governance and assurance through a process of constructive challenge. The Committee focuses on ESS' risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts, including the Governance Statement.
- 2.9 The Committee met three times between 1 October 2021 and 31 March 2022, and four times between 1 April 2022 and 31 March 2023. Its members as at time of writing are:

<b>Name</b>	<b>Role</b>	<b>Date of appointment</b>	<b>End of term</b>
<b>Marie Fallon</b>	Chair	1 April 2021	31 March 2025
<b>Dr Richard Dixon</b>	Member	1 April 2021	31 March 2025
<b>Neil Oakley</b>	Co-opted member	1 September 2022	31 August 2026
<b>Morag Sheppard</b>	Member	18 August 2023	17 August 2027

- 2.10 The Committee is also attended by: representatives of the Scottish Government Directorate for Internal Audit and Assurance; the appointed external auditors at Deloitte LLP; ESS' Chief Executive and Accountable Officer; Head of Corporate Services and Communications; Governance Lead; Interim Finance and Accountancy Advisor; and other members of the ESS team as and when required. Other Board members may attend if they wish.

## Chief Executive and Executive Team

2.11 Members of the Executive Team between 1 October 2021 and 31 March 2023 were:

Name	Role
<b>Brendan Callaghan</b>	Interim Chief Executive and Accountable Officer (until June 2022)
<b>Mark Roberts</b>	Chief Executive and Accountable Officer (from June 2022)
<b>Neil Langhorn</b>	Head of Strategy and Analysis
<b>Jamie McGrandles</b>	Head of Investigations, Standards and Compliance
<b>Rebecca Peppiette</b>	Head of Corporate Services and Communications

2.12 No member of the Executive Team held a directorship or significant interest, which conflicted with their management responsibilities. Brendan Callaghan declared part ownership of forestland in receipt of grants from Scottish Forestry, and partnership in a local community wood energy scheme. Both were publicly minuted, but neither directly related to any ongoing investigations.

### Internal audit

2.13 Internal Audit is provided by the Scottish Government Directorate for Internal Audit and Assurance (SGDIAA).

2.14 During the 18-month reporting period of this report, ESS and SGDIAA signed a memorandum of understanding setting out arrangements for the provision of the internal audit service.

2.15 Members of the internal audit team attend every Committee meeting.

2.16 During the reporting period, Internal Audit's assurance opinion across ESS' corporate governance and investigations processes was substantial, as well as an annual audit opinion of substantial.

### External audit

2.17 Deloitte LLP provides external audit services to ESS and is appointed by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of ESS.

- 2.18 Members of the Deloitte team regularly attend Committee meetings, and the Committee scrutinised Deloitte's audit plan at its March 2023 meeting.

### **Personal data-related incidents**

- 2.19 There were no personal data-related incidents reported to the Information Commissioner's Office during the 18-month period.

## **Parliamentary Accountability and Audit Report**

- 2.20 ESS is an NMO and part of the Scottish Administration, with direct accountability to the Scottish Parliament. Whilst our accounts are not consolidated with those of the Scottish Government, we liaise with Scottish Government Finance colleagues on a regular basis to provide them with information relating to our expenditure and anticipated outturn. Our Framework Agreement sets out our relationship with Scottish Ministers.

### **Disclosures audited**

#### **Losses and special payments**

- 2.21 In accordance with the Scottish Public Finance Manual (SPFM), we are required to disclose losses and special payments above £300,000. During this reporting period there were no losses or special payments within these criteria (2021/22: £nil, 2022/23: £nil).

#### **Gifts and charitable donations**

- 2.22 In accordance with the SPFM we are required to disclose any gifts or charitable donations. During this reporting period there were no gifts or charitable donations made by ESS (2021/22: £nil, 2022/23: £nil).

#### **Remote and contingent liabilities**

- 2.23 ESS is required to report any liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability under International Accounting Standard (IAS) 37. There are currently no remote contingent liabilities (2021/22: £nil, 2022/23: £nil).

## Statement of Accountable Officer's responsibilities

- 2.24 Under paragraph 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed ESS to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction (Annex A). The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of ESS and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.
- 2.25 In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:
- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
  - make judgments and estimates on a reasonable basis
  - state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
  - prepare the financial statements on a 'going concern' basis
  - confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.
- 2.26 The Permanent Secretary of the Scottish Government, as Principal Accountable Officer for the Scottish Administration, designated ESS' Chief Executive, Mark Roberts, as the Accountable Officer for ESS at the point this Annual Report and Accounts were prepared.
- 2.27 The Scottish Government's Memorandum to Accountable Officers of Other Public Bodies and the Scottish Public Finance Manual set out the responsibilities of an Accountable Officer. These include responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding Environmental Standards Scotland's assets.

- 2.28 As Accountable Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that ESS' auditors are aware of that information.
- 2.29 So far as I am aware, there is no relevant audit information of which ESS' auditors are unaware. I confirm that the Annual Report and Accounts are fair, balanced and understandable, and that I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.
- 2.30 The UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021 Schedule 1 (13) sets out in relation to resources that:
- the Scottish Ministers must seek to ensure that the amount of resources allocated for use by Environmental Standards Scotland is reasonably sufficient to enable it to perform its functions
  - each report prepared under paragraph 12 must include an assessment by Environmental Standards Scotland of whether the amount of resources allocated for use by it in the financial year to which the report relates was sufficient to enable it to perform its functions
- 2.31 I can confirm that in the 18-month reporting period from 1 October 2021 to 31 March 2023, the amount of resources allocated to ESS was sufficient to perform its functions.

