

# Annual Report and Accounts

1 April 2023 – 31 March 2024

October 2024



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

October 2024

ESS/2024/01

## Chair's Foreword

The last year has been an important one for Environmental Standards Scotland (ESS) as we establish ourselves as the independent and trusted public body in Scotland on environmental law. Of course, the backdrop to our work remains a sobering one.



The climate crisis is the greatest challenge of our generation, and the threat to Scotland's nature, economy and communities is very real. We continue to play our part by ensuring that public authorities in Scotland comply with environmental law, as well as scrutinising the law to ensure it is effective. By doing so, we are helping to achieve Scotland's aspirations for the environment and climate change.

We have started work on our second strategic plan, due for publication in 2025, that will set out the next stage of ESS' development. As part of our ongoing strategic approach, we have also established an International Advisory Panel to provide us with insight on keeping pace with European environmental legislation and policy, and international developments. We have broadened the membership of our Board and created champions within its membership to support our staff in delivering sustainability, equalities and cyber duties. And we remain committed to the public service reform agenda in Scotland, evidenced through our creative and collaborative approach to office sharing 'without walls' with Consumer Scotland.

At the point of publishing this Annual Report we celebrate our third birthday at ESS. It has been a remarkable journey for our organisation, and I hope the work laid out in this report reflects that. I present this report with thanks to the Board, ESS team, partner organisations and officials in the Scottish Government. My thanks extend to the Scottish Parliament, particularly the members of the Net Zero, Energy and Transport Committee for their scrutiny and endorsement of our work to date. And special thanks go to Jim Martin, who was Chair through the creation, start up and first years of operation of ESS.

**Dr Richard Dixon**

**Acting Chair of Environmental Standards Scotland**

## Ro-ràdh a' Chathraiche

Tha a' bhliadhna mu dheireadh air a bhith cudromach airson Ìrean Àrainneachdail na h-Alba (ESS) agus sinn gar stèidheachadh fhèin mar a' bhuidheann phoblach neo-eisimeileach agus earbsach ann an Alba a thaobh lagh na h-àrainneachd. Tha fios ge-tà, gu bheil suidheachadh na h-àrainneachd san là a tha ann na adhbhar uallaich..

Is e èiginn na gnàth-shìde an dùbhlán as motha mu choinneamh ar ginealaich, agus tha an cunnart do nàdar, eaconamaidh agus coimhearsnachdan na h-Alba dha-rìribh fìor. Tha sinn a' cumail oirnn le bhith a' dèanamh cinnteach gun cùm ùghdarrasan poblach ann an Alba ri lagh na h-àrainneachd, a bharrachd air a bhith a' sgrùdadh an lagha gus dèanamh cinnteach gu bheil e èifeachdach. Le seo, tha sinn a' cuideachadh gus amasan na h-Alba airson na h-àrainneachd agus atharrachadh na gnàth-shìde a choileanadh.

Thòisich sinn ag obair air an dàrna plana ro-innleachdail againn, ri fhoillseachadh ann an 2025, a mhìnichas an ath ìre de leasachadh ESS. Mar phàirt den dòigh-obrach ro-innleachdail leantainneach againn, tha sinn cuideachd air Pannal Comhairleachaidh Eadar-nàiseanta a stèidheachadh gus fios a chumail dhuinn mu reachdas agus poileasaidhean àrainneachd Eòrpach, agus leasachaidhean eadar-nàiseanta. Leudaich sinn ballrachd a' Bhùird againn agus stèidhich sinn riochdairean taobh a-staigh na ballrachd gus taic a thoirt don luchd-obrach againn ann a bhith a' coileanaidhean dleastanasan seasmhachd, co-ionannachdan, agus obair didseatach. Agus tha sinn fhathast a' cur taic ris an iomairt gus ath-leasachadh a thoirt air seirbheisean poblach ann an Alba, mar a chithear tro ar dòigh-obrach chruthachail agus cho-obrachail a thaobh a bhith ann an oifisean 'gun bhallachan' còmhla ri Luchd-cleachdaidh Alba.

Aig àm foillseachaidh na h-Aithisg Bhliadhnail seo tha sinn a' comharrachadh trì bliadhna de ESS. Is e turas iongantacha tha air a bhith aig ar buidheann, agus tha mi an dòchas gu bheil sin follaiseach san obair a chithear san aithisg seo. Tha mi a' toirt seachad na h-aithisg seo le taing don Bhòrd, sgioba ESS, buidhnean com-pàirteachais agus oifigich ann an Riaghaltas na h-Alba. Tha mi an comain Phàrlamaid na h-Alba, gu h-àraidh buill na Comataidh airson Cothromachadh Carboin, Cumhachd is Còmhhdail airson an sgrùdaidh agus an taic don obair againn gu ruige seo. Agus tha taing shònraichte a' dol gu Jim Martin, a bha na Chathraiche tro chruthachadh agus stèidheachadh ESS agus na bliadhnaichean tòiseachaidh de dh'obair na buidhne.

**An Dr. Richard Dixon**

**Cathraiche Eadar-amail Ìrean Àrainneachdail na h-Alba**



## Chief Executive's Introduction

Three years into the life of ESS, we continue to establish ourselves as a key component of environmental governance in Scotland. This report represents our second annual overview of our work.



ESS' role is to scrutinise how Scottish public bodies are complying with environmental law and how effective that law is. Our work over the past year has spanned a broad range of subjects including air quality, biodiversity, waste management and climate change. We have launched investigations into special protection areas for protected birds and the management of Scottish fisheries. We have responded to consultations on new environmental law and this year we have shared our views on the circular economy, the Scottish Government's strategic framework for biodiversity and the previously proposed Human Rights Bill.

We have concluded several pieces of work where we have worked with public bodies to address environmental concerns that have been raised by members of the public and organisations. We call this informal resolution and it will always be our first step in trying to resolve issues. We've reached informal resolutions on aspects of water quality, how Habitats Regulations appraisals are conducted and how the Scottish Government assesses the impact of its infrastructure plans on greenhouse gas emissions.

As our profile grows, we continue to receive representations from members of the public and organisations. We have established a community engagement programme which offers us an invaluable opportunity to speak directly to members of the public about their environmental concerns.

Our relationship with the Scottish Parliament remains critical. We continue to update the Net Zero, Energy and Transport Committee on our work every six months. In turn, we appreciate the scrutiny and interest the Committee has shown towards the work of ESS. I would like to thank the members of ESS' Board for their support and guidance and all my colleagues in the ESS team for all their work over the past year.

**Mark Roberts**

**Chief Executive of Environmental Standards Scotland and Accountable Officer**

## Ro-ràdh a' Cheannaird

Às dèidh trì bliadhna de dh'ESS, tha sinn a' cumail oirnn le bhith gar stèidheachadh fhèin mar phrìomh phàirt de riaghladh àrainneachd ann an Alba. Is e an aithisg seo an dàrna tar-shealladh bliadhnail againn air ar n-obair.

Is e dleastanas ESS a bhith a' sgrùdadh mar a chumas buidhnean poblach Albannach ri lagh na h-àrainneachd agus dè cho èifeachdach agus a tha an lagh sin. Ghabh ar n-obair, tron bhliadhna a dh'fhalbh, a-steach farsaingeachd chuspairean leithid càileachd adhair, bith-iomadachd, riaghladh sgudail agus atharrachadh na gnàth-shìde. Chuir sinn rannsachaidhean air dòigh mu sgìrean dìon sònraichte do dh'èoin dhìonta agus riaghladh iasgach na h-Alba. Thug sinn freagairtean do cho-chomhairlean mu lagh ùr àrainneachd agus am-bliadhna fhèin thug sinn seachad ar beachdan air an eaconamaidh chearcallach, frèam ro-innleachdail Riaghaltas na h-Alba airson bith-iomadachd agus Bile nan Còraichean Daonna a tha san amharc.

Chrìochnaich sinn grunn phìosan obrach far an do dh'obraich sinn còmhla ri buidhnean poblach gus dèiligeadh ri draghan àrainneachd a thog an dà chuid am mòr-shluagh agus buidhnean. Canaidh sinne fuasgladh neo-fhoirmeil ri seo agus is e seo an-còmhnaidh a' chiad cheum againn gus feuchainn ri cùisean fhuasgladh. Ràinig sinn co-dhùnidhean neo-fhoirmeil mu cuid de ghnothaichean mu chàileachd uisge, mar a nithear measaidhean a thaobh Riaghailtean Àrainnean agus mar a mheasas Riaghaltas na h-Alba buaidh a phlanaichean bun-structair air sgaoilidhean gasaichean taigh-glainne.

Mar as follaisiche a tha ar n-obair a' fàs, tha sinn a' sìor fhaighinn theachdaireachdan bho dhaoine fa leth agus bho bhuidhnean. Stèidhich sinn prògram conaltraidh coimhearsnachd a bheir cothrom luachmhor dhuinn bruidhinn gu dìreach ri buill den phoball mu an draghan mun àrainneachd.

Tha ar dàimh ri Pàrlamaid na h-Alba fhathast deatamach. Tha sinn a' cumail oirnn a' toirt an fhiosrachaidh às ùire mun obair againn don Chomataidh airson Cothromachadh Carboin, Cumhachd is Còmhdhail a h-uile sia mìosan. Agus le sin, tha sinn a' cur luach air an sgrùdadh agus an ùidh a nochd a' Chomataidh ann an obair ESS. Bu mhath leam taing a thoirt do bhuill Bòrd ESS airson an cuid taic agus an stiùireadh agus do mo cho-obraichean air fad ann an sgioba ESS airson an cuid obrach sa bhliadhna a dh'fhalbh.

**Mark Roberts**

**Ceannard Ìrean Àrainneachdail na h-Alba agus Oifigear Cunntachail**

# 1. Performance Report

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## 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, the principal risks it faces and a summary of future plans. It is followed by a more detailed performance analysis.

