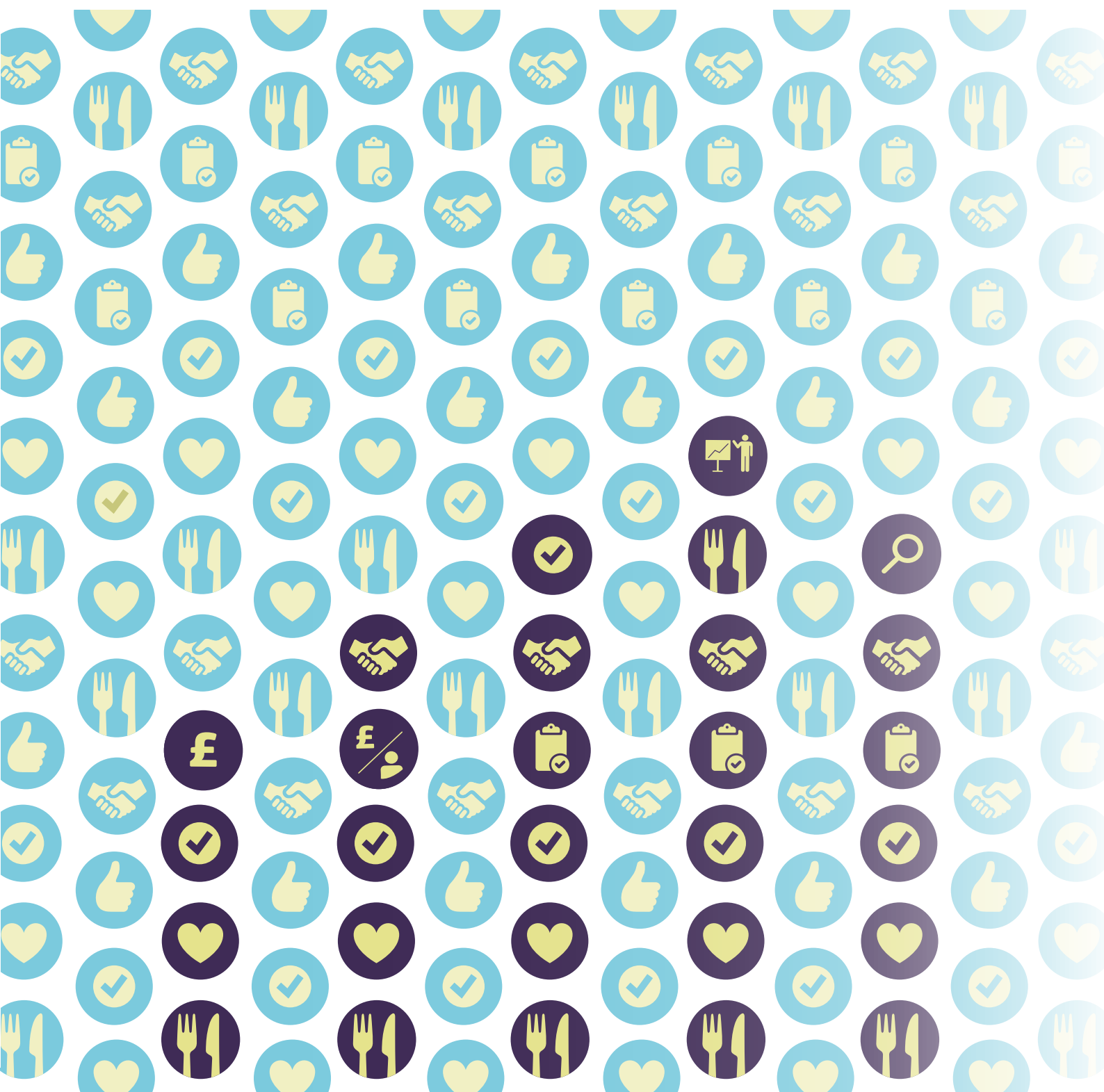


Annual Report & Accounts

**For the year ended
31 March 2018**



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

SG/2018/20

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Food Standards Scotland
Pilgrim House
Old Ford Road
Aberdeen
AB11 5RL
enquiries@fss.scot

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Chair and Chief Executive's Foreword





Chair and Chief Executive's Foreword

Last year's foreword concluded that our third year would bring considerable challenge, and gave a commitment that we would always put protection of consumers' interests first. At the end of the year we can report that both expectation and commitment have been met.

The triggering of Article 50 on 29 March 2017, and the resultant climate of uncertainty about what happens next, set the context and framework for our work this year.

As a new body that successfully took the baton from a UK-wide organisation and ran with it, establishing itself in the space of two years as a trustworthy, respected organisation with the interests of the Scottish consumer at its heart, we are used to responding well to uncertainty. This year, the impending EU exit has sharpened our focus on our core objectives and strategic outcomes. Our vision – to create a food and drink environment in Scotland that benefits, protects and is trusted by consumers – remains our guiding principle. We are looking hard at how we might continue to make it a reality in the new operating environment, whatever shape it might take.

With our six strategic objectives firmly in mind, the Board and the Senior Management Team have been reviewing the way we work, plan and allocate resource. This has been carried out while actively engaging with consumers, government, influencers, and stakeholders to ensure that we have the best possible understanding of the practical implications of EU exit and how that impacts upon the interests of consumers and the way we need to work to protect these.

All of this activity has been, and continues to be, undertaken alongside the day job. Our staff have continued to deliver fully on our regulatory commitments, and, having completed the second year covered by our published Strategy and Corporate Plan, have made considerable progress in delivering against our strategy. Notable achievements in this respect being:

- two successful food safety campaigns;
- publication of our [Regulatory Strategy](#);
- the launch of a joint review of meat cutting premises and cold stores with FSA;
- publication of a number of [nutrition research](#) reports;
- close working with the Scottish Government on diet and obesity; and
- our first conference – [Fresh Thinking on Food](#). The conference was attended by a wide range of stakeholders who engaged actively and heard presentations from speakers across the globe on a range of food-related topics, from food crime to nutrition.

We now head into 2018/19 with the levels of uncertainty continuing without clarity yet on what the form of EU Exit will be. What we can be certain of however is that all staff in FSS will remain committed to the protection of consumers in Scotland which will remain undiminished and inform how we deal with the many challenges we face over the next year.

Ross Finnie,
Chair

Geoff Ogle,
Chief Executive

Performance Report





Our purpose and activities

FSS was established on 1 April 2015 by the Food (Scotland) Act 2015 as the public sector food body for Scotland. We are a non-Ministerial office of the Scottish Administration, working alongside, but separate from, the Scottish Government, and accountable directly to the Scottish Parliament.

Our purpose is consumer protection – making sure that food is safe to eat, ensuring consumers know what they are eating, and improving diet and nutrition.

We have three statutory objectives:

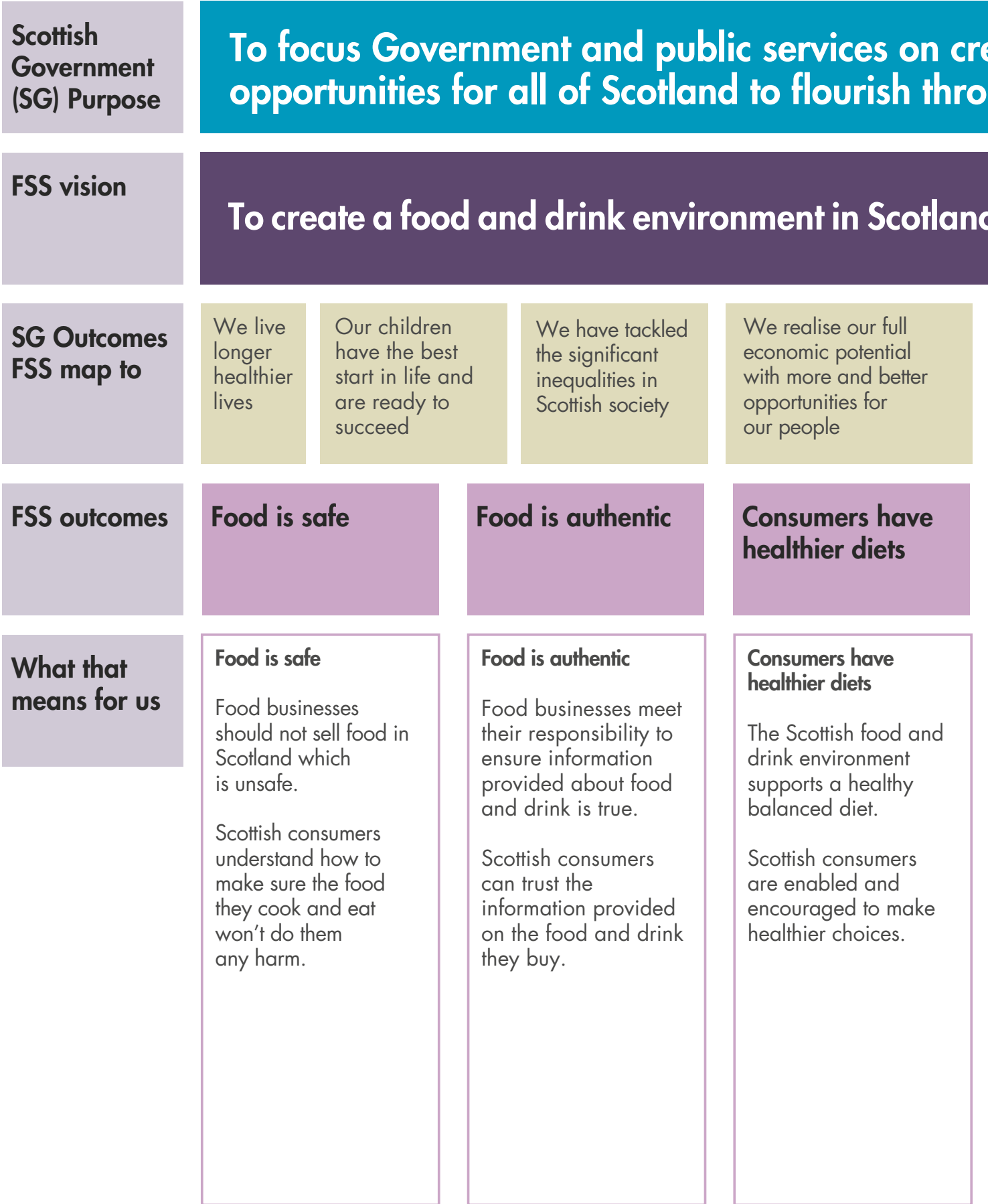
- to protect the public from risks to health which may arise in connection with the consumption of food;
- to improve the extent to which members of the public have diets which are conducive to good health; and
- to protect the other interests of consumers in relation to food

And four statutory functions:

- to develop and help others develop policies on food and animal feed;
- to advise the Scottish Government, other authorities and the public on food and animal feed;
- to keep the Scottish public and users of animal feed advised to help them make informed decisions about food and feed stuffs; and
- to monitor the performance of food enforcement authorities.

