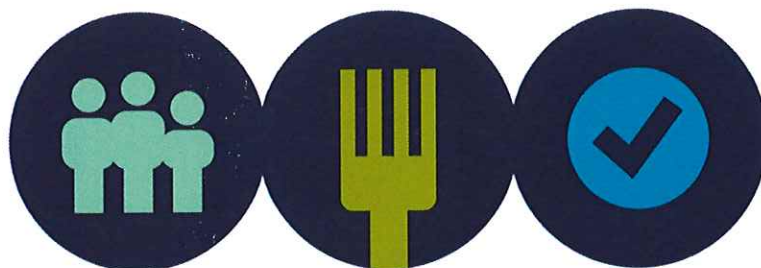




FOOD STANDARDS SCOTLAND

**ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2016**



Laid before the Scottish Parliament pursuant to section 15(5) of the Food (Scotland) Act 2015.

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Performance Report

Overview - Chief Executive's Introduction

The transition to be able to launch Food Standards Scotland (FSS) on 1st April was a major challenge and significant achievement but in reality the transition did not stop at that point. This has continued to be a year of considerable development for us as we have evolved to a standalone organisation. The scale of change has remained significant with change occurring at a process level (becoming familiar with new systems and procedures) through to working to our own independent non-executive Board. Alongside all of that has been the need to establish our own identity as an organisation separate from the UK Food Standards Agency (FSA) but equally to ensure that we maintained the excellent relationships we had as Food Standards Agency Scotland.

As the report says this year has been about stability and ensuring we can deliver against our legislative remit. I can confidently say that we have stepped up to the mark and as this report shows in terms of the breadth of activities we have undertaken, from day 1 we have continued to deliver policy change, advice, inspection and regulation which furthers our primary aim of protecting consumer interests with respect to food safety, standards, labelling and nutrition. Over and above the day-to-day fulfilment of our policy and regulatory functions the most important achievement has been the delivery of an FSS strategy taking us from 2016-2021. It is both ambitious and challenging but one that we believe will make a positive difference to consumers in Scotland.

Second to that has been the delivery of a revised diet and nutrition approach: "Proposals for Setting the Direction for the Scottish Diet". This is significant and worthy of specific mention because part of the reason we came into being was to address diet and nutrition in Scotland. This underlines the value of an independent body that is able to use sometimes uncomfortable, but always evidence based information to make decisions and make recommendations in an area that is often difficult because it is sensitive for individuals, but its importance at a population level cannot be ignored. Current levels of overweight and obesity in Scotland are unsustainable and stubbornly high, and they cannot continue if Scotland is to flourish both in terms of health and economic prosperity: an unfit, unhealthy Scotland will not be a productive or economically successful country. This is our biggest public health challenge.

Finally it would be remiss not to highlight the continued delivery by all FSS staff: whether its frontline inspection staff or office-based staff, all have been tremendous. The "business as usual" has continued throughout the year to a very high standard. I am proud of what we have achieved in the first year but even more so of the staff within FSS. As an organisation we are only as good as the people working in it and in that sense we are very fortunate: we have excellent, dedicated and determined staff all working and focused on improving public health in Scotland and protecting consumers.

About FSS

Statutory Background

FSS is the public sector food body for Scotland. It is here to ensure that information and advice on food safety and standards, nutrition and labelling is independent, consistent, evidence-based and consumer focussed.

FSS provides advice, information and assistance to the Scottish Ministers and other public bodies on food and animal feed matters, and develops, and assists the Scottish Ministers and others to develop, policies in those areas. It records policy recommendations, its decisions and the reasons for them in the Board minutes, which are made publicly available.

FSS is a trusted source of advice for consumers and protect consumers through delivery of a robust regulatory and enforcement strategy. More about how we regulate can be found on our website at: <http://www.foodstandards.gov.scot/food-safety-standards/regulation-and-enforcement-food-and-feed-law>

FSS was established on 1 April 2015 by the Food (Scotland) Act 2015 as a non-ministerial office, part of the Scottish Administration, but separate from, the Scottish Government.

The 2015 Act gives FSS three statutory objectives:

- to protect the public from risks to health which may arise in connection with the consumption of food;
- to improve the extent to which members of the public have diets which are conducive to good health; and
- to protect the other interests of consumers in relation to food

We are defined in law as a 'competent authority' and an 'enforcement authority' to implement and monitor Scottish and European Union food and feed regulations. We ensure that Scottish Ministers' policy is fed into European Union policy making on the regulation of food and animal feed.

On becoming established, FSS took over the organisation, operations and employees of the branch of Food Standards Agency that operated in Scotland.

Our Vision

It is clear that consumers – the public – should be at the heart of everything we do. Our primary concern is consumer protection – making sure that food is safe to eat, ensuring consumers know what they are eating and improving nutrition. Putting consumers first, therefore, is the value that is at the heart of FSS's vision:

To create a food and drink environment in Scotland that benefits, protects and is trusted by consumers.

Our Purpose

By delivering our functions effectively to achieve our statutory objectives, we will contribute to the Scottish Government's Purpose across a range of National Outcomes, in particular:

- We live longer, healthier lives.
- We have tackled the significant inequalities in Scottish society.
- Our children have the best start in life and are ready to succeed.
- We realise our full economic potential with more and better employment opportunities for our people.
- We live in a better Scotland that is the most attractive place for doing business in Europe
- We reduce the local and global environmental impact of our consumption and production
- Our public services are high quality, continually improving, efficient and responsive to local people's needs.

Our Values

The values against which we will measure everything we do are:

- Public service – having people at the heart of what we do, putting the consumer first;
- Authority – being a credible, consistent and trusted voice of authority on food matters in Scotland, basing our decisions upon sound science and evidence
- Openness – being open and transparent in our dealings with the public, stakeholders and partners
- Independence – at arm's length from Ministers, but aligned with the Government's Purpose
- Partnership – collaborating with others to achieve the best outcome for the public

Our Approach to Better Regulation

FSS fully supports the Scottish Government's approach to better regulation which aims to reduce unnecessary regulatory burdens on business, helping to support the Government's wider purpose – to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish through increased sustainable growth. Good, compliant businesses are good for growth and for consumer protection.

As part its statutory duty under the Regulatory Reform (Scotland) Act 2014 to contribute to sustainable economic growth FSS will aim to eliminate obsolete and inefficient regulation, tackle inconsistencies in regulatory systems and enhance Scotland's competitiveness by:

- Championing the five principles of better regulation – that regulation be **proportionate, consistent, accountable, transparent** and **targeted**.

- Carefully assessing the impact of any new regulations.
- Working closely with key delivery partners, including local authorities and other regulators and the independent business-led Regulatory Review Group.

Performance Summary

Developing our Strategy and Corporate Plan

As a new organisation, FSS started the process of developing its Strategy and Corporate Plan during 2015/16. At the start of the reporting year, we envisaged there being three transitional stages to our corporate plan to develop FSS as a standalone organisation, focussing on delivering outcomes that benefit Scottish consumers.

Stability – establishing the organisation, ensuring we have the right infrastructure, and access to the skills and resources needed to take forward our core functions. This was primarily linked to our first year.

Sustainability – ensuring we have the on-going capacity and capability to be the best organisation we can be, to help us deliver better outcomes for consumers.

Maturity – this longer term phase relates to how we will mature as an organisation, developing our work into the other interests of consumers in relation to food, leading where it is appropriate for FSS to lead and working in partnership with others where that is the right approach.

To create this stability in the first year, the Chair and Chief Executive agreed a number of objectives for 2015/16. The sustainability and maturity phases link to the development and implementation of the Strategy and Corporate Plans.

The five-year Strategy and Corporate Plan setting out what we intend to do for the first three of these years – to 2019 - have now been developed through discussion and involvement from stakeholders and consumers and a period of public consultation, resulting in our Strategy being agreed by our Board in March 2016 and the Corporate Plan in June 2016.

Risk and Uncertainties

Our approach to managing risk is covered in more detail as part of the Governance Statement on page 28-30 of this report.

Financial Performance

The revenue resource expenditure for the year ended 31 March 2016 was £15.0m as shown in the Statement of Comprehensive Net Expenditure, compared to a revenue budget of £15.5m

Capital resource expenditure for the year ended 31 March 2016 was £0.4m compared to a Capital budget of £0.2m. This was due to the reclassification of project revenue expenditure to capital at the end of the financial year.

Total resource expenditure for the year was therefore £15.4m compared to a Departmental Expenditure Limit budget of £15.7m, resulting in an underspend of £0.3m for the year.

FSS drew down £15.5m in cash terms to cover its capital and net operating costs for the year.

Supplier Payment Policy

In line with Scottish Government policy, FSS requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract. FSS aims to pay 100% of these invoices, including disputed invoices once the dispute has been settled, on time in these terms. During the year ended 31 March 2016, FSS paid 100% of its invoices within these terms.

Additionally, in accordance with Scottish Government's guidance on prompt payment, an associated 10 day payment target also exists, for all valid and undisputed invoices. During the year ended 31 March 2016, FSS paid 89% of its invoices within these terms.

Health, Safety and the Environment

During the first year of operation, FSS adopted a health and safety management system largely based on the system previously used when part of the Food Standards Agency in order to provide a level of continuity in approach for our staff. We have also established a FSS Health and Safety Committee which is chaired by the Director of Operations and attended by members of Operations, Corporate Services, contractors and trade union representatives. The Committee considers all matters related to the health and safety of our staff. During the year we have also invested in specific health and safety related training for our staff and recruited a Health and Safety advisor who will further develop our governance arrangements in relation to health and safety to ensure we comprehensively discharge our obligations in this area.

Reportable Incidents, Diseases and Dangerous Occurrences (RIDDOR)

During the year we recorded a total of 25 health and safety incidents. 12 related to accidents in the workplace and 13 were reported near misses. Out of the 12 accidents reported during the year 2 were reported to the Health and Safety Executive as they resulted in staff absence over seven days. All incidents reported are followed up in accordance with the FSS health and safety policies and corrective action taken where necessary.

Sustainability and Climate Change Reporting

FSS is committed to environmental stability and cutting our carbon emissions. We are a listed body under the Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Order 2015, which came into force on 23 November 2015.

The order requires that all listed bodies prepare a report on compliance with its climate change duties as outlined in the Climate Change (Scotland) Act 2009 within 8 months of the end of the reporting year. As a new body within the Scottish Administration, FSS will therefore publish its first Climate Change Duties Report and Action plan by November 2016 which will relate to 2015/16.

Complaints Handling

FSS has adopted the Model Complaints Handling Procedure as published by the SPSO, and we have published the procedure and an associated Guide for Customers on our website - <http://www.foodstandards.gov.scot/how-we-work>

We received 10 formal complaints during 2015/16. Of these, 7 were resolved at the frontline within 5 days, with 2 being upheld, 1 partially upheld, and 4 not upheld. A further complaint required investigation but was resolved within 20 days, and was partially upheld. The remaining two complaints required detailed investigation, which took over 20 days, and resulted in one complaint being partially upheld, and the other not upheld.

The Scottish Public Services Ombudsman (SPSO) is the final stage for complaints against FSS. A member of the public may ask the SPSO to look at their complaint if they are not satisfied with our decision or the way that we have handled the complaint. We have not been contacted by the SPSO regarding any complaints about our service.

Freedom of Information

Under the Freedom of Information (Scotland) Act 2002 everyone has the right to ask for any information that we hold. We received 5 freedom of information requests during 2015/16, and responded to each within 20 working days. FOI law requires authorities to publish information as well as respond to requests. We have adopted the Model Publication Scheme 2015 produced by the Scottish Information Commissioner, and have published an associated Guide to Information.

<http://www.foodstandards.gov.scot/freedom-information>

Performance Analysis

Strategic Outcomes

The first Strategy and Corporate Plan for Food Standards Scotland was agreed by the Board and will be published in August 2016. The Strategy sets out our strategic objectives and long term vision and will cover the period 2016-2021.

Our Corporate Plan covers the period 2016-19, which allows us to be flexible and adaptable. This plan will be translated through our annual business planning activities and during 2016/17 we will further develop measures and indicators to monitor and report performance against delivery of our strategic objectives, business as usual activity and any new change initiatives. This will also form the basis on reporting and analysing our performance in future annual reports.

We have structured the analysis of our first year's performance against the six strategic outcomes, which are linked to a number of relevant National Outcomes in the 'Scotland Performs Framework', contained within our Strategy.