## About Environmental Standards Scotland

### What we do

1.2 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

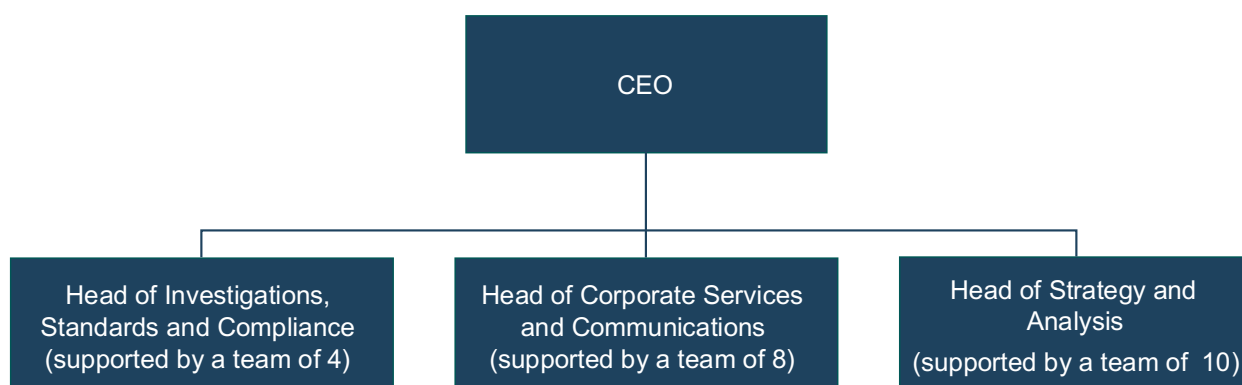
1.7 At 31 March 2024, ESS consisted of seven [Board members](#) who are collectively responsible for fulfilling the functions and duties set out in the Continuity Act. Our Board members are appointed by Scottish Ministers, with the approval of the Scottish Parliament. An overview of membership is found on page 41.

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. An overview of membership is found on page 43.

1.9 The Board has also established an International Advisory Panel in February 2024 to complement existing work on keeping pace with the European Union and wider international developments, and provide an opportunity to tap into insights and advice from experts in this area. Further information about the Panel's membership and work can be found on the [ESS website](#).

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 2024:





# 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

1.19 An overview of ESS' positive performance in the financial year 2023/24 is set out in the Chair and CEO forewords at pages 2 and 4 of this report. The full range of work carried out is described below, listed under ESS' five strategic outcomes, and as reported in ESS' third [Business Plan](#) published in April 2024.

### Taking action to ensure compliance and effectiveness

1.20 ESS' 2023/24 Business Plan set out its intention to:

- identify failures to comply with environmental law, pursue these issues with the relevant public authorities and take the action needed to improve compliance
- seek to resolve matters by agreement with the relevant public authorities where possible within a reasonable timescale
- use ESS' statutory powers to secure changes and remedial actions

- pursue directly, with the relevant parts of the Scottish Government, where ESS investigations identify patterns of compliance failure, or areas where the law is ineffective in protecting the environment or public health
- seek to resolve matters and secure the necessary changes and improvements by agreement with the Scottish Government
- use ESS' statutory powers and take formal action by preparing and issuing improvement reports to the Scottish Parliament where matters cannot be resolved informally

1.21 In this 12-month period, ESS:

- identified a number of instances of non-compliance with, and poor implementation of, environmental law and actively engaged with several public authorities to secure changes and remedial actions. No compliance failures requiring formal enforcement action have been identified to date
- worked, and continued to work, with the public bodies concerned to ensure that the improvements required are implemented in full and on schedule
- reached resolution with the Scottish Government on the effectiveness of the systems in place to support local authorities in their duty to contribute to the delivery of climate change targets
- laid its second improvement report before the Scottish Parliament setting out the changes and improvements considered necessary to strengthen the requirements placed on local authorities in their emissions reporting

Full details of the cases where we have reached informal resolution can be found at: [Our investigation reports - Environmental Standards Scotland](#) and on pages 11 to 13 of this report.

### Investigating the most important environmental concerns

1.22 ESS' 2023/24 Business Plan set out its intention to:

- actively support parties submitting representations, particularly where they are unfamiliar with ESS processes, to ensure their concerns are accurately captured

- carefully review and assess all representations to identify candidates for investigation and advise on alternative routes for cases not suitable for investigation
- regularly review and publish ESS' forward work programme, to investigate the most important environmental concerns
- regularly update the publicly available register of investigations and carry out these investigations
- keep those who have made representations informed about considerations and investigations of their matter of concern
- publish reports about the issues investigated and the actions that have been taken
- continuously assess systems and processes, to ensure the effectiveness of our investigations

#### 1.23 In this 12-month period, ESS:

- issued an improvement report to the Scottish Government regarding one of the five recommendations made following the conclusion of our investigation into the delivery of climate change targets. The improvement report was laid in the Scottish Parliament in December 2023. ESS reached informal resolution on the remaining four recommendations
- launched an investigation into:
  - the classification of Special Protection Areas in March 2024
  - the sustainable management of fisheries in March 2024
- reached informal resolution with the Scottish Government on:
  - the implementation of the Agriculture, Land Drainage and Irrigation Projects (Environmental Impact Assessment) (Scotland) Regulations 2017
  - Scottish Ministers' duty to produce an assessment of the emissions impact of infrastructure investment
  - its implementation of the Bathing Waters (Scotland) Regulations 2008



- reached informal resolution with the Scottish Environment Protection Agency (SEPA) on:
  - its compliance with its duty to maintain public registers
  - the way it enforces descriptive licence conditions under The Water Environment (Controlled Activities) (Scotland) Regulations 2011

In addition, in order to improve processes and procedures, ESS:

- ensured dedicated and ongoing support to everyone who submitted an enquiry or representation through the appointment of a Senior Investigations Officer to the lifetime of each case
- provided signposting assistance and guidance to those whose concerns were not taken forward
- published on its website the details of all ongoing and completed casework
- in accordance with its service standards, kept those who submitted representations updated on the progress of our work
- sought feedback on its service from every group and individual who contacted ESS
- carried out a review of systems and processes, taking into account the feedback received
- published on its website the outcome of all of the representations received  
[Representations Received - Environmental Standards Scotland](#)

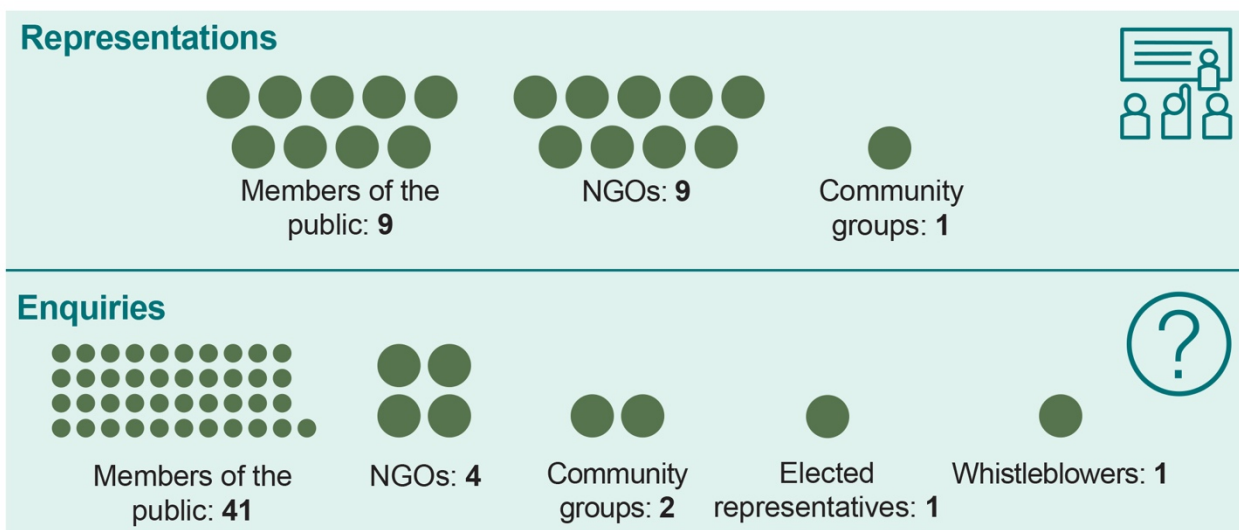
## Our work in numbers

1.24 In 2023/24, ESS received 68 submissions<sup>1</sup>, including 49 enquiries and 19 representations from members of the public, environmental groups and elected representatives from around Scotland, as shown in the graphics below.

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<sup>1</sup> Submissions is the collective term for representations and enquiries.

1.25 As ESS increases its profile, it anticipates that there will be less need to redirect enquiries to other organisations as there will be a greater awareness and understanding of its role and purpose. This profile raising work is set out in the section 'engaging and communicating effectively' on pages 17 to 19 of this report.



Of the **19 representations** we have received, we have carried out substantive work on 10 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.

concerns to be pursued. In addition, two cases were closed on the basis that no environmental failing was found and one was closed on the basis the concern raised did not relate to environmental law.

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

The outcomes of the **49 enquiries** are broken down as follows:

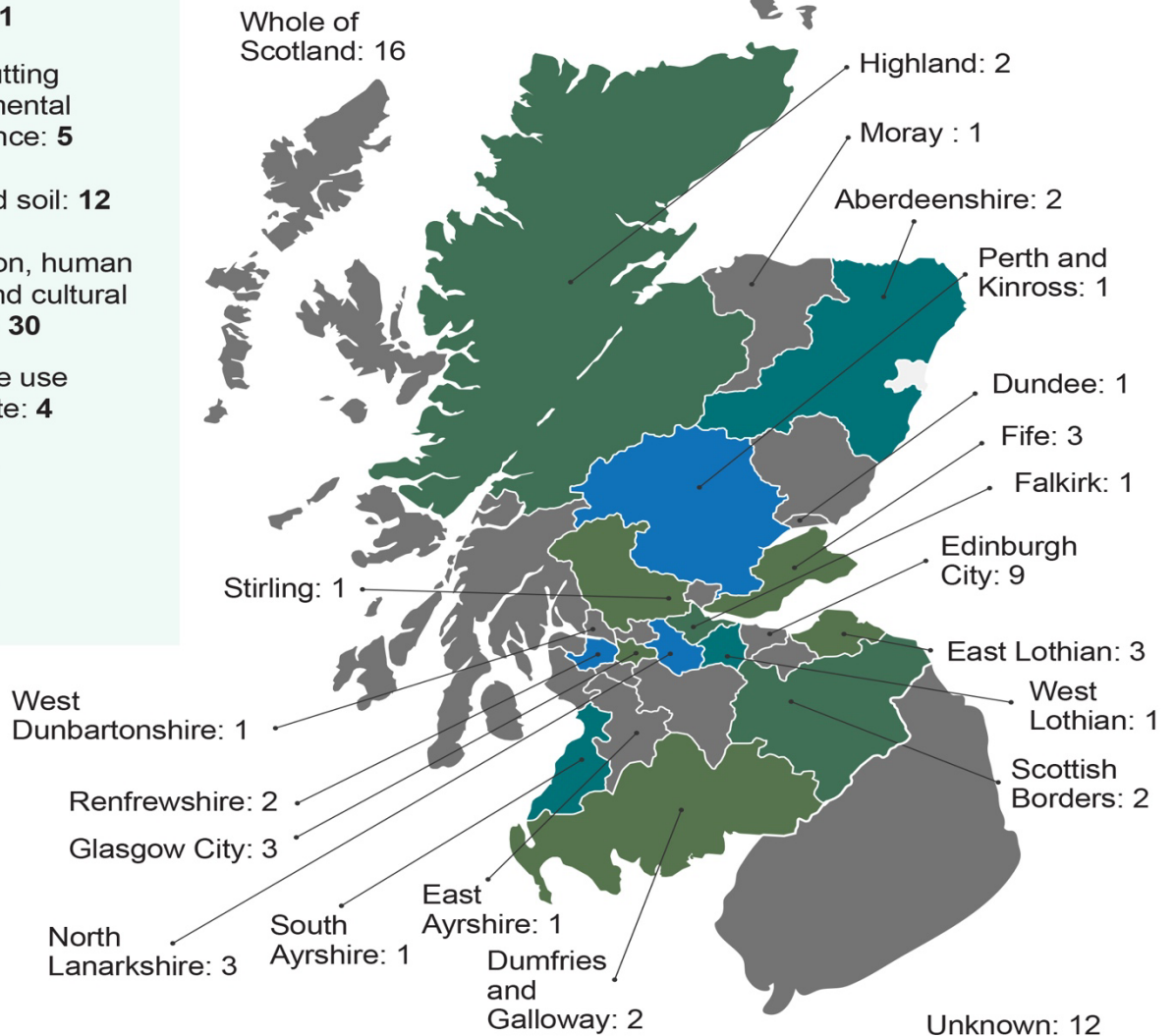


\* Where a representation is not specific to one geographic location in Scotland we have considered this representation to cover the whole of Scotland.