## Governance Statement

- 2.32 This statement sets out how ESS manages and controls its resources and risk. It covers the period from 1 October 2021 to the date of signing. It follows the guidance set out in the [Scottish Public Finance Manual](#).

### Governance framework

- 2.33 The foundation of ESS' governance framework is our [Framework Document](#), which sets out the relationship between ESS, the Scottish Ministers and the Scottish Parliament, with regards to governance, finance and the operation and functions of ESS.

2.34 It specifically addresses:

- our functions and actions, independence and scrutiny, information handling, access to information, and public communications
- the roles and responsibilities of Scottish Ministers, the Board (Chair and members), the Chief Executive / Accountable Officer, the Staff, and the Director of Environment and Forestry within Scottish Government
- accountability to the Scottish Parliament, parliamentary questions and correspondence
- budget allocation, audit and risk management, and shared services and contracts
- strategy and planning, corporate planning and business plans, annual report and accounts and Freedom of Information requests
- general policy development
- key financial and operating procedures

2.35 As a small organisation we have a clear governance structure. The Board is supported and advised by our Audit and Risk Committee, and both are supported by the Executive Team.

2.36 The Board and Committee minutes are published on the [ESS website](#). The majority of meetings are held in person in ESS' offices, with some scheduled to be online to provide flexibility.

2.37 The Delegated Limits of Financial Authority and Procurement Handbooks, and the ESS Investigation Procedures, set out the processes and approvals delegated to the Audit and Risk Committee, Chief Executive and Executive Team, by the Board, whilst still being responsible for them.

2.38 The Board has corporate responsibility for ensuring that ESS fulfils its aims and objectives, and for promoting the efficient and effective use of staff and other resources in the Annual Report and Accounts for the 18-month period ending 31 March 2023 in accordance with the principles of Best Value.

## Operation of the Board

- 2.39 The operation of the Board is governed by the [Standing Orders](#). The Code of Conduct appended to these sets out the expected behaviours of our Board and Committee members. Our Code of Conduct adopts in full the most recent Model Code of Conduct for Members of Devolved Public Bodies. The Board also takes account of the Scottish Government guidance for statutory public body boards: 'On Board: a guide for members of statutory boards'.
- 2.40 The Audit and Risk Committee supports and advises the Board through constructive challenge. The Committee focuses on the risk assessment and management, the internal and external audit processes and the production of the Annual Report and Accounts. It uses the Scottish Government Audit and Assurance Committee Handbook to guide its work.
- 2.41 The Committee has an additional co-opted member to bring a different perspective to discussions. In addition, the Audit and Risk Committee benefits from the proactive and expert input of Audit Scotland, Deloitte LLP and the SGDIAA, who attend Audit and Risk Committee meetings.
- 2.42 The Committee held a development session on 16 December 2022 and plans to hold a similar development session annually, alongside a self-assessment utilising the Audit and Assurance Committee Handbook self-assessment checklist.
- 2.43 In addition, the Chair of the Audit and Risk Committee regularly attends the Scottish Audit Committee Chairs Network, to ensure best practice is embedded in the Committee's work.
- 2.44 The other documents which form part of our governance framework are:
- the UK Withdrawal from the European Union (Continuity) (Scotland) Act 2021 ("[the Continuity Act](#)"), which sets out our powers, functions and duties
  - our [Strategic Plan](#), which sets out our mission, values and objectives (as set out at pages 6 to 8 of this report)
  - our Risk Management Framework, which sets out significant risks facing ESS in the delivery of its aims and objectives, and how these are evaluated and appropriately managed. Further information on risk management is included at pages 48 to 50
  - our annual Business Plan(s)
  - our various corporate policies and procedures



## **Corporate governance**

2.45 Our Governance Framework (set out above from 2.33 to 2.38) describes how our roles, responsibilities and relationships are defined.

