

Annual Report and Accounts

1 April 2025 - 31 March 2026

October 2026

ENVIRONMENTAL
Standards Scotland
Ìrean Àrainneachdail na h-Alba

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Chair’s foreword



I am pleased to present our Annual Report and Accounts 2025/2026, which set out the performance and achievements of Environmental Standards Scotland (ESS) over the last financial year.

This has been a significant year for the organisation, with a strong focus on strategy, governance and stakeholder engagement. The publication of our new Strategy 2026 – 2031 sets out our approach to the effective governance of ESS over the next five years. It establishes new priorities and refreshed objectives, supported by updated performance management indicators to help us measure our impact and effectiveness. Alongside this, we have taken steps to strengthen our engagement with, and accountability to, stakeholders. This has included publishing a new Communications and Engagement plan, adopting the Code of Practice for Statistics, and launching a regular stakeholder email update to provide greater transparency about our work.

Our activities this year have taken place against the backdrop of significant legislative and policy developments, notably the passage of the Natural Environment (Scotland) Act 2026 through the Scottish Parliament and the publication of the Scottish Government’s Climate Change Plan. ESS welcomed the opportunity to provide feedback on both in writing and through oral evidence sessions in the Parliament.

During the year, we have worked across a broad range of subjects, including publishing a paper exploring how much marine protected areas could contribute to Good Environmental Status, and holding the Scottish Government to account on its commitment to review the Code of Practice on Invasive Non-Native Species. We have also shared our views on several policy areas affecting environmental law, including the circular economy, Scotland’s water environment and environmental protective expenses orders.

We have achieved positive outcomes in several areas by working constructively with public bodies to address environmental concerns raised by members of the public and organisations. These include resolutions relating to the use of incineration in Scotland as a method of waste management and NatureScot’s duties as a statutory

consultee. Elsewhere, we completed our work on the Ramsar Convention, closing a loophole to ensure wetlands are better protected. We have also concluded our fieldwork on investigations into bycatch fishing and special protection areas for protected birds.

This annual report is presented with thanks to the ESS Board, our partner organisations, and the Scottish Parliament - particularly members of the Net Zero, Energy and Transport Committee - for their scrutiny of our work. And of course I am grateful to ESS staff for their continued commitment and the contribution they have made to our achievements this year.

Dr Richard Dixon
Chair of Environmental Standards Scotland

Ro-ràdh a’ Chathraiche

Tha mi toilichte an Aithisg Bhliadhnail agus Cunntasan againn airson 2025/2026 fhoillseachadh, anns a bheil geàrr-chunntas air coileanadh is gnìomhan Irean Àrainneachdail na h-Alba (ESS) thairis air a’ bhliadhna ionmhais mu dheireadh.

Bha seo na bliadhna chudromach dhan bhuidhinn, le fòcas làidir air ro-innleachd, riaghladh agus conaltradh le luchd-ùidh. Tha an Ro-innleachd ùr againn airson 2026 – 2031 a’ mìneachadh na dòigh-obrach againn airson a bhith a’ riaghaladh Ìrean Àrainneachdail na h-Alba gu h-èifeachdach sa chòig bliadhna a tha romhainn. Tha i a’ stèidheachadh phrìomhachasan ùra agus amasan ath-nuadhaichte, le taic bho chomharran coileanaidh ùraichte gus coileanadh a riaghaladh gus ar cuideachadh le bhith a’ tomhas na buaidh againn agus cho èifeachdach ’s a tha sinn. A bharrachd air seo, tha sinn air ceumannan a ghabhail gus an conaltradh againn le luchd-ùidh, agus a’ chunntachalachd againn dhaibh, a neartachadh. Bha seo a’ gabhail a-steach a bhith a’ foillseachadh plana Conaltraidh is Com-pàirteachaidh ùr, a’ gabhail ri Còd Cleachdaidh airson Staitistearachd, agus a bhith a’ cur air bhog ùrachaidhean puist-d cunbhalach do luchd-ùidh gus am bi an obair againn nas fhollaisiche.

Rè na bliadhna, bha sinn ag obair ann an cruth-tìre reachdail agus poileasaidh a bha ag atharrachadh gu luath, a’ gabhail a-steach Achd na h-Àrainneachd Nàdarra a bhith air a h-aontachadh le Pàrlamaid na h-Alba agus foillseachadh Plana Atharrachadh na Gnàth-shìde aig Riaghaltas na h-Alba. Chuir Ìrean Àrainneachdail na h-Alba fàilte air a’ chothrom fios-air-ais a thoirt seachad an dà chuid ann an sgrìobhadh agus tro sheiseanan fianais beòil sa Phàrlamaid.

Tron bhliadhna, bha sinn ag obair ann an raon farsaing de chuspairean, a’ gabhail a-steach a bhith a’ foillseachadh pàipear a’ coimhead air an ìre is gum faodadh raointean mara fo dhìon a bhith a’ cur ri Deagh Inbhe Àrainneachdail, agus a bhith a’ cumail Riaghaltas na h-Alba cunntachail a thaobh a’ ghealltanais aca gus ath-sgrùdadh a dhèanamh air a’ Chòd Cleachdaidh air gnèithean ionnsaigheach neo-dhùthchasach. Tha sinn cuideachd air ar beachdan a thoirt seachad air grunn raointean poileasaidh a tha a’ toirt buaidh air lagh àrainneachdail, a’ gabhail a-steach na h-eaconamaidh cearcallaich, àrainneachd uisge na h-Alba agus òrdughan airson cosgaisean dìon na h-àrainneachd.

Tha sinn air deagh adhartas a dhèanamh ann an grunn raointean tro bhith ag obair ann an dòigh chruthachail le buidhnean poblach gus aghaidh a chur air draghan àrainneachdail a chaidh a thogail leis a' phoball agus le buidhnean. Tha iad sin a' gabhail a-steach rùintean a thaobh a bhith a' cleachdadh losgadh mar dhòigh gus sgudal a riaghladh ann an Alba agus a thaobh dleastanasan NàdarAlba mar cho-chomhairliche reachdail. A bharrachd air seo, chuir sinn crìoch air an obair againn air Cùmhnant Ramsar, a' dùnadh beàrn gus dèanamh cinnteach gum bi dìon nas fheàrr aig talamh fliuch. Tha sinn cuideachd air crìoch a chur air ar n-obair-làraich air rannsachaidhean a thaobh far-ghlacadh ann an iasgach agus sgìrean dìon sònraichte airson eòin fo dhìon.

Tha an aithisg bhliadhnail seo air a foillseachadh le taing do Bhòrd Ìrean Àrainneachdail na h-Alba, na buidhnean com-pàirteach againn, agus Pàrlamaid na h-Alba - gu sònraichte buill Comataidh Cothromachadh-carboin, Lùths agus Còmhdhail - airson an sgrùdaidh a rinn iad air an obair againn. Agus gu dearbha, tha mi taingeil do luchd-obrach Ìrean Àrainneachdail na h-Alba airson an dealas leantainneach agus airson na tha iad air cur ris na coileanaidhean againn am-bliadhna.

An Dr Richard Dixon
Cathraiche Ìrean Àrainneachdail na h-Alba

1. Performance report

About Environmental Standards Scotland

Overview

1.1 The purpose of this overview is to provide a short summary about Environmental Standards Scotland (ESS), our objectives, performance across the period of this report, the principal risks we face and a summary of future plans. It is followed by a more detailed performance analysis.

What we do

1.2 ESS' role is to monitor, investigate and secure public authorities' compliance with environmental law in Scotland. We also scrutinise the effectiveness of environmental law and policy in Scotland and how it is implemented and applied. In our investigative and analytical reports, we may also identify instances where we consider there to be gaps in environmental protection legislation.

1.3 ESS is a non-ministerial office (NMO) directly accountable to the Scottish Parliament, but is not part of the Scottish Government. This ensures ESS' 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.

1.5 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.

Organisational structure

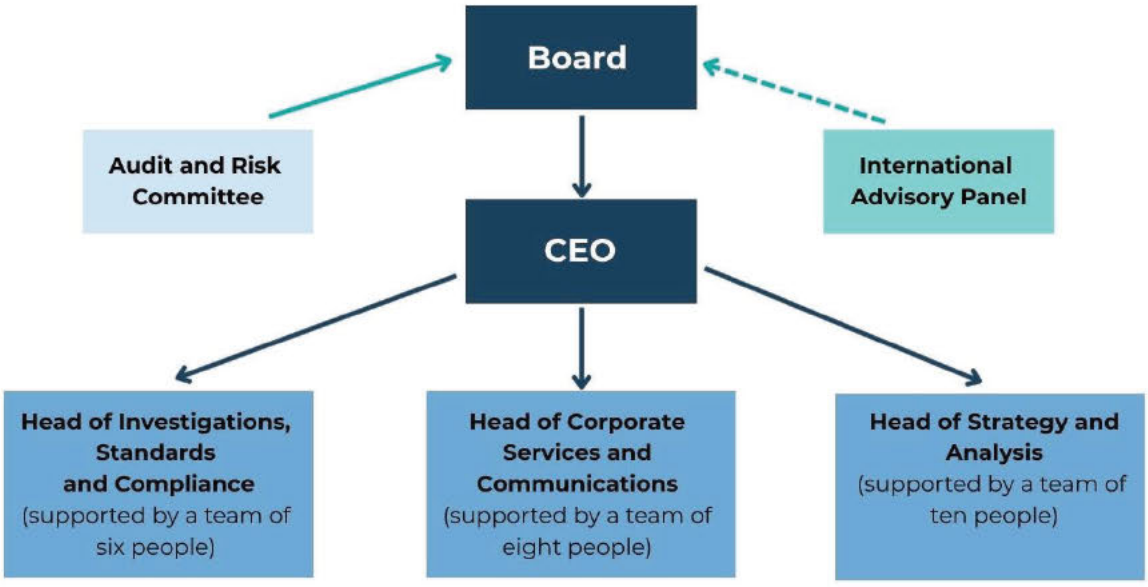
1.6 ESS had six Board members as of the end of the financial year, 31 March 2026. Our Board members are collectively responsible for fulfilling the functions and duties set out in the Continuity Act. ESS' Board members are appointed by Scottish Ministers with the approval of the Scottish Parliament. An overview of membership is found on page 45.

1.7 The Board has one committee, the Audit and Risk Committee ("the Committee"), which undertakes detailed scrutiny of key areas of work (particularly in relation to risk and financial management) and reports these to the Board. An overview of Committee membership is found on page 46.

1.8 The Board 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 International Advisory Panel's membership and work can be found on the ESS website.

1.9 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.

1.10 The diagram below demonstrates ESS' team structure as at 31 March 2026.



Strategic objectives

1.11 To deliver on our responsibilities, the ESS Board and team has been working to the Strategic Plan 2022-2025, which set out our approach from the point the organisation was originally established in 2021.