## Submissions Environmental categories

-  Air: 2
-  Biodiversity and ecosystems: 5
-  Climate change: 1
-  Cross-cutting environmental governance: 5
-  Land and soil: 12
-  Population, human health and cultural heritage: 30
-  Resource use and waste: 4
-  Water: 7
-  Other: 2

## Submissions Geographical breakdown of the areas to which the submissions relate



## Monitoring and evaluating environmental performance and change in Scotland

1.26 ESS' 2023/24 Business Plan set out its intention to:

- deliver a programme of analytical work on priority issues identified in ESS' approved Strategic Plan, including: air quality targets/standards for particulate matter; biodiversity decline; sewage discharge into the aquatic environment; soil health; and illegal disposal and management of waste
- monitor data and evidence on environmental performance and undertake a regular review of ESS' analytical priorities to identify emerging issues of concern
- develop and maintain effective systems for monitoring Scotland's comparative environmental performance and for identifying relevant developments in European and international law and regulation
- develop and maintain effective working relationships with a range of organisations involved in collating, analysing and publishing data and evidence on environmental performance in Scotland
- respond to the Scottish Government's consultation on its report into the effectiveness of environmental governance arrangements following EU withdrawal (as required by the Continuity Act)

1.27 In this 12-month period, ESS:

- completed work on three of its 14 [analytical priorities](#):
  - the first phase of work on biodiversity decline was completed following the presentation of findings to the ESS Board at its August 2023 meeting and subsequent agreement of next steps
  - a report on [anti-microbial resistance](#) was commissioned and published on 29 January 2024
  - an analytical report on [particulate matter \(air quality\)](#) was published on 1 February 2024 and included a number of recommendations for Scottish Government and SEPA
- progressed work on a further four analytical priorities: sewage discharge into the aquatic environment; control and impact of invasive non-native species;

threats to the marine environment; and soil health, controls and monitoring. Work on these topics is expected to conclude in 2024/25

- established an International Advisory Panel to provide us with insight on keeping pace with European environmental legislation and policy, and international developments
- responded to nine Scottish Government and Parliamentary [consultations or calls for views/evidence](#):
  - one Parliamentary call for views (on the Circular Economy Bill)
  - two requests by Parliamentary committees
  - six Scottish Government consultations, including that on the review of environmental governance

In addition, in order to improve processes and procedures, ESS:

- added to and developed our multi-disciplinary team with a range of quantitative, qualitative, scientific and policy analysis skills and experience
- updated and implemented a number of key processes to guide and assure its monitoring and analytical work. This included:
  - an analytical process to guide analytical work from inception to finalisation
  - a quality assurance process to ensure that analysis is robust and to verify and validate findings
  - a prioritisation process to sift issues identified through our monitoring and horizon scanning work for potential further analysis

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

1.28 ESS' 2023/24 Business Plan set out its intention to:

- actively promote an understanding of our role and how people can make representations to us about matters of concern
- deliver the programme of digital communication work identified in the Communication and Engagement Strategy



- ensure ESS' communication and engagement activity follows the latest accessibility guidelines and standards
- develop and deliver the ESS community and stakeholder engagement programme set out in the Communication and Engagement Strategy
- update the ESS website to ensure it complies fully with the Public Sector Bodies (Websites and Mobile Applications) Accessibility Regulations 2018
- report publicly to Scottish Parliament on our progress
- continuously assess our systems and processes, to ensure the effectiveness and accessibility of our approach

1.29 In this 12-month period, ESS:

- launched a community engagement programme to enable ESS to meet with, and listen directly to, the concerns of individuals and environmental groups in Scotland. To support this work training on effective approaches to community engagement was also provided for ESS staff
- engaged with the Scottish Parliament, issuing regular [publicly available updates](#) on activities to relevant committees to demonstrate transparency and accountability
- engaged with the Office of Environmental Protection, Interim Environmental Protection Assessor for Wales, the Climate Change Committee and other relevant stakeholders to progress related pieces of work and opportunities for collaboration
- developed a range of online engagement tools, including new six-monthly video blogs, and ensured all ongoing correspondence to Scottish Parliament and ministers was made publicly available
- completed an externally facilitated programme of external and internal consultation to improve ESS' digital communication work further, including the use of imagery and the approach to social media. This led to a full redesign of the ESS website, moving it to a new online platform that meets the Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations

In addition, in order to improve processes and procedures, ESS:

- ensured communication and engagement activity followed the latest accessibility guidelines and standards, which included a staff training programme and the creation of new supporting internal procedures
- delivered a programme of standard policy review including all standard operating procedures

### An effective and efficient organisation

1.30 ESS' 2023/24 Business Plan set out its intention to:

- strengthen the capacity of the Board through the recruitment of two new members
- review the performance of the Board and Audit and Risk Committee through self-assessment
- develop a People Strategy for the organisation, including a focus on the culture of the organisation, equalities, and learning and development
- build on the experience of ESS' internal audit reviews and take part in our first external audit to provide independent assurance that public funding is being spent properly, efficiently and effectively
- prepare and publish its first Annual Report and submit this to Scottish Parliament
- deliver on our corporate reporting requirements to publicly demonstrate performance across a range of indicators, including delivery of our equalities action plan
- review IT and finance systems through an independent IT Roadmap exercise
- work towards the integration of the new Oracle Cloud finance system in 2024
- implement the processes and policies for monitoring and minimising ESS' impact on the environment as set out in our Sustainability Plan

1.31 In this 12-month period, ESS:

- welcomed two new Board members recruited through the Scottish Government public appointments process - [Morag Sheppard and Professor Chris Spray](#). The Board and Audit and Risk Committee also undertook self-assessments. Both processes were supported through independent evaluation
- recruited and inducted nine new members of the team, bringing the staff complement up to 26 staff. Further information on this can be found in the staff report on page 65
- secured approval, with Consumer Scotland, of a business case to retrofit the Thistle House office space to co-locate 'without walls'. Thereafter, brought both organisations together, with the support of external design consultants, to design a new collaborative space. This work was completed by the financial year end with both organisations co-locating from April 2024
- published its equality mainstreaming and outcomes report, its equality and diversity policy and its fair work first statement. The Board appointed an Equality Champion and a cross-team working group drafted ESS' first People Strategy focusing on key areas of work to: help build the ESS culture; attract and retain great people; maximise our learning and development programme; continue to value diversity; and enable great performance and delivery
- continued to work to the actions set out in the ESS Sustainability Plan to inform ESS' route towards net zero for the years 2022-2025. This included the development of a new travel policy for the organisation and an independent verification of ESS' carbon emissions which provided a 'reasonable' level of assurance. Further information on this can be found on pages 34 and 35
- revised and developed: an internal information asset register; the development of guidance to ensure consistency on how information is gathered from external organisations; and an internal audit review of ESS' cyber security arrangements, providing ESS with a 'reasonable' assurance
- delivered all reporting requirements in full and to deadlines. ESS' first annual audit report is available on the Audit Scotland website. This positive report on

ESS' first external audit, alongside supportive internal audit reviews, provided assurance that ESS is operating effectively

- fulfilled all data migration and planning requirements for the integration of the new finance system on 1 October 2024

## Principal risks

1.32 ESS' corporate risks are identified, monitored and assessed by the Executive Team on a monthly basis, and quarterly by the Audit and Risk Committee and the Board, in line with our Risk Management Policy.

1.33 ESS' principal areas of risks are:

- **compliance/regulatory** – compliance in relation to all relevant laws, regulations and governance requirements
- **reputation** – perception of the decisions, actions, responses or positions taken in relation to the broad scope of ESS' work
- **financial sustainability and performance** – the decisions taken in how resources are deployed, utilised and monitored to maximise their public value and ensure long-term financial sustainability
- **business continuity** – the decisions taken on how to assess threats, remain operational, and structure the organisation in response to challenges (including cyber security, internal business processes and delivery models, and the use of supporting systems)
- **people and culture** – the action taken to provide a safe and inclusive workplace with a focus on service provision to the public and stakeholders
- **operational** – the actions taken in relations 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

1.34 Further information on this can be found on pages 36 to 38.

## Performance Analysis

1.35 The purpose of this section is to give a detailed account of ESS' performance against [performance management indicators](#) (PMIs), spanning ESS' actions, outputs and intermediate and long-term outcomes, as set out in the Strategic Plan.

### Performance and Management Indicators

1.36 ESS' PMIs measure how the resources deployed, and the actions taken, bring about changes to Scotland's policy and regulatory environment which, ultimately, leads to improvements to environmental quality and public health.

1.37 The table below sets out the quantitative data collated against ESS' PMIs for the 2022/23 and 2023/24 financial years, alongside a high-level summary on trends. Details on the definition of each PMI can be found on ESS' [website](#).