2.46 In terms of corporate governance:

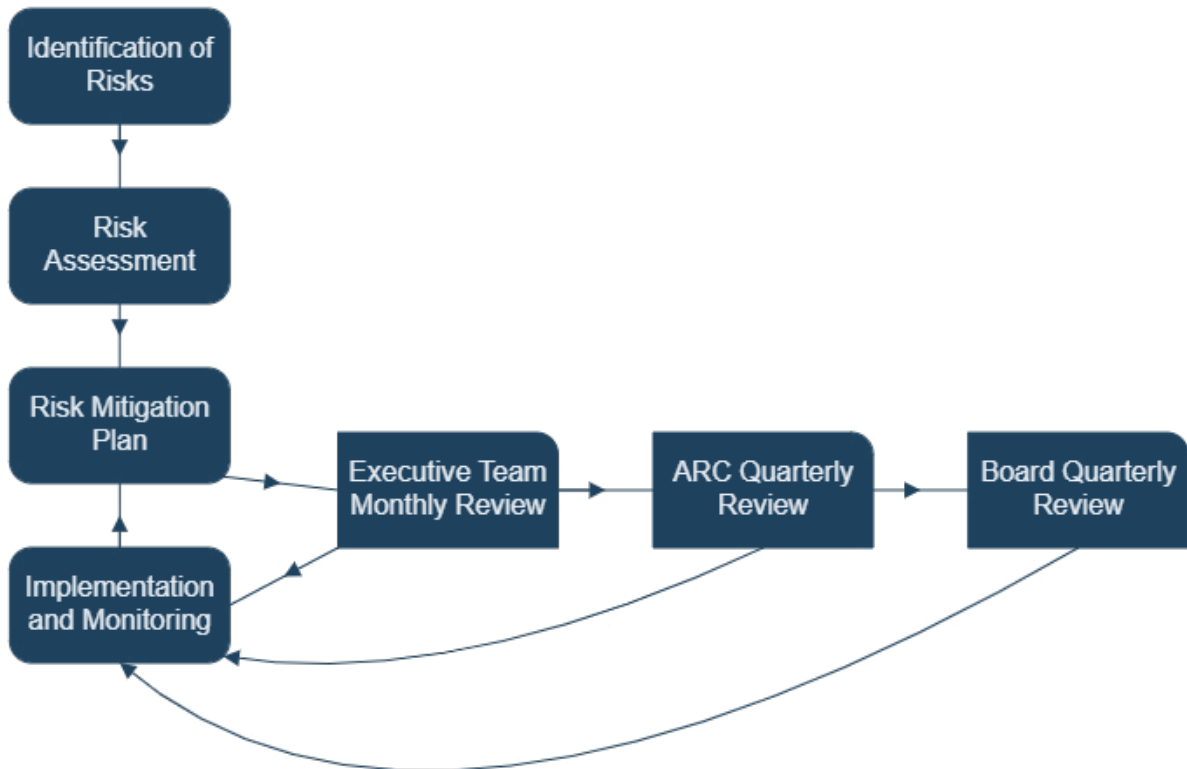
- we comply with the Corporate Governance Code and the Orange Book
- our corporate policies are reviewed regularly to an agreed schedule and are published on our website
- the Scottish Public Finance Manual (SPFM) applies to ESS. ESS aims to deliver best value in accordance with the principles outlined within the SPFM
- we use Government procurement frameworks to achieve best value
- we use Scottish Government financial management software and systems, which provide compliance controls
- for the financial year 2022/23 we received overall substantial assurance from internal audit following their assessments, as well as substantial assurance on our corporate governance and investigations processes
- internal audit has not yet reviewed ESS' Strategy and Analysis function, which will be included in the 2023/24 work plan alongside a review of ESS' cyber security arrangements
- rules on ethics and standards of behaviour for our Board and Committee members are set out in our Code of Conduct, which replicates the Model Code of Conduct for Members of Devolved Public Bodies
- ESS' whistleblowing policy sets out how all those who work within the organisation can raise concerns about malpractice

## **Risk management**

2.47 All bodies, to which the SPFM is directly applicable, must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

2.48 ESS' risk management framework specifies the roles of the Board, the Audit and Risk Committee, the Executive Team and the Chief Executive. It details the processes of risk identification, assessment, mitigation and escalation. The framework is reviewed and approved by the Board at least annually.

### Risk management process



2.49 ESS' positive approach to managing risk includes:

- operating a risk management process that is easy to understand and apply
- improving performance through better planning
- ensuring there is a good awareness of risk management within the organisation, including mandatory training

2.50 The objectives of ESS' approach are to:

- promote the awareness of risk and embed the approach to risk management within the organisation
- seek to identify, measure, control and report on any organisational risk that could undermine the delivery of ESS' functions, both strategically and operationally

- 2.51 The current key risks are reported at pages 34 to 37 of this Annual Report and Accounts.
- 2.52 I am content that ESS' management of risk is effective. I assess our risk profile to be acceptable.

### **Written assurances**

- 2.53 I have received assurance from the Scottish Government's Director Financial Management in respect of the shared financial systems and from the Scottish Government's Director Digital in respect of the shared IT services. These confirm that internal control matters in the respective Directorate are working well and that there were no significant matters arising which would require to be raised specifically in the respective Governance Statement.
- 2.54 I have received from the SGDIAA a copy of the assurance provided for 2022/23 on the Scottish Government's corporate services, which deliver these shared services to ESS. A reasonable assurance was given noting areas where systems limitations, coupled with resourcing issues, have impacted performance of intended controls, which required additional manual intervention and/or a risk-based approach to mitigate key risks.
- 2.55 Scottish Government is continuing to work on a transformation programme which should improve key corporate finance systems in the longer term. This is reflected in our ongoing risk profile.
- 2.56 Between 1 April 2022 and 31 March 2023, the Audit and Risk Committee considered two Assurance Reviews, where SGDIAA provided substantial assurance (the highest possible rating) in regards to both corporate governance and investigations systems, controls and procedures. The Annual Assurance Report for 2022/23 was considered by the Audit and Risk Committee at its June 2023 meeting. Overall, SGDIAA provided substantial assurance for 2022/23.

### **Data security**

- 2.57 ESS has in place a range of systems and measures which ensure that information held by the organisation, and held by third parties on behalf of the organisation, is secure.
- 2.58 All new staff have received training on GDPR and staff complete the annual mandatory online training.

2.59 There were no known data breaches in this 18-month reporting period.

### **Assessment of corporate governance and risk management arrangements**

2.60 As Accountable Officer, I have responsibility for overseeing ESS' corporate governance arrangements, including compliance with generally accepted best practice principles and relevant guidance. In addition I have responsibility for reviewing the effectiveness of ESS' risk management arrangements and system of internal control.