1.12 This first three-year plan concluded within this reporting period, therefore all objectives, performance and priorities reported within this Annual Report and Accounts relate to the Strategic Plan 2022-2025.

1.13 Throughout 2025/26 we have also been developing our next Strategy, which was published on 24 March 2026. This Strategy 2026 - 2031 sets out how the organisation will deliver its functions over the next five years, and progress on this will be reported in our next Annual Report and Accounts, which will be published in October 2027.

An overview of ESS' vision, mission, strategic outcomes, values and principles relating to 2025/26

Our **Vision**

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**

Our **Mission**

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

Our **Strategic Outcomes**

Taking action to ensure compliance and effectiveness	**Monitoring and evaluating environmental performance and change in Scotland**	**Investigating the most important environmental concerns**	**Engaging & communicating effectively about our role and how to raise concerns**	**An effective and efficient organisation**

Our **Values**

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

Our **Principles**

- We will target our efforts and resources where we can add most value
- We will seek to resolve issues through agreement wherever possible
- We will be evidence driven
- We will be open and transparent
- We will seek opportunities to work in partnership with others

Performance summary

ESS' work in 2025/26

1.14 ESS' 2025/26 Business Plan set out our intention to continue to review the existing Strategic Plan 2022-2025 to:

- reflect on progress, achievements and next steps
- review ESS' approach to prioritisation and the balance of our work

1.15 In this 12-month period, we:

- consulted on and secured approval from the Scottish Parliament for our new Strategy 2026-31, setting out how we will deliver our functions over the next five years
- continued to deliver against our strategic outcomes

1.16 The publication of our new Strategy coincides with another significant achievement for ESS secured within the financial year 2025/26, as ESS has been designated and funded to take on two additional scrutiny functions:

- scrutinising the Scottish Government's delivery against the new statutory biodiversity and nature restoration targets which will be set under the Natural Environment (Scotland) Act 2026
- scrutinising local authorities' reporting against climate change duties as set out in the Climate Change (Scotland) Act 2009

1.17 This work will progress from the beginning of the financial year 2026/27, with progress reported in our next Annual Report and Accounts to be published in October 2027.

1.18 Further achievements are set out below on pages 11 to 17, linked to each of our five strategic outcomes.

Strategic outcome 1: Ensuring compliance and effectiveness

1.19 ESS' 2025/26 Business Plan set out our intention to:

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

1.20 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 were identified in this reporting period
- continued to work with the public bodies concerned to ensure that the improvements required were implemented in full and on schedule

Strategic outcome 2: investigating the most important environmental concerns

1.21 ESS' 2025/26 Business Plan set out our intention to:

- assess whether representations made to us may trigger an immediate investigation due to importance, neglect or added value
- take into account importance, scope and nature, neglect and added value when prioritising our work

- notify the public authority(ies) and relevant parties of our decision to investigate a matter of concern
- gather information from the public authority(ies) concerned through the issuing of Information Notices
- work quickly and efficiently throughout our investigations, providing relevant parties with updates and an estimate of the completion date of each investigation in line with service standards

1.22 In this 12-month period, ESS has:

- reached informal resolution with the Scottish Government on its implementation and application of environmental law in relation to incineration capacity in Scotland
- reached informal resolution with the Scottish Government on its compliance with duties to carry out appropriate assessments in respect of wrasse fishing on protected areas and species in Scotland
- assessed the outcome of the Scottish Government's work on revising protections for Ramsar sites to close an identified gap
- reached informal resolution with NatureScot on compliance with its statutory consultation duties within the development management regime
- in addition ESS completed:
    - its investigation into Special Protection Areas and invited the public authority involved to informally resolve the findings of the investigation
    - its investigation into the effectiveness of the law and systems surrounding the sustainable management of fisheries and invited the public authority involved to informally resolve the findings of the investigation
    - initial work on its assessment into Scottish public authorities' implementation of legal obligations in respect to public registers
    - pre-investigation work on its assessment of the contaminated land regime in Scotland

Strategic outcome 3: monitoring and evaluating environmental performance and change in Scotland

1.23 ESS' 2025/26 Business Plan set out our intention to:

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

1.24 In this 12-month period ESS:

- published a report on a method to calculate the potential contribution of spatial measures that restrict fishing, such as marine protected areas (MPAs), to achieving Good Environmental Status (GES) for benthic habitats in Scotland's seas
- recommended and secured agreement from the Scottish Government to review and update the Code of Practice on Invasive Non-Native Species
- responded to 12 consultations or calls for views and evidence
- contributed to Scottish Parliament's scrutiny of:
    - the Natural Environment (Scotland) Bill, which included the proposal to designate ESS as the independent review body that will scrutinise progress towards targets for nature recovery

    - the Scottish Government's draft Climate Change Plan
- progressed work on a number of analytical priorities, including:
    - water quality and progress against river basin management plan objectives
    - Invasive Non-Native Species (INNS)
    - threats to the marine environment (focused on seafloor integrity)
- continued to monitor developments in the European Union (EU) and international environmental law and, where relevant, included reference to developments in analytical reports, responses to consultations and calls for views and in correspondence with public authorities about the implementation of recommendations in ESS reports
- commissioned an evaluation of the extent to which Scotland has maintained alignment with EU and other international best practice
- in addition:
    - published a statement on how we will voluntarily apply the Code of Practice for Statistics
    - commissioned an independent assessment of how ESS can: strengthen how we evidence our impact; refine our approach to long-term outcome monitoring; and test how our regulatory interventions can be demonstrably linked to improvements in compliance and effectiveness of environmental law in Scotland

Strategic outcome 4: engaging and communicating effectively about our role and how to raise concerns

1.25 ESS' 2025/26 Business Plan set out our intention to:

- be accountable through reporting annually to the Scottish Parliament on our activities and liaise with relevant committees to provide updates on our work and avoid unintentional overlap in work programmes
- liaise with other oversight and scrutiny bodies to ensure that we add value and avoid unnecessary overlap in our functions

- be open to anyone raising a concern with us about compliance with, or the effectiveness of, environmental law in Scotland
- regularly publish information on our website of our live investigations, pre investigation casework and frequently asked questions
- continue to develop our communication with stakeholders in the public, private and voluntary sectors, and review our Communications and Engagement Plan alongside our Strategy to broaden our reach, in particular to marginalised or disadvantaged communities and groups to increase awareness of our role and how to raise concerns

1.26 In this 12-month period ESS:

- gathered feedback and research to inform our new Communications and Engagement Plan, published in March 2026
- held engagement sessions as part of the community engagement programme and increased our reach through publishing blog posts with community groups and in legal journals
- engaged with Scottish Parliament and its Committees through Committee appearances, consultation responses, correspondence and vlogs, and commissioned research to analyse how we can best engage with Members of the Scottish Parliament
- continued to ensure the ESS website is accessible and user-friendly through gathering feedback and reviewing and re-contracting our third party website management support and hosting platform
- published Easy Read documents throughout the year summarising how to submit a representation and our whistleblowing procedures, alongside animations to describe our work and achievements
- launched a new email update for stakeholders to keep informed of our work

Strategic outcome 5: an effective and efficient organisation

1.27 ESS' 2025/26 Business Plan set out our intention to:

- ensure our plans and operational activity are regularly reviewed and accountable

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

1.28 In this 12-month period ESS:

- supported the process which led to Laura Anderson's appointment by Scottish Ministers from 1 April 2026
- published information on our use of a theory of change to demonstrate how our scrutiny work has an impact on the environment, alongside our key performance and performance management indicators
- undertook two internal audit assurance reviews on information management and our legal procedures
- actively participated in public service reforms commissions, discussions and planning, and reported £90,600 of public service reform savings
- reviewed and improved our processes for contracting expert advice and procurement
- progressed the action plan related to ESS' People Strategy, improved formal and informal staff feedback processes, and reported on progress in the equalities mainstreaming report
- delivered the first year action plan objectives for Phase 2 of ESS' Sustainability Plan including being awarded bronze certification as a Carbon Literate Organisation

Principal risks

1.29 Within this reporting period, ESS' corporate risks were routinely 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 ESS' Risk Management Policy.

1.30 A further review of ESS' approach to risk was carried out in 2025/26 and a revised approach to risk developed and embedded from February 2026. Due to the cross-over in processes, an overview of the original process and risks is covered in the 2025/26 Annual Report and Accounts, and the newly revised approach will be set out in the 2026/27 Annual Report and Accounts, which will be published in October 2027.

1.31 In line with the approach to reporting set out above, ESS' principal areas of risk within this reporting period were:

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

1.32 Further information can be found at pages 37 to 41.

Performance analysis

1.33 The purpose of this section is to give a detailed account of ESS' performance against performance management indicators (PMIs) as set out in the Strategic Plan 2022-2025.

Performance Management Indicators

1.34 ESS has a set of Performance Management Indicators (PMIs) which 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.

1.35 The table below sets out the quantitative data collated against ESS' PMIs for the 2024/25 and 2025/26 financial years, alongside a high-level summary on trends. Details on the definition of each PMI can be found on ESS' website.

ESS' contribution to long-term environmental outcomes

1.36 This is the first year that ESS has reported against our three-year PMI, ESS' 'contribution to long-term environmental outcomes'.

1.37 ForgeFront, an independent organisation, was commissioned during 2025/26 to review this indicator. Included in this contract was the requirement to consider how ESS can: strengthen how we evidence our impact; refine our approach to long-term outcome monitoring; and test how our regulatory interventions can be demonstrably linked to improvements in compliance and effectiveness of environmental law in Scotland.

1.38 The review found that ESS has developed a sound foundation to measure our progress through our approach to theory of change. In addition:

- the majority of stakeholders interviewed regarded ESS as a trustworthy organisation with more than 75% responding that they 'trusted' or 'somewhat trusted' ESS' conclusions. Trust was higher in stakeholders where there was longer or more sustained engagement. Stakeholders also valued transparent processes and outcomes
- ESS is seen as a proactive and constructive oversight body. Stakeholders valued the increased visibility and independence ESS brings compared with

previous European Union (EU) wide reporting structures. However, stakeholders also suggested a need for earlier, more sustained engagement and clearer communication of ESS priorities, expectations, and timelines

- stakeholders noted the importance of clear recommendations with accountable actors, timelines, and evidence requirements to support practical follow through
- our Air Quality Investigation Improvement Report (AQIIR) was seen as a catalyst for improved air quality governance. Local authorities credited the investigation with accelerating Air Quality Action Plan delivery, strengthening technical standards, and elevating air quality discussions in political and professional settings. ESS, through AQIIR, was perceived to give additional weight to arguments for action on air quality, supporting stakeholders that had struggled to persuade government groups
- there was limited measurable environmental change so far with quantitative analysis, which was to be expected given the short time frame horizon of this reporting period

1.39 Our next steps will be to further develop our mapping of stakeholders to more formally connect our desired outcomes with these organisations and impact indicators. We will also improve our communication with stakeholders, highlighting ESS' priorities and being clear about expected outcomes and timeframes.