Performance Indicators	2022/23	2023/24	Summary
Number of investigations completed	2	0	As intended by the Continuity Act, ESS has achieved informal resolution in each of the cases where environmental failings have been identified. This has taken place at the 'pre-investigation stage' of casework thus no investigations have required to be initiated.
Number of analysis projects completed	8	3	<p>Initial work on the first phase of the Biodiversity Decline analytical priority was completed following the presentation of findings to the Board at its August 2023 meeting and subsequent agreement of next steps. ESS commissioned a report on anti-microbial resistance which was published on 29 January 2024. An analytical report on particulate matter (air quality) was published on 1 February 2024.</p> <p>Work on four other analytical priorities was undertaken in 2023/24 and is expected to be completed in 2024/25.</p> <p>In addition, reports from two Scottish Graduate School of Social Sciences placements were completed and published in February 2024.</p>
Number of representations considered	20	21	The number of representations considered has slightly surpassed the 2022/23 figure. It is anticipated that this will increase next year as a result of community engagement work. Further information on representations can be found on the ESS <a href="#">‘Representations Received’</a> page.

Performance Indicators	2022/23	2023/24	Summary
ESS responses to Parliament and Government consultations	N/A	9	The addition of this new PMI to capture ESS' work in relation to <a href="#">consultation responses</a> was agreed at the 24 November 2023 Board meeting. During the financial year 2023/24, ESS submitted a response to one Parliamentary call for views (on the Circular Economy Bill) and two requests by Parliamentary committees. A further six responses were submitted to Scottish Government consultations.
Number of investigations resulting in:  - Compliance notice - Improvement report - Judicial review	  0 1 0	  0 1 0	ESS issued an improvement report to the Scottish Government in December 2023 in respect of the Climate Change investigation. Although this investigation was completed in the previous financial year, the improvement report was issued following the failure to reach informal resolution on all of the recommendations made.  All other issues concerning compliance or effectiveness have, as per the intention of the Continuity Act, been resolved through informal resolution. ESS will take enforcement action when required.
Number and proportion of issues resolved informally	2 out of 6 33%	8 out of 9 89%	ESS has reached informal resolution in eight of the nine closed cases where substantive casework has been undertaken. Further details on ESS' casework can be found on our <a href="#">Investigations reports</a> page.

Performance Indicators	2022/23	2023/24	Summary
Percentage of Compliance Notices implemented in full, on schedule	n/a	n/a	The cases where ESS has found non-compliance have been addressed through informal resolution, as is intended by the Continuity Act. Accordingly, ESS has not issued any compliance notices.
Percentage of recommendations implemented from Improvement Reports	83%	n/a	No recommendations arising from improvement reports were due for implementation in 2023/24. The four recommendations within the ESS Climate Change improvement report are due for implementation in the financial year 2024/25 and beyond. ESS continues to monitor this and is working closely with Scottish Government to ensure full implementation. ESS also continues to monitor the implementation of the last recommendation within the Air Quality improvement report that was issued in 2022/23.
Percentage of recommendations/actions implemented in full, on schedule from informal resolution	3 out of 3 100%	15 out of 16 94%	Of the 16 recommendations/actions which were due to be implemented in the reporting period, 15 were implemented in full and on schedule by the public authorities concerned. Of the single action not implemented, ESS has informed the public authority that formal action will be considered if not implemented by July 2024.

<b>Performance Indicators</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Summary</b>
ESS' assessment of Scotland's progress against environmental indicators	n/a	n/a	The methodology for this indicator has 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>2022/23</b>	<b>2023/24</b>	<b>Summary</b>
Number attending public/ stakeholder engagement sessions (organised specifically by ESS)	110	28	<p>ESS held an in-person event in April 2023 featuring a lecture by Dr Hans Bruyninckx. A total of 28 people attended this event.</p> <p>Although ESS does not lead on the organisation of specific events on a regular basis, team members do frequently participate in conferences, events and workshops, raising the profile of ESS through sharing examples of our work and taking part in panel debates. In addition, ESS has been invited to participate in numerous community-led events as part of the community engagement programme which launched in the financial year 2023/24. Numbers related to these events are not recorded here.</p>

Performance Indicators	2022/23	2023/24	Summary
Percentage of feedback positive from public/ stakeholder engagement sessions	100%	100%	A feedback survey was issued to those who attended the Dr Hans Bruyninckx lecture in April 2023. Eight responses were returned and the result was 100% positive feedback.
Number of citations in parliamentary reports or meetings	8	16	Citations of ESS in Parliamentary records have doubled from 2022/23 to 2023/24. This is in line with ESS' growing profile and increased investigatory and analytical activity. The citations refer to a range of matters, including: ESS investigations; the Scottish Government's environmental governance review; ESS attendance at Committee evidence sessions; and wider public sector finance and governance discussions.
Number of social media followers	X (Twitter): 539 LinkedIn: 346	X (Twitter): 619 LinkedIn: 589	ESS' social media following continues to increase, by 80 followers for Twitter (X) and by 243 for LinkedIn over the 2023/24 financial year.

Performance Indicators	2022/23	2023/24	Summary
Number of new and return visits to ESS website	New visits: 7,200  Return visits: 1,600	New users: 3,000  Returning users: 61  Page views: 38,453	The number of new and return visitors recorded has reduced in the 2023/24 financial year, primarily due to new data privacy updates in Google Analytics (applied from July 2023). These updates automatically opted out website users being recorded by analytics (related to cookies) unless the user manually accepted to have their data tracked. With this significant change, the number of new and return visitors cannot be meaningfully compared to the previous year. We have therefore included page views alongside the existing PMIs to more accurately represent the behavioural analytics of our website, rather than relying solely on individual user analytics. Behavioural analytics are not impacted by the new privacy updates.
Stakeholder perception of ESS role	n/a	n/a	The Scottish Government's review of environmental governance included reference to ESS. Once the Scottish Government publishes all responses to the consultation, ESS will be able to carry out a qualitative analysis to gain insight into the stakeholder perception of ESS.
Service standards met	6 out of 8	5 out of 8	Investigations, Standards and Compliance: <ul style="list-style-type: none"> <li>• initial acknowledgement within three working days: 96%</li> <li>• decision on pre-investigation within 20 working days: 72%</li> <li>• responding to representation correspondence within five working days: 91%*</li> <li>• responding to all other correspondence within 20 working days: 100%*</li> </ul> <p>* These figures were the result of <a href="#">dip sampling</a> the ESS case tracker.</p>



Performance Indicators	2022/23	2023/24	Summary
			<p>Two of the four service standards relating to investigations work have been met. Of the five cases where the 20 working day target for making a decision on pre-investigation was missed, four related to the complexity of the case or that we were awaiting further information. A single case was impacted by staff absence. In respect of the five working day target, of the 87 relevant entries dip-sampled, the target was missed eight times. Processes have been reviewed to assess mitigation actions to improve targets.</p> <p>Corporate Services and Communications:</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: 75%</li> <li>• responding to FOI requests within 20 working days: 100%</li> <li>• paying bills to business within 10 working days: 98%</li> </ul> <p>Regarding corporate service standards, ESS has met three of its service standards: providing timely responses to general correspondence and Freedom of Information requests 100% of the time; and paying 98% of invoices within 10 days. One target complaint response time has been missed, due to the complexity of the complaint.</p>

Performance Indicators	2022/23	2023/24	Summary
Percentage of corporate reporting requirements delivered to schedule	100%	100%	For this financial year, ESS has met 100% of its corporate reporting requirements to schedule. ESS continues to monitor for updates to its reporting duties, which this year included a new duty to report on its activity in relation to whistleblowing.
Number of complaints received	1	4	ESS received four complaints in the financial year 2023/24. Each of the four complaints (all received in the first six months) related to casework decisions and following investigation of these complaints, none were upheld. This was, and continues to be, mitigated for with regular engagement with stakeholders regarding our functions and remit, and no complaints were received in the second half of 2023/24.
Board and staff diversity information	Suppressed <sup>2</sup>	See further information on pages 68 and 69.	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>3</sup> 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.

<sup>2</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>3</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.

Performance Indicators	2022/23	2023/24	Summary
Staff engagement	85%	67%	<p>ESS ran its second annual staff engagement survey in January 2024. ESS remains in the top 26% of participating UK-wide Civil Service organisations<sup>4</sup>, despite the staff engagement index decreasing to 67% for the financial year 2023/24.</p> <p>ESS now has two years' worth of data regarding staff engagement and pulse surveys to use as a benchmark to assess trends and inform people-related policy and decision-making.</p>
Organisational carbon emissions (tonnes of CO <sub>2</sub> equivalent)	10.9	11.9 (projected)	<p>ESS' projections for 2022/23 were 10.5 tonnes of CO<sub>2</sub>. Actuals have now been gathered and are 10.9 tonnes of CO<sub>2</sub>. These calculations have been independently verified and a 'reasonable' assurance has been supplied.</p> <p>2023/24 projections are 11.9 tonnes of CO<sub>2</sub>. This increase of 9% has been anticipated due to ongoing recruitment to the full staff complement. The final figures will be reported to the Sustainable Scotland Network in November 2024.</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 21 August 2024) through meeting the PMIs set out above.

<sup>4</sup> [Civil Service People Survey: 2023 results - GOV.UK \(www.gov.uk\)](https://www.gov.uk/civil-service-people-survey-2023-results)

## Financial Performance

1.38 This report covers the 12-month period from 1 April 2023 to 31 March 2024.

1.39 ESS received a budget allocation of £2.91 million in the financial year 2023/24. ESS agreed to return £150,000 mid-year in response to a call for Public Service Reform savings, reducing this budget total to £2.76 million.

1.40 ESS had operating costs of £2,285,933 in 2023/24, resulting in an underspend of £474,067 (17% of the revised budget). Not utilising the full budget was reflective of the early life of the organisation as it grows and develops.

1.41 Staff and related costs continue to be ESS' biggest category of expenditure, at £1,566,406 (69% of total 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 the budget, coupled with the small staff complement, means the ESS budget is vulnerable to changes in staffing levels and pay awards.

1.42 Further information on this can be found on pages 64 to 66.

1.43 The ESS policy is to pay all invoices that are not in dispute within 10 days. ESS aims to pay 100% of invoices, including disputed invoices once the dispute has been settled, on time in accordance with these terms. For this 12-month reporting period, ESS paid 98% of all undisputed invoices within 10 days of receipt. This represents 245 invoices out of an annual total of 250.

## Non-financial information

### Complaints

1.44 ESS has a complaints handling policy and a procedure to ensure that complaints can be dealt with as quickly as possible, using best efforts to resolve issues. In the period 1 April 2023 to 31 March 2024 ESS received four complaints. These four complaints were not upheld. ESS responded in line with our service standards on three of the complaints, with the fourth complaint timeline being extended to allow legal input.

## Information security

1.45 There were no known data breaches in the period across the 12-month reporting period.

## Freedom of Information

1.46 ESS aims to be fully compliant with Freedom of Information legislation. We received 15 [Freedom of Information](#) requests and one review request across the 12-month reporting period, all of which were completed within the statutory deadline for responses and published.