2.61 My review of the effectiveness of these systems is informed by:

- regular discussions with the Executive Team, covering planning, performance, risk and use of resources
- regular discussions with the Head of Corporate Services and Communications on finance and governance matters
- insight into ESS' performance from our internal auditors (SGDIAA), and their audit opinion on the quality of systems of governance, management and risk control
- the Board's views on progress, reports, including on governance matters, performance and risk management
- the views of the Audit and Risk Committee on ESS' management of risk and assurance arrangements
- comments made by the external auditors in this our first year of external audit
- a report provided by the Head of Corporate Services and Communications setting out the contracts we have in place with third-party providers, and their progress against objectives
- the completion of the most recent internal control checklist as set out in the SPFM (recognising that this provides reasonable assurance, but can never provide absolute assurance)

2.62 I confirm that I am satisfied that there are no significant control weaknesses or issues which have arisen in this our first 18 months of reporting.

# Remuneration and Staff Report

## Remuneration Report

- 2.63 The Remuneration and Staff Report sets out: ESS' remuneration policy for the Board, co-opted Committee members and senior management; reports on how that policy has been implemented; and sets out the amounts awarded.
- 2.64 The information disclosed in the following tables is audited by the external auditors and other information is checked for consistency:
- single total figure of remuneration
  - pensions
  - average number of persons employed by ESS
  - staff costs
  - fair pay

### Pay and conditions of service

- 2.65 ESS staff are civil servants, as part of the Scottish Administration, and not the Scottish Government. They must adhere to the standards set out in the Civil Service Code (specifically, the version applicable to staff in non-ministerial offices in Scotland).
- 2.66 ESS appoints its staff in open and fair competition, in line with the Civil Service Commissioners' Recruitment Principles. Their remuneration is set in accordance with Scottish Government Public Sector Pay Policy as part of the Scottish Government Main Bargaining Unit.
- 2.67 Recruitment for Senior Civil Service posts adheres to the Scottish Government's recruitment policies and procedures. All recruitment under Senior Civil Service level adheres to UK Civil Service recruitment principles, utilising the Scottish Government 'skills for success' competency framework.
- 2.68 The Chief Executive is a Senior Civil Servant (SCS) whose remuneration is agreed in accordance with the performance and award arrangements for members of the relevant Senior Civil Service pay band.

- 2.69 The appointment of the Chief Executive is conducted in line with the Civil Service Commissioners' Recruitment Principles as they apply to senior civil servants in Scotland. The Chief Executive is appointed and employed by ESS on such terms as it may determine, but with the approval of Scottish Ministers.
- 2.70 The ESS Chair and Board members are appointed by Scottish Ministers, at a set daily rate, with the approval of the Scottish Parliament. With the approval of Ministers, ESS determines the remuneration of Board members and arranges for the reimbursement of expenses incurred by them on ESS business including attendance at Board and Committee meetings. Daily rate fees are also paid to the co-opted member of the Audit and Risk Committee as set out in their letter of appointment, and expenses for attendance at Committee meetings are reimbursed. Fees adhere to and are governed by the Public Sector [Pay Policy](#)

### Single total figure of remuneration (audited) (18 months)

- 2.71 Fees of the Board members and the external member of the Audit and Risk Committee, and the salaries and accrued pension benefits of the Senior Management Team are set out below, following the format and methodology defined by the Cabinet Office and Financial Reporting Manual.

<b>Board Member</b>	<b>Fees 2021-2023 (£'000)</b>
Jim Martin	25-30
Dr Richard Dixon	5-10
Marie Fallon	5-10
Dr Paul McAleavey	5-10
Dr Annalisa Savaresi	5-10
<b>External Audit Committee Member</b>	<b>Fees 2021-2023 (£'000)</b>
Neil Oakley	0-5

Note: as this is the first set of accounts published since vesting, no comparator information from the previous year is included.

Note: Board members do not receive pension benefits for their time at ESS.

Senior Management Team	Wages 2021-2023	Accrued Pension Benefits	Total
	£'000		£'000
Brendan Callaghan, Chief Executive (1)	55-60 (80-85 full year full-time equivalent)	nil	55-60
Neil Langhorn, Head of Strategy and Analysis (2)	80-85 (55-60 part-time equivalent, 65-70 full year full-time equivalent)	17,801	100-105
Jamie McGrandles, Head of Investigations, Standards and Compliance (3)	95-100 (65-70 full year full-time equivalent in 2022/23)	26,763	120-125
Rebecca Peppiette, Head of Corporate Services and Communications (4)	100-105 (65-70 full year full-time equivalent)	26,490	125-130
Mark Roberts, Chief Executive (5)	65-70 (80-85 full year full-time equivalent)	26,308	90-95

(1) Brendan Callaghan was Chief Executive of Environmental Standards Scotland until 12 June 2022. The accrued pension benefits are a combination of both the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS).

(2) Neil Langhorn (0.81 FTE) was seconded to ESS from Scottish Government until 1 June 2022, when he was appointed permanently through an external recruitment process. The accrued pension benefits are a combination of both PCSPS and CSOPS.

(3) Jamie McGrandles was seconded to ESS from the Scottish Public Services Ombudsman until 14 March 2022, when he was appointed permanently through an external recruitment process.