These are:

- Food is safe
- Food is authentic
- Consumers have healthier diets
- Responsible food businesses flourish
- FSS is a trusted organisation
- FSS is efficient and effective

OUTCOME 1- FOOD IS SAFE

What this means:

- Food placed on the market is compliant with food safety legislation
- Wherever appropriate, food is supplied with accurate instructions to ensure safe storage and handling
- Consumers understand the risks and how to protect themselves and those for whom they prepare food from foodborne illness

Achievements in 2015/16:

Delivery of Food Safety Official Controls

In 2015/16 we delivered official controls in 119 approved meat establishments across Scotland. We monitor carcass contamination as a means of measuring the effectiveness of Food Business Operator (FBO) controls and, in 2015/16 this indicated that carcass contamination of: cattle 4% in 2015/16 and 5% in 2014/15; sheep 3% in 2015/16 and 3% in 2014/15; and pigs 2% in 2015/16 and 2.65% in 2014/15 had reduced to record low levels.

During 2015/16, a total of 100 approved meat establishments were audited to ensure that FBOs are complying with food law requirements and that slaughterhouses are complying with relevant standards of animal health and welfare. At the end of March 2016, audit outcomes were: 50 establishments rated as good, 49 as generally satisfactory and 1 as requiring improvement.

In response to the E. coli incident in 2015 linked to wild game, we extended our programme of unannounced inspections of FSS approved establishments to include Game Handling Establishments.

Monitoring Food Safety Official Controls

Nine local authorities were subject to an audit of core enforcement activities this year. Recommendations were raised on 4 of the 9 local authorities, with 3 of these required to take action to ensure that they carry out

interventions/inspections, and approve or register establishments in accordance with the relevant legislation, Codes of Practice, centrally issued guidance and the Authority's policies and procedures.

Incident Management

We dealt with 154 food incidents in Scotland in 2015/16, the majority of which were due to the identification of microbiological food safety risks (39%), the detection of biotoxins in shellfish which exceeded legal limits (19%) and poor or insufficient food safety controls by food businesses (12%). The total number of food incidents included 10 (6%) in relation to allergens and 7 (5%) as the result of adulteration or fraud with the remaining 19% classed as miscellaneous due to the low number reported across a range of different types of food related incidents.

Other food safety initiatives

We have worked in partnership with the FSA to monitor, and reduce, the risks associated with Campylobacter in UK produced chicken. This includes publication of the findings of a survey of Campylobacter levels in fresh chicken on retail sale, a research programme to understand the attribution of Campylobacter infection in the Scottish population, and a programme of work aimed at improving controls applied in chicken production in Scotland.

Two targeted food safety campaigns were run during 2015/16. The 'Look at the Label' campaign in November 2015 aimed to raise awareness of use by dates, front-of-pack colour-coded nutritional information, food storage safety tips and allergens labelling information. The Festive Food Safety campaign 'Food poisoning is the last thing on anyone's list' promoted awareness of risks associated with catering during the festive period and encouraged uptake of specific food hygiene actions.

Formal Enforcement Action

In accordance with the Food (Scotland) Act 2015 we report each year on enforcement action taken. The figures below show the numbers and types of enforcement action taken by FSS in approved slaughterhouses, game handling establishments and cutting plants in Scotland during 2015/16.

Statutory notices may be served for failures in hygiene, unsatisfactory structural matters, to stop the use of particular types of equipment, to impose conditions on the meat production process, to close down the operation completely, or to stop a particular practice that contravenes the hygiene provisions of the legislation. Statutory notices must accurately reflect the non-compliance, refer correctly to the relevant legislation, and be clearly legible and unambiguous, to be legally valid.

Formal Action	Number of notices 1 April 2015 to 31 March 2016
Hygiene Emergency Prohibition Notice , Served under the Food Hygiene (Scotland) Regulations 2006	Nil
Hygiene Improvement Notice served under the Food Hygiene (Scotland) Regulations 2006	26
Remedial Action Notice served under the Food Hygiene (Scotland) Regulations 2006	16
Welfare Enforcement Notice served under The Welfare of Animals at the Time of Killing (Scotland) Regulations 2012	5

Informal Action	Number of warnings 1 April 2015 to 31 March 2016
Written warning	238

OUTCOME 2 - FOOD IS AUTHENTIC

What this means:

- Food is of the nature, substance and quality described by the supplier.
- Consumers have confidence that food information is accurate and clear
- The foodstuff is from the specified plant, animal and geographical location described on the label
- The composite ingredients of the product are described and at the appropriate quantities according to legal standards.
- The food meets the requirements of any quality marketing standard which has been applied or that the product's specific qualities have not deteriorated.

Achievements in 2015/16:

Food Crime

The Scottish Food Crime and Incidents Unit (SFCIU) was established in September 2015 and during the same month the unit's remit, in terms of its approach to Food Crime was agreed by the Board. A significant part of the unit's work during the latter part of 2015/16 centred on recruitment of staff and establishing appropriate processes, procedures and partnerships to aid the unit's work moving forward. In addition, alongside FSA we published the first UK Food Crime Strategic Assessment, in March 2016. During the year we were recognised as a Specialist Reporting Agency by the Crown Office.

Surveillance and surveys

The UK Food Surveillance System (UKFSS) is a central repository of local authority sampling data, which FSS analyses annually to inform their work, including development of future sampling plans. UKFSS recorded details of 845 samples taken by local authorities and tested for food authenticity during 2015/16. These included speciation tests undertaken on 709 meat samples

and 110 fish samples, as well as 25 samples to determine the authenticity of honey. A total of 19 of these samples (2%) gave an unsatisfactory result including 12 meat samples and 7 fish samples in which undeclared species were identified.

FSS commissioned a survey which sought to determine the extent of fish substitution in foods supplied to public sector organisations in Scotland. The survey identified a number of issues relating to the mislabelling of fish products which prompted follow up action by local authorities and informed guidance for public sector bodies. The final report can be found at: <http://www.foodstandards.gov.scot/news/fss-survey-fish-authenticity-foods-schools-care-homes-and-hospitals>

OUTCOME 3 - CONSUMERS HAVE HEALTHIER DIETS

What this means:

- Dietary choices of the Scottish population change towards meeting the recommended dietary balance and the Scottish Dietary Goals.

Achievements in 2015/16:

Improving the Scottish diet

In establishing FSS as an authoritative, primary source of evidence based diet and nutrition advice in Scotland, we drew extensively on current evidence to revise the Scottish Dietary Goals (SDG) (<http://news.scotland.gov.uk/News/Scottish-Dietary-Goals-2423.aspx>) and to produce a wide ranging set of recommendations for the improvement of the Scottish diet.

In December 2015 the Board agreed revisions to the SDG which were subsequently approved by Scottish Ministers, and a new set of goals were published on the Scottish Government website in March 2016. We also provided advice to Ministers on the need to update relevant SG policies to bring them in line with the new SDG.

In January 2016, the Board agreed and recommended a series of measures to Ministers that re-focus the current policy approach to diet and nutrition which could lead to a major policy shift to reduce calorie intake and rebalance the diet through reductions in sugars, fats, salt and discretionary foods, together with increases in fibre rich foods such as whole grains, fruits and vegetables. Measures identified included consideration of sugar tax, reformulation of food and drink products, reductions in advertising, marketing and portion sizes of high fat, sugar and salt foods, and steps to help empower and assist consumers make healthier choices. The Board recognised the need for collaborative working with partners and stakeholders if meaningful progress towards the goals is to be made, and that all approaches, including regulation, would have to be considered.

Research and monitoring

Throughout 2015-16, we continued to monitor dietary intake and report population trends against the SDG (<http://www.foodstandards.gov.scot/monitoring-progress-towards-scottish-dietary-goals-2001-2012-report-1>) (<http://www.foodstandards.gov.scot/monitoring-progress-towards-scottish-dietary-goals-2001-2012-report-2>). In addition to this, the main food contributors to calories, fats and sugar in the Scottish diet were identified. Dietary salt intake in Scotland was measured by a urinary sodium survey and published as an official statistic in March 2016 (<http://www.foodstandards.gov.scot/national-diet-and-nutrition-survey-assessment-dietary-sodium>). Data on trends in the retail purchase and promotion of foods and drinks was also published showing high levels of purchase and promotion of discretionary foods and drinks (<http://www.foodstandards.gov.scot/monitoring-foods-and-drinks-purchased-into-the-home-in-scotland> & <http://www.foodstandards.gov.scot/food-and-drink-purchasing-secondary-school-pupils-beyond-school-gate>)

In December 2015, we published collated evidence about the state of the Scottish diet. This situation report, **The Scottish Diet: It needs to Change** <http://www.foodstandards.gov.scot/scottish-diet-it-needs-change> presented the information in a simple graphical format highlighting the extent to which dietary change is needed.

The need for new cost effective dietary assessment tools for Scotland led to the development of a new web based tool called INTAKE 24. A field test of INTAKE24 to measure dietary intakes from a sample of consumers in Scotland aged 11+ was published in March 2016 <http://www.foodstandards.gov.scot/field-testing-use-intake24-sample-young-people-and-adults-living-scotland>. During the year, we also obtained agreement from the Scottish Health Survey Project Board to pilot INTAKE24 alongside the Health Survey in 2016/17.

We have worked throughout 2015/16, with Scottish Government (SG) Rural Affairs, Food and Environment (RAFE) colleagues to develop their Strategic Research themes for 2016-2021, and will continue to work with RAFE to help ensure the effective use and application of SG-funded research and surveillance resources for diet and nutrition and food safety in Scotland.

In advance of the January Board meeting, we also commissioned and published data on Attitudes to Diet and Health in Scotland (November 2015) <http://www.foodstandards.gov.scot/attitudes-diet-and-health-scotland-2015>. This provides contextual information about consumer understanding of a healthy diet and why consumers find it difficult to make changes to their diets.

OUTCOME 4 - RESPONSIBLE FOOD BUSINESSES FLOURISH

What this means:

- Food businesses that operate responsibly and do things that benefit consumers' interests benefit from risk-based and proportionate regulation that enables them to flourish, whilst effective action is taken with those businesses who do not step up to their responsibilities to consumers.

Achievements in 2015/16:

Regulatory strategy

We have developed a draft regulatory strategy, which was agreed for stakeholder consultation in March. As FSS has a statutory obligation to comply with the Scottish Regulators Strategic Code of Practice, the Regulatory Strategy document outlines in a transparent fashion how we will meet this obligation. This includes embedding the 5 principles of better regulation in all that we do, namely transparency, consistency, proportionality, accountability and targeting of interventions. For example, we have committed to adopt the national compliance spectrum for targeting interventions which means fully understanding those we regulate and targeting interventions at those who have criminal intent or are wilfully negligent, whilst supporting, and removing burdens from, those who are fully compliant with legal requirements and adopt good practice. We have also outlined our approach to regulatory decision making so that stakeholders can be assured that we are taking a consistent approach to decision making.

Risk-based and proportionate regulation

We have worked with the Scottish Food Enforcement Liaison Committee in developing a proposed revised scoring matrix (a progressive ladder system) which is designed to help reward compliant businesses by reducing the burden of inspection visits where sustained past compliance has been demonstrated.

We provided expert advice to COSLA in their work to develop uniform guidance to local authorities on the issuing of export health certificates, designed to minimise duplication and standardise approaches. We also provided scientific and technical advice to Defra related to risk assessment around levels of heavy metals in crabs being exported to China. The advice has helped to secure a continuation of exports to China.

Legislation

We have laid 5 Scottish Statutory Instruments in Parliament over the reporting year to continue to enable effective and proportionate enforcement of food safety and standards legislation in Scotland.

OUTCOME 5 - FSS IS A TRUSTED ORGANISATION

What this means:

- Consumers in Scotland are aware of FSS and trust us to put them first in relation to food safety, food standards and healthy eating.
- FSS understands the other interests of consumers in relation to food, and leverages influence where appropriate to benefit the interests of consumers

Achievements in 2015/16:

Consumer awareness and trust

A programme of marketing activity has been implemented in 15/16, each element of which had either as a primary or secondary objective: the requirement to raise awareness and understanding of the newly created FSS brand, and to position the organisation as the trusted voice of authority in its areas of interest. The outdoor poster element of the #lookatthelabel marketing campaign in November reached 2.8 million adults in Scotland, whilst a press partnership reached 1.45 million and people were able to view digital advertising 8.3 million times in total. The second marketing campaign this year – Festive Food Safety, generated action amongst campaign recognisers, with 82% claiming to have taken some action as a result, and over 117,000 views of the campaign advert on YouTube.