## Community and social

1.47 ESS is committed to being an open and transparent organisation. Being accessible to the public is a priority for ESS. A community engagement programme was launched in the 2023/24 financial year, reaching out to communities across Scotland to discuss the environmental issues which affect them.

1.48 The programme is aimed at ensuring ESS' role is widely understood and that communities are confident in raising concerns. Communities possess valuable local knowledge about their environments and, through this engagement, ESS can tap into information that might not be apparent through traditional assessments.

1.49 The Investigations, Standards and Compliance Team, with the support of the Community and Engagement Lead, carried out this programme through a variety of in-person and online sessions with environmental-focused community groups and networks. The sessions have allowed the teams to listen directly to environmental concerns that communities around Scotland are facing.

1.50 There are more engagement sessions and work on the programme planned for the 2024/25 financial year.

## Fraud, corruption and bribery

1.51 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.

1.52 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.

1.53 The [register of interests](#) for the Board and external member of the Audit and Risk Committee 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 on page 42.

1.54 There were no known or suspected incidences of fraud or bribery across the 12-month reporting period.

1.55 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

1.56 The [ESS Sustainability Plan 2022 - 2025](#) ('the Plan') is published and sets out phase one to 'meet net zero objectives by 2045'.

1.57 The Plan is based on requirements to meet the duties for public bodies set out in the Climate Change Act (Scotland) 2009. It also embeds sustainability and biodiversity into ESS' ways of working, and explores how the organisation can influence and improve outcomes for biodiversity in Scotland.

1.58 The focus for ESS climate duties is on using the best science available to ensure that the organisation meets a target of net zero emissions by 2045, and on sharing good practice both within the organisation and outside to demonstrate leadership and innovation.



1.59 The aims of this Phase 1 Plan from 2020-25 are to:

- understand ESS' emissions and define a baseline measure. This will support the voluntary publication of annual reports in line with responsibilities under Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015. The first report was submitted in November 2022
- understand the sources of emissions so that ESS can collectively implement sustainable solutions to reduce emissions
- incorporate sustainability into relevant policies for the organisation
- understand ESS' impact on biodiversity and include practical solutions for improving biodiversity outcomes, where ESS has the influence to do so

1.60 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

1.61 The Executive Team, Audit and Risk Committee and the Board monitor risks according to the risk management framework, and implement controls and measures that are effective and proportionate according to the level of risk ESS is willing to take.

1.62 The Board reviewed the risk management framework early in 2023/24. It agreed to streamline the corporate risk register to hone in on the risks ESS faces in achieving its strategic outcomes following a successful set-up. A summary of these risks is set out over the following pages.

Risk	Description	Summary for 2023/24	Outlook for 2024/25
<b>Compliance/ regulatory</b>	'Our compliance in relation to all relevant laws, regulations and governance requirements'	<p>This risk originally focused on demonstrating compliance with statutory duties via corporate reporting and avoiding overlap with other oversight bodies. However, ESS has established robust corporate reporting processes and recruited in-house legal expertise to alleviate concerns around corporate compliance. ESS has also cemented relationships with key stakeholders and continued to successfully communicate and carry out its remit, as demonstrated by the positive feedback obtained through the Scottish Government's review of environmental governance.</p> <p>Given the positive outcomes of these mitigations, this risk area was streamlined over the year to focus on compliance with health and safety legislation for its staff and visitors.</p>	<p>ESS will continue to monitor for updates to relevant legislation and build on its existing compliance and regulatory processes with the support of in-house legal expertise. ESS remains mindful of the potential for additional functions, such as monitoring, to be added to its remit, and possible subsequent compliance and regulatory considerations. Strategic and operational discussions to support preparedness in such an eventuality are underway and will continue to monitor for any related risks.</p>
<b>Reputation</b>	'The decisions, actions, response or position we take in relation to the broad scope of our work'	<p>ESS has implemented an effective Communication and Engagement Strategy and established a track record of acting independently, openly and transparently. This has included: parliamentary appearances and regular updates to relevant Committees; publication of all analytical, investigatory and corporate reports; and reaching out to the people of Scotland through ESS' Community Engagement Programme.</p> <p>As such, this risk area turned its focus inwards over the year towards ensuring robustness of quality assurance and governance mechanisms and demonstrating value for money through its performance reporting processes. Other than streamlining from four to two strategic risks, this area has remained steady at a medium level over the financial year.</p>	<p>Now that ESS has two full years' worth of PMI data, further consideration will be given to trends and the ability to demonstrate value for money. In addition, an internal audit review of the effectiveness of current performance reporting processes will inform any future changes to this area, alongside consultation to gather stakeholder feedback on ESS' work to date under the 2022-2025 Strategic Plan, during the development of its next iteration.</p> <p>While ESS anticipates further increases in investigatory and analytical work and outputs as awareness of ESS increases, it will naturally be subject to further public scrutiny. It will therefore be important to continue implementing best practice quality assurance and communicating effectively to ensure public confidence in the service ESS provides to Scotland.</p>

<b>Financial sustainability and performance</b>	<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 has focused on the potential extension of ESS’ remit or powers without receiving the appropriate accompanying resource to fulfil its functions. ESS has engaged with policy and legislative processes, such as the Scottish Government’s environmental governance review and the Natural Environment Bill, to monitor the likelihood and influence the impact of this occurring. In readiness for this eventuality, as well as ensuring ESS’ financial sustainability in general, work has been undertaken to develop longer-term financial planning, including scenario planning and consideration of approaches to flexible staffing.</p>	<p>On a strategic level, ESS’ Board and Executive team continue to consider the implications and opportunities of a potential extension of remit and powers. Operationally, ESS will continue to engage with legislative processes and direct specific resource towards preparing the organisation for this, given the likelihood of this increased over the last financial year. Irrespective of the event of additional powers or remit for ESS, the team will continue to ensure it operates in a financially sustainable way and seek to contribute to Scotland’s Public Service Reform agenda.</p>
<b>Business continuity</b>	<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 remains one of the biggest risks that ESS faces and a key focus across all levels of ESS. ESS has implemented a variety of controls to mitigate this, such as: appointing a Board Cyber Champion; regular training and updates to staff; internal audit review of cyber arrangements; and engagement between staff, the Audit and Risk Committee and colleagues in the Scottish Government’s iTECS service. While ESS has received reasonable assurance for its internal approach to cyber security, it accepts that a level of risk comes with the shared service systems it uses that is outwith ESS’ control.</p>	<p>Business continuity and cyber security will continue to be a priority for the Board, Executive team, and staff across the organisation. Many of the controls in place are ongoing, and the addition of Board and Staff Cyber Champions will bring renewed perspectives and enthusiasm to ESS’ cyber approach. However, the impact of this risk is unlikely to decrease, given the potential severity to ESS’ ability to operate and its reputation as a trusted public body.</p>
<b>People and culture</b>	<p>‘We provide a safe and inclusive workplace with a focus on service provision to customers and stakeholders’</p>	<p>ESS has successfully recruited to its full anticipated complement, achieving high interest rates in its recruitment campaigns while staff turnover remains relatively low given ESS’ small size. The organisation is positioning itself as an attractive place to work in the Scottish public sector: staff utilised the learning and development budget in 2023/24; ESS published online its equality mainstreaming and outcomes report, its equality and diversity policy and its Fair Work First statement; the Board appointed an Equality Champion; and a cross-team working group drafted ESS’ first People Strategy.</p> <p>This means the area of risk has remained low throughout the financial year, although it has broadened to include the recruitment and retention of Board members following the resignation of ESS’ Chair.</p>	<p>The team has been assured by its recruitment efforts over the last financial year. However, as the organisation grows and matures it will continue to prioritise staff wellbeing and seek to understand and address fluctuations in staff engagement. This will be supported by the implementation of the People Strategy and driven by newly appointed Staff and Board Equality Champions.</p> <p>Over the next financial year ESS will face changes to its Board membership as it recruits a new, permanent Chair and as it prepares for the end of the first four-year terms of its original members. Ensuring continuity of the Board through succession planning, especially over the development of ESS’ next Strategic Plan, will be a priority for 2024/25.</p>

<p><b>Operational</b></p>	<p>‘The actions we take in relation to the performance of others through our external facing activities such, investigations, enforcement and compliance procedures’</p>	<p>This risk area has continued to monitor and mitigate for changing or excessive demands affecting the delivery and quality of planned outputs. The likelihood of this occurring has been impacted by ESS’ growing profile and proactive engagement with consultations, and has required careful consideration and prioritisation of resource requirements.</p> <p>Over the last financial year ESS has also engaged extensively with the Scottish Government throughout its shared service project to migrate to a new finance system. The team has been involved in: high-level discussions; user acceptance testing; and preparing internally for the move and any potential disruption. While the Scottish Government has delayed implementation of the new system, ESS has remained on the front foot with its preparations as well as upkeeping its existing processes.</p>	<p>The impact of the financial pressures that the wider Scottish public sector is facing is twofold: on one hand ESS may be required to carry out the same or possibly increased workload with a real terms decrease in available resource; and on the other hand public authorities falling under ESS’ remit may face the same pressure causing potential risks to environmental outcomes and resulting in an increased volume of investigatory or analytical work for ESS. This will require continued prioritisation of resource and continuing to work efficiently and effectively. ESS has contracted expertise in project management to support the coordination of workstreams across the organisation to support this.</p> <p>The risks associated with migrating to a new finance system remain current and the team will continue to prepare for potential snagging issues ahead of implementation later in 2024/25. ESS will also relet for various other third-party contracts over the next year, the risks and opportunities of which were assessed and mitigated in the Audit and Risk Committee’s associated deep dive review.</p>
<p><b>Environment and social responsibility</b></p>	<p>‘ESS’ own performance and behaviours in relation to Scotland’s environment’</p>	<p>This risk area originally focused on ESS being exemplar as an environmental organisation. However, it has broadened over the year to encompass ESS’ responsibilities to the people of Scotland and its staff in being an accessible and inclusive organisation. The team has closed out all 2023/24 actions relating to both ESS’ Sustainability Plan and its Equality Outcome Action Plan and has appointed Board Champions in these areas to drive this work at a strategic level. This includes receiving external verification of its carbon reporting. This has kept the level of risk at low over the 2023/24 financial year.</p>	<p>ESS will continue progressing its action plans and embedding best practice policies in these areas, going forward with the additional support of the Staff and Board Champions. This will be partially guided by ESS’ pursuit of Carbon Literate Organisation and Disability Confident certifications, development of the next phase of ESS’ Sustainability Plan, and our first reporting cycle on progress against our equality outcomes. However, in being exemplar, proactive and transparent in reporting ESS’ emissions, such as voluntarily reporting scope 3 or consideration of well-to-tank emissions, there will be a risk that ESS will not appear exemplar in cutting down on emissions themselves.</p>

## Future plans

1.63 Future plans are set out and published in the ESS [2024/25 Business Plan](#).

These continue to build on the key pieces of work identified and set out in existing performance plans, which support the delivery of Strategic Outcomes.