1.40 Further stakeholder feedback can also be found in the table below on page 26.

Our review of measuring our performance

1.41 A review of ESS' approach to measuring performance was carried out in 2024/25 and a new set of key performance indicators and performance management indicators were developed. This new set of indicators will be reported on within the next Annual Report and Accounts due to be published in October 2027.

Performance Indicators	2025/26	2024/25	Summary
Number and proportion of issues resolved informally	4 out of 5 (80%)	4 out of 8 (50%)	Where substantive casework has been undertaken, ESS has reached informal resolution in 80% of the cases closed. Further information on progress can be found on the investigations webpage.
Number of investigations resulting in: • Compliance Notice • Improvement Report • judicial review	 0 0 0	 0 0 0	The majority of issues concerning compliance or effectiveness have, as per the intention of the Continuity Act, been resolved through informal resolution as set out above. ESS will take enforcement action when required. Further information can be found on the investigations webpage.
Number of investigations completed	2	0	The findings of the Special Protected Areas investigation were issued to the Scottish Government and NatureScot in June 2025. The findings of the Bycatch investigation were issued to Scottish Government in March 2026.

Performance Indicators	2025/26	2024/25	Summary
Number of representations considered	18	23	The number of representations received has decreased by 22% against the same reporting period last year. Representations vary from year-to-year. Analysis of those received indicates that although the number of representations is decreasing, the complexity of our casework is increasing. Further information on representations can be found on the representations received webpage.
Number of analysis projects completed	1	4	A technical report outlining a method to calculate the potential contribution of spatial measures that restrict fishing, such as marine protected areas (MPAs), to achieving Good Environmental Status (GES) for benthic habitats in Scotland's seas was published on 19 March 2026. In addition, work was progressed on a number of other analytical projects, with outputs on seafloor integrity and Invasive Non-Native Species planned for quarter one of 2026/27. Furthermore, in October 2025 a recommendation was made to, and accepted by, Scottish Ministers to update the Code of Practice on Invasive Non-native Species. Further information can be found on the monitoring and analytical work webpage.

Performance Indicators	2025/26	2024/25	Summary
ESS responses to Parliament and Government consultations	12	14	ESS responded to a number of significant consultations and calls for views by public authorities and the Scottish Parliament during the course of this reporting period. These included: the Scottish Civil Justice Council's consultation on extending the availability of Environmental Protective Expenses Orders; the Scottish Government's consultation on the draft Circular Economy Strategy; and the Scottish Environment Protection Agency (SEPA) consultation on Significant Water Management. Following responses to calls for views on the Natural Environment (Scotland) Bill and the Climate Change Plan, ESS was invited to give evidence to the relevant Scottish Parliament committees in May and November 2025 respectively. Further information can be found on the consultations webpage.
Percentage of Compliance Notices implemented in full, on schedule	Not applicable	Not applicable	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	Not applicable	4 out of 5 80%	No Improvement Reports have been issued in the reporting period. However, the four (out of five) recommendations accepted by the Scottish Government within the ESS Climate Change Improvement Report are being implemented. ESS continues to work with the Scottish Government to ensure full implementation.

Performance Indicators	2025/26	2024/25	Summary
Percentage of recommendations/actions implemented in full, on schedule from informal resolution	100%	100%	All of the recommendations/actions which were due to be implemented in the reporting period were implemented in full and on schedule by the public authorities concerned. Further information can be found on the investigations webpage and as set out at 1.22 of this report.
ESS' assessment of Scotland's progress against environmental indicators	0	Not applicable	Report completed March 2026. Further information on the recommendations within this report are set out on page 19.

Management Indicators	2025/26	2024/25	Summary
Number attending public/ stakeholder engagement sessions (organised specifically by ESS)	57	0	ESS hosted two public/stakeholder consultation events in relation to its draft Strategy 2026-31. An online stakeholder event in June 2025 was attended by a total of 34 individuals. A hybrid stakeholder event the following week was attended by 23 individuals.

Management Indicators	2025/26	2024/25	Summary
Percentage of feedback positive from public/ stakeholder engagement sessions	100%	Not applicable	A feedback survey was issued to those who attended the stakeholder consultation events for ESS' new strategy. Four responses were returned and the result was 100% positive. A feedback survey was issued to two environmental groups which ESS delivered presentations to. The result for these were 100% positive.
Number of citations in parliamentary reports or meetings	33	23	Mentions of ESS in the official report under specific agenda items increased by 43% compared with the previous year, highlighting growing recognition of ESS among Members of the Scottish Parliament and the expanding scope of our work. The majority of ESS mentions in the Official Report over the last financial year has been in relation to the Natural Environment (Scotland) Bill, as we would expect given our inclusion in part one of the legislation outlining our new powers. ESS has also been mentioned in debates and committee evidence sessions on the proposed Ecocide (Scotland) Bill and the draft Climate Change Plan, both of which ESS provided evidence to Committee on. Discussions on ESS' new Strategy have also been a focus of mentions in the Official Report.
Number of social media followers	X (Twitter): 592 LinkedIn: 1,273	X (Twitter): 617 LinkedIn: 855	LinkedIn continues to be ESS' main social media channel. Our page followers on LinkedIn increased by 49% on the previous year, demonstrating the growing reach and effectiveness of our digital communications. ESS is monitoring X (Twitter) numbers and considering the challenges for non-verified accounts to maintain and increase engagement.

Management Indicators	2025/26	2024/25	Summary
Number of new and return visits to the ESS website	New users: 8,153 Return users: 1,142 Page views: 66,130	New users: 2,941 Returning users: 1,068 Page views: 35,104	The figures indicate an upward trend in activity. The number of new users and page views has increased significantly since last year. The majority of views are from our news page as well as the corporate report and analytical report homepages. This indicates that our news posts are reaching people.

Management Indicators	2025/26	2024/25	Summary
Stakeholder perception of ESS role	'Trust' or 'somewhat trust' ESS conclusions: 75%	Not applicable	From commissioned independent research it can be seen that the majority of stakeholders regard ESS as a trustworthy organisation with more than 75% reporting that they 'trust' or 'somewhat trust' ESS' conclusions. Trust is higher in stakeholders where there is longer or more sustained engagement. Sixteen organisations engaged in this research (a 76% response rate of the 21 organisations invited to interview). Further information is set out on pages 19 and 20. ESS also commissioned research to better understand the perception of the organisation among Members of the Scottish Parliament (MSPs) and wider stakeholders. The findings reveal that around 37% of MSPs know ESS a 'fair amount or more', with a further 34% knowing ESS 'a little'. Our awareness among all MSPs has risen by 8% on the same time last year and by 23% among Government MSPs. Work to build awareness is ongoing and a key focus of ESS' Communication and Engagement Plan.
Service standards met (100% compliance requirement)	6 out of 8	7 out of 8	**Investigations, Standards and Compliance** • initial acknowledgement within three working days: 99% • decision on pre-investigation within 20 working days: 100% • responding to representation correspondence within five working days: 100%*

Management Indicators	2025/26	2024/25	Summary
			• responding to all other correspondence within 20 working days: 100%* * Figures measured through dip sampling of ESS' case tracker **Corporate Services and Communications** • responding to general enquiries within 20 working days: 100% • responding to complaints within Scottish Public Services Ombudsman (SPSO) timelines: 100% • responding to Freedom of Information and Environmental Information Regulations requests within 20 working days: 100% (36 requests for information were received, alongside one review request in this reporting period) • paying bills to business within ten working days: 96.7%

Management Indicators	2025/26	2024/25	Summary
Percentage of corporate reporting requirements delivered to schedule	100%	100%	ESS continues to meet its corporate reporting deadlines and monitor for new statutory requirements. In 2025/26 this included ESS' annual whistleblowing report and carbon emission reporting. Further information can be found on the corporate reports webpage.
Number of complaints received	1	0	ESS received one complaint in 2025/26. The complaint was not upheld.
Board and staff diversity information	See further information on pages 70 to 73.		
Staff engagement	67%	67%	ESS' staff engagement index has held at 67% for the third year running. The Civil service benchmark is 65% and Scottish Government is 60%.
Organisational carbon emissions (tonnes of CO_2 equivalent)	15.98 (projected)	15.21	ESS has increased in size in 2025/26 and this has resulted in an increase in emissions within the year. This is a comparison of the 2024/25 actual figure with 2025/26 projected figure. Further information is available on the ESS sustainability plan webpage.

1.42 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 through meeting the PMIs set out above.

Financial Performance

1.43 ESS received a budget allocation of £3.1m in the financial year 2025/26. ESS returned £90,600 mid-year in response to a call for public service reform savings, reducing this budget total to £3,009,400. ESS had operating costs of £2,929,702 in 2025/26, resulting in an underspend of £79,698 (3% of the revised budget). This underspend relates to unutilised allocations set against: judicial reviews, contingency and expert advice. Underspends cannot be carried forward into the next financial year.

1.44 Staff and related costs are ESS' biggest category of expenditure at £2,235,023 (76% of total operating costs). Staff costs have increased by 18% from the previous financial year due to an increase in staff and staff salary costs. Primarily this relates to the requirement for ESS to mirror Scottish Government pay policy, which in turn sets out the process whereby staff progress up through pay scales and are awarded pay awards. The dominance of staffing costs in the budget, coupled with the small staff complement, makes the ESS budget sensitive to changes in staffing levels and pay awards.

1.45 ESS' balance sheet remains consistent with its grant-funded operating model, with low levels of assets and no requirement to hold cash reserves. Current assets increased from £10k in 2024/25 to £25k in 2025/26, reflecting the year-end timing of receivables and prepayments, while cash and cash equivalents remained at £nil in both years, consistent with ESS' funding arrangements.

1.46 Total assets reduced from £636k in 2024/25 to £582k in 2025/26, driven mainly by the planned depreciation of right-of-use assets, which fell from £626k to £557k under IFRS 16. There were no significant new asset additions in either year.

1.47 Total current liabilities increased from £222k in 2024/25 to £288k in 2025/26, largely due to the timing of trade payables and accruals for payroll, professional services and shared services at year end. Non-current lease liabilities reduced from £575k in 2024/25 to £506k in 2025/26, reflecting scheduled repayments as the lease progresses.

1.48 As a result, ESS continued to report negative net assets, moving from £(161)k at 31 March 2025 to £(212)k at 31 March 2026. This position is expected and reflects the use of annual grant-in-aid to fund operations rather than to generate reserves. Overall, year-on-year movements are in line with stable operations, increased staffing activity, and effective management of lease commitments and working capital.