PR and social media to support campaign activity and raise awareness of other FSS initiatives such as the situation report: The Scottish Diet: It Needs to Change generated over 200 pieces of coverage at a PR value of well in excess of £350K. Twitter and Facebook were established as key FSS communications channels and work was undertaken to build followers.

Additional brand activity included sponsorship of the Rugby World Cup supplement in the Scottish Sun and perimeter advertising at a Six Nations and a Scottish international football match.

A new FSS stand was developed at events such as the Royal Highland Show, the Freshers' Festival in Glasgow, the 50+ Show and the Dundee Food & Flower Festival. There were over 15,000 visitors to the Royal Highland Show stand, 73% of whom interacted with the stand in some way.

In September 2015 FSS launched www.cookincastle.com, a new resource for primary school-aged children, developed with teachers and partners in the education sector to communicate food hygiene and healthy eating messaging and is now being used regularly by 30% of Scotland's primary schools.

Understanding consumers' interests

During our first year, we undertook five pieces of qualitative insight work and two quantitative studies to foster a better understanding of Scotland's consumers. This included insight around healthy eating (particularly in regard to 'discretionary' food and drinks), our work in education, the FSS Strategy, our new website and the Food Hygiene Information Scheme (FHIS) alongside a new biannual Food In Scotland Consumer Tracking Survey and a Segmentation of the Scottish population by knowledge, behaviour and attitudes around food safety and healthy eating. This work forms a solid foundation of research upon which communications and marketing, as well as policy development, will be built in order to drive change alongside other measures. The Survey established a baseline for trust in FSS to do its job - this stood at 70% in December 2015.

OUTCOME 6 - FSS IS EFFICIENT AND EFFECTIVE

What this means

- We are an organisation of well-motivated and appropriately skilled people committed to carrying out all our duties in a responsible way. Our resources are focussed on doing the right things, and doing them in ways that are most effective for achieving our objectives.

Achievements in 2015/16:

FSS established its first Board and Senior Management Team to lead the organisation and the working relationships were governed by a Code that was agreed by the Board. The Code brings together the core elements of FSS governance. It will be subject to annual review, and may be supplemented or revised as appropriate at any time, subject to the approval of the Board.

Partnerships

FSS places great importance on partnership working, to support efficiency and effectiveness across our remit.

A foremost priority at the outset of our establishment was the agreement of a memorandum of understanding (MOU) with the Food Standards Agency (FSA), underpinned by protocols covering key areas of collaboration essential to consumer protection.

We have also continued to work in partnership with the local authorities for delivery of Official Controls in the majority of food business, providing advice and guidance as required and enhancing our engagement programme via workshops, training events and support to the key professional bodies representing food safety and environmental professions.

People strategy

We focused this year on developing an appropriate pay and reward strategy for FSS, which culminated in the acceptance by 87% of our staff of an offer of transfer to Scottish Government Main (SGM) bargaining unit terms and conditions of employment with effect from 1 April 2016. The staff who did not accept the offer will retain their Food Standards Scotland terms and conditions. The change will align FSS with Scottish Ministers' pay policy, deliver efficiency savings and, by more effective use of HR shared services, will enable FSS staff to focus on strategic development of HR and learning and development functions, rather than on process delivery.

The year has also seen significant recruitment activity to fill critical roles in new areas of work including the establishment of the SFCIU, the creation of in-house communications and marketing capability, a Chief Scientific Adviser to provide oversight and challenge on our science delivery, and additional policy expertise in new areas. 31 new staff joined the organisation, and 11 staff were internally promoted, allowing the organisation to benefit from a mix of new skills and experience as well as developing and building on existing expertise. In addition, inward and outward secondments have enabled sharing of skills and knowledge.

Development activity has included health and safety and new skill areas such as crisis management, specialist investigative training and social media and communications.

Cost effective official controls

FSS delivers official controls in respect of meat, shellfish and wine, and has established an integrated Operations team to replace separate dedicated meat and shellfish teams, thus moving to a more efficient and effective model for official controls delivery, and helping to ensure that future delivery of shellfish official controls is targeted, proportionate and sustainable.

We provide a range of services in approved meat establishments in Scotland. While some of these services are currently paid for by other UK Government Departments, others are charged to food business operators directly. A new meat hygiene charging system, developed with the industry on the principle of simplicity, was introduced on 1 April 2015 and was designed to encourage more efficient use of FSS resources deployed in approved premises and make the process of charging much more transparent and clearer to food businesses. We have worked to refine this new system over the year and will continue to do so moving into 2016/17.

Digital Strategy

During 2015/16 FSS faced the challenge of deploying much of its IT on the Scottish Government (SCOTS) shared services platform allowing for secure sharing of information between FSS and the wider Scottish Government departments. In addition:

- The SFCIU has been provided IT access which will enable them to communicate securely.
- FSS has successfully implemented a digital platform by which information from the operations field can be shared across FSS in near real time, as well as allowing for reporting and analysis to identify trends from which more effective business decisions can be made.
- A geographical information system (GIS), has been introduced. GIS will facilitate communication of complex ideas with the public, as well as efficiently and effectively displaying information within FSS and with Scottish Government departments.

Enabling Work

In addition to the achievements described above, during 2015/16, FSS has undertaken a number of pieces of groundwork that will provide a launch pad for 2016/17. These include:

- Development of a foodborne illness strategy which will outline our approach for minimising microbiological, chemical and radiological risks through interventions aimed at the key transmission routes for the foodchain.
- A plan to review shellfish official controls, including small scale and local supply chains and the local authority implementation strategy for cross contamination cross contamination guidance.
- Developing our advice to Scottish Ministers on mandatory folic acid fortification, through initial engagement with the Scientific Advisory Committee on Nutrition (SACN).
- Board approval to review the Food Hygiene Information Scheme (FHIS) and undertaking consumer insight on the schemes use by consumers.
- Work to explore opportunities for working together with Health Protection Scotland, SEPA, and NHS Health Scotland, and discussion with National Records of Scotland regarding the permanent preservation of FSS records of enduring value.



Geoff Ogle
Chief Executive and Accountable Officer

Date: 17 August 2016

Accountability Report

This Annual Report and Accounts is prepared to meet the requirements of Section 15 Food (Scotland) Act 2015. The Accounts for the financial year ended 31 March 2016 have been prepared in accordance with the Accounts Direction given by Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. The Annual Report and Accounts were approved by the Board and authorised for issue on 17 August 2016.

Financial Regularity

The budget for FSS is met from existing resources within the Scottish Consolidated Fund and through income received from industry and other government departments in relation to the delivery of Official Controls in approved meat establishments.

FSS is classed as a directly funded external body which requires separate parliamentary approval from the Scottish Government portfolio and consequently the FSS budget is detailed separately in the relevant Budget (Scotland) Bill.

The Budget (Scotland) Act 2015 confirmed the FSS resource budget for the financial year 2015/16 as £15.7 million.

During the Scottish Government's Spring Budget Revision in January 2016, FSS returned an identified underspend of £0.2 million to SG Central Finance which would have resulted in a revised budget of £15.5 million for the remainder of the 2015/16 financial year. Due to the level of materiality this return was not processed by Scottish Government finance and the FSS budget remained at £15.7m. Whilst the return of budget was not accepted, Scottish Government factored in the forecast outturn to their own financial forecast.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposes a duty on FSS to publish information on certain expenditure it has incurred during the year. The relevant areas are: public relations; overseas travel; hospitality and entertainment and; external consultancy. In addition, FSS are also required to publish any relevant information on what it has done to promote sustainable growth, improve efficiency, effectiveness and economic stability in the exercise of functions. The information is required to be published as soon as is reasonably practicable after the end of each financial year. The information required to comply with these disclosure requirements is not an integral part of the annual accounts and is published on the FSS website at www.foodstandards.gov.scot

For the financial year 2015/16 FSS spent £64,000 on external consultancy which related to legacy IT transition work required following the move from Food Standards Agency IT systems to Scottish Government.

Going Concern

From 1st April 2016, FSS has significant net liabilities relating to the pension liabilities of former FSA staff who are members of the Local Government Pension Scheme (LGPS). The accounts, however, are prepared on a going concern basis since, as a government department, all liabilities are underwritten by HM Treasury.

Significant changes in non-current assets

As a result of the Machinery of Government change that established FSS, £487K of fixed assets were transferred from the Scottish Government to FSS relating to IT equipment required to set up the organisation.

Post balance sheet events

There are no post balance sheet events to report that occurred between the end of the reporting period and the date when the financial statements were authorised for issue.

Charitable Donations and Paid Sponsorships

No charitable donations were made this year. Two sponsorships were made in relation to our presence at the Taste of Grampian event in June 2015 (£4000) and sponsorship of a print media supplement during the rugby world cup to promote our healthy eating and food safety messages (£3625).

Losses and Special Payments

No losses or special payments, as defined within the relevant sections of the Scottish Public Finance Manual, were incurred during 2015/16.

Fees and Charges

To comply with EC Regulation 882/2004, FSS provides a range of services, regulated and non-regulated in approved meat establishments in Scotland. Some of these services are paid for by other Government Departments and others are charged to Food Business Operators (FBOs). The charges for these services are covered in more detail in our 'Charges for Official Controls in Approved Meat Establishments in Scotland' which is published on the FSS website.

<http://www.foodstandards.gov.scot/sites/default/files/Final%20Guidance%20for%20Official%20Controls%20Ver1.0%20May%202016.pdf>

As the result of transition from FSA to FSS agreement was reached with industry stakeholders to continue with a discount on the full costs of providing this service to industry. To comply with the requirements of the Scottish Public Finance Manual regarding full-cost recovery, approval by the Cabinet Secretary for Finance and Sustainable Growth to continue with partial cost recovery was agreed in February 2014.

With the discount system in place, there currently remains a shortfall between the costs for FSS of delivering meat official controls and the income received from FBOs for these services. This was effectively a subsidy of approximately £1.3m to the meat industry for the 2015/16 financial year.

The income received from industry and Government for services provided by FSS during the year is outlined below:

	2015/16		
	£000	£000	£000
	Income	Full Cost	Surplus/ (Deficit)
FSS			
Industry	3,154	4,447	(1,293)
Government	276	276	-
Other	28	28	-
Total	3,458	4,751	(1,293)

Guarantees, indemnities and letters of comfort

No guarantees or letters of comfort were provided during the 2015/16 reporting year.

Corporate Governance Report

Directors' Report

The Board

The members of Food Standards Scotland are appointed by the Scottish Ministers, through an open public appointment process. The members who served during the year were:

Ross Finnie (Chair)
Mr George Brechin
Ms Marieke Dwarshuis
Mrs Heather Kelman (interim Chair from 8 October to 30 November 2016)
Dr Carrie Ruxton
Dr Susan Walker
Dr Anne Maree Wallace
Ms Louise Welsh

The Board provides FSS with strategic leadership, direction, oversight and governance. The Board normally meets in public and did so 6 times during 2015/16. The Board also held one meeting in private, to discuss recommendations from a Scientific Advisory Committee prior to their publication. Minutes of the Board meetings, including the one held in private, are publicly available on the FSS website (<http://www.foodstandards.gov.scot/board>), together with the Board Members' Code of Conduct and Register of Interests. In addition to its formal meetings, the Board attended workshops and briefing sessions to increase its understanding of a wide range of relevant topics.

Details of Board membership, its committees and its operation (including details relating to a register of interests) are outlined in the Governance Statement on page 27 & 28 of this report.

Audit and Risk Committee

The Board has established an Audit and Risk Committee (ARC) as a Committee of the Board to support them, and the Accountable Officer, in their assurance responsibilities through a process of constructive challenge. The ARC is responsible for reviewing in a non-executive capacity, the comprehensiveness of the executive's assurances on governance, risk management and the control environment. It is also responsible for reviewing the integrity of financial statements and the annual report. Details of the Committees membership and its operation are outlined in the Governance Statement on page 28.

Chief Executive and Senior Management Team

Geoff Ogle was appointed by Scottish Ministers on 01 April 2015 as the Chief Executive and is accountable to the Board for the day-to-day running of the organisation and is a member of the Senior Civil Service. It is the responsibility of the

Board to ensure that the performance of Senior Civil Servants working for FSS is managed and cover business, corporate and capability objectives. In the case of the Chief Executive, annual appraisals are conducted by the Chair of the Board and countersigned by the Director General for Health and Social Care in the Scottish Government. Subsequent appointments of Chief Executive may, with the approval of Scottish Ministers, be made by the Board.