We are a 'competent authority' and an 'enforcement authority', and as such we implement and monitor Scottish and European Union food and feed regulations, and protect consumers through delivery of a robust regulatory and proportionate enforcement approach.

Our [five-year strategy](#), published in 2016, outlines how FSS plans to achieve its vision to create a food and drink environment in Scotland that benefits, protects and is trusted by consumers. The table below sets out our Vision and our six Strategic Outcomes, and their relationship to the Scottish Government's Purpose and Outcomes. Following publication of the revised National Performance Framework by the Scottish Government, we shall look to realign our Strategic Outcomes with the new framework during 2018.





Creating a more successful country, with
sustainable economic growth

Food that benefits, protects and is trusted by consumers

We live in a
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

Responsible food businesses flourish

FSS is a trusted organisation

FSS is efficient and effective

Responsible food businesses flourish

Food businesses that
provide safe and
authentic food benefit
from risk-based
and proportionate
regulation that
enables them to
flourish.

Irresponsible food
businesses are held to
account.

FSS is a trusted organisation

Scottish consumers
trust and act upon
our advice.

Industry, government
and stakeholders
listen to our
recommendations
and advice.

Staff are proud to
work for FSS.

FSS is efficient and effective

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
focused on doing
the right things, and
doing them in ways
that are most effective
for achieving our
objectives

Our organisation



Our non-executive Chair and Board Members provide strategic direction, and the staff are led by a Chief Executive Officer, supported by a Senior Management Team and an independent Chief Scientific Adviser. Approximately half of our staff work remotely under the overall direction of our Chief Operating Officer, delivering official controls in abattoirs and meat cutting plants across Scotland, with the remainder working at our Aberdeen office across a range of regulatory, policy, scientific, communications and corporate functions.



Delivery of our strategy

Strategy to 2021 identifying six strategic outcomes:

Food is safe

Food is
authentic

Consumers
eat healthier
diets

Responsible
businesses
flourish

FSS is
trusted

FSS is
efficient and
effective

Corporate Plan to 2019 identifying long term actions:

Foodborne illness
reduction strategy

Empower consumers
with information &
knowledge on
food safety

Improve animal
feed controls

Review shellfish
controls

Ensure effective
delivery of food
controls

Ensure effective
management of
food incidents

Ensure capability to
tackle food crime
Develop authenticity
evidence base

Align food safety and
food labelling controls

Review food labelling

Empower consumers
by helping them to
understand and use
food information
on labels

Be an authoritative
primary source of
evidence-based advice
on nutrition

Support & monitor
progress towards
Scottish Dietary Goals

Influence public
opinion in favour of
action on diet

Advise Scottish
Ministers on folic acid
fortification

Develop a
regulatory strategy
Revise food law
code of practice

Work in partnership
to reduce unnecessary
regulatory burdens

Review the Food
Hygiene Information
Scheme

Support Scottish food
and drink exports
through advice on
compliance

Establish FSS as
authoritative, consistent
and trusted

Use research & insight
to better understand
consumers

Ensure stakeholders
and consumers
are engaged and
consulted

Review our work in the
education sector

Ensure information
about FSS is
transparent &
accessible

Hold Board meetings
in public, making
decisions & policy
recommendations
public

Ensure compliance
with our Code of
Governance &
Framework document

Ensure compliance
with statutory
requirements

Develop a people
strategy

Develop a science &
evidence strategy

Ensure delivery of
official controls is
proportionate & cost-
effective

Review the approach
to charging for official
controls

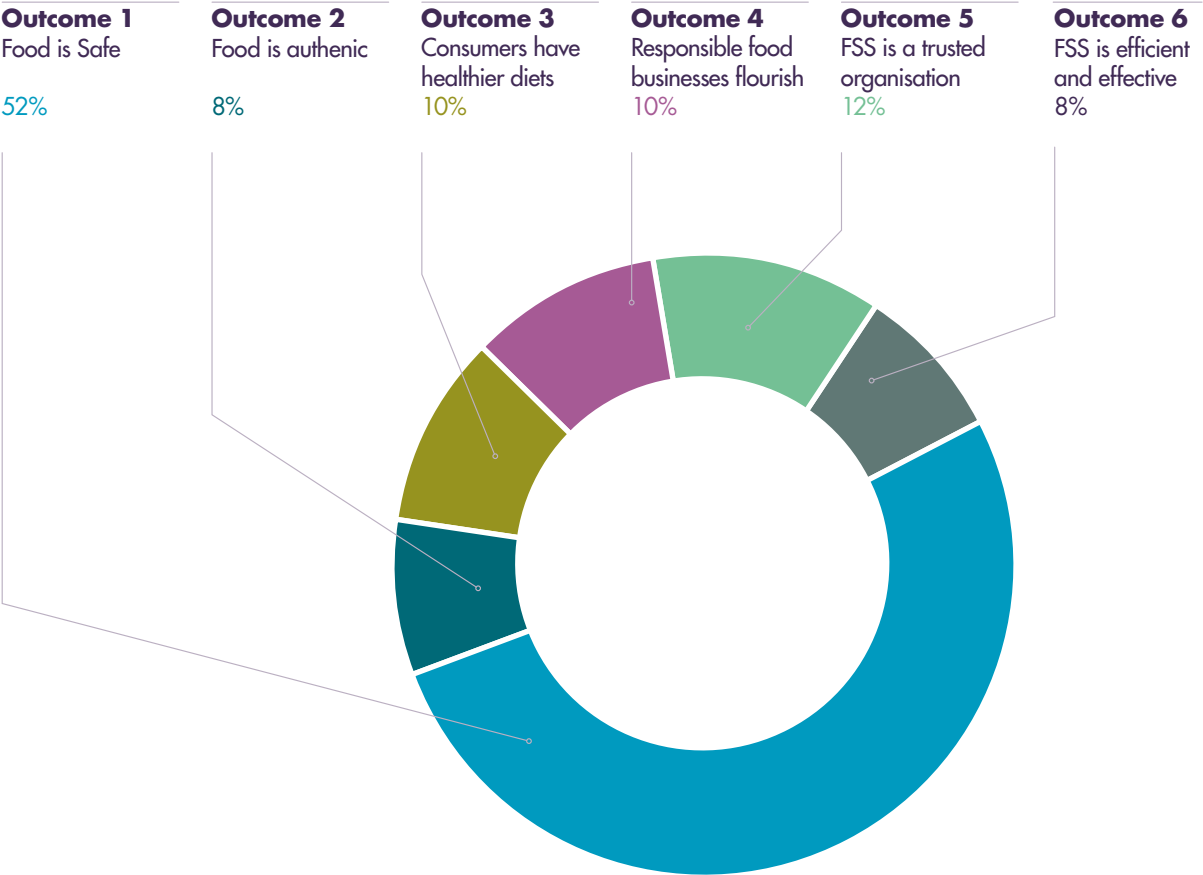
Develop a digital
strategy & our digital
capability

To achieve our goals, we work in partnership with public bodies, other research funders, enforcement authorities, industry, the private sector and third sector and government departments in Scotland and across the UK.

How we allocated our resources in 2017/2018

We are mainly funded by the Scottish Government but we also charge fees to recover costs for regulatory functions.

Strategic outcomes





Our Business Model

What we invest

- A professional and skilled workforce
- Programme resources to gather science, evidence and information
- Advice, guidance and legislation for food and feed safety, food standards and nutrition.
- Communication (all forms)
- Partnership and relationship building and maintenance with key stakeholders to help delivery
- Training (staff, local authorities and food and feed business operators)

What we do

- Developing, monitoring and providing guidance for food and feed legislation and policies
- Commissioning and managing research
- Providing risk assessment, risk management and risk communication
- Provide guidance and advice for consumers
- Discussing and collaborating with our stakeholders for delivery
- Supporting the Scottish food and drink industry
- Developing effective information sharing frameworks with stakeholders and other parts of government
- Providing improved methods by which consumers or those working within the food, feed and drink sector can report or provide information to us

Who we reach and work with

- Consumers
- Government in Scotland, UK and across the EU and worldwide
- Food, feed and drink Industry
- Health professionals
- Educators
- Academics and researchers
- Consumer groups and charities e.g. Which, Cancer Research UK
- Local Authorities
- Media
- International bodies e.g. WHO, EFSA

Key issues and risks

Whilst our approach to managing risk is covered in more detail as part of the Governance Statement, the key risks and how we are mitigating their impact are shown in the table below.