1.49 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. All efforts have been made to pay invoices within the 2025/26 financial year. Further information can be found in the performance management indicators section on pages 20 to 28.

Non-financial information

1.50 A summary of non-financial information is set out below. Details of performance against some of these areas of work is set out in the section on PMIs on pages 20 to 28.

Complaints

1.51 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.

Information security

1.52 ESS has procedures and staff training opportunities to ensure information security is carefully considered.

1.53 There were no known data breaches in the period across this 12-month reporting period. There were also no known data breaches in the financial year 2024/25.

Freedom of Information and Environmental Information Regulations

1.54 ESS aims to be fully compliant with the Freedom of Information Act and Environmental Information Regulations. There were no instances of non-compliance in 2025/26, or 2024/25.

Community and social

1.55 Being accessible to the public is a priority for ESS. The Community Engagement programme has continued to be a key part of ESS' approach to gathering information on environmental issues that are important to Scotland's communities.

1.56 The Investigations, Standards and Compliance Team, with the support of the Community and Engagement Lead, carry out this programme through a variety of in-person and online sessions with environmental-focused community groups and networks.

Fraud, corruption and bribery

1.57 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.

1.58 The Board Code of Conduct sets out the behaviours expected of ESS 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.

1.59 The register of interests for the Board and the Audit and Risk Committee is updated by the Board and Committee members as required and formally reviewed at least annually.

1.60 There were no known or suspected incidences of fraud or bribery in 2025/26, or 2024/25.

1.61 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 including Taskforce on Climate-related Financial Disclosures

1.62 The Taskforce on Climate-related Financial Disclosures (TCFD) is an international framework established in 2015 by the Financial Stability Board (FSB) to help organisations report how climate change affects their business.

1.63 ESS has reported on climate-related financial disclosures consistent with HM Treasury's Taskforce on Climate-related Financial Disclosures (TCFD)-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector.

1.64 Devolved governments have also developed their own guidance aligning with TCFD disclosures. ESS' disclosure is consistent with Scottish Government application guidance.

1.65 ESS has complied with the TCFD recommendations and recommended disclosures related to:

- governance (all recommended disclosures)
- strategy (disclosures (b))
- risk management (all recommended disclosures)
- metrics and targets (disclosures (b) and (c))

1.66 For strategy, ESS had assessed that there is no climate-related risk to the organisation due to the nature of its work and therefore has no further information to report on disclosure (a) and (c) as these are not material.

1.67 For metrics and targets, ESS has no further information to provide on disclosure (a) as it does not use any metrics, other than those detailed in (b) and (c), to assess climate-related risks.

TCFD – Governance (a)

1.68 The ESS Board has ultimate responsibility for setting ESS' Strategy, which guides how ESS will deliver its statutory functions. The nature of ESS' remit means that the state of the environment is at the centre of ESS' strategic decision-making. Additionally, given ESS' remit, the Board has extensive expertise in environmental policy, regulation, law and science.

1.69 ESS has appointed Professor Christopher Spray as the Board's Sustainability Champion (in addition to a cross-team staff champion group). This role ensures that the environment is championed at the highest level of decision-making, and ensures sustainability is an item on each Board meeting agenda by way of a 'Champion update'.

1.70 The Board Sustainability Champion also played a pivotal role in supporting staff in drafting ESS' Sustainability Plan, which the Board has ultimate responsibility for. This details how ESS will work towards net zero and understand and improve its environmental impact. The Plan is broken down into phases, the first of which

covered 2022-25. In May 2025 ESS published Phase 2 of this Plan, covering 2025-30.

1.71 As well as setting the direction for sustainability at ESS, the Board monitors ESS' environmental performance. These metrics are set out at paragraph 1.89. The Board Sustainability Champion also supports the review of ESS' Biodiversity Report, which is required every three years to demonstrate compliance with the duties set out in Part 1 of the Nature Conservation (Scotland) Act 2004.

1.72 Finally, environmental and social responsibility has been identified as a principal risk for ESS, which is reviewed by the Board quarterly. More details can be found on pages 37 to 41 .

TCFD ─ Governance (b)

1.73 The Executive Team supports and monitors delivery of the Sustainability Plan. It receives regular sustainability updates from the Corporate Services and Communications team (supported by the Sustainability Champions) for consideration at Executive Team meetings. This includes details about performance against ESS' emissions PMI.

1.74 The Executive Team develops and ensures delivery of ESS' annual Business Plan. The Business Plan details activities that increase the sustainability of ESS' operations as well as setting out work to improve Scottish public bodies' compliance with environmental law. The Executive Team considers progress against Business Plan actions on a quarterly basis.

1.75 The Executive Team is also responsible for managing the environmental and social responsibility risk at ESS.

1.76 The Head of Corporate Services and Communications is a Sustainability Champion, strengthening the link between the day-to-day implementation of sustainable practices and senior management.

1.77 Both the Chief Executive and Head of Corporate Services and Communications have completed Carbon Literacy training. Certification in this area has further supported their role in assessing and managing climate-related risks and opportunities.

1.78 An overview of ESS' structure, including Board and Committee levels, is included on page 7.

TCFD – Strategy (b)

1.79 Whilst ESS has not deemed climate change as a principal risk, it has embedded climate risk into other risk areas, and specifically into our strategy.

1.80 The biggest impact that ESS can have on climate change is through the impact and influence of its statutory role, such as the air quality Improvement Report issued to Scottish Government.

1.81 ESS' first Strategic Plan 2022 – 2025 set out how the organisation would work to deliver its statutory remit. The Plan defined why the role of ESS mattered, specifically in its relationship to climate change.

1.82 In March 2026 ESS published its Strategy 2026 – 2031, which identified climate change as one of the four key priority areas for its work.

1.83 The strategy has identified several important Scottish Government developments at a national level that will provide context for the work of ESS. These include:

- agreeing and implementing a new Climate Change Plan, which will be critical if Scotland is going to meet its long-term, statutory goal of achieving net zero by 2045
- agreeing and delivering against robust and ambitious statutory targets for restoring nature and ensuring Scotland delivers the Global Biodiversity Framework target of halting biodiversity loss and protecting 30% of land and sea for nature by 2030
- setting and delivering against new statutory targets related to a circular economy, reducing waste and improving recycling rates by 2030
- publishing a new National Marine Plan for Scotland in 2025, alongside the latest UK assessment
- reviewing Scotland's River Basin Management Plans and setting a new framework of targets and objectives for the period beyond 2027

1.84 ESS is implementing a theory of change approach to measure the impact and effectiveness of its work, and this will be included in future reports where applicable.

TCFD – Risk management (a)(b)(c)

1.85 ESS' risk management process is set out on pages 53 to 55. This details how risks, including those related to the climate, are identified, assessed, escalated and managed.

1.86 Environment and social responsibility has been identified as a principal risk for ESS and is managed at the strategic level. The Corporate Services and Communications team's functional risk register deals with the operational risk associated with embedding sustainability in day-to-day practices. These risk registers detail the mitigations already in place, controls planned to reduce risk scoring, action target dates, and action owners. Examples of specific controls can be found on pages 37 to 41.

1.87 ESS has a low risk appetite for this area of risk and it is currently not within appetite. Further action is planned to manage this risk area.

TCFD – Metrics and targets (b)(c)

1.88 ESS voluntarily reports its greenhouse gas (GHG) emissions every November via the Sustainable Scotland Network. This report breaks down ESS' emissions into Scopes 1, 2 and 3. To date, ESS has only reported Scope 3 emissions related to business travel and subsistence, and commuting. This is to avoid double counting of Scope 1 and 2 emissions with the Scottish Legal Aid Board who report these emissions for the whole office building where ESS is located. However, ESS is developing a process to internally capture these emissions going forward. A summary figure of ESS' Scope 3 emissions (both actual for the previous year and projected for the current financial year) are reported within the Annual Report and Accounts each year. This figure can be found on page 28.

1.89 Phase 2 of ESS' Sustainability Plan sets out operational targets for the 2025-2030 period. These are:

- carbon emissions reduced by 75% compared to 2020/21 baseline figure

- 95% of all business travel by ESS staff will be by public transport by 2030
- tCO_2 emissions for flights across ESS, including by Board members, will be below $1tCO_2e$ per annum (excluding well-to-tank additions every year from 2025)
- homeworking emissions will be reduced on average by 10% per person by 2030

Risk profile

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

Risk Description	Risk assessment	Risk management
Compliance/regulatory - our compliance in relation to all relevant laws, regulations and governance requirements	Medium-level risk within risk appetite	At the corporate level, this risk focuses on compliance with health and safety legislation, ensuring ESS' office environment is safe for staff and visitors. Due to the potential high impact of this risk, further mitigations are in place to keep this risk within risk appetite. **Controls include:** regular review of the health and safety policy; assurance reports produced; staff training in place (including in-office safety drills); regular engagement with facilities staff; and a comprehensive hybrid-working offer.

Reputation - the decisions, actions, response or position we take in relation to the broad scope of our work	Medium-level risk within risk appetite	This risk covers criticism of ESS' operations, such as enforcement and analytical work and ability to demonstrate value for money. With the existing controls in place, this risk is being effectively managed. **Controls include:** comprehensive operational procedures (including our approach to quality assurance and agreeing recommendations); a six-monthly assessment of analytical priorities reported to the Board; proactive engagement with stakeholders; revised Communication and Engagement Strategy in place; transparency around action taken by ESS including publication of our procedures and rationale for informal resolution; public reporting of performance management information and implementation of our theories of change approach; an improved reactive and proactive approach to undestanding risks related to departmental risks; consideration of prioritisation in the development of our new Strategy 2026 – 2031.
Financial sustainability and performance - the decisions we take in how we will deploy, utilise and monitor our resources to maximise their public value and	Medium-level risk outwith risk appetite	This risk considers whether ESS has the resources it needs to deliver its functions. ESS has a very low risk appetite for this and has planned further action in this area, in particular regarding new additional powers.

ensure long-term financial sustainability		**Controls include:** forward financial and resilience planning over the medium- and long-term in place; active engagement with Scottish Government colleagues in finance, sponsorship and other relevant teams; statement to Scottish Parliament regarding sufficiency of forthcoming year's budget allocation; regular consideration of Public Service Reform opportunities.
Business continuity - 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	Medium-level risk outwith risk appetite	This risk focuses on ESS' ability to operate in the event of a cyber-attack or large-scale loss of data. This is a priority area for action at ESS, ranging from reducing risk of human error to ensuring systems are fit for purpose. **Controls include:** business continuity plan in place and tested by staff; regular engagement with Scottish Government IT colleagues; internal audit review undertaken and recommendations implemented; regular staff communications and training; cyber-specific risk register regularly monitored by ESS' Board and staff Cyber Champions; controls in place related to office sharing; and additional phishing tests being carried out to test effectiveness of mitigations.
People and culture - we provide a safe and inclusive workplace with a focus on service provision to	Low-level risk within risk appetite	This risk covers ESS' ability to recruit, develop and retain staff and Board members. Due to the controls in place ESS has achieved high levels of interest in its advertised roles and a low turnover rate.