1.64 New programmes of work and initiatives include:

- supporting the Minister and Parliamentary process to appoint a new ESS Chair to lead the organisation through the next stage of its strategic development
- beginning a review of the ESS Strategic Plan. This will include engaging with stakeholders, reviewing related policies and procedures (for example performance management indicators and the Communication and Engagement Strategy), and thereafter presenting the final Plan to Scottish Parliament for approval by December 2025
- identifying systemic patterns of compliance failure, or areas where the law is ineffective in protecting the environment or public health
- delivering a programme of analytical work on priority issues identified in ESS' approved Strategic Plan, including: sewage discharge into the aquatic environment; soil health; threats to the marine environment; invasive non-native species (INNS); water quality and progress against river basin management plan objectives
- monitoring relevant developments in European and international law and regulation to support our assessment of whether Scotland is maintaining alignment with the European Union on environmental law
- further developing and maintaining effective systems for monitoring data and evidence on environmental performance
- continuing to focus on the culture of the organisation, equalities, and the learning and development programme by bringing this planning together in the People Strategy action plan

- continuing to engage with the Office of Environmental Protection, Interim Environmental Protection Assessor for Wales, the Climate Change Committee and other relevant stakeholders to progress related pieces of work and opportunities for collaboration
- continuing to develop and deliver the ESS community and stakeholder engagement programme
- through co-location with Consumer Scotland, further assessing opportunities for Public Service Reform efficiencies and collaborations

Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer



## 2. Accountability Report

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### Corporate Governance report

2.1 This section provides information across the period of this report including: the composition of the Board and senior management; 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. At 31 March 2024, ESS consisted of seven [Board members](#) who are collectively responsible for fulfilling the functions and duties set out in the Continuity Act. During the 12-month reporting period two new members joined the Board, and former ESS Chair, Jim Martin, stepped down on 31 March 2024. An overview of Board membership as at 31 March 2024 is set out below:

Name	Role	Appointment	End of term
Jim Martin	Chair	1 April 2021	31 March 2024
Dr Richard Dixon	Member (Acting Chair)	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
Professor 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

2.3 The Board convened seven times during the 12-month reporting period. 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](#).

2.4 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.

2.5 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.

2.6 Three conflicts of interest were declared in the reporting period: relating to air quality matters for both Dr Richard Dixon and Professor Annalisa Savaresi; and relating to biodiversity matters for Professor Chris Spray. While neither of these conflicts of interest required members to be recused from discussions, they have been publicly minuted in the interest of transparency.

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 five times during the 12-month reporting period. Its members as at 31 March 2024 are:

Name	Role	Date of appointment	End of term
Marie Fallon	Chair	1 April 2021	31 March 2025
Dr Richard Dixon	Member	1 April 2021	31 March 2025
Neil Oakley	Co-opted member	1 September 2022	31 August 2026
Morag Sheppard	Member	18 August 2023	6 June 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; In-house Solicitor; 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 April 2023 and 31 March 2024 were:

Name	Role
Mark Roberts	Chief Executive and Accountable Officer
Neil Langhorn	Head of Strategy and Analysis
Jamie McGrandles	Head of Investigations, Standards and Compliance
Rebecca Peppiette	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.

## Internal Audit

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

2.14 During the 12-month reporting period the provision of the internal audit service was subject to a Memorandum of Understanding signed by ESS and SGDIAA.

2.15 Members of the Internal Audit team attend every Committee meeting.

2.16 During the reporting period, Internal Audit's assurance opinions across ESS' Strategy and Analysis processes and cyber arrangements were both reasonable,<sup>5</sup> as well as an annual audit opinion of substantial.<sup>6</sup>

## 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 2024 meeting.

## Personal data-related incidents

2.19 There were no personal data-related incidents reported to the Information Commissioner's Office during the 12-month reporting period.

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<sup>5</sup> Controls are adequate, but require some improvement.

<sup>6</sup> Controls are robust and well managed.

## Parliamentary Accountability and Audit Report

2.20 ESS is an NMO and part of the Scottish Administration, with direct accountability to the Scottish Parliament. While ESS' accounts are not consolidated with those of the Scottish Government, the organisation liaises with Scottish Government Finance colleagues on a regular basis to provide them with information relating to expenditure and anticipated outturn. The ESS [Framework Document](#) sets out its relationship with Scottish Ministers.

### Disclosures (audited)

#### Losses and special payments

2.21 In accordance with the Scottish Public Finance Manual (SPFM), ESS is 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, ESS is 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 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 judgements 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 ESS' 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 ESS 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 12-month reporting period from 1 April 2023 to 31 March 2024, 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 April 2023 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 the [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:

- ESS' 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 ESS has a clear governance structure. The Board is supported and advised by the 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, while 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 period of this report, 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. The ESS 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 Deloitte LLP and the SGDIAA, who attend Audit and Risk Committee meetings.

2.42 The Committee held a development session on 4 December 2023 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 ESS’ powers, functions and duties
- the [Strategic Plan](#), which sets out ESS’ mission, values and objectives, as set out on page eight
- the 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 on pages 36 to 38, and 51 to 52

- annual Business Plan(s)
- various corporate policies and procedures

## Corporate Governance

2.45 ESS' Governance Framework, set out on pages 47 to 48, describes how roles, responsibilities and relationships are defined.

2.46 In terms of Corporate Governance:

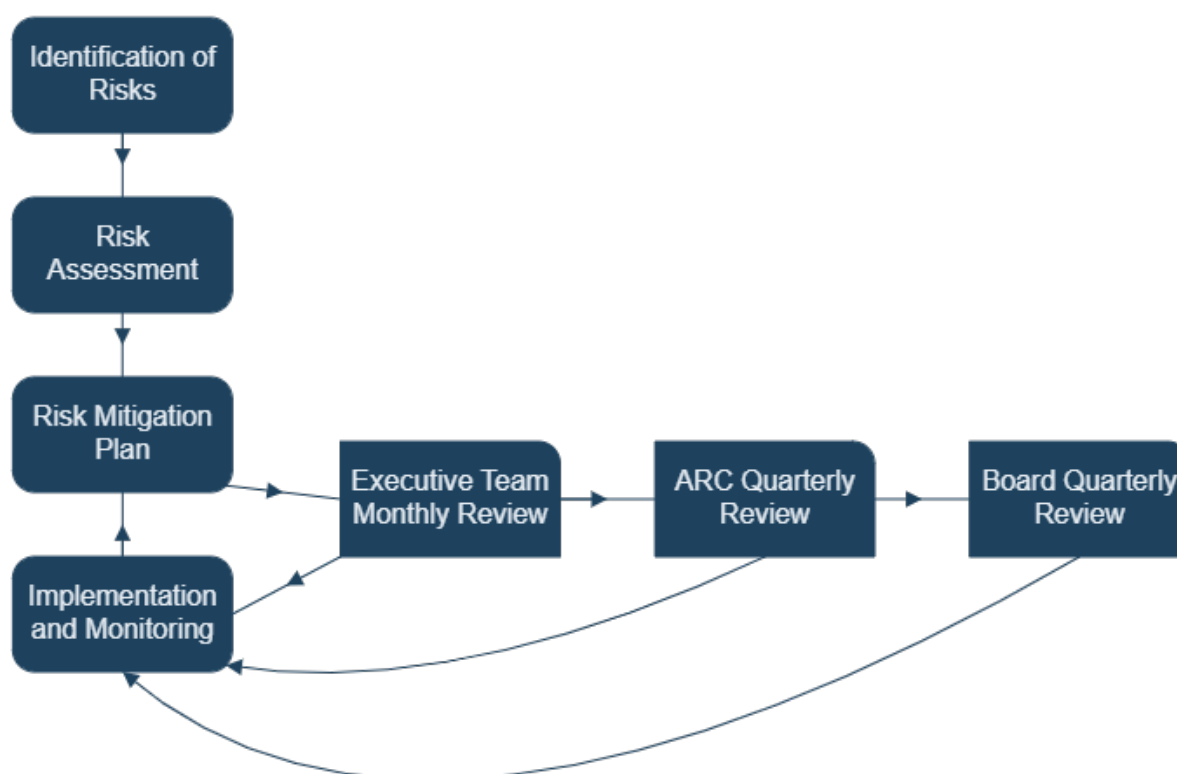
- ESS complies with the Corporate Governance Code and the Orange Book
- corporate policies are reviewed regularly to an agreed schedule and are published on the ESS website
- the Scottish Public Finance Manual (SPFM) applies to ESS. ESS aims to deliver best value in accordance with the principles outlined within the SPFM
- ESS uses Government procurement frameworks to achieve best value
- ESS uses Scottish Government financial management software and systems, which provide compliance controls
- for the financial year 2023/24, ESS received overall substantial assurance from internal audit following their assessments, as well as reasonable assurance on the Strategy and Analysis and cyber processes and procedures
- rules on ethics and standards of behaviour for ESS' Board and Committee members are set out in the 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 on pages 36 to 38 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. I recognise that two of the risks remain outside ESS' risk appetite after mitigation.

#### 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 2023/24 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 2023 and 31 March 2024, the Audit and Risk Committee considered two Assurance Reviews, where SGDIAA provided reasonable assurance in regards to both cyber arrangements and Strategy and Analysis processes, controls and procedures. The Annual Assurance Report for 2023/24 was considered by the Audit and Risk Committee at its June 2024 meeting. Overall, SGDIAA provided substantial assurance for 2023/24.

#### 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 12-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 the ESS' management of risk and assurance arrangements
- comments made by the external auditors in this, our second 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, alongside a third-party deep dive commissioned by the Audit and Risk Committee
- 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 12 months of reporting.

Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer



### 3. Remuneration and Staff Report

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3.1 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 the amounts awarded.

3.2 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

3.3 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).

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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)

3.9 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.

Board Member	Fees 2023/24 (£'000)	Fees 2021-23 (£'000)*
Jim Martin	10-15	25-30
Dr Richard Dixon	5-10	5-10
Marie Fallon	0-5	5-10
Dr Paul McAleavey	0-5	5-10
Professor Annalisa Savaresi	5-10	5-10

Morag Sheppard	0-5	-
Professor Chris Spray	0-5	-
<b>External Audit Committee Member</b>		<b>Fees 2021-23 (£'000)*</b>
Neil Oakley	0-5	0-5

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

\*This covers an 18-month reporting period.