Membership of the Senior Management Team in the year was:

Geoff Ogle, Chief Executive
Elspeth Macdonald, Head of Strategy and Policy and Deputy Chief Executive
Peter Midgley, Director of Policy and Evidence
Ian McWatt, Director of Operations

Remuneration and pension entitlements

Details of the Board's remuneration and the Senior Management Team's remuneration and Pension entitlements can be found in the Remuneration and Staff Report on pages 34 to 36.

Information Security and Personal Data Related Incidents

A report on information security and personal data related incidents is provided within the Governance Statement on page 32.

Auditor

Under the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland has appointed Stephen Boyle of Audit Scotland as the auditor for the financial year 2015/16. The duties of the auditor are set out in the Code of Audit Practice approved by the Auditor General, Details of Audit Scotland's notional fee of £47,000 is shown at note 1.13 to the accounts on page 55.

Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, FSS is required to prepare annual accounts for each financial year in the form and on the basis set out in the Accounts Direction reproduced on page 72.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of FSS's and of its comprehensive net expenditure, cash flows and changes in taxpayers' equity for the financial year.

The Principal Accountable Officer of the Scottish Administration has appointed the Chief Executive as the Accountable Officer for FSS. The detailed responsibilities of the Accountable Officer are set out in a Memorandum from the Principal Accountable Officer to the Chief Executive upon appointment.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- Observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and applying 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 annual accounts.
- Prepare the accounts on a going concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding FSS's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers and these are published within the Scottish Public Finance Manual.

As Accountable Officer, I confirm that the Annual Report and Accounts as a whole is balanced, understandable and presents a fair view of FSS's state of affairs as at the end of the financial year. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

So far as I am aware, all relevant audit information has been made available to the auditors and I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Governance Statement

Scope of Accountable Officer's responsibility

As Accountable Officer for FSS, I am responsible for maintaining a sound governance framework and systems of internal control that supports the delivery of FSS's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

FSS is a non-Ministerial Office and part of the Scottish Administration, with direct accountability to the Scottish Parliament. Whilst our accounts are not consolidated with those of Scottish Government, we liaise with Scottish Government colleagues on a regular basis to provide them with information relating to our expenditure and anticipated outturn.

Details of our accountability relationships are set out in our Framework Document, which is our agreement with the Scottish Government and was published in April 2015. The Framework Document and other information on Corporate Governance within FSS is published on our website <http://www.foodstandards.gov.scot/corporate-governance>

The adoption of the Corporate Plan 2016-19, which will drive the delivery of our Strategy, has also provided an overarching framework in the development of our wider governance framework as it will allow us to enhance our business planning, financial and performance reporting, staff performance management and approach to managing risk by directly linking these elements to the delivery of our agreed strategic objectives.

Purpose of the governance framework and systems of internal control.

Our Governance Framework accords with the Scottish Public Finance Manual (SPFM) and these processes have been in place for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts.

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

The system of internal control implemented by FSS is designed to manage risk to a reasonable level, rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness. Within FSS, our systems of internal control are a key element of our governance framework, based on an on-going process designed to:

- identify and prioritise risks to the achievement of FSS's statutory purpose, aims and strategic objectives;
- evaluate the likelihood of those risks being realised, and the impact, should they be realised; and
- manage them efficiently, effectively and economically.

FSS has also established, and will maintain, appropriate financial and procurement procedures in accordance with the SPFM in order to provide reasonable assurance that Scottish Administration resources are being used properly. This includes:

- Budgeting and procurement systems provided by Scottish Government
- Regular reviews of financial management information reports comparing actual performance against forecast
- Appropriate administrative procedures, including segregation of duties
- Annual Business Planning and Budget allocation process which is undertaken across FSS
- Management supervision, through organisational structures, and formal schemes of delegation for both budget and procurement responsibilities.

We also rely on core Scottish Government Divisions for the provision of certain business critical functions, such as core services relating to IT network provisions, procurement support and for transactional finance and human resources shared services. Assurance within these areas is primarily provided through the work of the Internal Auditors.

The Board

As a non-Ministerial Office of the Scottish Administration, FSS is led by a Board of non-executive members, appointed by Scottish Ministers through an open, public appointments process. Members are directly accountable to the Scottish Parliament. The Board sets the strategic direction and holds the Chief Executive to account for the leadership and performance of FSS. The Board met 7 times during 2015/16 to fulfil this role and all of the meetings were quorate. The Chief Executive attends all Board meetings.

Record of Attendance at Board meetings 2015/16

FSS Board Member	22 April	15 June	7 July	16 Sept	9 Dec	20 Jan	16 Mar
Mr Ross Finnie	✓	✓	✓	✓	✓	✓	✓
Mr George Brechin	✓	✓	X	✓	✓	✓	✓
Ms Marieke Dwarshuis	✓	✓	X	✓	✓	✓	✓
Mrs Heather Kelman	✓	✓	✓	✓	✓	✓	✓
Dr Carrie Ruxton	✓	✓	✓	✓	✓	✓	✓
Dr Susan Walker	Part	✓	Part	✓	✓	✓	✓
Dr Anne Maree Wallace	✓	✓	✓	✓	✓	✓	X
Ms Louise Welsh	✓	✓	✓	✓	✓	✓	✓

In line with the FSS culture on openness the Board holds its decision-making meetings in public. Where the Board decides that an agenda item is to be taken in private, for example for reasons of commercial confidentiality, in order not to prejudice legal proceedings, or to protect personal data, the reasons for that decision will be stated in the published minutes of the meeting. Board agendas, papers and minutes of their meetings published on the FSS website. The Board's Code of Conduct, Terms of Reference, Standing Orders and Register of Interests are also publicly available on the website at <http://www.foodstandards.gov.scot/board>.

Board Appointments are made by Scottish Ministers and future appointments will be overseen by the Commissioner for Ethical Standards in Public Life in Scotland. The first round of appointments to the Board were made before FSS was established and therefore were not overseen by the Commissioner, however the process undertaken adhered to the regulated procedure as closely as possible. The normal term of office for a non-executive Board member is 4 years and the details of Members terms of appointment are set out in the Remuneration and Staff Report on pages 34 to 35.

All FSS Board members received induction training and are subject to an annual appraisal by the Chair. The Chair is subject to annual appraisal by the Director General for Health and Social Care. Members also participate in regular training events and will carry out a review of the Board's effectiveness on an annual basis.

Audit and Risk Committee

The Audit and Risk Committee (ARC) has been appointed by the Board and has been established to provide assurance to the Board and Chief Executive, as Accountable Officer, that the appropriate risk management, governance structures and internal controls are in place.

The ARC currently comprises of four non-executive members and the Chair is appointed from the membership of the ARC by the FSS Chair under delegated powers. The Chief Executive, as Accountable Officer, attends all meetings of the ARC. The Committee meets at least four times per a year and the external and internal auditors attend all meetings, and have free and confidential access to the Chair of the ARC. The Committee operates independently of, but reports to, the Board.

Relevant training and development has been, and will continue to be, provided to members of the Committee. The ARC will also periodically review its own effectiveness, including performance, constitution and terms of reference, and report the results of that review to the Board and Accountable Officer, recommending any changes it considers necessary.

Record of attendance at Audit and Risk committee meetings 2015/16

Committee Member	11 Aug	30 Oct	09 Dec	02 Mar
Dr Susan Walker (Chair)	✓	✓	✓	✓
Mr George Brechin	✓	✓	✓	✓
Marieke Dwarshuis	✓	✓	✓	✓
Dr Anne Maree Wallace	✓	✓	✓	X

The Senior Management Team

The Senior Management Team (SMT) provide corporate leadership to FSS and support the Chief Executive in delivering the statutory objectives of FSS as well as directing the day-to-day business of the organisation, consistent with the Board's strategic direction. This is undertaken through a formal scheme of delegation and each member of SMT has responsibility for the development and maintenance of the governance environment within their own area of control.

SMT holds a formal meeting once a month and additionally has catch-up meetings weekly, primarily to review actions and deal with any urgent business. The Chief Executive also has regular one-to-one meetings with his direct reports (Head of Strategy and Policy and Deputy Chief Executive, Director of Operations and Head of Private Office) and with the wider Corporate Leadership team of the organisation.

Risk and Control Framework

All bodies subject to the requirements of the Scottish Public Finance Manual (SPFM) must operate in accordance with the relevant guidance issued by Scottish Ministers and the general principles for risk management are set out in the SPFM.

In its first year of operation, FSS has adopted the principles of the Scottish Government approach to managing risk and follows the Scottish Government's Risk Framework to manage risks effectively. This framework is used to provide assurance to the Board, Audit and Risk Committee and me, as Accountable Officer that risks to achieving business objectives are identified, assessed, addressed and reviewed.

FSS adopted a three tier approach to recording risks:

- Corporate Risk Register – owned by the Board
- Level 1 – Risk Register – owned by the Senior Management Team
- Level 2 Risk Register – owned by Directors

Identified risks are recorded and maintained on the appropriate level of risk register. The Senior Management Team reviews and updates the Level 1 risk register monthly, and then reports to the ARC on a quarterly basis. The tiered approach to recording and managing risks also allows escalation to take place when the mitigation or management of a risk cannot be done effectively at the expected management level. Risks can also be delegated to a lower level when managers are satisfied a risk is under control but decide that some oversight is required.

During the reporting year, two risks rated as High were reported to the ARC through the escalation process outlined above. The first related to an issue with the submission of electronic timesheets and the controls associated to ensure fraudulent activity could not take place. Whilst the risk was not material, given the FSS zero tolerance approach to fraud, mitigating action was quickly implemented to remove the risk through a mix of process and system revisions. The second related to the potential inability to be able to implement a centralised model for the delivery of feed Official Controls. This is an on-going risk and mitigating action, through discussions with local authority representatives and Scottish Government continue. It is important to raise this within my Governance Statement as there is potential for this to impact FSS business during 2016/17 as the issue could put a significant FSS programme at risk and poses significant reputational risks for Scotland.

With the establishment of various Programme Boards during 2015/16, separate risk registers are being developed to ensure good governance at a programme level, with the appropriate escalation mechanisms still in place should the management of the risk require escalation.

During 2015/16 the principal risks and uncertainties faced by FSS were in relation to establishing ourselves as a new public body in Scotland. These included:

- Failing to make an impact in Scotland
- Loss of confidence or trust in FSS
- The degree of change required within the first year of operation and beyond and the our capacity to cope
- Failing to inform and influence Scottish Government with regards to consumer protection

From a strategic perspective, there is also a risk associated with the uncertainty of long term funding through the Scottish budget. Our budget for 16/17 is confirmed however delivery of our new Strategy and Corporate Plan is currently based on a

flat-line budget settlement. FSS already has an efficiency challenge of 3% due to increasing staff costs, so we will need to be agile in our delivery and aim to prioritise effectively between staffing and project costs going forward.

In February 2016 our approach to managing risk was reviewed by the Board. This review was carried out jointly by the Board and SMT and a risk appetite statement was agreed to underpin the future approach to risk management. This will be developed by taking into account good practice elsewhere in government and presented to the Board for agreement during 2016/17. Following its agreement and implementation the ARC will continue to oversee the management of risks on behalf of the Board and raise any concerns with the Board. This work will also include provision of appropriate risk awareness training throughout FSS for staff at all levels.

Internal Audit

The internal audit function is provided by Scottish Government's Internal Audit Division (SG Internal Audit) and is formalised through a Memorandum of Understanding between the two parties. Internal Audit is a key element of the internal controls and governance arrangements. Internal Audits are conducted in accordance with the UK Public Sector Internal Audit Standards (PSIAS) and are based on an annual audit plan which is approved by the Accountable Officer and the ARC.

During 2015/16 SG Internal Audit undertook an assurance mapping exercise on behalf of FSS to provide both parties with a relative assessment of the internal controls in place across FSS and to inform any future potential audit requirements. Two formal internal audits were also carried out during the year that looked at Information Technology Security and Governance Arrangements within the organisation. The final report relating to the Information Technology Security Audit was issued in March 2016 assessed FSS as demonstrating Limited Assurance in this area. This was primarily due to the relative maturity of FSS as a new organisation and recognised the additional responsibilities taken on in this area, whilst acknowledging the significant volume of work the organisation has undertaken to address some of these challenges. The final report relating to Governance Arrangements will be received in the early part of the new reporting year.