customers and stakeholders		**Controls include**: People Strategy developed by cross-team group and shared publicly; new HR advice contract in place with revised priority areas of work; equality outcomes actioned and updates published; staff supported with variety of policies such as flexible/hybrid working, homeworking equipment offer, fairness at work, etc.; succession planning in place for ESS Board; enhanced staff feedback processes in place; two year pay-award in place; and enhanced occupational health offer developed.
Operational - the actions we take in relation to the performance of others through our external facing activities such, investigations, enforcement and compliance procedures	Medium-level risk within risk appetite	This risk area covers ESS' operational delivery. Through effective planning of both financial resources and team capacity, this risk is well-managed. **Controls include**: regular management discussions around resourcing; consideration of and preparation for knock-on effects of public sector financial pressures on ESS' work; and enhanced training provided to staff and standard operation procudures developed for the majority of processes.
Environment and social responsibility - ESS' own performance and behaviours in relation to Scotland's environment	Medium-level risk outwith risk appetite	This risk area focuses on ESS acting as an environmentally and socially responsible public body. Given ESS' remit, risk appetite is low for not leading by example on the environment, so further action is planned in this area.

		Controls include: both Sustainability and Equality Champion programmes in place; Sustainability Plan developed by Champions and actions being progressed; People Strategy developed by cross-team group and actions being progressed; ongoing training and communications to all staff; independent verification of ESS' carbon measurement processes achieved; progress towards organisational accreditations such as Disability Confident Employer and Carbon Literate Organisation.

Future plans

1.91 Future plans are set out and published in the ESS 2026/27 Business Plan. This Business Plan now aligns with our new Strategy 2026 - 2031 and our objectives set out for the next five years.

1.92 We will:

- deliver ESS' updated vision that 'by holding public authorities to account, we will ensure that Scotland's people and nature benefit from a high-quality, healthy environment through improved compliance with and better implementation of effective environmental law'
- prioritise our work going forward through a set of four key areas:
    - **climate change**: driving climate change mitigation and adaptation
    - **nature**: reversing biodiversity loss and delivering healthy ecosystems
    - **resources**: securing sustainable resource use, reducing waste and developing a circular economy
    - **water**: protecting and enhancing Scotland's freshwater, coastal and marine systems
- continue to consider all representations raised with us by members of the public on any environmental topic
- continue to identify systemic patterns of compliance failure, or areas where the law is ineffective in protecting the environment or public health
- grow our team by up to fifteen people by the end of the 2026/27 financial year to deliver our expanded role, taking on two new sets of duties:
    - scrutinising the Scottish Government's delivery against the new statutory biodiversity and nature restoration targets which will be set under the Natural Environment (Scotland) Act 2026
    - scrutinising local authorities' reporting against climate change duties as set out in the Climate Change (Scotland) Act 2009
- deliver the action plans in our newly reviewed Communications and Engagement Plan and our revised approach to demonstrating our impact,

including our communication and engagement with the new Scottish Parliament by the end of 2026

- continuing to deliver a programme of analytical work on priority issues identified in ESS' Strategy, including: monitoring of water quality and River Basin Management Planning and initial work on the use of resources
- publishing analytical reports related to seafloor integrity and Invasive Non-Native Species
- monitoring progress made in implementing recommendations from previous ESS reports, including storm overflows and soils
- continuing to focus on the culture of the organisation, equalities, and the learning and development programme by developing and delivering a new two-year People Strategy action plan and equalities related initiatives
- build on our approach to information management across the organisation specifically considering archiving and our responsible use of artificial intelligence
- implement our organisation-wide new programme management approach by the end of 2026
- assessing opportunities for longer-term financial flexibility and sustainability while meeting public service reform principles
- 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



Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer

2. Accountability report

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 2026, ESS consisted of six Board members who are collectively responsible for fulfilling the functions and duties set out in the Continuity Act.

2.3 During the reporting period, there were no changes to the Board's membership. However, the recruitment process for a new Board member was carried out. The new member, Laura Anderson began her appointment on 1 April 2026 (the next financial year), therefore the information set out below does not include this new member.

2.4 An overview of the Board structure is set out on page 7.

Name	Role	Appointment	End of term
Dr Richard Dixon	Chair	1 April 2025	31 March 2029
Marie Fallon	Member	1 April 2025	31 March 2029
Dr Paul McAleavey	Member	1 April 2025	31 March 2029
Professor Annalisa Savaresi	Member	1 April 2025	31 March 2028
Morag Sheppard	Member	7 June 2023	6 June 2027
Professor Christopher Spray	Member	7 June 2023	6 June 2027

2.5 The Board formally convened six times during the reporting period. Each meeting was 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.

2.6 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.

2.7 Where conflicts of interests are identified, they are declared at each Board meeting, noted in the public minutes and, if significant, Board members are required to recuse themselves from relevant agenda items and related correspondence.

2.8 Five conflicts of interest were declared during the reporting period, relating to:

- air quality matters for both Dr Richard Dixon and Professor Annalisa Savaresi
- biodiversity matters for Professor Christopher Spray
- Morag Sheppard's appointment to the Board of the Water Industry Commission for Scotland
- Dr Paul McAleavey's honorary professorship at the Centre for Public Policy at the University of Glasgow.

2.9 Only one of these conflicts of interest required the member to recuse themselves from a Board discussion, which was noted in the public minutes of the April 2025 Board meeting.

2.10 Otherwise, no member of the Board held a directorship or significant interest which conflicted with their governance responsibilities.

Audit and Risk Committee

2.11 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.

2.12 The Committee met four times during the reporting period. During this time there were two changes to the Committee's membership with Professor Christopher Spray becoming a member in April 2025, replacing Dr Richard Dixon who left at the end of March 2025 in advance of becoming Chair of ESS from 1 April 2025.

2.13 An overview is set out below:

Name	Role	Date of appointment	End of term
Marie Fallon	Chair	1 April 2025	31 March 2029
Neil Oakley	Co-opted member	1 September 2022	31 August 2030
Morag Sheppard	Member	18 August 2023	6 June 2027
Professor Christopher Spray	Member	25 April 2025	6 June 2027

2.14 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; Accountant; and other members of the ESS team as and when required. Other Board members may attend if they wish.

Chief Executive and Executive Team

2.15 Members of the Executive Team between 1 April 2025 and 31 March 2026 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

2.16 No member of the Executive Team held a directorship or significant interest which conflicted with their management responsibilities.

Internal Audit

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

2.18 During the reporting period, the provision of the internal audit service was subject to a Memorandum of Understanding signed by ESS and SGDIAA.

2.19 Members of the Internal Audit team are invited to attend every Audit and Risk Committee meeting.

2.20 During the reporting period, the Internal Audit team provided a 'substantial' annual assurance opinion.

2.21 The Internal Audit team also carried out a review of ESS' legal procedures, which received a 'substantial' assurance opinion, and a review of information our information security, which received a 'reasonable' opinion.

External Audit

2.22 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.

2.23 Members of the Deloitte team regularly attend Committee meetings and the Committee scrutinise Deloitte's audit plan and ISA 260 findings each year.

Personal data-related incidents

2.24 There were no personal data-related incidents reported to the Information Commissioner's Office in 2025/26, or 2024/25.

Parliamentary Accountability and Audit Report

2.25 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

Losses and special payments

2.26 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 (2024/25: £nil).

Gifts and charitable donations

2.27 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 (2024/25: £nil).

Remote and contingent liabilities

2.28 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 (2024/25: £nil).

Statement of Accountable Officer's responsibilities

2.29 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.

2.30 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

2.31 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.

2.32 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.

2.33 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.

2.34 The systems utilised have been in place for the year under review and continue to be used up to the date of approval of the Annual Report and Accounts.

2.35 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.

2.36 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

2.37 I can confirm that in the 12-month reporting period from 1 April 2025 to 31 March 2026, the amount of resources allocated to ESS was sufficient to perform its functions.

Governance Statement

2.38 This statement sets out how ESS manages and controls its resources and risk. It covers the period from 1 April 2025 to the date of signing. It follows the guidance set out in the Scottish Public Finance Manual.

Governance Framework

2.39 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.

2.40 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, and audit and risk management
- 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

2.41 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.

2.42 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.

2.43 The Delegated Limits of Financial Authority, Specific Scheme of Delegation, Procurement Handbook, and the ESS Investigation and Strategy and Analysis operational guidance, 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.

2.44 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

2.45 The operation of the Board is governed by the Standing Orders. The Code of Conduct appended to these sets out the expected behaviours of ESS' 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 titled On Board: a guide for members of statutory boards.

2.46 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.

2.47 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.

2.48 The Committee held its annual development session on 7 April 2025, following a self-assessment carried out utilising the Audit and Assurance Committee Handbook self-assessment checklist.

2.49 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.

2.50 The other documents which form part of ESS' 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 2022-2025, which sets out ESS' mission, values and objectives
- the new Strategy 2026 – 2031, which sets out ESS' approach for the next five years

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

Corporate Governance

Whistleblowing

2.51 The Public Interest Disclosure Act 1998 names ESS as a prescribed person. ESS follows a set of procedures and reports annually on disclosures.

2.52 If Board members or staff receive contact that could constitute whistleblowing, they must direct the individual to ESS' secure e-mail address Whistleblowing@environmentalstandards.scot. To maintain the confidentiality of any whistleblower, this inbox can only be accessed by authorised ESS staff.

Risk management

2.53 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.