Senior Management Team	Wages (Salary Band)		Accrued Pension Benefits		Total	
	£'000		£		£'000	
	2023/24	2021-23	2023/24	2021-23	2023/24	2021-23
Neil Langhorn, Head of Strategy and Analysis (1)	70-75 (60-65 part time equivalent)	80-85 (55-60 part time equivalent, 65-70 full year full time equivalent)	12,163	17,801	85-90 (70 – 75 part time equivalent)	100-105
Jamie McGrandles, Head of Investigations, Standards and Compliance	70-75	95-100 (65-70 full year full time equivalent in 2022/23)	27,958	26,763	100 - 105	120-125

Rebecca Peppiette, Head of Corporate Services and Communications	70-75	100 - 105 (65-70 full year full time equivalent)	27,318	26,490	100 - 105	125-130
Mark Roberts, Chief Executive	85 - 90	65-70 (80-85 full year full time equivalent)	33,177	26,308	115 - 120	90-95

(1) Neil Langhorn (0.81 FTE).

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.

None of the above received any benefits in-kind, or bonus payments in the year to 31 March 2024, (2021-23: nil).

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)

Senior Management Team	Accrued Pension at NRA* as at 31 March 2024 £'000	Real increase in pension and related lump sum at NRA £'000	CETV <sup>7</sup> at 31 March 2024 £'000	CETV at March 2023 £'000	Real Increase in CETV £'000
Neil Langhorn, Head of Strategy and Analysis	25-30, plus a lump sum of 70-75	0-2.5 plus a lump sum of 0	586	531	5
Jamie McGrandles, Head of Investigations, Standards and Compliance	20-25	0-2.5	284	236	15
Rebecca Peppiette, Head of Corporate Services and Communications	10-15	0-2.5	162	124	19
Mark Roberts, Chief Executive	0-5	0-2.5	53	22	22

\* normal retirement age (NRA)

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

Employer contributions to all pension plans for 2023/2024 were £360,927 including £84,659 for the Executive Team.

The above pension data was supplied to ESS by MyCSP.

### Civil Service Pensions

3.10 Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium,

<sup>7</sup> Cash Equivalent Transfer Value (CETV)

and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

3.11 The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

3.12 In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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.

3.13 The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

3.14 When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the

transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

3.15 As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as 'rollback'.

3.16 For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e. PCSPS benefits for that period.

3.17 The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal and General Mastertrust. The employer makes a basic contribution of between 8% 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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

3.18 Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

## The Cash Equivalent Transfer Value

3.19 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 payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure 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.

3.20 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.

3.21 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 Cash Equivalent Transfer Value

3.22 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

3.23 During 2023/24 there were no early departure packages (there were also no early departure packages in 2021-23).



Fair Pay disclosure (audited)

	2023/24	2021-23	
Band of highest paid director £'000	85-90	125-130	
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	1%	n/a	
25 <sup>th</sup> percentile pay ratio (Y25)	2.43	2.1599	
Median total remuneration	45,855	64,282	
Median pay ratio (Y50)	1.9082	1.9834	
75 <sup>th</sup> percentile pay ratio (Y75)	1.6001	1.2728	
Range minimum – maximum £'000 (FTE)	30-35 – 110-115	40-45 – 165-167*	
Average per cent change of employees over previous year, excluding highest paid director	0%	n/a	
Total pay and benefits**	Y25	Y50	Y75
2021-23*	59,029	64,282	100,166
2023/24	36,025	45,855	54,686

\*This represents the range based on an 18-month period for 2021-23.

\*\*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: The increase in the 75<sup>th</sup> and 25<sup>th</sup> percentile ratios are due to recruitment of specialist roles in the current year. 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

3.24 As at 31 March 2024, ESS employed one senior civil servant (Chief Executive), (31 March 2023 – one senior civil servant).

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

	2023/24 FTE	2022/23 FTE
Permanent Employees (including staff on loan)	21.28	15.29
Fixed Term Staff	2.41	0.59
<b>Total</b>	<b>23.69</b>	<b>15.88*</b>
<b>Board Members **</b>	<b>7</b>	<b>5</b>

\* This total is affected by rounding differences.

\*\* Headcount rather than FTE.

### Staff costs (audited)

	2023/24 £'000	2021-23 £'000
Wages and Salaries	767	813
Social Security costs	353	284
Other pension costs	371	333
Agency and casual staff costs	37	41
Board/Committee fees and expenses	38	93
<b>Total administration staff costs</b>	<b>1,566</b>	<b>1,564</b>

## Staff composition

3.25 The number of people employed by ESS at 31 March 2024 is set out in the following table by contract type.

3.26 The numbers include temporary and fixed term appointments and are shown as headcount and the full time equivalent.

Staff type	31 March 2024		31 March 2023	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Permanent	22	21.28	17	16.31
Fixed term	3	2.41	2	1.34
Agency	1	0.2	1	0.2
Fast stream	0	0	0	0

3.27 The number of people of each sex employed by ESS at 31 March 2024 is set out in the following table.

3.28 The numbers include temporary and fixed-term appointments (excluding agency) and are headcount, not full time equivalent.

Category	31 March 2024		31 March 2023	
	Female	Male	Female	Male
Employees – non-Executive Team	14	7	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>15</b>	<b>10</b>	<b>11</b>	<b>8</b>
<b>Board members</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>3</b>

## Sickness absence

	Average total of sick days per employee 2023/24	Average total of sick days per employee 2022/23
Short term absence (<20 working days)	3.44	1.43
Long term absence (>20 working days)	0.0	0.0
<b>Total</b>	<b>3.44</b>	<b>1.43</b>

## Staff turnover percentage

	Headcount*	Leavers	Turnover %
31 March 2024	21	2	9.5%
31 March 2023 (full 18 months)	11	3	27.3%

\* Permanent headcount, excluding fixed-term appointment and inward loan staff

## Staff survey engagement score

3.29 We issued the second annual Staff Engagement Survey in December 2023. 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.

	2023	2022
ESS Employee Engagement Score	67%	85%
Civil Service Employee Engagement Score	65% <sup>8</sup>	65% <sup>9</sup>

### Staff policies for disabled persons

3.30 ESS analogues<sup>10</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 appropriate training for, employees who have become disabled persons while employed by ESS
- 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

3.31 As a small organisation, ESS is able to quickly and effectively consult with all staff on relevant issues. Information is also gathered through: weekly full-team meetings; a range of working groups spread across departments, grades and

<sup>8</sup> [Civil Service People Survey 2023](#)

<sup>9</sup> [Civil Service People Survey: 2022 results - GOV.UK \(www.gov.uk\)](#)

<sup>10</sup> The term used to describe that ESS aligns with Scottish Government terms, conditions and staff policies.

functions; two-monthly anonymous pulse surveys; and focused externally facilitated sessions, for example on the development of the office space.

3.32 ESS has a recognition agreement with three trade unions: Public and Commercial Services Union (PCS); Prospect; and FDA, to promote good industrial relations.

3.33 ESS analogues<sup>11</sup> with Scottish Government terms and conditions and pay policy. In this year this has included the adoption in full of the two-year pay award, and going forward, the move to a 35-hour working week from 1 October 2024.

### Health and safety

3.34 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

3.35 ESS incurred consultancy costs of £39,809.05 in 2023/24, associated with HR and payroll services, advice on an accessible office retrofit, occupational health and expert governance advice (in 2022/23, £24,029.30 costs were incurred).

### Diversity and inclusion

3.36 Embedding the principles of equality, diversity and inclusion into the day-to-day operations of ESS has continued to be a priority for the Board, the Executive Team and staff across the organisation.

3.37 At the very beginning of 2023/24, ESS published its first mainstreaming report, in line with its duties under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This details how ESS takes account of the Public Sector Equality Duty in all that it does. The mainstreaming report was accompanied by a set of

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<sup>11</sup> The terms used to describe that ESS aligns with Scottish Government terms, conditions and staff policies.

Equality Outcomes and an associated action plan, detailing how ESS strives to: attract a diverse workforce; provide accessible services to the public; and provide an accessible and inclusive working environment to its staff.

3.38 ESS is always seeking continuous improvement and as such, has gathered internal and external feedback from:

- staff - on a variety of topics via pulse surveys and working groups
- people making representations to ESS - via six-monthly experience surveys
- people attending ESS events - covering satisfaction and accessibility
- the public - via consultation on the accessibility of ESS' website

3.39 ESS uses the information gathered, as well as drawing on knowledge from an enhanced equality, diversity and inclusion training programme and updates, to inform decision-making, policies and actions. For example, this year ESS has published its Equality and Diversity Policy, and developed a draft People Strategy. This work will continue to drive forward, with the support of Staff and Board Equality Champions, over the coming years.

3.40 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 here. 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

3.41 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 means the reverse.

3.42 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.

3.43 ESS 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 2024	31 March 2023
Median Gender pay gap	5.08	12.29
Arithmetic mean gender pay gap	16.62	14.21

3.44 The median gender pay gap for all staff at ESS at 31 March 2024 has decreased since March 2023. With relatively small numbers of employees, the pay gap measure is sensitive to quite small changes in staffing and pay.

3.45 In ESS there has been a 30% increase in staff in the last 12 months, which has included three fixed-term positions which were all filled by female staff.

3.46 With only 25% of the Executive Team being female, this creates a wider mean gender pay gap.

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

Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer



## 4. 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 year ended 31 March 2024 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. 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 2023/24 Government Financial Reporting Manual (the 2023/24 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 2024 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 2023/24 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 and Head of Corporate 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 and Head of Corporate 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 breakeven 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](http://www.frc.org.uk/auditorsresponsibilities) [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). 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; and
- 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

23 September 2024



## 5. Financial statements

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### Introduction

5.1 This statement of accounts reports the results of ESS for the year ended 31 March 2024. 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.

5.2 These financial statements were authorised by the Chief Executive, who is the Accountable Officer, on 23 September 2024.

Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer

### Statement of Comprehensive Net Expenditure for the year ended 31 March 2024

	Note	2023/24	2021-23
Administrative costs		£'000	£'000
Staff costs	3	1,566	1,565
Other Operating Costs	4	637	479
Notional Costs	5	53	52
Depreciation	6	30	-
<b>Total Operating Costs</b>		<b>2,286</b>	<b>2,096</b>

All amounts relate to continuing activities.

Comparators are made to 2021-23, ESS' first audit which was an 18-month period. The accompanying notes on pages 83 to 94 form part of these financial statements.