Key Risks	Risk Mitigation
HIGH RISK If FSS does not have adequate time to prepare for Brexit due to tight timescales, this would affect our capability and capacity to achieve our strategic plan, for example through loss of statutory levers or through diverting resources away from carrying out the key activities agreed in the corporate plan.	Programme planning taking place alongside the resources needed to deliver FSS's statutory work and essential core activities. Budget and business planning work ongoing.
HIGH RISK If FSS's budget is reduced or restricted in the future, there is a risk this could result in FSS having to focus solely on statutory requirements and scale back on a number of non-statutory key initiatives needed to achieve our strategic outcomes leading to a detrimental impact on consumers.	Long-term financial plan adopted by the Board.
MEDIUM RISK If sufficient resources are not available for consistent delivery of feed official controls, this could lead to the resources available not matching the statutory requirements. The lack of sufficient resource could result in environmental health and trading standards services becoming unsustainable, and there is a risk that FSS's ability to ensure consumer protection is undermined.	Alternative feed controls delivery mechanism being brought in.
MEDIUM RISK If there is a failure of controls by food business operators that might reasonably have been detected, there is a risk of serious cases of human illness and other risks to public health, leading to a loss of confidence in the food supply chain and loss of trust in regulatory bodies.	Real time access to local Authority databases via Scottish National Database gives faster assurance for FSS. Local Authority (LA) audits by FSS now also focusing on capability and capacity.

Adoption of the going concern basis

From 1st April 2018, FSS has significant net liabilities (£9.96 million) relating to the pension liabilities of former FSA in Scotland Board Members who are members of the Principal Civil Service Pension Scheme (PCSPS) and 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 will be met by funding from the Scottish Parliament.



Performance summary

This summary provides a brief high level overview of our performance against our six strategic outcomes, and is based on a set of key strategic indicators that we have agreed with our Board, and which allow us to demonstrate trends over the 3 years since our establishment. There are, of course, many other activities that we plan and undertake to achieve our vision, and the more detailed Performance Analysis section of the report, gives a broader operational picture of our work, together with further information on how we measure our achievements which underpin our outcomes.

The arrows in the following tables show the direction of the trend for each key indicator, while the colour of the arrow indicates whether this is a positive (green), neutral or statistically insignificant (amber) or negative (red) sign. Further information on each measure is available by hyperlink to the relevant section of the Performance Analysis.

Food is safe

What does this mean?

- Food businesses should not sell food in Scotland which is unsafe.
- Scottish consumers understand how to make sure the food they cook and eat won't do them any harm.

Our key performance indicators

Outcome 1: Food is safe	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Number of reported human cases of Campylobacter	6264	5296 ↓	5823 ↑
Percentage and numbers of incidents in Scotland handled by FSS that were Microbiological, Biotxin and allergen food safety incidents	71% (109/154)	50% (52/104) ↓	31% (41/134) ↓
Percentage and numbers of incidents where food business had poor or insufficient food safety controls	12% (18/154)	16% (17/104) ↑	8% (10/134) ↓
Percentage of consumers aware of FSS remit to ensure that food in Scotland is safe to eat (Percentage based on average figures for reporting year)	36%	41% ↑	44% ↑
Percentage of unsatisfactory samples (total number of food samples brackets) tested by Local Authorities for food safety	18% (9,062)	19.2% (8,002) ↑	19.5% (7,063) ↑

Food is authentic

What does this mean?

- Food businesses meet their responsibility to ensure information provided about food and drink is true.
- Consumers can trust the information provided on the food and drink they buy.

Our key performance indicators

Outcome 2: Food is authentic	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage and number of incidents related to Food Fraud	5% (18/154)	2% (2/104) ↓	2% (2/134) ↓
Percentage of unsatisfactory samples (total number of food samples brackets) tested by Local Authorities for substitution recorded on the UK Food Surveillance System	6.2% (504)	9.1% (525) ↑	8.7% (678) ↓
Percentage of consumers who are concerned that food is not what is says on the label (Percentage based on average figures for reporting year)	79%	76% ↓	74% ↓



Consumers have healthier diets

What does this mean?

- The Scottish food and drink environment supports a healthy balanced diet.
- Scottish consumers are enabled and encouraged to make healthier choices.

Our key performance indicators

Outcome 3 Consumers have healthier diets	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage of consumers who know that they need to do something to eat more healthily	51%	59% ↑	56% ↓
Percentage of parents who are concerned about the types of food that their children are eating (Percentage based on average figures for reporting year)	45%	53% ↑	52% ↓

Responsible food businesses flourish

What does this mean?

- Food businesses that provide safe and authentic food benefit from risk-based and proportionate regulation that enables them to flourish.
- Irresponsible food businesses are held to account.

Our key performance indicators

Outcome 4: Responsible food businesses flourish	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Number of formal enforcement notices issued to FSS approved establishments	47	32 +21 detention notices ↓	65 +49 detention notices ↑
Percentage and number of passes for Food Hygiene Information Scheme (FHIS) listed businesses	91% (45,768)	92% ↑	92% ↔
Numer of written warnings issued to meat food businesses	238	266 ↑	346 ↑
Percentage of consumers who have used a food hygiene information scheme to check hygiene standards	26%	30% ↑	31% ↑



FSS is a trusted organisation

What does this mean?

- Scottish consumers trust and act upon our advice.
- FSS understands the interests of consumers in relation to food, and leverages influence where appropriate to benefit consumers.
- Industry, government and stakeholders listen to our recommendations and advice.

Our key performance indicators






Outcome 5 FSS is a trusted organisation	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage of consumers who trust FSS to do its job amongst those that are aware of FSS. (Percentage based on average figures for reporting year)	70%	76% ↑	76% ↔
Percentage of consumers who have rated FSS as 'Excellent', 'Very good' or 'Good' to the statement 'Being the experts when it comes to food safety' (Percentage based on average figures for reporting year)	36%	44% ↑	48% ↑
Percentage of consumers who have rated FSS as 'Excellent', 'Very good' or 'Good' to the statement 'Having the necessary expertise to help people in Scotland eat healthily' (Percentage based on average figures for reporting year)	35%	42% ↑	46% ↑

FSS is efficient and effective

What does this mean?

- 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 focused on doing the right things, and doing them in ways that are most effective for achieving our objectives.

Our key performance indicators

Outcome 6 FSS is efficient and effective	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage efficiency savings target 3% to be reinvested	N/A	1.80%	2% 
Employee engagement index from the civil service survey	62%	63% 	65% 
Percentage of female staff in FSS	39%	44% 	45% 



Performance Analysis

Introduction

FSS has a wide and diverse remit, but with a clear vision and set of strategic outcomes outlined in our 5 year [Strategy](#), published in 2016. Our Corporate Plan is brigaded under our six strategic outcomes, and covers a 3 year period (April 2016 to March 2019), to allow us to be flexible and adaptable within an overall strategic direction.

Since our Strategy and our Corporate Plan were published, the decision by the UK to leave the EU has been identified as a key risk to the delivery of our Strategy and Corporate plan and an issue and source of considerable uncertainty. As over ninety-five per cent of the food and feed law originates from the EU, it is inevitable that FSS will be affected significantly by leaving the EU. There are no areas of our work that will be untouched.

The Board has discussed and responded to this uncertainty, agreeing that whilst the landscape in which we are operating has changed, our six strategic outcomes remain valid and the protection of consumers and their wider interests should continue to frame what we do, within that context of change and uncertainty.

How we measure our performance

Our key strategic performance indicators are set out in the Performance Summary. The aim was to produce indicators that are important to the people of Scotland, are practical, and are straightforward to interpret trends.

Delivery of our strategic outcomes would be put at risk by:

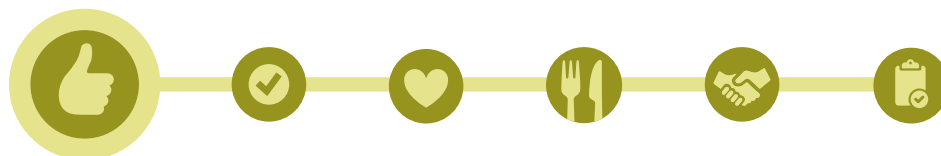
- a failure of, or failure of trust in, the effectiveness of our regulatory system;
- a failure of food businesses to meet their responsibility to produce safe and authentic food hygienically;
- by limited understanding, awareness or trust on the part of consumers; or
- by the failure of FSS to inspire trust and to operate efficiently and effectively.

Our key strategic indicators reflect these risks, by focusing on measures such as data on food incidents and enforcement actions, consumer attitudes and awareness, staff engagement and efficiency savings.

There is, of course, a great deal of work underpinning our strategic performance indicators, and many other activities that we plan and undertake to achieve our vision. The performance analysis reflects this, providing further analysis of our strategic indicators together with a wider picture of our work and how we measure its achievements and outcomes.

Some of our work – for example the delivery of official controls – lends itself to objective quantitative measurement, both of outputs and outcomes. Other areas of work are more complex and complicated – for example the reduction of foodborne illness, or improvement of diet – where outcomes are slower to become evident, and may be affected by factors outside of our control. In these cases, it can be difficult to identify direct measures: in some instances we may provide a narrative progress report on actions that we decided, on the basis of evidence, were the best contribution to achieving the desired outcomes.

Analysis



1. Food is safe

What does this mean, and what have we achieved?

- **Food businesses should not sell food in Scotland which is unsafe**

FSS addresses the risk of businesses selling unsafe food in four ways – by regulatory activities, by the prevention and management of food-related incidents, through our surveillance strategy, and through our strategy for reducing foodborne illness in Scotland.

Regulation - meat

This year FSS delivered official controls in 98 approved meat premises (slaughterhouses, game handling establishments, and cutting plants), and carried out 95 audits.

We have three key performance measures with respect to our activities in meat plants: contamination levels; veterinary audit outcomes; and animal welfare incidents.