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

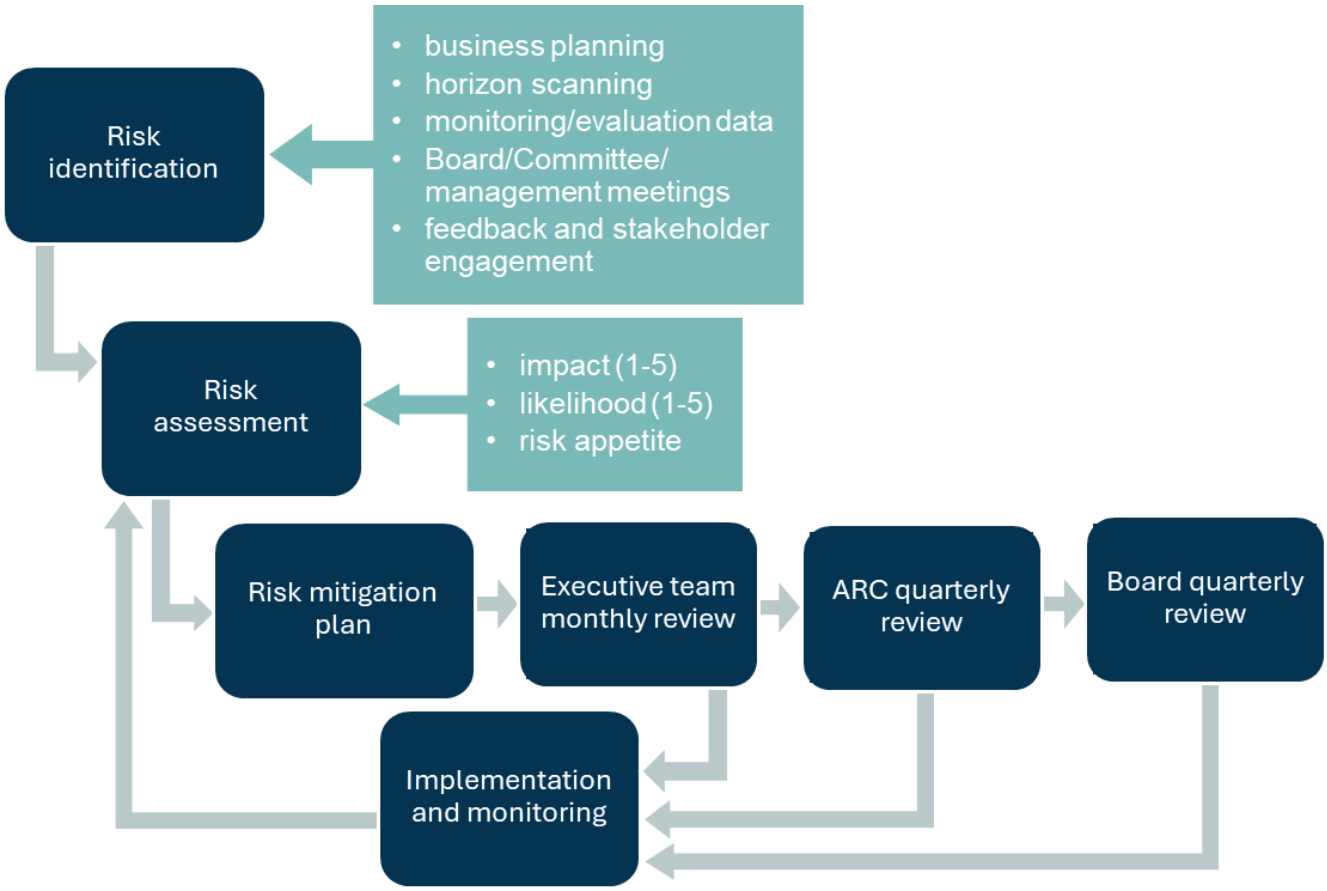
2.55 ESS' positive approach to managing risk includes:

- 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

2.56 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

2.57 This process at the corporate level, with details on risk identification and assessment, is set out in the diagram below:



2.58 The current key, corporate risks are reported on pages 37 to 41.

2.59 In addition to corporate risks, within this reporting period, risk was managed across ESS at the functional and project level, meaning all staff played a part in risk management. Any significant risks were escalated to the Executive Team, Audit and Risk Committee or Board as required.

2.60 Having reviewed this process in 2025/26, this approach has been further enhanced through: the introduction of risk leads in each department; departmental

registers; a dedicated cyber register; and a reviewed reporting schedule. Full delivery of this new process will take place from the financial year 2026/27.

2.61 I am content that ESS' management of risk is effective. I assess our risk profile to be acceptable. I recognise that three of the risks remain outside ESS' risk appetite within this reporting period.

Written assurances

2.62 I have received assurances 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.

2.63 These confirm that with regards to financial management there has been a sustained focus on improvement to systems and staffing capacity, which will improve key corporate finance systems in the longer-term.

2.64 The assurance for the IT system is out with our risk appetite for shared services. We have very limited options for mitigation or management in this regard. This is reflected in our ongoing risk profile. I have been kept informed of progress through updates and interim assurance statements. I have also included this concern within my own written assurance statement to the Scottish Government.

2.65 I have received from the SGDIAA a copy of the assurance provided for 2025/26 on the Scottish Government's corporate services, which deliver these shared services to ESS. A 'reasonable' assurance was given noting that some improvements are required to enhance the adequacy and effectiveness of procedures. No weaknesses are of a significant nature.

2.66 Between 1 April 2025 and 31 March 2026, the Audit and Risk Committee considered an Internal Audit review of ESS' legal procedures, which received a 'substantial' assurance opinion, and a review of information our information security, which received a 'reasonable' opinion. The Annual Assurance Report for 2025/26 was considered by the Audit and Risk Committee at its June 2026 meeting. Overall, SGDIAA provided 'substantial' assurance for 2025/26.

Data security

2.67 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.

2.68 All new staff have received training on GDPR and staff complete the annual mandatory online training.

2.69 There were no known data breaches in this 12 month reporting period which were reportable to the Information Commissioner's Office.

Assessment of Corporate Governance and Risk Management Arrangements

2.70 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.

2.71 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 fourth 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 the findings of the 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)

2.72 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

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 applies to ESS' Board members, Audit and Risk Committee members and the Executive Team. This information is audited by the external auditors and other information is checked for consistency:

- single total figure of remuneration
- pension disclosures
- average number of persons employed by ESS
- staff costs
- fair pay disclosures

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 Success Profiles 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 co-opted 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 2025/26 (£'000)	Fees 2024/25 (£'000)
Dr Richard Dixon	10-15	15-20
Marie Fallon*	0-5	5-10
Dr Paul McAleavey	0-5	0-5
Professor Annalisa Savaresi**	0-5	5-10
Morag Sheppard	0-5	0-5
Professor Christopher Spray	0-5	0-5

Co-opted Audit Committee Member	Fees 2025/26 (£'000)	Fees 2024/25 (£'000)
Neil Oakley	0-5	0-5

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

* Marie Fallon is Chair of the Audit and Risk Committee

** Annalisa Savaresi is Chair of the International Advisory Panel

Senior Management Team	Wages (Salary Band) £'000		Accrued Pension Benefits £		Total £'000	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Neil Langhorn, Head of Strategy and Analysis (1)	85 - 90 (75-80 part time equivelant)	75-80 (65-70 part time equivalent)	119,837	39,998	205-210 (195-200 part time equivalent)	115-120 (105 – 110 part time equivalent)
Jamie McGrandles, Head of Investigations, Standards and Compliance	85 - 90	75-80	34,912	40,542	120 - 125	120 - 125
Rebecca Peppiette, Head of Corporate Services and Communications	85 - 90	75 - 80	41,990	37,318	130 - 135	115 - 120
Mark Roberts, Chief Executive	95 - 100	85 - 90	34,547	37,268	130-135	125 - 130

(1) Neil Langhorn (0.81 FTE)

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 individuals having an extra year's service and by virtue of any pay rise during the year. None of the post holders listed on the table above received any benefits in-kind, or bonus payments in the year to 31 March 2026 (2024/25: 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 Normal Retirement Age as at 31 March 2026 £'000	Real increase in pension and related lump sum at Normal Retirement Age £'000	Cash Equivalent Transfer Value at 31 March 2026 £'000	Cash Equivalent Transfer Value at March 2025 £'000	Real Increase in Cash Equivalent Transfer Value £'000
Neil Langhorn, Head of Strategy and Analysis	35-40 plus a lump sum of 90-95	5-7.5 plus a lump sum of 10-12.5	792	638	112
Jamie McGrandles, Head of Investigations, Standards and Compliance	25-30	0-2.5	369	332	20
Rebecca Peppiette, Head of Corporate Services and Communications	15-20	0-2.5	252	208	30
Mark Roberts, Chief Executive	5-10	0-2.5	123	90	24

3.10 Pension benefits are calculated on Normal Retirement Age (NRA) where the pension entitlement is due at that age or at current age if over NRA. Employer contributions to all pension plans for 2025/26 were £435,062 (2024/25: £367,370) including £101,906 for the Executive Team (2024/25: £91,343). The above pension data was supplied to ESS by Capita.

3.11 Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits

calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

Civil Service Pensions

3.12 The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS), known as Alpha, are unfunded multi-employer defined benefit schemes. However, ESS is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2020. You can find details on the Civil Service Pension Scheme website here.

3.13 For 2025/26, employer contributions of £435,062 were payable to the Civil Servant and Others Pension Scheme (CSOPS) at 28.97% of pensionable earnings (2024/25 £367,370). The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2025/26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

3.14 Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal and General Mastertrust. Employer contributions are age related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings.

3.15 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).

3.16 Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

The Cash Equivalent Transfer Value

3.17 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.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of Cash Equivalent Transfer Value

3.18 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

3.19 During 2025/26 there were no early departure packages. There were also no early departure packages in 2024/25.

Fair Pay disclosure (audited)

	2025/26	2024/25
Band of highest paid director £'000	95 - 100	90 – 95
Per cent increase in highest paid Director over previous year, based on mid-point of salary band	5.41%	5.71%
25th percentile pay ratio (Y25)	2.39	2.58
Median total remuneration	51,451	47,231
Median pay ratio (Y50)	1.90	1.96
75th percentile pay ratio (Y75)	1.62	1.60
Range minimum – maximum £'000 (FTE)	20-25 to 95-100	25-30 to 90-95
Average per cent change of employees over previous year, excluding highest paid director	6.86%	9.22%

Note: not including Board members.

Total pay and benefits*	Y25	Y50	Y75
2025/26	40,822	51,451	60,010
2024/25	35,903	47,231	57,701

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

3.20 Existing senior level staff at higher pay levels have progressed through the four increments to the top of the relevant pay bands. New entry level staff have started at the bottom of relevant pay bands (as per the ESS policy for all grades). This has driven a bigger divide in ratios.

Staff Report

Number of Senior Civil Service staff

3.21 As at 31 March 2026, ESS employed one senior civil servant, the Chief Executive (31 March 2025: one senior civil servant).

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

	2025/26 FTE	2024/25 FTE
Permanent Employees (including staff on loan)	23.78	21.76
Fixed Term Staff	1.61	1.41
Total	**25.39**	**23.17**
Board Members *	**6**	**6**

* Headcount rather than FTE

Staff costs (audited)

	2025/26 £'000	2024/25 £'000
Wages and Salaries	1,499	1,263
Social Security costs	186	151
Other pension costs	435	367
Agency and casual staff costs	77	60
Board/Committee fees and expenses	38	45
Total administration staff costs	**2,235**	**1,887***

*Rounding difference

Staff composition

3.22 The number of people employed by ESS at 31 March 2026 is set out in the table below by contract type. The numbers include temporary and fixed term appointments and are shown as headcount and the full time equivalent.