(4) Rebecca Peppiette was seconded to ESS from Scottish Government until 1 September 2022, when she was appointed permanently through an external recruitment process.

(5) Mark Roberts joined Environmental Standards Scotland as Chief Executive Officer on 13 June 2022.

Further notes on Pensions - final member (classic/classic plus/alpha) for the whole period:

The final salary pension of a person is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of them having an extra year's service and by virtue of any pay rise during the year. Where there is no or small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce; hence the negative values.

None of the above received any benefits in kind, or bonus payments in the period 2021-23.

Salary covers both pensionable and non-pensionable amounts and includes: gross salaries; overtime; recruitment and retention allowances; or other allowances to the extent that they are subject to UK taxation and any ex-gratia payments. It does not include amounts which are a reimbursement of expenses directly incurred in the performance of an individual's duties.

The value of pension benefits accrued during the year is calculated as (the real increase multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.



**Pensions (audited) (18 months)**

<b>Senior Management Team</b>	<b>Accrued Pension at NRA* as at 31 March 2022</b>	<b>Real increase in pension and related lump sum at NRA</b>	<b>CETV<sup>15</sup> at 31 March 2023</b>	<b>CETV at March 2022</b>	<b>Real increase in CETV</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Brendan Callaghan, Chief Executive (1)	35-40	0	649	640	(7)
Neil Langhorn, Head of Strategy and Analysis (2)	25-30, plus a lump sum of 50-55	0-2.5 plus a lump sum of 0	456	400	8
Jamie McGrandles, Head of Investigations, Standards and Compliance (3)	15-20	0-2.5	181	156	11
Rebecca Peppiette, Head of Corporate Services and Communications (4)	5-10	0-2.5	108	83	15
Mark Roberts, Chief Executive (5)	0-5	0-2.5	19	0	14

\* normal retirement age (NRA)

(1) Brendan Callaghan was Chief Executive of Environmental Standards Scotland until 12 June 2022.

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(4) Rebecca Peppiette was seconded to ESS from Scottish Government until 1 September 2022, when she was appointed permanently through an external recruitment process.

(5) Mark Roberts joined Environmental Standards Scotland as Chief Executive Officer on 13 June 2022.

Pension benefits are calculated on normal retirement age (NRA) where the pension entitlement is due at that age or at current age if over NRA.

The above pension data was supplied to Environmental Standards Scotland by MyCSP.

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

### **Civil Service Pensions**

- 2.72 The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but ESS is unable to identify its share of the underlying assets and liabilities.
- 2.73 The Scheme Actuary valued the PCSPS and CSOPS as at 31 March 2016. You can find details in the [resource accounts of the Cabinet Office: Civil Superannuation](#).
- 2.74 For 2021 to 2023, employers’ contributions of £333,144 were payable to the PCSPS and CSOPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.
- 2.75 The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022/23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

- 2.76 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution.
- 2.77 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career-average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.
- 2.78 These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and five months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

- 2.79 Employee contributions are salary-related and range between 4.60% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.30% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.
- 2.80 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8.00% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3.00% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.50% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 2.81 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
- 2.82 Further details about the Civil Service pension arrangements can be found on the [website](#)

## **The Cash Equivalent Transfer Value**

- 2.83 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.
- 2.84 The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## **The real increase in the value of the CETV**

- 2.85 This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## **Civil Service early departure compensation scheme**

- 2.86 During 2021-23 there were no early departure packages.

**Fair pay disclosure (audited)**

	<b>2021-23</b>
Band of highest paid director £'000 (X)	125-130
Median total remuneration	64,282
25 <sup>th</sup> percentile pay ratio (Y25)	2.1599
Median pay ratio (Y50)	1.9834
75 <sup>th</sup> percentile pay ratio (Y75)	1.2728
Range minimum – maximum £'000 (FTE)*	40-45 – 165-167

2021-23	<b>Y25</b>	<b>Y50</b>	<b>Y75</b>
<b>Total pay and benefits**</b>	<b>59,029</b>	<b>64,282</b>	<b>100,166</b>

\*This represents the range based on an 18-month period.

\*\*ESS employees do not receive any other benefits in kind, therefore this line also represents the 'salary component of total and pay benefits' requirement.

Note: there are no previous financial year ratios for comparison and no prior year comparisons to attribute any changes. ESS believes the median pay ratio for the current financial year is consistent with the pay, reward and progression policies for the ESS employees taken as a whole.

## Staff Report

### Number of Senior Civil Service staff

2.87 As at 31 March 2023, ESS employed one Senior Civil Servant (the Interim Chief Executive, followed by the permanent Chief Executive).

### Average number of full time equivalent persons employed by ESS (audited)

	2021-2022 FTE	2022-2023 FTE
Permanent Employees (including staff on loan)	10.16	15.29
Fixed Term Staff	0	0.59
<b>Total</b>	<b>10.16</b>	<b>15.88*</b>
<b>Board Members **</b>	<b>5</b>	<b>5</b>

\* headcount rather than FTE

\*\* Board members

### Staff costs (audited)

	2021-23 £'000
Wages and salaries	813
Social Security costs	284
Other pension costs	333
Agency and casual staff costs	41
Board/Committee fees and expenses	93
<b>Total administration staff costs</b>	<b>1,564</b>

Note: as this is the first set of accounts published since vesting, no comparator information from the previous year is included.