Contamination levels

Red meat carcasses cannot be placed on the market unless they are health-marked. FSS ensures that all red meat carcasses where a health mark is applied are free from contamination and fit for human consumption. If contaminated carcasses are presented for inspection then we do not apply a health mark. The food business operator (FBO) must rectify the problem and re-submit for final inspection and only once it is free of visible contamination will it be health-marked.

FSS actively engages with FBOs to secure reducing levels of contamination on carcasses presented for inspection. We set annual limits for the proportion of carcasses presented for inspection which have visible contamination – if those limits are exceeded by any individual FBO then enforcement action is taken. Limits set for 2017/18 were 4% for cattle, 3% for sheep, and 2% for pigs, the variation in limits recognising different methods of processing for each species. As well as removing the visible contamination from carcasses, it is the FBO's responsibility to investigate and correct the root cause of contamination; our staff can and do play an important role, often advising the FBO of the most likely causes.

The number of contaminated carcasses presented to FSS staff for inspection is a proxy measure for hygienic production at slaughterhouses. The following graph shows levels of contamination as a percentage of the number of animals slaughtered, and show a downward trend over the past 3 years.



Average Quarterly Contamination 2015-2018



Veterinary audit outcomes

Our team of trained veterinary auditors deliver audits in approved meat plants with two main aims: to make sure that FBOs are complying with food law requirements; and to ensure FBOs are meeting relevant standards in relation to public health and, in slaughterhouses, animal health and welfare. Audit reports detail any non-compliances identified and provide the FBO with an indicative timescale to address them. Further audits are scheduled at intervals varying from 2 months to 12 months, depending upon the level of compliance found, and additional partial audits, or unannounced inspections, may be undertaken in the case of non-compliances.

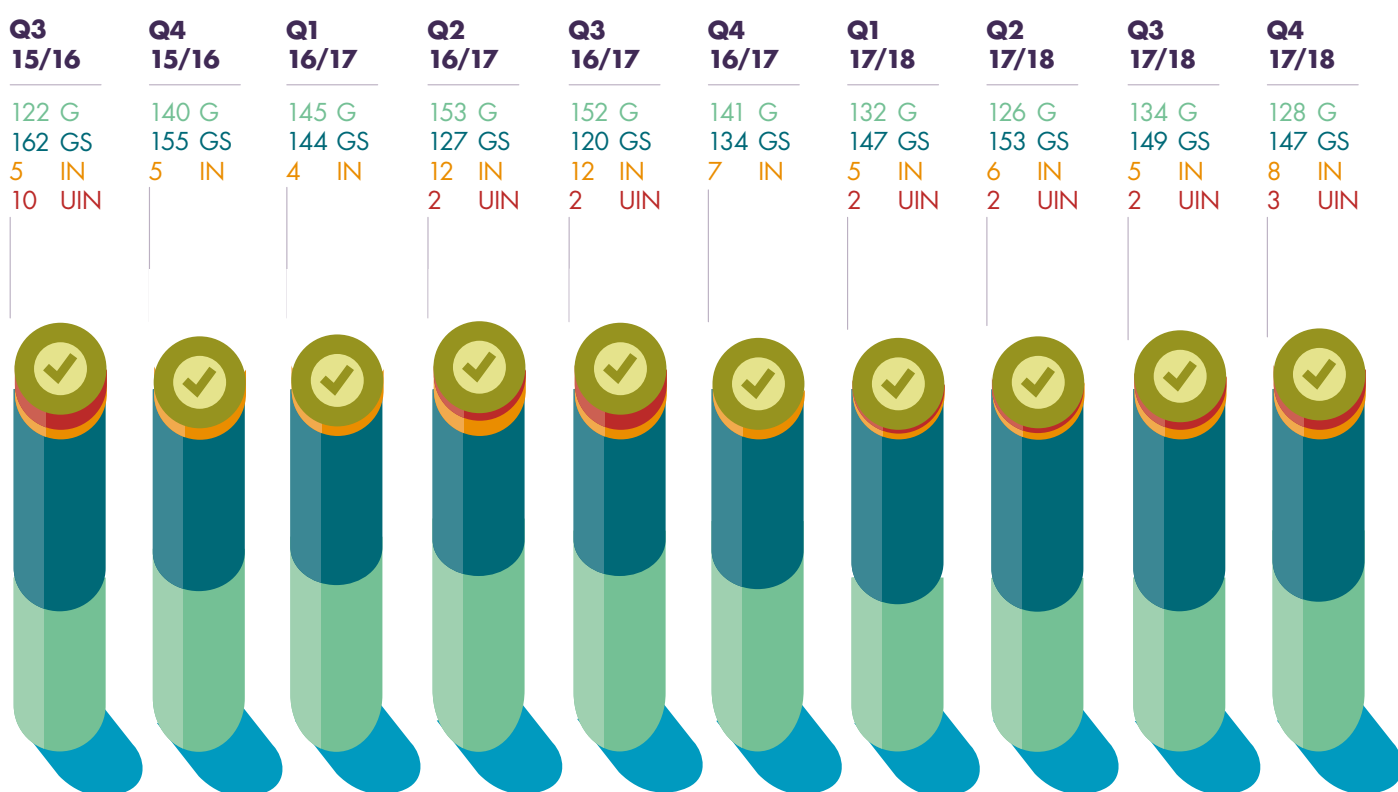
The following graph shows the number of meat plants at each level of compliance on a quarterly basis, and demonstrates that the outcome trend is stable, with the majority of plants categorised as generally satisfactory or good.

Animal welfare incidents

One of the important functions of FSS is the enforcement of animal welfare policy to ensure animals are protected prior to and during the slaughter process. We enforce legislation on behalf of the Scottish Government, and assist the Animal and Plant Health Agency (APHA) and local authorities (LA) with monitoring animal welfare on farm and during transport through providing information to them relating to potential animal welfare breaches attributable to conditions or treatment on farm and during transport.

FSS has continued to lead improvement in the monitoring and reporting system for animal welfare breaches. We collaborate with the Animal Health and Welfare Strategy Group and LA local panels to address non-compliances spanning multiple agencies, and initiated and are an active member of the Scottish Livestock Welfare Group, created to review welfare data and intelligences, address areas for improvement in a coordinated approach, and review welfare policy to secure improvements in welfare.

Veterinary Audit 2015 – 2018



G Good
 GS Generally Satisfactory
 IN Improvement Required
 UIN Urgent Improvement Required



If there are animal welfare breaches that occur within approved slaughterhouses in Scotland they are investigated and proportionate action is taken by official veterinarians working on behalf of FSS, who are on site during slaughter. Actions will range from verbal advice, enforcement letters, welfare enforcement notices to investigations with a view to providing reports to the Procurator Fiscal, and if required the suspension or revocation of slaughterer's Certificate of Competence.

The following graphs show the number of welfare incidents in slaughterhouses, the number originating on farm or in transport, and the total number of welfare incidents recorded.

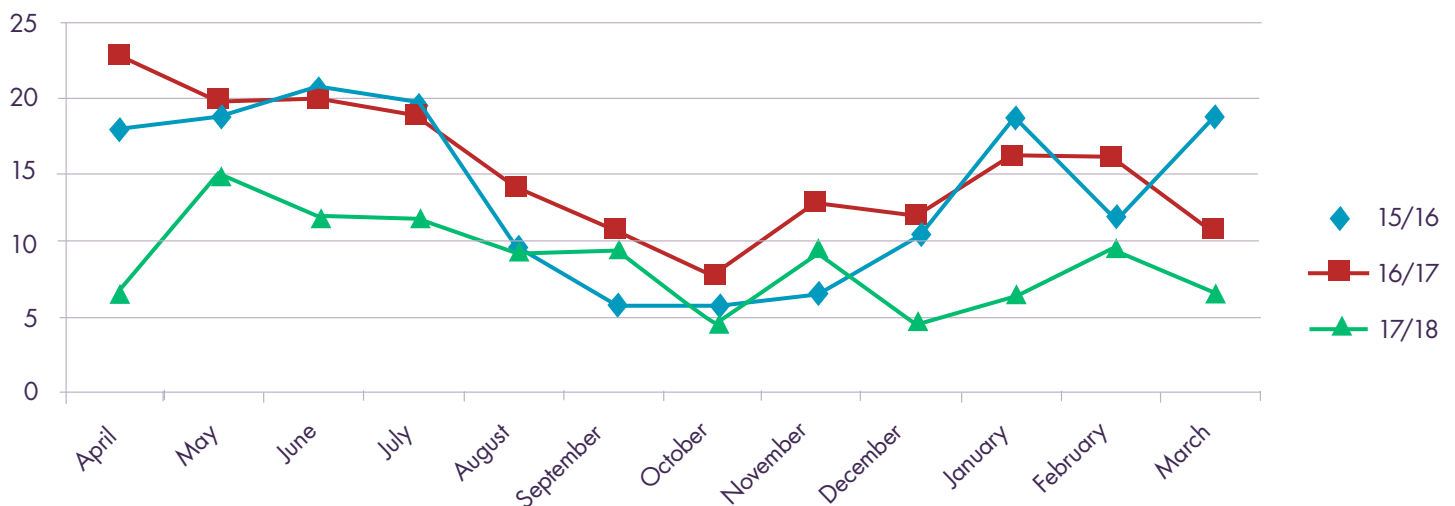
Category 3 and 4 welfare incidents are defined as follows:

Category 3: A technical breach of welfare regulations but there was no evidence of any avoidable pain, distress or suffering to the animal during their killing and related operations.