In addition, the FSA Internal Audit team provide an internal audit function that mainly covers Official Controls delivered through field operations in Scotland, and is formalised through the Memorandum of Understanding with the FSA. The internal audit plan is developed using a risk-based approach using a variety of assurance sources to ensure that an effective and efficient audit service is provided by focussing on key activities which link to FSS's purpose and delivery of business objectives.

Three internal audits were completed by FSA Internal Audit during the year. Two of these related to the FSS audits of Food Business Operator (FBO) controls and Enforcement. Both received Moderate Assurance opinions. FSS was also included in a UK wide audit of Official Controls that covered Flexibility in Official Veterinarian attendance at approved slaughter establishments in the UK. This audit report was issued with a Limited assurance opinion but there were no significant or systematic

controls weaknesses specific to FSS found. Agreed management actions are currently being taken forward to address the risk control issues identified in the reports.

To manage and monitor the progress made to implement any internal audit recommendations, FSS has established an Audit Implementation Group which will meet quarterly to review and update action taken and discuss any issues. The group will then report to the SMT through the Head of Corporate Services and quarterly progress reports will also be provided to the ARC.

Internal Audit Opinion

The Internal Auditors have issued their report on Internal Audit Activities in 2015/16 which includes the annual assurance level provided to FSS. A Reasonable assurance has been provided by SG Internal Audit in respect of our risk management, control and governance arrangements. Internal Audit have highlighted in their report that this assurance marking is a positive rating and have noted the continual improvement and progress in development, operational control and structure throughout the first year of operation. In addition, we receive assurance relating to the arrangements for risk management, control and governance over the SG corporate systems used by FSS. A Reasonable assurance was provided by SG Internal Audit for 2015/16.

The results of Internal Audit work conducted by the FSA in relation to official controls were generally satisfactory and the level of maturity demonstrated in the risk control and governance arrangements is consistent with the status of FSS as a recently created organisation still in the process of adapting and implementing systems and procedures to meet FSS's specific needs.

External Assurance Reviews

FSS is approved as an accredited training and assessment centre by both the Scottish Qualifications Authority (SQA) and Food and Drink Qualifications (FDQ) to deliver the qualification "Welfare of Animals at the Time of Killing".

During 2015/16 we have been audited by SQA for both systems and the delivery of the qualification were deemed to be 100% compliant.

In February 2016 HM Revenue & Customs completed a compliance check to ensure FSS were meeting our PAYE responsibilities. There were no material issues identified during the compliance check.

Controls Assurance Statements

At the start of the financial year, the Deputy Chief Executive and Directors agree to operate a proportionate system of internal control over a budget delegation received from me as Accountable Officer. As part of the year-end process, the Deputy Chief Executive and Directors also complete an assurance statement, based on the requirements of the SPFM Internal Controls checklist, setting out how an effective system of internal controls has been maintained. I have reviewed all of the

statements produced and can confirm that no serious issues have been reported in relation to the effectiveness of internal controls.

Best Value

FSS aims to deliver best value in accordance with the principles outlined within the Scottish Public Finance manual guidance. Managers are encouraged to identify where we can improve ways of working through our scheme of financial delegation, business planning processes, performance management and objective setting for staff and partnership working. We have also focussed our attention on partnership working with stakeholders and other Government departments to deliver shared objectives. We have also made use of Scottish Government's corporate shared services where possible and taken advantage of Government procurement frameworks in order to achieve best value – a good example being our use of the Scottish Government's contract for business travel and communications and marketing provision.

Information Security and Personal Data Related Incidents

During 2015/16, FSS has developed its own Information Security and Records Management policies and procedures which were also subject to internal audit. These policies have been implemented and are published on the FSS intranet and include a policy on undertaking Privacy Impact Assessments to ensure compliance with the Data Protection Act 1998.

I am supported in this area of the business by Elspeth Macdonald, Head of Strategy and Policy and Deputy Chief Executive who I appointed as Senior Information Risk Officer and the FSS Records Manager. Information Asset Owners have also been identified and are required to update Information Asset Registers on a regular basis.

There were no significant data incidents or losses reported during the year.

Whistleblowing

Our internal whistleblowing policy and procedure is available to all staff on the FSS intranet. We have also published details on our website (<http://www.foodstandards.gov.scot/food-safety-standards/regulation-and-enforcement-food-laws-scotland/food-fraud>) of how anyone might report suspected food fraud, and of the protection afforded to employees by the Public Interest Disclosures Act 1998.

Looking Ahead

During 2016/16 FSS will continue to seek to improve the effectiveness of its governance framework and systems of internal controls. In particular FSS will look to:

- Develop the organisational performance and finance reporting to the Board to support delivery of our new strategy.
- Carry out a review of our approach to risk management and present options to our Board during the year.

- Implement an Assurance Mapping framework tool to strengthen further the levels of assurance provided throughout FSS in line with the SPFM Internal Controls Checklist
- Continue to work towards developing and implementing the FSS Records Management Plan in order to comply with the Public Records (Scotland) Act 2011 and Data Protection Act 1998.
- Implement Internal Audit recommendations on Information Security and Governance audits and any new recommendations made as a result of audits undertaken during the year.
- Develop and implement a comprehensive set of Standing Financial Instructions as part of wider work to develop a full FSS Governance Manual.
- Develop a framework and a set of indicators to allow us to review progress in the area of Best Value and to benchmark against other public sector organisations.
- Consider the results of our recent Staff Survey and take action to address any areas for improvement during the reporting year.

Review of adequacy and effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance arrangements and systems of internal control. The review of effectiveness is informed by the work and structures highlighted in the Governance Statement and supported by the work of internal and external audit and through the oversight and views provided by the ARC on the assurance arrangements within FSS.

The assurances provided by the Deputy Chief Executive, Directors, Internal and External Audit have highlighted that in its first year of operation, FSS has been able to demonstrate a reasonable assurance that it has in place sufficient levels of internal controls to mitigate risks to the organisation. Whilst there have been no significant governance issues raised, given the stage of organisational development in terms of the significant change experienced over 2015/16 and the impact this has had on staff, both new and existing, there is recognition that we have more work to do in order to strengthen the systems of internal control within FSS, which we will look to develop and implement over the next reporting year. We can therefore reflect on the performance of the organisation in its first year with a real sense of achievement.

Taking this into account, as Accountable Officer, I can confirm I am content with the effectiveness of FSS's current arrangements to ensure good standards of governance and systems of internal control. There are, in my opinion, no other significant matters arising which would require to be raised specifically in the Governance Statement.



Geoff Ogle
Chief Executive and Accountable Officer

Date: 17 August 2016

Remuneration and Staff Report

Remuneration Policy

Board Members are entitled to receive a fee at a daily rate, determined in accordance with the 'Public Sector Pay Policy for Senior Appointments 2015-16'. Further information about the policy may be found at <http://www.gov.scot/Topics/Government/public-sector-pay/senior-appointment-pay>

The Chair's post is part-time for eight days per month, and was paid at £271 per day. The members' posts are also part-time, for four days per month, and were paid at £207 per day. Board Members appointments are non-pensionable.

The remuneration of senior civil servants is set in accordance with the Civil Service Management Code (available at www.civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body (SSRB). In reaching its recommendations, the Review Body has regard to the following considerations:

- The need to recruit, retain, motivate and where relevant, promote suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment, retention and, where relevant, promotion of staff;
- Government policies for improving public services including the requirement on bodies to meet output targets for delivery of their services
- The funds available to bodies as set out in spending limits
- The Government's inflation target.

Further information on the work of the SSRB can be found at www.ome.gov.com

Following creation of FSS on 1 April 2015, staff below the senior civil service transferred from the Food Standards Agency (FSA) on protected terms and conditions. As such, agreement was given by Scottish Ministers for FSS to implement a one-off pay remit arrangement to cover the pay award for 2015/16. This was taken forward as part of the FSA pay negotiations due to the fact the protected terms and conditions applicable to FSS staff were the same as FSA.

Bonus Payments

Under the protected terms and conditions, some staff were entitled to receive a non-consolidated bonus on 1 August 2015 (permissible under HM Treasury pay policy). This is because bonuses paid and reported in 2015/16 relate to performance in 2014/15, when staff were still part of the Food Standards Agency.

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

This report has been prepared in accordance with guidance EPN 452. The tables in the remuneration report are subject to audit.

Service contracts for Board Members are listed below:

Name	1 st Term of Appointment	Duration of the 1 st Term of Contract	End of 1 st Term Contract
Ross Finnie	1 April 2015	4 years	31 March 2019
George Brechin	1 April 2015	2 years	31 March 2017
Marieke Dwarshuis	1 April 2015	2 years	31 March 2017
Heather Kelman	1 April 2015	4 years	31 March 2019
Carrie Ruxton	1 April 2015	4 years	31 March 2019
Susan Walker	1 April 2015	4 years	31 March 2019
Anne Maree Wallace	1 April 2015	2 years	31 March 2017
Louise Welsh	1 April 2015	4 years	31 March 2019

Salary and pension entitlements

Full details of the remuneration of Board Members and the remuneration and pension interests and the Senior Management Team are detailed below and are subject to audit.

Single total figure of remuneration										
	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £'000)		Total (£'000)	
	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15	15/16	14/15
Board Member Fees										
Ross Finnie	25-30	NA	-	NA	-	NA	-	NA	25-30	NA
George Brechin	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Marieke Dwarshuis	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Heather Kelman	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Carrie Ruxton	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Susan Walker	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Anne Maree Wallace	5-10	NA	-	NA	-	NA	-	NA	5-10	NA
Louise Welsh	5-10	NA	-	NA	-	NA	-	NA	5-10	NA

Chief Executive										
Geoff Ogle	100-105	NA	-	NA	-	NA	125-130	NA	225-235	NA
Senior Management Team										
Elsbeth Macdonald	65-70	NA	0-5	NA	-	NA	20-25	NA	85-95	NA
Peter Midgley	55-60	NA	-	NA	-	NA	20-25	NA	75-85	NA
Ian McWatt	55-60	NA	0-5	NA	-	NA	25-30	NA	80-90	NA

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension 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.

Salary

'Salary' includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by FSS and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Pension Benefits

	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive					
Geoff Ogle	55-60 plus lump sum of 115-120	5-10 plus lump sum of 15-20	705	557	98
Senior Management Team					
Elsbeth Macdonald	35-40 plus lump sum of 75-80	0-2.5 plus lump sum of 2.5 - 5.	585	556	21
Peter Midgley	50-55	0-2.5	718	656	23
Ian McWatt	35-40	0-2.5	371	328	18

¹ The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in

the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable

salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash Equivalent Transfer Values

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.

Real increase in CETV

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.

Compensation for loss of office

There have been no leavers within the individuals reported on who received compensation for loss of office during the 2015/16 financial year.

Fair Pay Disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in FSS during the financial year 2015-16 was £104,500. This was 3.9 times the median remuneration of the workforce, which was £27,000.

In 2015-16, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,400 to £104,500.

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Staff Report

As at 31 March 2016, FSS employed two Senior Civil servants. The Chief Executive is a Band 2 and Deputy Chief Executive, Band 1.

Our overall staff costs for the year were £6.4m. At the end of the reporting year, FSS employed 156.9 full time equivalents through a mix of permanent and fixed term appointments and 7 temporary members of staff.

Staff Costs

Staff costs comprise of:

A Administration costs

	£000	£000	2015/16 £000
	STAFF	BOARD	TOTAL
Wages and salaries	2,891	100	2,991
Social security costs	214	4	218
Other pension costs	530		530
Agency Staff			
Sub total	3,635	104	3,739
Agency Staff	232	-	232
Total	3,867	104	3,971
Less recoveries in respect of outward secondments	(40)	-	(40)
Total net costs	3,827	104	3,931

No salary costs have been capitalised.

B Programme costs	2015/16
	£000
Wages and salaries	2,101
Social security costs	150
Other pension costs	355
Agency Staff	
Contract inspectors and veterinary costs	2,404
Total	5,010
Less recoveries in respect of outward secondments	-
Total net costs	5,010

Programme wages and salaries includes the cost of employed meat hygiene inspectors, veterinary managers and Operations support staff.

Principal Civil Service Scheme

FSS past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded multi-employer defined benefit scheme in which Food Standards Scotland is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2015/16, employers' contributions of £801,687 were payable to the PCSPS at one of four rates in the range of 20% to 24.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2015-2016 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

(<http://www.civilservicepensionscheme.org.uk/employers/employer-contribution-rates/>). The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,359 were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 8-12% of pensionable pay.

Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) is a defined benefit scheme which is administered by London Pensions Fund Authority and governed by the Local Government Pension Scheme Regulations 1995. On 1 April 2015, a transfer of pension liabilities occurred between Food Standards Agency and Food Standards Scotland. There are currently 44 FSS employees who are active members of LGPS. For the year ended 31 March 2016, contributions of £347,287 were paid to the fund

at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2016, this rate was 16.7% of pensionable remuneration.

On the basis of the updated actuarial valuation, under IAS19, the FSS fund deficit at 31 March 2016 was £10.186 million. FSS have taken over responsibility to fund to the scheme. From 2015/16 £200,000 was paid and for 2016/17 £241,000 will be paid based on the actuary's estimate of employer's contributions as a lump sum payment to reduce the deficit.

The next full actuarial review of the scheme will be carried out as at 31 March 2016 and will set the FSS contribution rate for the period from 1 April 2017 to 31 March 2020, including the deficit payment. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The projected unit method of valuation has been used to calculate the service cost under IAS19. The actuary has estimated the employer's contributions for 2016/17 to be £498,000, which includes the lump sum payment of £241,000 to reduce the deficit.

Average Number of Persons Employed

The average number of whole-time equivalent persons employed during the year was as follows:

	Average number of persons employed
	2015/16
Permanent staff ^{ff*}	148
Temporary staff ^{ff**}	12
Board	8
Total	168

* FSS employed a total of 6 fixed term staff over the reporting year, with 5 staff employed on fixed term contracts as of 31 March 2016.

** Temporary staff include agency staff employed through the Scottish Government's contingent workers framework.

Reporting of Civil Service and other compensation schemes

2015/16

Exit Package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
£200,000 and above	-	-	-
Total number of exit packages	-	-	-
Total resource cost £	-	0	0

FSS had no redundancy and other departure costs in 2016/16. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Early departure costs relating to former FSA in Scotland staff were transferred to FSS as per note 2.1 and note 13.1 to the annual accounts.

Ill-health retirement costs are met by the pension scheme and are not included in the table. There were no early retirements on ill health grounds in 2015/16.

Gender Balance

At the end of the 2015/16 financial year, the number of persons of each sex who were Board Members, Senior Managers and employees was as follows:

	Female	Male
Board Members	6 (75%)	2 (25%)
Senior Management Team (Inc. Chief Executive and Deputy Chief Executive)	1 (25%)	3 (75%)
Employees	61 (39%)	96 (61%)
Total	68 (40%)	101 (60%)

Sickness Absence Data

The average total number of working days lost per full time employee in 2015/16 was 4.2 days (1.9 short term and 2.3 long term). This compares favourably to the Scottish Government's average working days lost per full time equivalent of 7.2 days (3.7 short term and 3.5 long term).

Employment Policies

Following the creation of FSS, the FSA and Scottish Government agreed that the staff transfer would take place in accordance with the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (COSOP). This meant that from the 1st April 2015, employment of staff automatically transferred from FSA to FSS, who took on responsibility for all contracts of employment. The staff transfer agreement also included continued membership of existing pension schemes and accrued periods of continued service.

As staff continued to be employed on the same terms and conditions of employment, FSS also adopted the FSA Human Resource (HR) policies – including Annual Leave, Bullying and Harassment, Discipline and Managing Attendance. We also retained policies that support our employees who want to contribute to the wider community through policies covering Volunteering, Special Paid Leave and Reservists.

FSS is also committed to developing its staff both professionally and academically and have in place a policy on Further Education Sponsorship. During this financial year 3 of our staff had requests for further education support approved by the Senior Management Team.

Whilst FSS retained existing FSA HR policies, Scottish Government HR Shared Services provided FSS with an operational HR service including Recruitment, Pay and Pensions support and advice and casework support.

During the year we continued to work in partnership with the recognised trade unions and during 2016/17 we will look to implement a formal Partnership Group to discuss local employee relations issues. From 1 April, FSS became part of the wider Scottish Government Main bargaining unit and will recognise the Council of Scottish Government Unions for negotiating purposes.

We actively communicate with our staff and seek their feedback through a number of different forums and methods. These include Chief Executive led all-staff sessions, monthly face-to-face team meetings and through participation at various external events. As a significant amount of our staff are remotely based, we also hold staff update sessions for operations staff twice per year. These events are well attended and allow a range of specific operational issues to be discussed as well as offering an opportunity for Senior Management and other office based staff to engage with field based colleagues face-to-face.

FSS also carried out a Staff Survey during 2015/16 where staff were able to provide their views and express any issues through answering a range of set questions. We also operate a staff forum which is chaired by the Deputy Chief Executive and consists of representatives from across the organisation. This forum allows staff to discuss a range of relevant issues and come up with staff generated solutions to organisational issues.

We have also published our first internal newsletter – The Standard – and will continue to develop our internal communications to ensure staff engagement is effective and takes staffs views into consideration.

Recruitment

The FSS recruitment policy follows the Civil Service recruitment principles and all recruitment during the year was carried out in accordance with these principles and FSS policies and procedures. This ensures that appointment of the best candidate is made on merit, identified through a process of open and fair competition.

Employment of disabled people

During the year all recruitment was carried out in accordance with FSS recruitment policies which ensure 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.

FSS HR policies also take into account the wider employment of disabled staff where relevant and allow for reasonable adjustments to be made to either the work environment or terms and conditions of employment as and when required.

Equality and Diversity

The Equality Act 2010 and the Equality Act (Specific Duties) (Scotland) Regulations 2012 set out a single equality duty and statutory specific duties for listed public bodies in Scotland. Listed organisations, including FSS, must meet these duties in order to ensure positive and real change for people with protected characteristics. FSS is required to set and publish equality outcomes and report on progress to achieving them every two years, through development of an Equality Mainstreaming Report.

As a new public body, we operate in a way which promotes equal opportunity and test our policies against the requirements of equality legislation. FSS published its first mainstreaming report in April 2016:

<http://www.foodstandards.gov.scot/mainstreaming-equality-report>

The report sets out our plans for how we will embed equality across the organisation in order to meet the general and specific requirements of the legislation as well as looking at how delivery of our functions impacts on those with protected characteristics.

Consultancy Spend

There was no consultancy spend made by FSS, in relation to staff, during 2015/16.

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

I have audited the financial statements of Food Standards Scotland for the year ended 31 March 2016 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 the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the

state of the body's affairs as at 31 March 2016 and of its net expenditure for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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.

Opinion on regularity

In my 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
- 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.

Opinion on other prescribed matters

In my opinion:


- the part of the Remuneration and Staff Report to be audited has been properly 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 Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

I have nothing to report in respect of these matters.



Stephen Boyle CPFA,
Assistant Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

17 August 2016

Financial Statements for the year ended 31 **March 2016**

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Changes in Taxpayers' Equity

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values on non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2015/16
	Note	£000
Other operating income	5	(3,462)
Total operating income		<u>(3,462)</u>
Staff costs	Staff Report	8,941
Purchase of goods and services	4	5,891
Depreciation and impairment charges	4	474
Provision expense	4	262
Other operating expenditure	4	2,930
Total operating expenditure		<u>18,498</u>
Net operating expenditure		<u>15,036</u>
Other comprehensive net expenditure		
- Actuarial (gain)/loss on pension scheme liabilities	13	(1,285)
Total comprehensive net expenditure		<u>13,751</u>

Statement of Financial Position as at 31 March 2016

This statement presents the financial position of the Food Standards Scotland. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	£000
2015/16		
Non-current assets:		
Property, plant and equipment	6	1,270
Intangible assets	7	1,186
Total non-current assets		<u>2,456</u>
Current assets		
Trade and other receivables	11	919
Other current assets	11	412
Cash and cash equivalents	10	2,141
Total current assets		<u>3,472</u>
Total assets		<u>5,928</u>
Current Liabilities		
Trade and other payables	12	(554)
Other liabilities	12	(2,296)
Provisions	13	(25)
Total current liabilities		<u>(2,875)</u>
Total assets less current liabilities		<u>3,053</u>
Non-current liabilities		
Provisions	13	(223)
Other payables	12	-
Net pension liability	13	(10,291)
Total non-current liabilities		<u>(10,514)</u>
Total Assets less total liabilities		<u>(7,461)</u>
Taxpayers' equity and other reserves		
General fund		(7,461)
Total taxpayers' equity		<u>(7,461)</u>



Geoff Ogle
Chief Executive and Accountable Officer

Date: 17 August 2016

Statement of Cash Flows for the year ended 31 March 2016

The Statement of Cash Flows shows the changes in cash and cash equivalents Food Standards Scotland during the reporting period. The statement shows how the organisation generates and uses cash and cash equivalents by classifying cash flows as operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the FSS. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to Food Standards Scotland's future public service delivery.

		2015/16
	Note	£000
Cash flows from operating activities		
Net operating Expenditure	SOCNE	(15,036)
Adjustment for non-cash transactions	4	302
Adjustment for non-cash transactions	6 & 7	(2,595)
(Increase)/Decrease in trade and other receivables	11	(1,331)
Increase/(Decrease) in trade and other payables	12	4,991
less movements relating to items not passing through the Statement of Comprehensive Net Expenditure		
Use of provisions	13	515
Provisions not required written back	13	0
Cash contribution to pension deficit	13	
Net cash outflow from operating activities		<u>(13,154)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	6	(157)
Purchase of intangible assets	7	(48)
Net cash outflow from investing activities		<u>(205)</u>
Cash flows from financing activities		
From the Consolidated Fund (Supply)	SoCiE	15,500
Net Financing		<u>15,500</u>
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		
		<u>2,141</u>
Cash and cash equivalents at the beginning of the period		
	10	-
Cash and cash equivalents at the end of the period	10	<u>2,141</u>

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by Food Standards Scotland, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000
Balance at 01 April 2015		<u>(9,257)</u>
Net Parliamentary Funding		15,500
Net operating expenditure for the year	SOCNE	(15,036)
Actuarial gain/(loss)	13	1,285
Auditors' remuneration and expenses	4	47
Balance at 31 March 2016		<u>(7,461)</u>

Notes to the Annual Report and Accounts

1. Statement of Accounting Policies

1.1 Basis of Preparation

In accordance with the accounts direction issued by Scottish ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 (reproduced at page 72), these financial statements have been prepared in accordance with the 2015/16 Government Financial Reporting Manual (FReM). 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 circumstances of Food Standards Scotland (FSS) for the purposes of giving a true and fair view has been selected.

The particular policies adopted by FSS are described below. The policies have been applied consistently in dealing with items which are considered material to the accounts.

The accounts are prepared on a going-concern basis.

1.2 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities where material, at the value to the organisation by reference to their current costs.

1.3 Significant Accounting Policies and Material Judgements

Estimates and the underlying assumptions are reviewed on a regular basis by the Department's senior management. Areas of significant judgement made by management are:

- IAS 37 Provisions - judgement is made on the best estimate of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.
- IAS 36 Impairments - Management make judgement on whether there are any indications of impairments to the carrying amounts of the Department's non-current assets.

1.4 Non-Current Assets

Non-current assets are items of FSS's property that have a value greater than or equal to £5,000 (inclusive of irrecoverable VAT) and have a useful life of greater than one year. The capitalisation policy applies to all construction, capital improvements

which enhance the functionality of a building, major equipment purchases and other capital projects totalling £5,000 or more. This also applies to multiple low cost items of a similar nature which are functionally interdependent or collectively improve efficiency within FSS. When consolidated, these create an asset to FSS. If these collectively have a cost in excess of £5,000 and an intended useful period in excess of a year then the items are usually consolidated as one asset.

1.5 Property, Plant and Equipment

FSS does not currently own any land or buildings. All property, plant and equipment assets are carried at depreciated historic cost as a proxy for fair value. This is in accordance with FReM requirements as these assets have short useful lives or low values or both. Assets under construction are not depreciated until the month after they are brought into use.

1.6 Intangible Assets

Computer software and software licences with a purchase cost in excess of £5,000 (including irrecoverable VAT and delivery) are capitalised at cost and amortised over the life of the licence, or over 7 years if the licence is bought in perpetuity. Intangible assets under construction are not amortised until the month after they are brought into use. FSS developed an external facing website (www.foodstandards.gov.scot) primarily for the promoting and advertising of its own services. This website will not generate future economic benefits and consequently all expenditure incurred on developing it is recognised as an expense as it occurs and is not capitalised.