## Staff composition

2.88 The number of people employed by ESS at 31 March 2022 and 31 March 2023 is set out in the following table by contract type.

2.89 The numbers include temporary and fixed-term appointments (FTA) and are shown as headcount and the full time equivalent.

Staff type	31 March 2022		31 March 2023	
	Head count	Full time equivalent (FTE)	Head count	Full time equivalent (FTE)
Permanent	7	6.73	17	16.31
Fixed term	1	0.74	2	1.34
Agency	0	0	1	0.2
Fast stream	1	1	0	0
Interim managers	3	2.81	0	0

2.90 The number of people of each sex (as per the Equality Act 2010's definition of legal sex) employed by ESS at 31 March 2022 and 31 March 2023 is set out in the following table.

2.91 The numbers include temporary and fixed-term appointments and are headcount, not full time equivalent.

Category	31 March 2022		31 March 2023	
	Female	Male	Female	Male
Employees – non-Executive Team	4	2	10	5
Non-SCS members of Executive Team	1	2	1	2
Senior Civil Servants (band TR-1)	0	1	0	1
<b>Total staff</b>	<b>5</b>	<b>5</b>	<b>11</b>	<b>8</b>
<b>Board members</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>

## Sickness absence

	Average total of sick days per employee 2021/22	Average total of sick days per employee 2022/23
Short term absence (<20 working days)	0.46	1.43
Long term absence (>20 working days)	0.0	0.0
<b>Total</b>	<b>0.46</b>	<b>1.43</b>



### Staff turnover percentage

Headcount at 1 October 2021	Headcount at 31 March 2023	Average headcount	Leavers	Turnover %
5	17	11	3	27.3%

\* permanent head count, excluding FTA and inward loan staff

Note: as this is the first set of accounts published since vesting, no comparator information from the previous year is included.

### Staff survey engagement score

2.92 We issued our first annual Staff Engagement Survey in November 2022. This survey mirrors the People Survey used by the Civil Service. The engagement index reflects the employee responses to five questions measuring: pride; advocacy; attachment; inspiration; and motivation.

	2022
ESS Employee Engagement Score	84.667%
Civil Service Employee Engagement Score	64.585% <sup>16</sup>

Note: as this is the first set of accounts published since vesting, no comparator information from the previous year is included.

### Staff policies for disabled persons

2.93 ESS analogues<sup>17</sup> to the Scottish Government Main Bargaining Unit. This means that it mirrors the Scottish Government terms, conditions and staff policies. ESS follows the requirements of the Civil Service Code of Practice on the employment of people with disabilities in relation to the recruitment and employment of its staff, and follows the Scottish Government recruitment process. These mean ESS:

- ensures that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited for interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities
- continues the employment of, and arranges for appropriate training for, employees who have become disabled persons whilst employed by ESS

<sup>16</sup> [Civil Service People Survey 2022](#)

<sup>17</sup> The terms used to describe that ESS aligns with Scottish Government terms, conditions and staff policies.

- provides training and career development opportunities for disabled persons employed by ESS
- allows for reasonable adjustments to be made to either the work environment or terms and conditions of employment, as and when required

### **Employee relations**

- 2.94 As a small organisation, ESS is able to quickly and effectively consult with all staff on relevant issues. Information is also gathered through two-monthly anonymous pulse surveys.
- 2.95 ESS has a recognition agreement with three trade unions: Public and Commercial Services Union (PCS); Prospect; and FDA, to promote good industrial relations.
- 2.96 ESS analogues with Scottish Government terms and conditions and pay policy.

### **Health and safety**

- 2.97 The health and safety of employees at ESS is a top priority. Risk assessments are in place for all operational activities within ESS, and health and safety inspections of the office are carried out regularly. There have been no reported accidents or incidents during this period.

### **Expenditure on consultancy**

- 2.98 ESS incurred consultancy costs of £24,029.30 in 2022/23, associated with setting up the organisation and carrying out baseline evidence reviews to assist in defining the Strategic Plan (in 2021/22 no costs were incurred).

### **Diversity and inclusion**

- 2.99 As a new organisation, embedding the principles of equality, diversity and inclusion into the culture of ESS has been at the heart of the set-up process.
- 2.100 In the Strategic Plan, we committed to publishing an Equality and Diversity Policy. We engaged with staff on its development, holding an all-staff workshop and providing opportunities to review and comment on the policy.

- 2.101 ESS is subject to the Public Sector Equality Duty under the Equality Act 2010, and complies with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. Engaging with staff and collecting employee equality and diversity monitoring data helped to inform the development of ESS' equality outcomes for 2023-27 and its associated action plan.
- 2.102 These will support ESS in mainstreaming equality across its decision-making and day-to-day operations. ESS' [report on mainstreaming equality](#) was published on ESS' website on 28 April 2023.
- 2.103 Despite collecting data on the composition of ESS staff, and using this data to identify potential areas of inequality and to ensure equality of opportunity, this information will not be reported. This is due to the difficulties associated with anonymising such a small dataset, and to avoid the risk of either primary or secondary disclosure of personal and special category data.