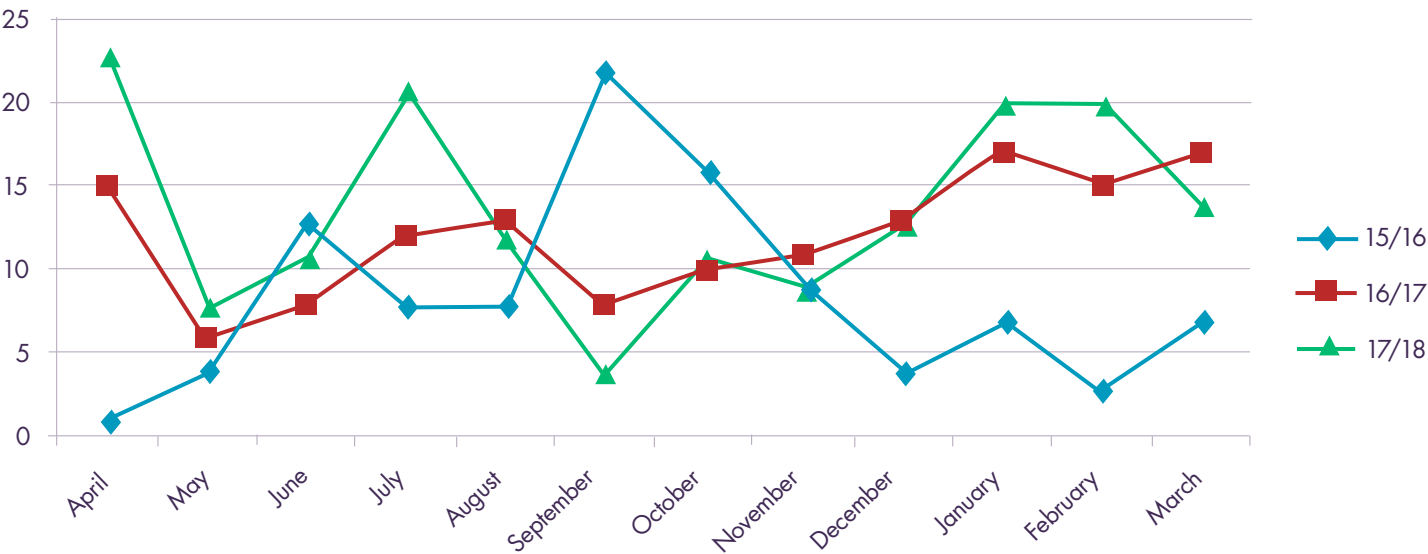
Category 4: A breach of welfare regulations with evidence of avoidable pain, distress or suffering to the animal during their killing and related operations, or a contravention poses a serious and imminent risk to animal welfare.

We have a zero tolerance for animal cruelty, and so the number of welfare incidents, particularly those occurring in slaughterhouses, where we have direct responsibility and control, is a key performance indicator for us. The numbers should be read in the context that in 2017/18 in Scotland 462,871 cattle, 1,155,931 sheep, 266,614 pigs and 42,459,164 poultry were slaughtered.

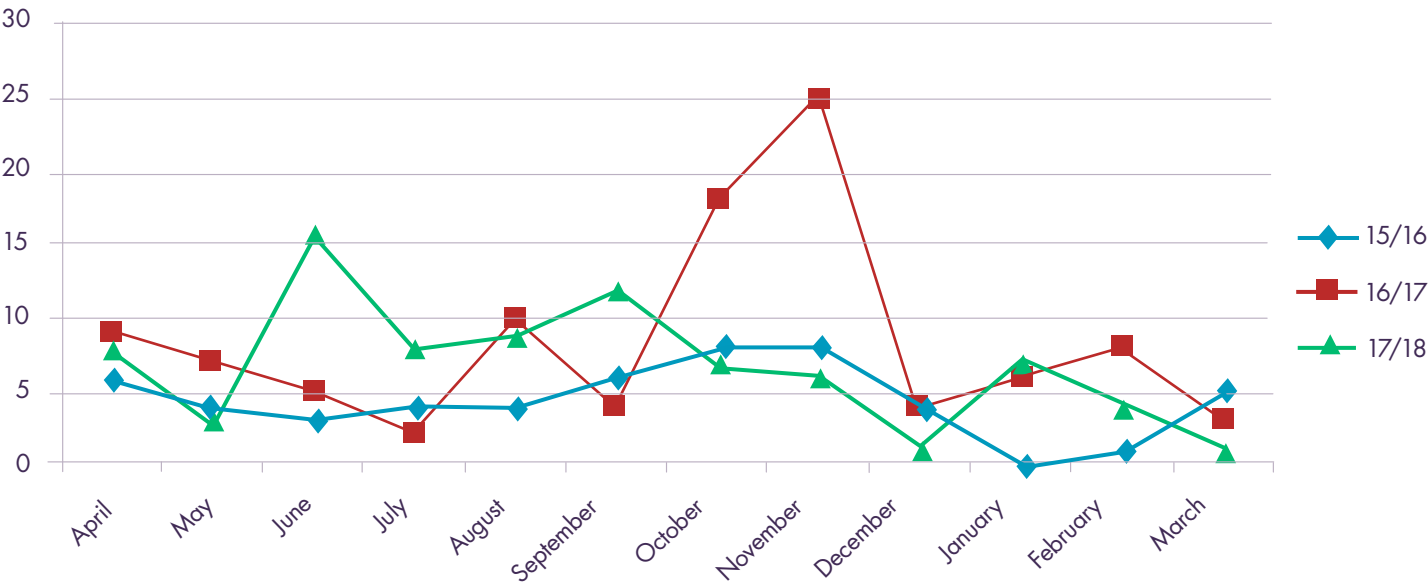
Animal Welfare Farm & Transport Category 3