	31 March 2026		31 March 2025	
Staff type	**Headcount**	**Full time equivalent**	**Headcount**	**Full time equivalent**
Permanent	26	24.15	24	22.65
Fixed term	3	2.81	1	0.81
Agency	1	1	0	0
~~Fast stream~~	~~0~~	~~0~~	~~0~~	~~0~~

3.23 The number of people of each sex employed by ESS at 31 March 2026 is set out in the following table. The numbers include temporary and fixed-term appointments (excluding agency) and are headcount, not full time equivalent.

Category	31 March 2026		31 March 2025	
	Female	Male	Female	Male
Employees – non-Executive Team	17	8	15	6
Non-SCS members of Executive Team	1	2	1	2
Senior Civil Servants (band TR-1)	0	1	0	1
Total Staff	**18**	**11**	**16**	**9**
Board members	**3**	**3**	**3**	**3**

Docusign Envelope ID: 9C71891E-053F-8C2E-823B-0612DDDAB25A

Sickness absence

	Average total of sick days per employee 2025/26	Average total of sick days per employee 2024/25
Short term absence (<20 working days)	1.17	3.44
Long term absence (>20 working days)	1.54	0
Total	**2.71**	**3.44**

Staff turnover percentage

	Headcount*	Leavers	Turnover %
31 March 2026	26	1	3.8%
31 March 2025	24	2	8.3%

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

Staff survey engagement score

3.24 ESS joined the full Civil Service People Survey in January 2025, having previously mirrored this directly in previous years internally. The engagement index reflects the employee responses to five questions measuring: pride; advocacy; attachment; inspiration; and motivation.

3.25 ESS has a low turnover of staff and a staff engagement index higher than the civil service recorded figure as set out below. This positive record relates to ESS' continued aim to deliver its People Strategy ambitions: attracting and keeping the right people; developing and nurturing our people; and enabling great performance and delivery.

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	2025	2024
ESS Employee Engagement Score	67%	67%
Civil Service Employee Engagement Score	65%[1]	64%[2]

Staff policies for disabled persons

3.26 ESS analogues 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

3.27 As a small organisation, ESS is able to quickly and effectively consult with all staff on relevant issues. Information is also gathered through: regular full-team meetings; a range of working groups spread across departments, grades and functions; anonymous pulse surveys; and focused externally facilitated sessions, for example on the development of ESS' People Strategy.

[1] Civil Service People Survey 2025 - Results Highlights - GOV.UK

[2] Civil Service People Survey 2024 - Results Highlights - GOV.UK

Docusign Envelope ID: 9C71891E-053F-8C2E-823B-0612DDDAB25A

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

3.29 ESS analogues with Scottish Government terms and conditions and pay policy. In this year this has included the adoption in full of the new pay award granted by the Scottish Government.

Health and safety

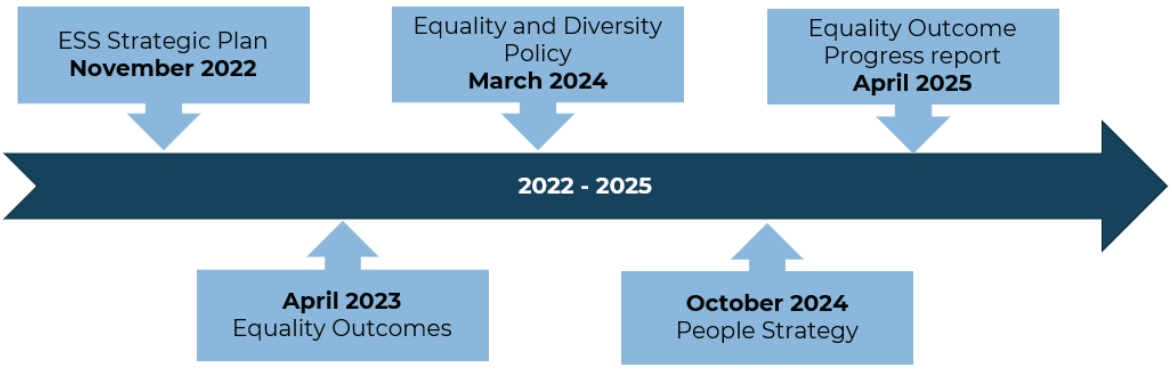
3.30 The health and safety of employees at ESS is a top priority. Risk assessments are in place for all operational activities within ESS, and health and safety inspections of the office are carried out regularly. There have been no reported accidents or incidents during this period.

Expenditure on consultancy

3.31 ESS has followed the Scottish Government guidance on 'Use of Consultancy Procedures', applying the 'three-part test' in determining whether a service is defined as consultancy. This approach has also been applied to the previous year's expenditure for comparison purposes. In 2025/26 ESS incurred consultancy costs of £28,291 (£47,017 in 2024/25).

Diversity and inclusion

3.32 Since vesting in 2021, ESS has taken steps to ensure equality, diversity and inclusion are embedded in ESS' ways of working and day-to-day operations.



Docusign Envelope ID: 9C71891E-053F-8C2E-823B-0612DDDAB25A

3.33 The first set of ESS' equality outcomes were published in April 2023, with an update provided in April 2025. In 2024, ESS published its Equality and Diversity Policy and People Strategy.

3.34 ESS implemented an Equality Champion programme in 2024, which has continued to operate during 2025/26. This includes volunteer champions from each team at ESS, including the Executive Team and the ESS Board, who:

- ensure equality, diversity and inclusion are considered at all level of decision-making at ESS
- support the delivery of the equality outcome action plan
- explore training opportunities and share learning with wider team
- provide constructive feedback and raise general awareness of equalities

3.35 4. In 2025/26 the Equality Champion group has supported ESS in:

- reviewing equality requirements of recruitment policies
- providing behavioural profiling training for staff
- upgrading ESS office space and systems to better support hybrid and flexible working
- developing established routes for staff feedback
- establishing procedures and training for completing Equality Impact Assessments

3.36 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.

3.37 ESS will publish its next update on mainstreaming equalities and will review its People Strategy in 2026/27.

Docusign Envelope ID: 9C71891E-053F-8C2E-823B-0612DDDAB25A

Gender pay gap

3.38 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.

3.39 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.

3.40 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 2026	31 March 2025
Median Gender pay gap	4.76	11.44
Arithmetic mean gender pay gap	22.22	16.89

3.41 The median gender pay gap for all staff at ESS at 31 March 2026 has reduced since March 2025. With relatively small numbers of employees, the pay gap measure is sensitive to small changes in staffing and pay.

3.42 The table below details the percentages of men and women as described by the UK Government gender pay gap requirements per hourly pay quartile.

	% Men	% Women
Upper hourly pay quartile	57.1	42.9
Upper middle hourly pay quartile	42.9	57.1
Lower middle hourly pay quartile	28.6	71.4
Lower hourly pay quartile	25.0	75.0

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

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4. Independent auditor's report

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 (ESS) for the year ended 31 March 2026 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 2025/26 Government Financial Reporting Manual (the 2025/26 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 2026 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 2025/26 FReM; and
- 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

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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 18 May 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

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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; and

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- 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.
- 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 operating within the resource limit allocated by the Scottish Government. 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. We have pinpointed this risk to the validity of year end accruals. In response to this risk, we obtained confirmation of the resource limit allocated by the Scottish Government and tested a sample of accruals made around the year-end to assess whether they have been recorded at the correct amount and are valid liabilities at 31 March 2026.

In common with all 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;

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- 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; and
- 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 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; and

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- 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.

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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.

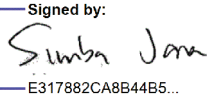
Conclusions on wider scope responsibilities

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.

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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.

Signed by:

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Noel Jana, FCCA (for and behalf of Deloitte LLP)
Aberdeen, United Kingdom
9 October 2026

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5. Financial statements

Introduction

5.1 This statement of accounts reports the results of ESS for the year ended 31 March 2026. 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 7 October 2026.



Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer

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Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

Administrative costs	Notes	2025/26 £'000	2024/25 £'000
Staff costs	3	2,235	1,887
Other operating costs	4	561	538
Notional costs	5	66	59
Depreciation	6	73	72
Total Operating Costs		**2,935**	**2,557**

All amounts relate to continuing activities.

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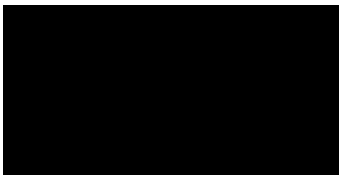
Statement of Financial Position as at 31 March 2026

	Note	31 March 2026 £'000	31 March 2025 £'000
Non-Current Assets			
Right-of-use assets	6	557	626
Total non-current assets		**557**	**626**
Current Assets			
Other receivables	7	25	10
Cash and cash equivalents	8	-	-
Total current assets		**25**	**10**
TOTAL ASSETS		**582**	**636**
Current liabilities			
Trade and other payables	9	(200)	(135)
Lease liabilities	10	(90)	(87)
Total current liabilities		**(290)**	**(222)**
Total assets less current liabilities		**292**	**414**
Non-Current liabilities			
Lease liabilities	10	(512)	(575)
Total non-current liabilities		**(512)**	**(575)**
Net liabilities		**(220)**	**(161)**

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Taxpayers equity			
General fund	SOCTE	220	161
Total taxpayers equity		**220**	**161**

The accompanying notes on pages 88 to 101 form part of these financial statements.



Mark Roberts

Chief Executive of Environmental Standards Scotland and Accountable Officer

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Statement of Cash Flows for the year ended 31 March 2026

	Note	31 March 2026 £'000	31 March 2025 £'000
Cash flows from operating activities			
Total operating cost	SOCNE[3]	(2,935)	(2,557)
Adjustments			
Depreciation	6	73	73
Interest expense	10	23	25
Notional Costs	5	66	59
Release of prior year period notional cost accruals	SOCTE	-	105
Movements in working capital			
(Increase) / Decrease in trade and other receivables	7	(15)	3
Increase / (Decrease) in trade and other payables	9	64	(156)
Lease interest paid	10	(23)	(25)
Net cash flows used in operating activities		**(2,746)***	**(2,473)**
Cash flows from financing activities			
Scottish Government Grant Funding	2	2,811	2,535
Lease rental paid – repayment of Principle in current year	10	(65)	(62)
Net Cash flows generated from financing activities		**2,746**	**2,473**
Net (decrease)/increase in cash and cash equivalents during the year		**-**	**-**

[3] Statement of Comprehensive Net Expenditure (SOCNE)

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Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year	8	-	-
Movement in cash and cash equivalents during the year		-	-

*Rounding difference

The accompanying notes on pages 88 to 101 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2026

	Note	General Fund 2025/26 £'000	General Fund 2024/25 £'000
Balance at 1 April		**(161)**	**(304)**
Non-cash charges – notional costs	5	66	59
Release of prior year notional cost accruals	CFS	-	105
Operating costs for the year	SOCNE	(2,935)	(2,557)
Scottish Government Grant	CFS	2,811	2,535
Balance at 31 March		**(220)***	**(161)***

*Rounding difference

The accompanying notes on pages 88 to 101 form part of these financial statements.