### Gender pay gap

- 2.104 The gender pay gap is calculated as the difference between average hourly earnings of men and women as a proportion of average hourly earnings (excluding overtime) of men's earnings. A positive pay gap means that men earn more than women on average and a negative gap the reverse.
- 2.105 The gender pay gap is a means of highlighting a disparity in the pay received by men and women and is influenced by both the pay levels for equivalent jobs and the distribution of men and women across the grades within the workforce.
- 2.106 Environmental Standards Scotland pays women and men undertaking work of an equal value on the same scale (i.e. within the same pay range) with the exact pay depending on length of service.

	31 March 2023	31 March 2022
Median gender pay gap	12.29	8.69
Arithmetical mean gender pay gap	14.21	2.58

- 2.107 The median gender pay gap for all staff at ESS at 31 March 2023 has increased since March 2022. With relatively small numbers of employees, the pay gap measure is sensitive to quite small changes in staffing and pay.

2.108 In ESS there has been a 40% increase in staff in the last twelve months, which has included two junior positions which were both filled by female staff. This has had a significant impact on the median pay gap due to the majority of the other positions filled being at the higher level B and lower level C bands and filled by equal numbers of male and female staff.

2.109 As recruitment continues and staff advance within their bands, it is expected that the gender pay gap will continue to change.

### 3. Independent Auditor's Report

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#### Independent auditor's report to Environmental Standards Scotland, the Auditor General for Scotland and the Scottish Parliament

#### Reporting on the audit of the financial statements

##### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Environmental Standards Scotland for the 18-month period ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

##### Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 10 November 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent

of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#)

### **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This includes the Public Finance and Accountability (Scotland) Act 2000
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These include the Data Protection Act 2018 and relevant employment legislation.

As a result of performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the revenue budget set by the Scottish Government as part of the Budget (Scotland) Act. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a break-even position. In response to this risk, we obtained confirmation of the revenue budget via the Budget (Scotland) Act and tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with audits under ISAs (UK) we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulation described as having a direct effect on the financial statements
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatements due to fraud
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities; the effectiveness of the body's controls; and the nature, timing and extent of the audit procedures performed.



Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator; the frequency and extent of manipulation; the degree of collusion involved; the relative size of individual amounts manipulated; and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's [website](#). This description forms part of our auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In our opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Reporting on other requirements

### **Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report**

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers

- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street

Glasgow

G1 3BX

United Kingdom

12 October 2023

## 4. Financial Statements

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### Introduction

- 4.1 This statement of accounts reports the results of Environmental Standards Scotland for the 18-month period from 1 October 2021 to 31 March 2023. It has been prepared in accordance with the Accounts Direction given by the Scottish Ministers under section 19(4) of the Public Finance and Accountability Scotland Act 2000.
- 4.2 These financial statements were authorised by the Chief Executive, who is the Accountable Officer, on 12 October 2023.

### Statement of Comprehensive Net Expenditure for the eighteen months ended 31 March 2023

		2021-23
Administrative costs	Note	£'000
Staff costs	2	1,565
Other admin costs	3	531
<b>Operating costs</b>		<b>2,096</b>

All amounts relate to continuing activities.

The accompanying notes on pages 78 to 83 form part of these financial statements.

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

## Statement of Financial Position as at 31 March 2023

	Note	31 March 2023
		£'000
<b>Current Assets</b>		
Other receivables	5	6
Cash and cash equivalents	5	26
<b>Total current assets</b>		<b>32</b>
<b>Total assets</b>		<b>32</b>
<b>Current Liabilities</b>		
Trade and other payables	6	(146)
<b>Total current liabilities</b>		<b>(146)</b>
<b>Total assets less current liabilities</b>		<b>(114)</b>
<b>Total assets less total liabilities</b>		<b>(114)</b>
<b>Taxpayers' Equity</b>		
General Fund	SOCTE <sup>18</sup>	114
<b>Total taxpayers' equity</b>		<b>114</b>

The accompanying notes on pages 78 to 83 form part of these financial statements.

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

<sup>18</sup> Statement of Changes in Taxpayers' Equity (SOCTE)

## Statement of Cash Flows for the eighteen month period ended 31 March 2023

	Note	2021-23
		£'000
<b>Cash flows from operating activities</b>		
Operating cost	SOCNE <sup>19</sup>	(2,096)
Adjustments for non-cash transactions		
Notional Costs	4	52
Movements in working capital		
(Increase)/decrease in trade and other receivables	5	(32)
Increase/(decrease) in trade and other payables	6	146
<b>Net cash outflow from operating activities</b>		<b>(1,930)</b>
<b>Cash flows from financing activities</b>		
Funding	SOCTE	1,930
<b>Net cash flow from financing activities</b>		<b>1,930</b>

The accompanying notes on pages 78 to 83 form part of these financial statements.

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

## Statement of Changes in Taxpayers' Equity for the eighteen month period ended 31 March 2023

	Note	General Fund
		£'000
<b>Balance at 1 October 2021</b>		-
Non-cash charges – notional costs		52
Operating costs for the year	SOCNE	(2,096)
Funding		1,930
<b>Balance at 31 March 2023</b>		<b>(114)</b>

The accompanying notes on pages 78 to 83 form part of these financial statements.

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

<sup>19</sup> Statement of Comprehensive Net Expenditure (SOCNE)

## 5. Notes to the Accounts for the eighteen months ended 31 March 2023

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### 1. Statement of accounting policies

#### (a) Basis of preparation

In accordance with the accounts direction issued by the Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, these financial statements have been prepared in accordance with the Government Financial Reporting Manual 2022/23 (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstance for the purpose of giving a true and fair view has been selected. The particular policies adopted by ESS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In accordance with the FReM these accounts have been prepared on a going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future.