Animal Welfare Farm & Transport
Category 4

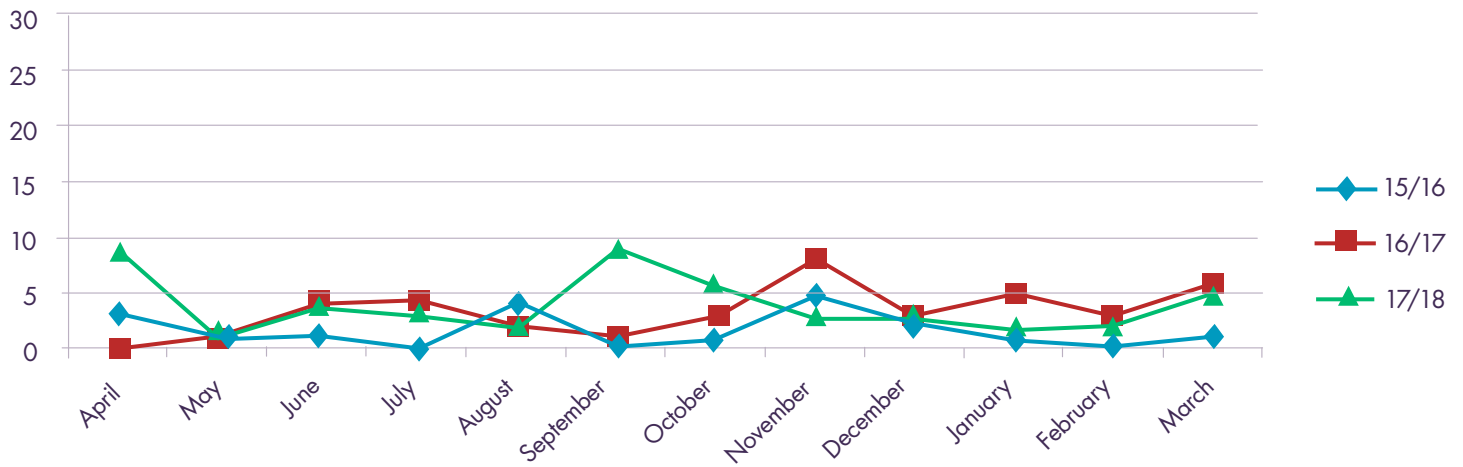


Animal Welfare Abattoirs
Category 3

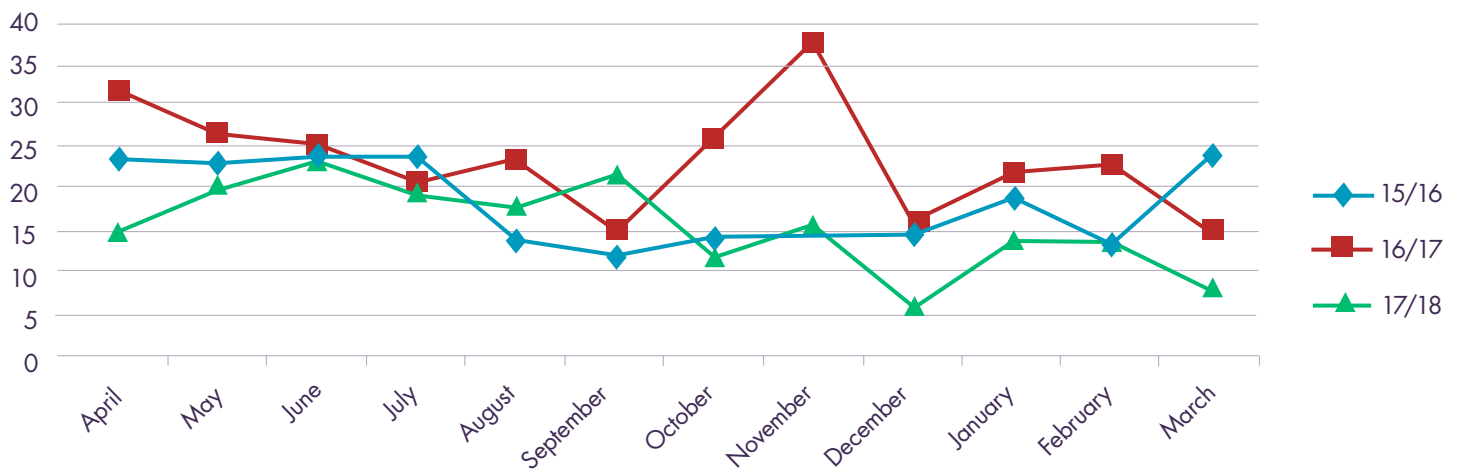




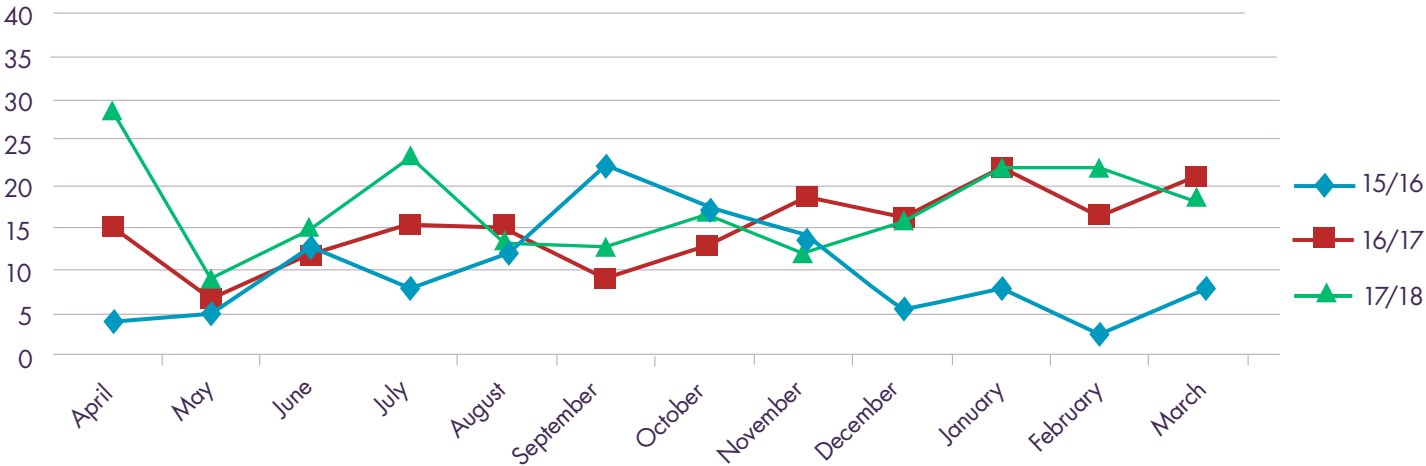
Animal Welfare Abattoirs Category 4



Animal Welfare Total Category 3



Animal Welfare Total Category 4

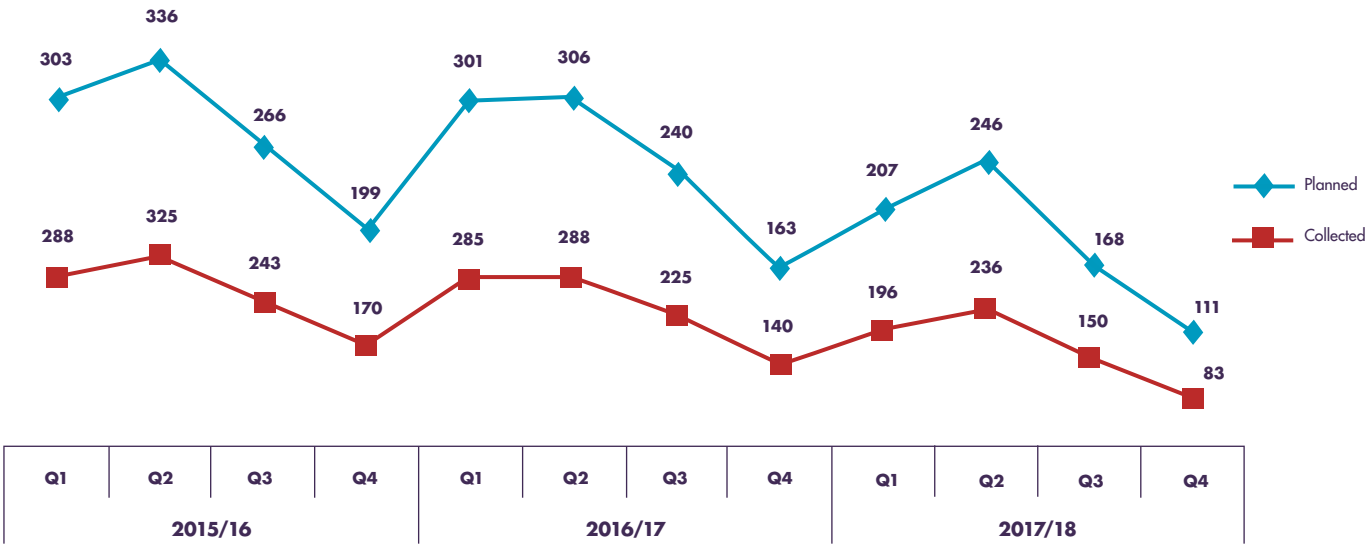


Regulation – shellfish

FSS also undertakes a risk-based shellfish sampling programme to determine the safety of marine waters used for the harvesting of shellfish in Scotland, and to ensure that shellfish from designated harvesting areas meet the health standards laid down in European legislation. Given that this is a monitoring exercise, we use our performance against the sampling programme as a key performance indicator.

However, it should be noted that sampling can be affected by a number of external factors, for example whether active harvesting is taking place, the availability of vessels, or weather conditions. The plan is actively managed to ensure that deviations have as low an impact as reasonably possible upon food safety. In 2015/16 we achieved 1026 samples against a planned 1206, in 2016/17 we achieved 938 samples against a planned 1010, and this year we achieved 665 samples against a planned 732. The following graph compares planned with achieved sampling, and shows an increasing convergence.

Average Quarterly Shellfish Samples 2015-2018





LAs are responsible for enforcement of food and feed law in the majority of food businesses, and FSS has a key role in setting and monitoring standards and auditing delivery of food and feed law. This year we continued the programme of auditing LA capacity and capability to deliver food law that we began in 2016/17. Following an audit, we continue to liaise and work with the LA until all recommendations are addressed, with the audit file only being closed at

that point. In addition to individual LA controls, the audit programme looks at the overall effectiveness of official controls, and if the same issue is seen to arise across several audits, that would be reported. We publish the audits on our website once they are completed, and the following table shows the outcome of this year's completed audits, together with the outcome of follow-up work from a previous audit.

Local Authority Audits – Capacity and Capability Audit Programme

Local Authority	Audit Scope	Audit Date	Audit Outcome
Perth & Kinross	Capacity and Capability	April 2017	Reasonable Assurance
Moray	Capacity and Capability	May 2017	Limited Assurance
East Lothian	Capacity and Capability	June 2017	Substantial Assurance
Argyll & Bute	Capacity and Capability	August 2017	Insufficient Assurance
Shetland Islands	Capacity and Capability	December 2017	Limited Assurance
North Lanarkshire Council	Capacity and Capability	February 2018	To be finalised
Local Authority	Audit Scope	Re-visit Date	Audit Outcome
Falkirk Council	Capacity and Capability (Limited Assurance Audit Outcome – December 2016)	November 2017	The Audit file was closed on successful completion of action plan

Food incidents

A food incident is where concerns about actual or suspected threats to the safety or quality of food require intervention to protect consumers. FSS leads on the Government response to food incidents in Scotland, and provides businesses with advice on how to report, respond to and prevent an incident, as well as carrying out monitoring and planning work. FSS issues [information](#) about product withdrawals and recalls to let consumers and Local Authorities know about problems associated with food. We issue food alerts for action where intervention by enforcement authorities is required, and allergy alerts when a product is mis-labelled or a potential allergen not labelled.

In 2017/18 FSS led on handling 100 incidents specifically related to Scotland, and was involved in handling a further 34 incidents that started elsewhere in the UK. We issued nine recall information notices, two food alerts for action, and one allergy alert. The number of incidents has decreased from the 2016/17 figure (104), as has the number of recall information notices and alerts (from 13 recall information notices, 6 food alerts for action, and 6 allergy alerts in 2016/17), and this is a welcome trend.

Our regulatory activities are aimed at ensuring businesses meet their responsibility to produce safe food. The number of food incidents that are related to food safety is, therefore, a key performance indicator for us. The following two tables demonstrate a welcome downward trend.