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6. Notes to the Accounts for the year ended 31 March 2026

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 2025/26 (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 and on a going concern basis. Figures are presented in pounds sterling and are rounded to the nearest £1,000.

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.

Critical accounting judgements and key sources of estimation

ESS leases its office at Thistle House, 91 Haymarket Terrace, Edinburgh, EH12 5HD through a Memorandum of Terms of Occupation (MOTO) with the Scottish Legal Aid Board (SLAB). This lease arrangement permits ESS to use and occupy this office space.

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When ESS was formed in 2021, it took a short-term lease at Thistle House. This initially covered a small office on the ground floor and thereafter, as the staff team expanded, included a separate office on the second floor.

This temporary arrangement was made permanent in 2023 when a new longer-term lease was agreed with Scottish ministers for larger office space on the fifth floor of Thistle House on a ‘without walls’ basis. The leased office space is co-occupied with Consumer Scotland. The lease renews annually, at a pre-agreed rental rate, with the initial period having started from 1 November 2023 and ended on 31 March 2024. ESS and Consumer Scotland’s collaborative approach forms part of both organisations’ long-term public service reform planning.

ESS and SLAB currently intend that the occupation of the property will continue on this basis until 31 October 2033. This intent is documented in the MOTO, alongside additional correspondence from SLAB. It is set out in the MOTO that any change of intent that would result in either party choosing not to renew would require twelve months’ notice in writing.

Determining the lease term for this agreement requires significant judgment, as it involves assessing the likelihood of exercising the renewal options over a potentially extended period. IFRS 16 requires that a lease term includes periods covered by options to extend the lease if it is reasonably certain that the option will be exercised. This assessment necessitates a comprehensive evaluation of various factors.

In determining the lease term, the following factors were considered:

- organisational intentions. The assessment of the likelihood of exercising these options is based on ESS’ long-term strategic approach, which anticipates continued occupancy of these premises until at least 31 October 2033
- market conditions. The organisation has conducted ongoing market research, and while suitable alternative premises exist, they do not offer comparable space, location, and lease terms. In summary, the space occupied offers value for money, allows for some growth in the workforce, and critically when staff commute from and work in various locations, is close to Edinburgh Haymarket station. The market for office space in the immediate area is strong and therefore acquiring alternative premises is likely to be challenging

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- potential for early termination. While the lease agreement allows for annual renewal, ESS retains the flexibility to reassess its occupancy needs annually and terminate the lease with the appropriate notice in writing of six months. This possibility was explicitly considered in the assessment of reasonable certainty of continuing to lease the property until 31 October 2033

Based on the above considerations, it was concluded that it is reasonably certain that the renewal options will be exercised until 31 October 2033. Therefore, the total lease term for the office is considered to be 10 years from 1 November 2023. The impact of this judgment is a higher lease liability and right-of-use asset recognised on the balance sheet compared to recognising only the initial one-year term. ESS will continue to monitor the circumstances surrounding this lease agreement and will reassess this lease term annually. Any changes to the lease term will be reflected in future financial statements.

In the year ended 31 March 2026, there were no other 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.

(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 in accordance with chapter 22 of the FReM. Funding for the acquisition of non-current assets received from the Scottish Government is credited to the general fund.

(c) Leases under IFRS 16

Initial recognition

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 identified 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

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- ESS has the right to direct the use of the asset

Subsequent measurement

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.

Depreciation and impairment

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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.

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

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(e) 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. Further information on pension information can be found in the Remuneration and Staff report set out at section 3.

(f) 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 2026/27 has been confirmed in the Budget (Scotland) Act 2026. It is therefore considered appropriate to prepare the accounts on a going concern basis

(g) Disclosure of new accounting standards

All new standards issued, and amendments made to existing standards are reviewed by the Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM in force for the year in which the changes become applicable. ESS has considered the accounting standards not yet applied and has assessed the possible impact that their application would have on the financial statements.

Standards adopted during the year

The following amendments became effective during the financial year and have been applied in these financial statements:

- amendments to IAS 21 – Lack of Exchangeability

Effective Date: Annual periods beginning on or after 1 January 2025

Overview: provides guidance on determining exchange rates where currencies are not exchangeable.

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The adoption of this amendment has not had a material impact on the financial statements.

Standards issued but not yet effective

Effective Date: from 1 January 2026:

- amendments to IFRS 9 and IFRS 7 – Classification and Measurement of Financial Instruments

Overview: clarifies the classification of financial assets with ESG-linked features and addresses electronic payment settlements.

- annual Improvements to IFRS Accounting Standards (Volume 11)

Overview: Minor amendments to several standards including IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7.

- amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity

Overview: targeted amendments dealing with specific financial instrument arrangements.

Effective from 1 January 2027 and later

- IFRS 18 – Presentation and Disclosure in Financial Statements

Overview: introduces new requirements for the presentation and structure of financial statements, including defined subtotals and categorisation of income and expenses.

- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

Overview: provides simplified disclosure requirements for qualifying subsidiaries. This is not expected to be applicable to ESS.

- amendments to IAS 21 – Translation to a Hyperinflationary Presentation Currency

Overview: Provides guidance on translation where a presentation currency becomes hyperinflationary.

- IFRS S1 and IFRS S2 – Sustainability Disclosure Standards

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The UK Government is considering endorsement of these standards, with potential future implementation.

Overview: IFRS S1 requires disclosure of sustainability-related risks and opportunities, while IFRS S2 focuses specifically on climate-related disclosures. These standards aim to enhance transparency and comparability in sustainability reporting.

ESS has not early adopted any standards issued but not yet effective. With the exception of IFRS 18, which is expected to affect the presentation and disclosure of future financial statements, none of the above standards are expected to have a material impact on ESS' financial position or performance.

(h) 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 2026, ESS had £55,392 of fixtures and fittings costs under ESS running costs in Other Operating Costs note 4.

(i) Financial instruments

Financial Instruments are classified and accounted for, according to the substance of the contractual agreement, as financial assets, financial liabilities, or equity instruments. ESS held no equity instruments as at 31 March 2026, 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.

(j) Cash and cash equivalents

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

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(k) 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 2026.

(l) Notional cost

Notional costs represent expenditure incurred on behalf of ESS by other organisations. To reflect the full costs of their activities, ESS record some of these costs in the Statement of Comprehensive Net Expenditure. The amount is then reversed through the Statement of Changes in Taxpayers' equity.

2. Grant Funding for the year ended 31 March

	2025/26 £'000	2024/25 £'000
Scottish Government Grant	2,811	2,535
Total grant funding	**2,811**	**2,535**

3. Staff costs

Staff costs in 2025/26 amounted to £2,235,023 (2024/25 £1,886,944). A breakdown of these costs is given in the Remuneration and Staff Report set out in section 3.

4. Other operating costs

Other operating costs	2025/26 £'000	2024/25 £'000
Third Party Contracts*	166	127
Shared Service Costs**	84	55
Consultancy	28	47

ESS running costs***	266	276
Learning and Development	17	33
Total Other Operating Costs	**561**	**538**

* Third party contracts include: website development; legal advice; internal audit fee; communications and design services

** Shared services include: Scottish Government IT and procurement re-charges

*** Running costs include: office costs; refurbishment costs; subscriptions; website maintenance

5. Notional costs

Notional costs	2025/26 £'000	2024/25 £'000
External Audit Fees	66	59
Total notional costs	**66**	**59**

6. Right-of-use assets

Property, plant and equipment Cost	2025/26 Buildings £'000	2024/25 Total £'000
At 1 April	728	718
Re-measurement	5	10
At 31 March	**733**	**728**

Depreciation		
At 1 April	103	30
Charge for year	73	72
Disposals	-	-
At 31 March	**176**	**102**
NBV at 31 March	**557**	**626**

7. Other receivables

Other current assets	2025/26 £'000	2024/25 £'000
Other receivables	25	10
Total other current assets	**25**	**10**

8. Cash and cash equivalents

	2025/26 £'000	2024/25 £'000
ESS RBS Bank Account	-	-

9. Trade and other payables

Trade and other payables	2025/26 £'000	2024/25 £'000
Trade payables	105	30
Taxation and social security	44	37

(HMRC related accruals)		
Accruals	51	68
Total Other payables	95	106*
Total due within one year	**200**	**136***

* These totals are affected by rounding differences

10. Lease liabilities

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

Lease liabilities	**2025/26 £'000**	**2024/25 £'000**
Current	90	87
Non-current	512	575
Balance at 31 March	**602**	**662**
The movement in the lease liabilities during the year was as follows:		
At 1 April	662	692
Re-measurement	5	32
Lease repayments	(88)	(87)
Interest costs	23	25
At 31 March	**602**	**662**

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2025/26 £'000	2024/25 £'000
Depreciation	73	73
Interest Expense	23	25
Total Lease Costs through SoCNE	**95***	**97***

* These totals are affected by rounding differences

Amounts recognised in the Statement of Cash Flows

	2025/26 £'000	2024/25 £'000
Repayment of principal on leases	65	62
Interest expense	23	25
Cash flows	**88**	**87**

Maturity Analysis

Lease payments (principal and interest) maturity analysis	**Lease payments due £'000**
Not later than one year	88
Later than 1 year and not later than 2 years	88

Later than 2 years and not later than 3 years	88
Later than 3 years and not later than 4 years	88
Later than 4 years and not later than 5 years	88
Later than 5 years	251
Total lease payments	**693***
Less: unearned lease interest	(91)
Total lease liabilities	**602**

* This total is affected by rounding differences

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 2026 there were no contracted capital commitments or contingent liabilities (2024/25: no capital commitments or contingent liabilities).

14. Segmental reporting

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

15. Events after the reporting period

As at the date of signing, no event has occurred since 31 March 2026 which materially impacts the financial statements.

Annex A – Accounts Direction

Scottish Government
Riaghaltas na h-Alba
gov.scot

Environmental Standards Scotland

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.

2. The statement of accounts for the 18 month financial period ended 31 March 2023, and subsequent years ending 31 March, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 2/2/2022

ENVIRONMENTAL
Standards Scotland
Ìrean Àrainneachdail na h-Alba

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ISBN: 978-1-918489-02-6