1.7 Depreciation and Amortisation

Assets are depreciated from the month following the date of being available for use. Depreciation and amortisation are applied on a straight-line basis to write off costs evenly over the asset's anticipated life. This is in accordance with FReM requirements as a proxy for fair value as these assets have short useful lives or low values or both. Estimated useful lives are reviewed during the year and assets re-lifed where applicable:

	2015/16
Property, plant and equipment	
Computer equipment	2 - 5 years
Office machinery	7 years
Furniture, fixtures and fittings	7 years
Furniture, fixtures and fittings - Fit out Pilgrim House	14.5 years - over life of lease
Vehicles	7 years
Intangible assets:	
Computer software and software licences	2 – 7 years

1.8 Inventories

FSS does not hold any inventories

1.9 Operating Income

Operating income is income which relates directly to the operating activities of FSS. Income for the year is recognised on an accruals basis reflecting the value of the work undertaken and is shown net of VAT. FSS has income from meat official controls and related work.

Income from meat official controls and related work is recognised as time recorded by staff multiplied by charging rates and invoiced to both industry and government customers. For the majority of meat industry customers discounts are applied to charges.

1.10 Administration and Programme Expenditure

The statement of net comprehensive expenditure is analysed between administration and programme costs. The classification of expenditure as administration or programme follows the definition of administration costs set out in Consolidated Budgeting Guidance 2015-16 by HM Treasury.

1.11 Pensions

Pension assets and liabilities attributable to FSS in the LGPS are recorded in line with IAS19 with a valuation undertaken annually to measure the value of pension assets and liabilities at the Statement of Financial Position date, determining the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Comprehensive Net Expenditure and the interest on scheme assets and liabilities is included within interest receivable/payable. The change in value of assets and liabilities arising from asset valuations, changes in benefits, actuarial assumptions or change in the level of deficit attributable to members, is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability or asset is shown on the Statement of Financial Position. The IAS19 valuation includes sensitivity analysis and the potential impact and this information can be found in Note 13.

Pension liabilities in the legacy FSA Board Pension Scheme are calculated by the Government Actuary's Department and a valuation is undertaken annually. The change in value of pension liabilities arising from changes in benefits or actuarial assumptions is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability is shown in the Statement of Financial Position.

Further details about LGPS pensions can be found at the website www.lgps.org.uk.

The costs in relation to the LGPS scheme are in Note 13.

1.12 Operating Leases

All operating leases are accounted for under IAS17 Leases. Classification is made at the inception of the relevant lease.

Operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are recognised as a reduction in the rental expenses and are allocated over the shorter of the lease or the period in which the rental has been reduced by the lessor. The allocation is on a straight line basis. Food Standards Scotland currently does not have any finance lease liabilities.

1.13 Audit Costs

A charge reflecting the cost of the audit is included in the operating costs. FSS is audited by Audit Scotland. No charge by Audit Scotland is made for this service but a non-cash charge representing the cost of the audit is included in the accounts. There were no non-audit services that FSS was charged for in the year.

1.14 Value Added Tax

Operating costs are stated net of VAT where VAT is recoverable by FSS. FSS is registered for VAT as part of the Scottish Government, which is responsible for recovering VAT from HM Revenue and Customs. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure, or if it is incurred on the purchase of a non-current asset, it is capitalised in the cost of the asset.

1.15 Provisions

Provisions are recognised in accordance with IAS37. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation, arising from a past event, at the Statement of Financial Position date.

The Early Retirement and Westminster Dilapidation provision have been discounted at the rates set by HM Treasury. Other provisions have not been discounted as the resulting adjustments are not considered material to these accounts.

1.16 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS37, the department discloses, for parliamentary reporting and accountability purposes, certain contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

i) Items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental minute prior to the Department entering into the arrangement;

ii) All items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the FReM to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS37 are stated at discounted amounts and the amounts

reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS37 are stated at the amounts reported to Parliament.

1.17 Financial Assets and Liabilities

FSS holds the following financial assets and liabilities:

1. Assets

- Trade and other receivables
- Other current assets
- Cash and cash equivalents

2. Liabilities

- Trade and other payables
- Other liabilities
- Provisions

Financial Assets and Liabilities are accounted for under IAS32, Financial Instruments: Presentation, IAS39 Financial Instruments: Recognition and Measurement and IFRS7 Financial Instruments: Disclosure.

Cash balances are measured as the amounts received in FSS's bank account. FSS does not currently have cash equivalents. Trade receivables are measured at fair value with an impairment review carried out on a monthly basis. Trade and other payables are measured at fair value, with use of agreed invoiced amount, or management estimate in the case of accrued expenditure, forming the basis for valuation.

1.18 Food Standards Scotland

On the 1 April 2015, the Food Standards Agency in Scotland (FSAS) ceased operating and its functions and staff transferred to Food Standards Scotland, a devolved body of the Scottish Government. The functions and staff relating to meat inspection within the Scottish boundary also transferred from Food Standards Agency. The balances transferred and the impact on the financial statements is outlined in Note 2.

2. Assets and Liabilities transferred to Food Standards Scotland

The information below details the assets and liabilities controlled by FSA at 31 March 2015 that were transferred to Food Standards Scotland on 1 April 2015.

	Note	Transfer amount as at 1.04.15
		£000
Non-current assets		
Fixed Assets	6-7	2,075
Current assets		
Prepayments and Accrued Income (annual leave receivable accrual)		3
Current Liabilities		
Accruals and deferred income (annual leave payable accrual)		(26)
Non-current liabilities		
Early Departure Provision	13	(297)
LGPS Pension liability	13	(10,844)
Board Pension liability	13	(168)
		<u>(11,309)</u>
Totals		<u>(9,257)</u>

2.1 Non-current liabilities

The £11,309K transferred from Food Standards Agency relates to pensions and early departures for staff and former Board members transferred from FSA in Scotland.

2.2 Income and Expenditure

The breakdown of Expenditure and Income in Notes 4 and 5 respectively is not wholly comparable from 2014/15 to 2015/16.

3. Net Costs by Group

	2015/16				
	Administration		Programme		Net operating cost
	Costs	Income	Costs	Income	
	£000	£000	£000	£000	£000
Branch					
Board, Senior Management Team & Private Office	825				825
Communications and Marketing	383		1,663		2,046
Corporate Services	3,430		18		3,448
Regulatory Policy	446				446
Food Protection Science and Surveillance	291	-	1,432		1,723
Nutrition Science & Policy	291		486		777
Operational Delivery	2,977	45	4,831	3,321	4,442
Veterinary Management	218	60			158
Enforcement Delivery	622	17	236		841
Scottish Food Crime Unit	105		102		207
Audit	142	19			123
Totals	9,730	141	8,768	3,321	15,036

FSS identifies reportable segments in the form of Branches and Cost Centres, that reflect the organisational structure. The financial system also reflects the organisational structure and enables income and expenditure to be analysed and reported by segment. Segmental operating results are reviewed by the FSS Senior Management Team to make decisions on segmental resources and assess performance.

Groups derive income from the following activities or services;

Operations - Meat hygiene inspections, audits, approvals and delivery of official controls, testing and sampling.

4. Non-pay expenditure

		2015/16 £000
Goods and services	5,891	
		5,891
Depreciation and impairment charges: Non cash		
Depreciation	208	
Amortisation	266	
Loss on disposal of property, plant and equipment	0	
		474
Provision expense	262	
		262
Other operating expenditure		
Accommodation costs including rates, estate management and security	274	
System Support Costs - Other	247	
Legal costs	288	
Other Admin costs	440	
Auditors' remuneration and expenses	43	
Travel & Subsistence and Hospitality	481	
Training and Development	98	
Other	11	
IT Costs	108	
Rentals under operating leases	420	
Research and Development expenditure	473	
Non-cash items: Auditors' remuneration and expenses	47	
		2,930

5. Income

Operating income, analysed by classification and activity, is as follows:

	2015/16 £000
Income for official controls charged to industry	3,156
Income for meat hygiene work charges to other government departments	278
Other income	28
Total income	3,462

FSS's financial objective is to recover costs fully. There currently remains a shortfall between costs for FSS of delivering meat official controls and the income received from Food Business Operators (FBOs) for these activities. This is effectively a

subsidy of £1.3m to the meat industry, which was received by 41% of FBOs across Scotland in 2015/16. EU regulations make provision for member states to take small/rural establishments into consideration when collecting fees and charges. However, the current system provides a level of subsidy to FBOs over and above that required by EU regulations. As a consequence some FBOs need to be invoiced supplementary charges to bring the overall level of charge up to the EU minimum or the full cost of official controls; FSS can charge no more than the full cost. Invoices for any supplementary charges are issued quarterly in arrears.

6. Plant and Equipment

	2015/16					
	Fixtures and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	AUC	Total
	£000	£000	£000			£000
Cost or valuation						
Transfer from FSAS	199	180	30	48	757	1,214
AUC FSAS Brought into use in year	722	35	-		(757)	-
Transfer from SG		54	322			376
Additions	65	82	43	-		190
Disposals	-	-	-	-		-
At 31 March 2016	986	351	395	48		1,780
Depreciation						
Transfer from FSAS	156	129	10	7		302
Charged in year	69	60	72	7		208
Disposals	-	-	-	-		-
At 31 March 2016	225	189	82	14		510
Carrying amount at 31 March 2016	761	162	313	34		1,270
Carrying amount at 1 April 2015	43	51	20	41		912
Asset financing						
Owned	761	162	313	34		1,270
Carrying amount at 31 March 2016	761	162	313	34		1,270

7. Intangible Assets

Intangible assets comprise computer software and software licenses.

	2015/16		
	Computer software and software licences	AUC	Total
	£000	£000	£000
Cost or valuation			
Transfer from FSAS	241	977	1,218
AUC FSAS Brought into use in year	977	(977)	-
Transfer from SG	111		111
Additions	178		178
Disposals	-		-
At 31 March 2016	1,507	-	1,507
Amortisation			
Transfer from FSAS	55		55
Charged in year	266		266
Disposals	-		-
At 31 March 2016	321	-	321
Carrying amount at 31 March 2016	1,186	-	1,186
Carrying amount at 1 April 2015	186	-	1,163

8. Capital and other commitments

At 31 March 2016 there were no commitments for the purchase of capital items.

8.2 Commitments under leases

8.2.1 Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2015/16
	£000
Obligations under operating leases comprise:	
Land and buildings:	
Not later than one year	403
Later than one year and not later than five years	1,612
Later than five years	3,681
	5,696

FSS lease arrangements do not contain any contingent rents payable, terms of renewal or purchase options, escalation clauses or any imposed restrictions (such as those concerning dividends, additional debt or further leasing)

8.3 Other financial commitments

FSS did not have any other financial commitments as at 31 March 2016.

9. Financial Instruments

As the cash requirements of the department are met through the estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with FSS expected purchase and usage requirements and FSS is therefore exposed to little credit, liquidity or market risk.

10. Cash and cash equivalents

	2015/16 £000
Balance at 1 April	0
Net changes in cash and cash equivalents	2,141
Balance at 31 March	2,141

The following balances at 31 March were held at:

Government Banking Service	2,141
Balance at 31 March	2,141

11. Trade receivables, financial and other current assets

	2015/16 £000
Amounts falling due within one year:	
Trade receivables	537
VAT recoverable	382
Other receivables	0
	919
Other current assets :	
Prepayments and accrued income	412
	412

12. Trade payables and other current liabilities

	2015/16 £000
Amounts falling due within one year	-
Other taxation and social security	554
Trade payables	-
Other payables	554
Other current liabilities :	2,296
Accruals and deferred income	2,141
Amounts issued from the Consolidated Fund for supply but not spent at year end	4,437
	4,991
Amounts falling due after more than one year	-
Lease adjustment as per IAS 17	-

13. Provisions for liabilities and charges

Pension provisions

	2015/16		
	£000		
	Board Pension	LGPS Pension	Total
Net pension liability at 1 April	168	10,844	11,012
Total service and interest costs	6	837	843
Employer contributions	(6)	(273)	(279)
Deficit payment			-
Actuarial (gain)/loss	(63)	(1,222)	(1,285)
Net pension liability at 31 March	105	10,186	10,291

Early departure and other provisions

	2015/16		
	£000		
	Early departure	Dilapidations	Total
Balance at 1 April	297	-	297
Provided in the year	2	-	2
Provisions not required written back	-	-	-
Provisions utilised in the year	(55)	-	(55)
Borrowing costs (unwinding of discount)	4	-	4
Balance at 31 March 16	248	-	248

Analysis of expected timing of discounted flows (excluding LGPS and Board pension provisions)

	2015/16		
	£000		
	Early departure	Legal claims	Total
within one year			
Total current provisions liability	25	-	25
between one and five years	25	-	25
thereafter	76	-	76
Total non-current provisions liability	147	-	147
Provisions balance at 31 March 2016	223	-	223
	248	-	248

The aforementioned respective provisions for early departure, pension, onerous leases, personal injury and legal claims have all been reviewed for the overall purpose of meeting reporting requirements outlined within IAS37 Provisions, Contingent Liabilities and Contingent Assets.