Food safety incidents

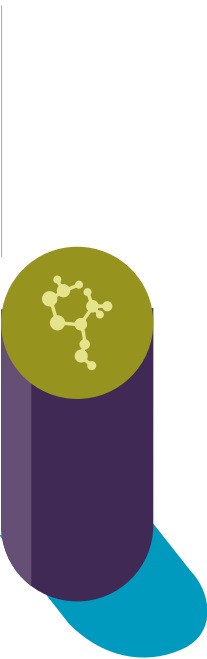
2015 – 2016

Baseline
109



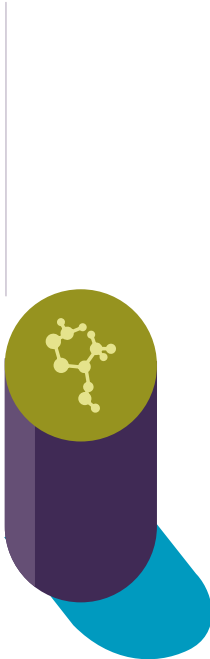
2016 – 2017

Year 1
52



2017 – 2018

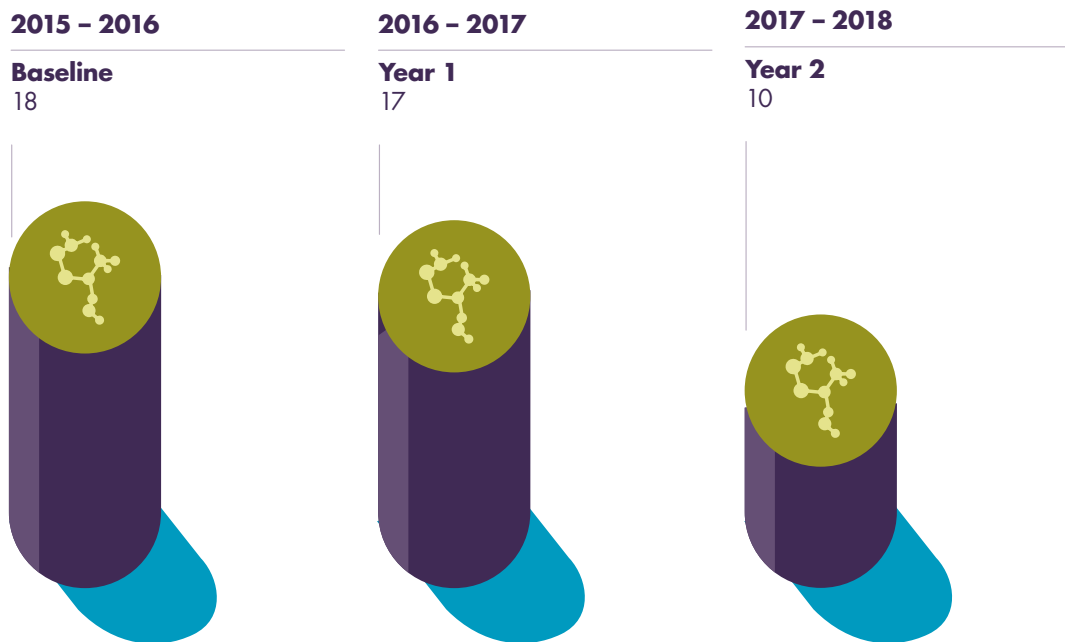
Year 2
41



Number of incidents in Scotland handled by FSS that were Microbiological, Biotoxin and allergen food safety incidents



Number of incidents where food businesses had poor or insufficient food safety controls



Food surveillance

Food Surveillance Strategy

We have continued to take forward our food surveillance strategy through the development of structured approaches for generating, analysing and interpreting a wide range of information sources to identify risks to the safety and authenticity of the Scottish food chain. This includes new procedures for horizon scanning and strategic planning which have improved our ability to make use of data collected by FSS and others to identify priorities and target interventions, research and surveillance activities.

Local Authority Sampling

The UK Food Surveillance System, a national database for the central storage of analytical results from food and feed samples, had been rolled out to 30 out of the 32 local authorities in Scotland by April 2017. It was rolled out to another local authority during this year, and was expected to have been adopted by all 32 local authorities before April 2018. FSS reviews UKFSS data on an annual basis and reports the trends to all 32 LAs in Scotland to assist them in targeting enforcement interventions and surveillance activities. The UKFSS datasets are also used to inform FSS's food surveillance strategy, and our annual Local Authority Food Sampling Grants programme.

During the sampling period, UKFSS recorded data on a total of 7,741 food samples taken by 30 of the 32 Scottish Local Authorities for analysis to assess compliance with EU regulations or non-statutory guidelines relating to food safety, labelling and standards. Samples are defined as unsatisfactory if they breach legislative standards or guideline values relating to food safety, hygiene, labelling/ composition, or substitution. Unsatisfactory results relate to samples which have failed for a wide range of criteria including those which could present a potential food safety risk, as well as those which are indicative of a failure in the food production process.

The majority of unsatisfactory results are due to the detection of levels of indicator organisms in foods which are tested to assess hygiene issues in food production and do not necessarily represent a risk to human health.

The results that relate to food safety and hygiene for the 2017/18 sampling period are shown in the table below. The UKFSS data sets presented in this report have been re-calibrated to reflect a new data analysis protocol which has been applied this year, so cannot be compared to previous reports.

01/04/17 - 31/03/18					
Sample Type	Satisfactory	% Satisfactory	Unsatisfactory	% Unsatisfactory	Total
Chemical*	2217	92.1	189	7.9	2406
Microbiological	3470	74.5	1187	25.5	4657
Total	5687	80.5	1376	19.5	7063

* Chemical tests include a wide range of parameters including the measurement of additives and nutritional composition as well as the presence of contaminants exceeding legislative or guideline standards. Therefore unsatisfactory chemical results do not always represent a food safety issue.



Foodborne illness

In addition to our regulatory activities, FSS works to protect consumers through its [strategy for reducing foodborne illness in Scotland](#) (published in 2016) and we have been working with partners to understand the key sources and transmission routes and identify where intervention can be effective in reducing the risks.

During 2017/18, we continued to support the UK strategy for addressing campylobacter contamination in poultry production, and have been encouraged to see the major retailers taking greater responsibility for this issue through the publication of their own testing results, which appear to be showing a downward trend. The latest figures (covering October to December 2017) showed that, across the market, 4.5% of chickens tested positive for the highest level of contamination (>1000 colony forming units per gram), compared to 5.14% in the previous quarter (July to September 2017). Unfortunately this reduction has not yet translated to public health, with the number of reports of human campylobacter infections in Scotland increasing by almost 10% since 2016/17 (although this remains below the baseline). In February we also published [the findings of research](#) on human campylobacter infection in Scotland between April 2015 and December 2016 which showed only a slight reduction in the proportion of cases which could be attributed to a chicken source. There is clearly a need for ongoing focus on campylobacter, and in addition to monitoring the progress of the poultry industry we are funding further [research to get a better understanding of the pathogen and the factors which affect disease rates in Scotland](#).

This year we have also taken action to address evidence gaps and issues that were identified during the investigation of two high profile outbreaks of *E. coli* O157 infection in 2015 and 2016 which were linked to the consumption of [wild venison products](#) and [unpasteurised cheese](#). This work has involved collaboration with industry bodies in both sectors, the enforcement community and scientists to improve understanding of the risks of Shigatoxin producing *E. coli* in these food production chains and strengthen existing guidance for controlling these risks. Further information on this work can be found [here](#).

FSS works closely with Health Protection Scotland (HPS), to monitor the number of cases of infectious intestinal disease (IID) reported to NHS surveillance systems, which are attributed to pathogens that can be transmitted through the food chain. Due to under-ascertainment, the figures represent only a fraction of the total number of cases in the community, and as they relate to both foodborne and non-foodborne IID, these figures cannot be used to directly measure how our strategy translates to public health. However, they provide annual trends on the incidence of IID in different Scottish population groups that help us to identify where interventions and research should be targeted.

Reported cases of infectious intestinal disease in Scotland attributed to the top five pathogens most commonly associated with foodborne disease. Data reported by Health Protection Scotland (HPS):

Pathogen	Number of reported cases (2017/18)	% change from 2016/17
Campylobacter	5823	9.95% increase
Salmonella	839	0.36% increase
<i>E. coli</i> O157	173	4.42% decrease
<i>Listeria monocytogenes</i>	13	13% increase
Norovirus	1081	30% decrease

* To note these figures remain provisional at the time of this report

We have also worked collaboratively across Scottish Government and other partners on the development of [guidance on the redistribution of surplus food](#) to support Scotland's waste reduction strategy, and programmes of work aimed at understanding and controlling antimicrobial resistance in Scotland.

Reducing the risks of chemical contaminants in the food chain is an important aim of our strategy, and this year we have commissioned a review of the evidence on the main contaminant risks that are associated with the Scottish diet and foods produced in Scotland. This work is due to be published during Q1 of 2018/19 and will help us to develop an evidence-based strategy for targeting future research, surveillance and interventions in this area. Alongside this work, we have been working with UK Hospitality and FSA and to develop guidance for the catering sector and Local Authorities respectively, on measures for controlling the risks of acrylamide – a chemical substance which can develop as a by-product when high starch foods such as potatoes and bread are cooked to high temperatures.

Scottish consumers understand how to make sure the food they cook and eat won't do them any harm

In order to have confidence that food placed on the market is safe, consumers need to be aware of what we do, and so the percentage of consumers aware of our remit to ensure safe food in Scotland is a key indicator for us. Our six-monthly consumer attitudes tracking survey shows that awareness rose from a baseline of 36% in December 2015 to 41% in December 2016, and saw a further positive increase to 44% in 2017.

Besides our work to ensure that food placed on the market is safe, we also work to raise the public's awareness of how their actions can impact on food safety in the home, through the information and advice that we provide, and, this year, with two focused food safety campaigns. A second burst of our '[Pink Chicken](#)' campaign (aimed at summer barbecue cooking) ran during the summer of 2017. Ninety-four per cent of the target audience who recognised the Pink Chicken campaign claimed to take action as a result of that campaign.






Our food safety campaign '[Kitchen Crimes](#)' (aimed at encouraging better food safety behaviour at home) ran during January 2018. The campaign page on our website was viewed 31,775 times, and independent evaluation has shown that following the campaign there was a reduction in people committing 15 of the 17 'kitchen crimes' that we measured.

We use our consumer attitudes tracking survey to monitor progress on the number of people following 20 recommended food safety practices. Although evaluation of our food safety campaigns report positive outcomes, the numbers shown in our tracking survey have hovered around the same level over the 3 years of our existence. However, the last wave of the survey for the year 2017/18 was run in December 2017, before our Kitchen Crimes campaign ran, and given the success of that campaign, we hope that the next wave of the survey will show positive results.



In summary, prior to the food safety campaign, the average number of recommended practices followed is the same as previously (though now out of 19 rather than 20)

Average number of practices followed

					Total 
	(out of 3)	(out of 4)	(out of 7/6*)	(out of 6)	(out of 20/19*)
Wave 1 - Dec 15 (out of 20)	2.0	2.0	3.3	4.3	11.7
Wave 3 - Dec 16 (out of 20)	2.0	2.0	3.2	4.2	11.3
Wave 5 - Dec 17 [†] (out of 19)	2.0	2.0	3.0	4.3	11.3

N.B Calculated as a proportion of those with any responsibility for preparing and cooking food.