## Statement of Financial Position as at 31 March 2024

	Note	31 March 2024	31 March 2023
		£'000	£'000
<b>Non-Current Assets</b>			
Right-of-use assets	6	688	-
<b>Total non-current assets</b>		<b>688</b>	<b>-</b>
<b>Current Assets</b>			
Other receivables	7	13	6
Cash and cash equivalents	8	-	26
<b>Total current assets</b>		<b>13</b>	<b>32</b>
<b>TOTAL ASSETS</b>		<b>701</b>	<b>32</b>
<b>Current Liabilities</b>			
Trade and other payables	9	(313)	(146)
Lease Liabilities	10	(62)	-
<b>Total current liabilities</b>		<b>(375)</b>	<b>(146)</b>
<b>Total assets less current liabilities</b>		<b>326</b>	<b>(114)</b>
<b>Non-Current liabilities</b>			
Lease Liabilities	10	(630)	-
<b>Total non-current liabilities</b>		<b>(630)</b>	<b>-</b>
<b>Total assets less total liabilities</b>		<b>(304)</b>	<b>(114)</b>
<b>Taxpayers equity</b>			
General Fund	SOCT E <sup>12</sup>	304	114
<b>Total taxpayers equity</b>		<b>304</b>	<b>114</b>

<sup>12</sup> Statement of Changes in Taxpayers' Equity (SOCTE)

The accompanying notes on pages 83 to 94 form part of these financial statements.

## Statement of Cash Flows for the year ended 31 March 2024

	Note	31 March 2024 £'000	31 March 2023 £'000
<b>Cash flows from operating activities</b>			
Total operating cost	SOCNE <sup>13</sup>	(2,286)	(2,096)
<b>Adjustments for non-cash transactions</b>			
Depreciation	6	30	-
Interest expense	10	11	-
Notional Costs	5	53	52
<b>Movements in working capital</b>			
(Increase) in trade and other receivables	7	(7)	(6)
Increase in trade and other payables	9,10	144	146
<b>Net cash flow from operating activities</b>		<b>(2,055)</b>	<b>(1,904)</b>
<b>Cash flows from financing activities</b>			
Scottish Government Grant Funding	2	2,043	1,930
Lease rental paid	10	(14)	
<b>Net Cash flow from financing activities</b>		<b>2,029</b>	<b>1,930</b>
<b>Net (decrease)/increase in cash during the year</b>	10	<b>(26)</b>	<b>26-</b>

<sup>13</sup> Statement of Comprehensive Net Expenditure (SOCNE)

<b>Net (decrease)/increase in cash and cash equivalents</b>			
<b>Cash and cash equivalents at the beginning of the year</b>		26	-
Cash and cash equivalents at the end of the year	8	-	26
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(26)</b>	<b>26</b>

The accompanying notes on pages 83 to 94 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2024

	Note	General Fund 2023/24 £'000	General Fund 2021-23 £'000
<b>Balance at 1 April 2023/1 October 2021</b>		<b>(114)</b>	-
Non-cash charges – notional costs	5	53	52
Operating costs for the year	SOCNE	(2,286)	(2,096)
Scottish Government Grant	CFS	2,043	1,930
<b>Balance at 31 March</b>		<b>(304)</b>	<b>(114)</b>

The accompanying notes on pages 83 to 94 form part of these financial statements.

Comparators are made to 2021-23, ESS' first audit which was an 18-month period.

## 6. Notes to the Accounts for the year ended 31 March 2024

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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 2023/24 (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.

#### Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, Right of Use Assets to present value as determined by the relevant accounting standard.

#### Critical accounting judgements and key sources of estimation

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis.

In the year ended 31 March 2024, there were no material assumptions or other sources of estimation uncertainty that could lead to a significant risk of a material adjustment to the carrying amounts of assets and liabilities in the forthcoming year.

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.

### **(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 16**

At the inception of a contract, ESS assesses whether a contract is, or contains a lease. To assess whether a contract contains a lease, ESS considers whether the contract conveys the right to control or use an identifies asset by:

- the contract involves the use of an identified asset
- ESS has the right to obtain substantially all the economic benefits from the use of the asset through the period of use
- ESS has the right to direct the use of the asset

As a lessee ESS recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the initial lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or where this cannot be determined, the rate advised by HM Treasury for that calendar year.

Lease payments included in the measurement of the lease liability are fixed payments. The lease liability is remeasured when there is a change in the future

lease payments arising from a change in the interest rate, or if ESS changes its assessment of whether it will exercise a purchase, extension or termination option.

### **Short-term leases and leases of low-value assets**

ESS has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT/Office equipment. ESS recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the current financial year, ESS entered a 10 year office lease commencing on 1 November 2023. 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. The lease has been accounted for using the requirements of IFRS 16 which resulted in recognition of a Right of Use asset and associated lease liabilities on the statement of financial position. The lease liability is presented in note 10 to the accounts. The lease liability for 2023/24 was £692,000 (2023: nil).

Total cash outflow for leases for the year ended 31 March 2024 was £14,000 (2023: nil).

### **(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 2024 have been brought into the account irrespective of when actual payments were received.

### **(f) Payables**

All material amounts outstanding as at 31 March 2024 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 2024/25 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 included:

- amendment to IFRS 16: Leases on sale and leaseback. Applicable for periods beginning on or after 1 January 2024
- amendment to IAS 1: Non-current liabilities with covenants. Applicable for periods beginning on or after 1 January 2024
- amendment to IAS 7 and IFRS 7: Supplier finance, Applicable for periods beginning on or after 1 January 2024
- amendment to IAS 21: Lack of Exchangeability. Applicable for periods beginning on or after 1 January 2025
- IFRS S1: General requirements for disclosure of sustainability – related financial information. Applicable to periods beginning on or after 1 January 2024
- IFRS S2: Climate related disclosures. Applicable to periods beginning on or after 1 January 2024



## **(j) Capitalisation**

The minimum level of capitalisation of physical non-current assets is £10,000.

Expenditure on furniture, fittings and fittings should be treated as revenue and not be capitalised in accordance with Scottish Government Policy Capitalisation thresholds.

As at 31 March 2024, ESS had refurbishment costs of £60,000 classed as furniture, fixtures and fittings under accommodation costs in Other Operating Costs.

## **(k) 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. ESS held no equity instruments as at 31 March 2024, or during the year.

ESS' financial assets comprise of other trade and other receivables and cash and cash equivalents. These assets do not carry any interest and are stated at their nominal value.

ESS' financial liabilities comprise of trade and other payables and lease liabilities. The trade payables are not interest bearing and are stated at their nominal value. The lease liability is recognised in note 10.

## **(l) Cash and cash equivalents**

Cash and cash equivalents comprises of cash held at the bank.

## **(m) Short term employee benefits**

A liability and an expense is recognised for holiday days and other short-term benefits when ESS' employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for holidays and flexi-time earned but not taken as at 31 March 2024.

## 2. Grant Funding for the year ended 31 March

Other Operating costs	2023/24	2021-23
	£'000	£'000
Scottish Government Grant	2,043	1,930
<b>Total grant funding</b>	<b>2,043</b>	<b>1,930</b>

## 3. Staff costs

Staff costs in 2023/24 amounted to £1,566,000. A breakdown of these costs is given in the Remuneration and Staff Report.

## 4. Other operating costs

Other Operating costs	2023/24	2021-23
	£'000	£'000
Subscriptions	48	36
Recruitment	10	35
IT	146	174
Office Equipment	17	33
Finance Lease Interest	11	-
Accommodation, including rent and rates	158	59
Travel and Subsistence	5	2
Exhibitions and Education	-	4
Catering and Hospitality	2	1
Consultancy	40	35

Project costs	11	-
Conference Costs	5	3
Training	24	13
Other Office Costs	3	5
Printing and Publications	21	12
Telephones	5	5
Postage and Stationery	1	-
Research	27	4
Legal Fees	13	16
Internal audit fee	12	17
Computer Equipment	78	25
<b>Total other operating costs</b>	<b>637</b>	<b>479</b>

## 5. Notional costs

<b>Notional costs</b>	<b>2023/24</b>	<b>2021-23</b>
	<b>£'000</b>	<b>£'000</b>
External Audit Fees	53	52
<b>Total notional costs</b>	<b>53</b>	<b>52</b>

## 6. Right-of-use assets

Property, plant and equipment		2023/24
Cost	Buildings (£'000)	Total (£'000)
At 1 April	-	-
Additions	718	718
Disposals	-	-
Transfers to Assets	-	-
<b>At 31 March</b>	<b>718</b>	<b>718</b>
<b>Depreciation</b>		
At 1 April	-	-
Charge for year	30	30
Disposals	-	-
<b>At 31 March</b>	<b>30</b>	<b>30</b>
<b>NBV at 31 March</b>	<b>688</b>	<b>688</b>
Analysis of Asset Financing		
Owned		
Leased	688	688
<b>NBV at 31 March</b>	<b>688</b>	<b>688</b>

## 7. Other current assets

<b>Other current assets</b>	<b>2023/24</b>	<b>2021-23</b>
	<b>£'000</b>	<b>£'000</b>
Other current assets	13	6
<b>Total other current assets within one year</b>	<b>13</b>	<b>6</b>

## 8. Cash and cash equivalents

	<b>2023/24</b>	<b>2021-23</b>
	<b>£'000</b>	<b>£'000</b>
ESS RBS Bank Account	-	26

## 9. Trade payables and current liabilities

<b>Trade payables and current liabilities</b>	<b>2023/24</b>	<b>2021-23</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	79	12
Current liabilities	234	134
<b>Total due within one year</b>	<b>313</b>	<b>146</b>

## 10. Lease liabilities

The statement of financial position shows the following amounts relating to leases.

Lease liabilities	2023/24 (£'000)
Current	62
Non-current	630
<b>Balance at 31 March 2024</b>	<b>692</b>
The movement in the lease liabilities during the year was as follows:	
At 1 April	-
Addition of new leases	718
Disposals	-
Lease repayments	(36)
Interest costs	11
At 31 March	692

### Amounts recognised in the Statement of Comprehensive Net Expenditure

	2023/24 (£'000)	2021-23 (£'000)
Depreciation	30	-
Interest Expense	11	-
<b>Total Lease Costs through SoCNE</b>	<b>40</b>	<b>-</b>

## Amounts recognised in the Statement of Cash Flows

	(£'000)
Repayment of principal on leases	10
Interest expense	4
<b>Cash flows</b>	<b>14</b>

### 11. Property, plant and equipment

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

### 12. Related party transactions

ESS 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 in relation to the provision of funding and IT. 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.

### 13. Capital commitments and contingent liabilities

As at 31 March 2024 there were no contracted capital commitments or contingent liabilities.

### 14. Segmental reporting

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

## 15. Important events occurring after the reporting period

As at the date of signing, no event has occurred since 31 March 2024 which materially impacts the financial statements.



## Annex A – Accounts Direction

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### 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 (FRoM) 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

## CONTACT

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