**Accounting estimate** – There are no key sources of estimation or uncertainty in the financial statements.

**Accounting judgement** – The Executive Team has not made any significant judgements in the process of applying the accounting policies.

#### (b) Government grants

All ESS expenditure is met from funds advanced by the Scottish Government within an approved allocation. Cash drawn down to fund expenditure within this approved allocation is credited to the general fund.

Funding for the acquisition of non-current assets received from the Scottish Government is credited to the general fund.

#### (c) Leases under IFRS

##### **Initial recognition**

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use

asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease.

### **Lease expenditure**

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals payable under short term and low value assets operating leases are charged to the statement of comprehensive net expenditure over the term of the lease. As at 31 March 2023, ESS has a remaining operating lease commitment of £1,705 relating to such short-term and low-value assets leases.

ESS' office accommodation is arranged through a Memorandum of Terms of Occupation (MOTO) with the Scottish Legal Aid Board, which records the terms of occupation within Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HD. Due to the initial short-term nature of this MOTO, the lease has been classified as a short-term lease under the requirements of IFRS 16.

#### **(d) Value added tax**

Environmental Standards Scotland is registered for VAT as part of the Scottish Government VAT group registration which is responsible for recovering VAT on behalf of Environmental Standards Scotland.

Irrecoverable tax is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

#### **(e) Receivables**

All amounts due as at 31 March 2023 have been brought into the account irrespective of when actual payments were received.



#### (f) Payables

All material amounts outstanding as at 31 March 2023 have been brought into account irrespective of when actual payments were made.

#### (g) Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS) which are described in the Remuneration and Staff Report. These are unfunded multi-employer defined benefit schemes in which ESS is unable to identify its share of the underlying assets and liabilities of the scheme. Therefore ESS has accounted for the contributions to the scheme as if it was a defined contribution scheme. This is in accordance with FReM requirements.

#### (h) Going concern

The accounts have been prepared on the going concern basis, which provides that the organisation will continue in operational existence for the foreseeable future. ESS has no reason to believe that Scottish Ministers intend to withdraw support to the organisation, and funding for 2023/24 has been confirmed in the Budget Act. It is therefore considered appropriate to prepare the accounts on a going concern basis.

#### (i) Disclosure of new accounting standards

ESS has considered the expected impact of new accounting standards issued, but not yet in effect. Environmental Standards Scotland consider the impact is not material. These include:

IFRS 17 – relating to insurance contracts, this does not apply as ESS does not have any insurance liabilities.

IFRS 16 – leases, due to the short-term nature of ESS' MOTOs, IFRS 16 does not apply for the current financial period.

#### (j) Financial Instruments

Financial assets and liabilities are recognised in the Statement of Financial Position when ESS becomes a party to the contractual provisions of the instrument. Cash comprises of cash held at the bank. Debtors do not carry any interest and are stated at their nominal value. Trade creditors are not interest-bearing and are stated at their nominal value.

## 2. Staff costs

Staff costs in 2021-23 amounted to £1,565,000. A breakdown of these costs is given in the Remuneration and Staff Report.

## 3. Other Operating Costs

<b>Other operating costs</b>	<b>2021-23</b>
	<b>£'000</b>
Subscriptions	36
Recruitment	35
IT	174
Office equipment	33
External audit fee	52
Accommodation, including rent and rates	59
Travel and subsistence	2
Exhibitions and education	4
Catering and hospitality	1
Consultancy	35
Conference costs	3
Training	13
Other office costs	5
Printing and publications	12
Telephones	5
Research	4
Legal fees	16
Internal audit fee	17
Computer equipment	25
<b>Total other operating costs</b>	<b>531</b>

#### 4. Notional costs

Notional costs	2021-23
	£'000
External audit fees	52
<b>Total notional costs</b>	<b>52</b>

#### 5. Trade receivables and other current assets

Trade receivables and other current assets	At 31 March 2023
	£'000
Amounts falling due within one year:	
Other current assets	6
Cash at Bank	26
<b>Total receivables</b>	<b>32</b>

#### 6. Trade payables and current liabilities

Trade payables and current liabilities	2021-23
	£'000
Trade payables	12
Current liabilities	134
<b>Total due within one year</b>	<b>146</b>

As this is the first set of accounts published since vesting, no comparator information from the previous year is included.

#### 7. Property, plant and equipment

ESS did not purchase and own any property or equipment over the minimum material limit.

#### 8. Related party transactions

Environmental Standards Scotland is a non-ministerial office of the Scottish Administration and it considers that the Scottish Government is a related party within this context. During the period of this report, ESS has had a number of material financial transactions with the Scottish Government.

ESS had no material transactions with any other related parties.

Neither the Board/Committee members nor any key managerial staff have undertaken any material transactions with ESS during the year.

## 9. Capital commitments and contingent liabilities

There were no contracted commitments or contingent liabilities.

## 10. Segmental reporting

ESS is considered to have just one operating segment and therefore no segmental information is produced.



### **Environmental Standards Scotland**

#### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the 18 month financial period ended 31 March 2023, and subsequent years ending 31 March, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 2/2/2022

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ISBN: 978-1-7396742-4-3

Published by  
Environmental Standards Scotland,  
October 2023