As a result it was confirmed that, under the existing accounting policy for Provisions, the appropriate recognition criteria and measurement bases are already being applied and that sufficient information has been disclosed.

13.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. Early departure costs for former members of FSA in Scotland staff were transferred to FSS from the Food Standards Agency as per note 2. FSS is meeting the additional costs of benefits beyond the normal PCSPS and LGPS benefits in respect of employees who retire early by paying the required amounts annually to the pension fund over the period between early departure and normal retirement date. FSS provides for this in

full when the early retirement programme becomes binding on the department by establishing a provision for the estimated payments discounted by the HM Treasury discount rate of 1.37% (2014/15 1.3%) in real terms.

13.2 Other

Legal Claims

There was one legal claim against FSS during 2015/16 in relation to the inclusion of non-contractual overtime and allowances in holiday pay calculations for statutory annual leave. Additional details are provided at Note 14.

13.3 Pension Provision for former FSA Board Members

Pension liabilities in the Board Pension Scheme are calculated by the Government Actuary's Department and a valuation is undertaken annually. The change in value of pension liabilities arising from changes in benefits or actuarial assumptions is recognised in the Statement of Changes in Taxpayers' Equity. The resulting pension liability is shown in the Statement of Financial Position. FSS Board pension provision relates to the by-analogy pension scheme with the Principal Civil Service Pension Scheme (PCSPS) that applies to former Scottish FSA Board Members' pension arrangements. The pension arrangements are unfunded with benefits being paid as they fall due and are guaranteed by FSS. There is no fund and therefore no surplus or deficit. The payments are inflation-linked and are expected to be made over the remaining lifetimes of the current scheme members. The methodology and results of the assessment were undertaken by the Government Actuary's Department (GAD) and is in accordance with IAS19 and the FReM governing UK Accounting for Departments/NDPBs.

The capitalised value of the pension benefits payable by the FSS's Pension Schemes as at 31 March 2016 is £105,000.

The disclosures confirm that over the period the defined benefit liability has decreased by £63,000. This is largely attributable to the death of one of the members during the period and following changes to the actuarial financial and demographic assumptions.

It is likely that the current scheme liabilities will gradually decrease over time, as the expected pension payments are made to the scheme members.

In the short-term changes in the scheme liability may be primarily driven by the assumptions used for future assessments (particularly the financial assumptions prescribed by HM Treasury).

Financial Assumptions

Liabilities are valued on an actuarial basis using the Projected Unit Method. The main actuarial assumptions are as follows:

	31/03/16	31/03/15
Discount rate	3.60%	3.55%
Rate of increase in salaries	4.20%	4.20%
Rate of increase in pensions in payment	2.20%	2.20%
CPI inflation assumption	2.20%	2.50%

Mortality

Life expectancy is based on the actuarial assumptions. Based on these assumptions, the average life expectancies at retirement age are summarised below.

	31 March 2016		31 March 2015	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensions Exact Age				
60	28.9	30.7	29.1	31.3
65	23.9	25.7	24.2	26.4

Present value of scheme liabilities.

	Value at 31.03.16 £000
Liability in respect of:	
Active members	-
Deferred pensioners	-
Current pensioners	(105)
	<u>(105)</u>

Analysis of movement in scheme liability

	2015/16 £000
Scheme liability at 1 April	168
Movement in the year:	
Current service cost (net of employee contributions)	-
Interest cost	6
Actuarial (Gain) / Loss	(63)
Benefits paid	(6)
Net settlement in relation to FSS	
Net pension liability at 31 March	<u>105</u>

Analysis of amount charged to operating profit

	2015/16 £000
Current service cost (net of employee contributions)	-
Interest cost	6
	<u>6</u>

Analysis of amounts to be recognised in Statement of Changes in Taxpayers' Equity

	2015/16 £000
Experience (losses) / gains arising on the scheme liabilities	(60)
Changes in financial assumptions underlying the present value of scheme liabilities	(3)
Net total actuarial (loss)/gain recognised in the statement of changes in taxpayers' equity	<u>(63)</u>

History of experience gains and losses

	2015/16
Experience (losses) / gains on scheme liabilities:	
Amount (£000)	(60)
Percentage of scheme liabilities	-57.1%

13.4 Provision for pension liability

13.4.1 The impact of the Machinery of Government change regarding FSS can be seen in Note 2. On 1 April 2015, a transfer of pension liabilities occurred between FSA and FSS. There are currently 44 FSS employees who are active members of the LGPS. LGPS is a defined benefit scheme governed by the Local Government Pension Scheme Regulations 1995, and administered by London Pension Fund Authority (LPFA). For the year ended 31 March 2016, contributions of £347,287 were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2016, this rate was 16.7% of pensionable remuneration.

On the basis of the updated actuarial valuation, under IAS19, the FSS fund deficit at 31 March 2016 was £10.186 million. FSS have taken over responsibility to fund to the scheme. From 2015/16 £200,000 was paid and for 2016/17 £241,000 will be paid based on the actuary's estimate of employers contributions as a lump sum payment to reduce the deficit.

The next full actuarial review of the scheme will be carried out as at 31 March 2016 and will set the FSS contribution rate for the period from 1 April 2017 to 31 March 2020, including the deficit payment. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

The projected unit method of valuation has been used to calculate the service cost under IAS19.

The actuary has estimated the employer's contributions for 2016/17 to be £498,000, which includes the lump sum payment of £241,000 to reduce the deficit.

Financial Assumptions

The major financial assumptions used by the actuary when providing the assessment of the accrued liabilities as at the following dates for the Resource Accounting assessments were:

	31/03/16	31/03/15
Inflation/ Pension increase rate (RPI)	3.2%	3.2%
Inflation/ Pension increase rate (CPI)	2.3%	2.4%
Salary Increases	4.1%	4.2%
Pension Increases	2.3%	2.4%
Discount Rate	3.6%	3.3%

Mortality

The post retirement mortality is based on the Club Vita mortality analysis. Based on these assumptions, the average life expectancies at age 65 are summarised below.

	31/03/16		31/03/15	
	Males	Females	Males	Females
Retiring today	22.1	24.9	22.1	24.8
Retiring in 20 years	24.5	27.2	24.4	27.1

Movement in liabilities

	2015/16 £000
Opening Defined Benefit Obligation	27,825
Current service cost	459
Interest cost	905
Change in financial assumptions	(1,905)
Change in demographic assumptions	-
Experience loss/(gain) on defined benefit obligation	0
Liabilities assumed / (extinguished) on settlements	0
Estimated benefits paid net of transfers in	(864)
Past service costs, including curtailments	0
Contributions by Scheme participants	101
Unfunded pension payments	(25)
Closing Defined Benefit Obligation	26,496

Movement in assets

	2015/16 £000
Opening Fair Value of Employer's Assets	16,981
Interest on assets	552
Return on assets less interest	(683)
Other actuarial gains/(losses)	0
Administration expenses	(25)
Contributions by Employer including unfunded	273
Contributions by Scheme participants	101
Estimated benefits paid plus unfunded net of transfers in	(889)
Settlement prices received / (paid)	0
	<hr/>
Closing Fair Value of Employer Assets	16,310

The assets in the scheme and the expected rate of return were:

	Value at 31/03/16 £000	% at 31/03/16	Value at 31/03/15 £000	% at 31/03/15
Equities	7,577	46%	7367	43%
LDI/Cashflow matching	1,653	10%	1275	8%
Target return portfolio	3,469	21%	4909	29%
Infrastructure	894	5%	841	5%
Commodities	73	1%	158	1%
Property	582	4%	481	3%
Cash	2,062	13%	1950	11%
Market value of assets	<u>16,310</u>	100%	16,981	100%
Present value of scheme liabilities	<u>(26,496)</u>			
Net pension liability	<u>(10,186)</u>			

13.4.2 Movement in deficit during the year

	2015/16 £000
Scheme liability at 1 April	(10,844)
Service cost	(459)
Administration expenses	(25)
Employer contributions	273
Payment of deficit	-
Past service cost	-
Other finance net interest charged (note 14.4.3)	(353)
Actuarial (loss)/ gain (note 14.4.4)	1,222
Net pension liability	<hr/> (10,186)

13.4.3 Analysis of the amount charged to net operating expenditure

	2015/16 £000
Service cost	459
Administration expenses	25
Past service cost	-
	<u>484</u>
Employer contributions to be set off	(273)
Amount (credited)/charged to operating cost	<u>211</u>

Analysis of the net amount charged to operating cost

	2015/16 £000
Net interest on the defined liability/(asset)	<u>353</u>

13.4.4 Analysis of amount recognised in Statement of Changes in Taxpayers' Equity

	2015/16 £000
Actual return less expected return on pension scheme assets	(683)
Experience gains and losses arising on the scheme liabilities	-
Changes in financial assumptions underlying the present value of scheme liabilities	<u>1,905</u>
Actuarial gain/(loss) recognised in the Statement of Changes in Taxpayers' Equity	<u>1,222</u>

13.4.5 Sensitivity Analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of Total Obligation	26,037	26,496	26,965
Projected Service Cost	403	412	421
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of Total Obligation	26,558	26,496	26,436
Projected Service Cost	412	412	412
Adjustment to pension increases and deferred valuation	+0.1%	0.0%	-0.1%
Present value of Total Obligation	26,909	26,496	26,092
Projected Service Cost	421	412	403
Adjustment to mortality age rating assumption	+1 Year	None	-1 Year
Present value of Total Obligation	27,322	26,496	25,697
Projected Service Cost	423	412	402

14 Contingent Liabilities

FSS is disclosing a contingent liability in relation to an ongoing claim regarding the inclusion of non-contractual overtime and allowances in holiday pay calculations for statutory annual leave. It is anticipated that the claim will be resolved during 16/17, however at this time a monetary value on the liability is unknown but it is anticipated not to be material.

15. Related-Party Transactions

None of the Board Members, Senior Management Team or related parties have undertaken any material transactions with FSS during the year.

FSS is a non-Ministerial Office of the Scottish Administration. The Scottish Government is regarded as a related party. During the year, FSS had various material transactions, mainly in relation to the provision of shared services, with the Scottish Government. FSS had a number of material transactions with local authorities, other Government Departments and other central Government bodies including, Food Standards Agency, Defra, CEFAS, LPFA and the Cabinet Office.

Details of remuneration provided to Senior Civil Servants and Board Members can be seen in the Remuneration Report on pages 34-36.

17. Events after the reporting period

In accordance with the requirements of IAS10 'Events after the Reporting Period', post balance sheet events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Independent Auditors Report to Food Standards Scotland, the Auditor General and Scottish Parliament.

During 2015/16 FSS conducted a review into its pay and reward strategy. Following a review of options and negotiations with the recognised trade unions, offers to transfer staff to Scottish Government Main (SGM) bargaining terms and conditions were made to staff. 87% of staff accepted this offer, with the remaining staff, who did not accept the offer, retaining their FSS terms and conditions. These changes were implemented from 1 April 2016.

18 Early adoption of IFRSs, amendments and interpretations

FSS has not adopted any IFRSs, amendments or interpretations early.

19 IFRSs, amendments and interpretations in issue but not yet effective, or adopted

The IASB has issued an amended standard (IFRS 13) which affects the fair value measurement of assets. This standard was adopted by EU in January 2013 and will be incorporated into the FReM in 2015-16. It is not likely to be applicable or anticipated to have future material impact on the financial statements of FSS.

Accounts Direction



FOOD STANDARDS SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

1. Food Standards Scotland will prepare accounts for the financial year ended 31 March 2016, and subsequent years. The accounts shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRoM) which is in force for the year for which the accounts are prepared.
2. 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 of Food Standards Scotland in the exercise of its functions
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers



Dated 20 April 2016