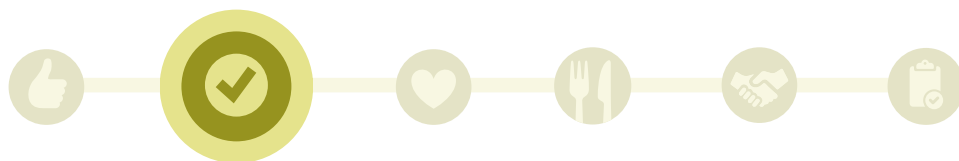
*Waves 1 and 2 were based on a total of 20 recommended practices.

At wave 5 'Wash raw fish or seafood' was removed, reducing the total to 19 recommended practices.

[†]We reduced the number of practices tracked from 20 to 19 in the December 2017 survey.

An assessment of the 'Kitchen Crimes' will be included in the campaign evaluation





2. Food is authentic

What does this mean, and what have we achieved?

- **Food businesses meet their responsibility to ensure information provided about food and drink is true**

Just as with food safety, key indicators of how well food businesses are meeting their responsibility to ensure authenticity are the percentage of LA samples that are found to be unsatisfactory, and the number of food incidents related to authenticity.

Authenticity sampling is not carried out randomly, this is targeted to areas/food commodities of risk and these vary each year, therefore it is expected that a level of variation will occur from year to year in sampling outcomes.

17/18 LA Samples

Sample Type	Satisfactory	% Satisfactory	Unsatisfactory	% Unsatisfactory	Total
Chemical*	2217	92.1	189	7.9	2406
Substitution	619	91.3	59	8.7	678
Total	2836	92	248	8	3084

* Chemical tests include a wide range of parameters including the measurement of additives and nutritional composition as well as the presence of contaminants exceeding legislative or guideline standards. Therefore unsatisfactory chemical results do not always represent a food safety issue.



Food incidents



Number of incidents related to Food Fraud

Relatively small numbers notwithstanding, experience has shown that we need to remain vigilant with respect to authenticity, working strategically, and in partnership, to share intelligence and prevent fraud. There is a clear public interest in this issue. The Scottish Food Crime and Incidents Unit (SFCIU), which we established in 2015, has been one of FSS's most enquired about areas by the national and trade media and has featured in 189 separate pieces of press coverage online, in print and in the broadcast media reaching nearly 6.5 million readers.

During 2017/18 the SFCIU increased its intelligence arm of the unit by adding two additional members to the team in order to support joint working with the Animal Plant and Health Agency (APHA) on animal

health and welfare. This was part of a pilot project funded by Scottish Government. Due to its success, Scottish Government has agreed to continue this funding on an ongoing basis resulting in these joint working arrangements becoming permanent.

Towards the end of 2017, FSS also joined the European Union Food Fraud Network (FFN), with the Head of the SFCIU becoming one of two UK FFN Contact Points. The FFN was set up in response to the horse meat crisis, with the aim of allowing EU countries to work in accordance with the rules laid down in Articles 36-40 of the Official Controls Regulations, in matters where the national authorities are confronted with possible intentional violations of food chain law with a cross border impact.

FSS also became the joint UK lead for Operation OPSON, which is a Interpol/Europol initiative which encourages participating countries to hold a focused period of activity against counterfeit and substandard food. This year, the SFCIU played a prominent role in the organisation of co-ordinated activity by several EU member states in relation to problems associated with illegally treated tuna. This included not only providing crucial intelligence for the UK operation but also for some EU member states resulting in enforcement activity.

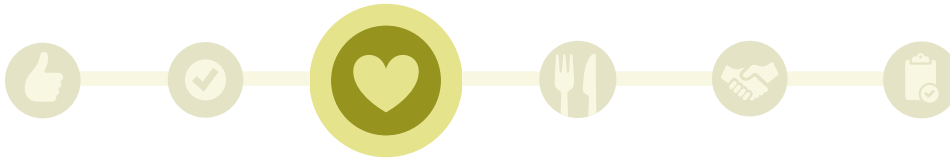
Partnership working continues to be an important theme for the SFCIU, with development of an information sharing agreement and regular meetings with the Food Safety Authority of Ireland to add to arrangements already in place last year and

more detailed information exchanges with the Food Industry Intelligence Network. The unit is also developing a memorandum of understanding with Local Authority Environmental Health departments to ensure that the investigation of food crime is more co-ordinated moving forward.

Consumers can trust the information provided on the food and drink they buy

We use our consumer attitudes tracking survey to assess the level of concern of consumers with respect to authenticity. The table below indicates that concern has reduced slightly over the past 3 years, possibly indicating increased consumer confidence. This is positive, but there is still work to be done with three-quarters of consumers overall expressing distrust over food labelling.

Outcome 2 Food is Authentic	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage of consumers who are concerned that food is not what it says on the label	79%	74% ↓	73% ↓



3. Consumers have healthier diets

What does this mean, and what have we achieved?

- **The Scottish food and drink environment supports a healthy balanced diet**

Research and evidence

We have a leadership role as the authoritative primary Scottish source of evidence-based advice on diet and nutrition, including the provision of advice for Scottish diet policy development, and 2017/18 saw the publication of a number of FSS [nutrition research](#) reports. To develop our understanding of the out of home (OOH) market, we published [Informed decisions? Availability of nutritional information for a sample of out of home food outlets in Scotland](#), [Marketing strategies used within premises by out of home businesses](#) and [An evaluation of a pilot on the use of MenuCal within small and medium Scottish food businesses](#). With respect to food and drink retailing, in June 2017 we published an analysis conducted by the University of Stirling: [Identifying and understanding factors that may transform the retail environment to enable healthier purchasing by customers](#). In February 2017 we published an extensive report on [Monitoring retail purchase and price promotions in Scotland \(2010-2016\)](#) using data commissioned from TNS Kantar, alongside an updated [Situation Report on the Scottish Diet](#).

We continue to monitor diet, and in December 2017 we published our latest [interim report on food and nutrient intakes in Scotland](#). This is part of a rolling programme to update annual trends in food consumption and nutrient intakes using a secondary analysis of the Living Costs and Food Survey. We have also successfully commissioned a pilot study to test the use of Intake 24, an online dietary monitoring tool, in the Scottish Health Survey which will be in field by summer this year.

In March 2018, we commenced work to gather stakeholder views on the development of dietary guidelines for Scotland. A report on this phase of the dietary guidelines project is due in summer 2018.

In addition, we undertook extensive engagement and work with the secretariat of the Scientific Advisory Committee on Nutrition on a risk assessment related to folic acid fortification. We also commissioned and contributed extensively to a project to model the potential impact of different options for mandatory [folic acid fortification in the UK population](#). This evidence base, taken together with the outcome of stakeholder engagement, was discussed by our Board in August 2017, and resulted in the provision of advice from FSS to Scottish Ministers regarding the advisability and practicability of folic acid fortification.

Opportunities to influence

As a new organisation with a statutory responsibility to improve diet and nutrition in Scotland it was important that in the first two years we had a deliberate focus on engagement with key partners in the area of diet and nutrition. This measure was therefore included, at least initially, to ensure that we retained our focus and attention on developing partnerships in a key area of public health improvement. Our view now is that the need for this measure is less relevant so we will be reviewing whether we need to retain it.



Numbers of senior management meetings with Ministers, food and drink companies and relevant bodies, government officials, NHS Health Scotland, Public Health England, health professionals, consumer bodies and charities to influence public health policy and raise awareness to improve the health of consumers.

Our evidence base and our independence are both important and valuable, and we recognise that our value lies in part in our ability to convince those who can influence policy and action on public health. The number of senior management meetings with Ministers, food and drink companies and relevant bodies, government officials, NHS Health Scotland, Public Health England (PHE), health professionals, consumer bodies and charities indicate opportunities to influence public health policy and raise awareness to improve the health of consumers. We have made the most of these opportunities to contribute to making a difference, for example having a significant impact on the Scottish Government's obesity strategy, and having been asked to lead on a key element of that strategy (on out of home eating).

We devoted a lot of work to increase our opportunities to influence during 2017/18, and this year, while formal engagements have reduced, they have been more focused on consolidating key relationships and influencing positively. The maintenance of a significant level of engagement shows the growth of FSS's reputation as an agency of influence with more awareness of the FSS function amongst other agencies and an increased interest in collaborating with FSS.

We have continued to contribute to a significant body of evidence supporting the movement for dietary change and growing acceptance of the case for action in Scotland, and the proposals outlined within our [March 2017 Board paper](#) were largely included within the Scottish Government strategy consultation document '[A healthier future – action and ambitions on diet, activity and healthy weight](#)' published in October 2017. We have also provided evidence and advice for Scottish Government with respect to the promotion of high fat, salt and/or sugar products. FSS has agreed to lead the development of an out of home strategy for Scotland in collaboration with Scottish Government and Health Scotland colleagues.



We have had extensive engagement with PHE on the introduction of voluntary targets for calorie and sugar reduction.

We have been observers on the expert groups set up to provide technical advice to PHE on the revision of the UK Nutrient Profiling Model (NPM), and had the opportunity to influence this process. Throughout the year we have represented Scottish interests on the Scientific Advisory Committee on Nutrition.

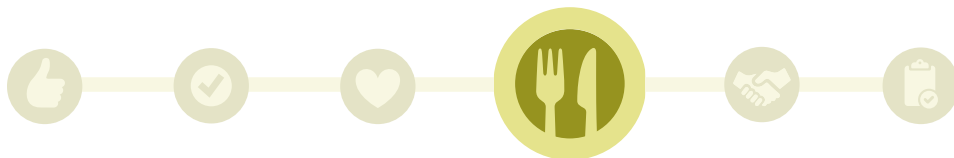
We recognise that reformulation and the provision of calorie and nutrient information are harder for small businesses. We have therefore committed to work with Scottish Government colleagues and the Food and Drink Federation to encourage small businesses to reformulate their products and to provide calorie labelling on menus.

Scottish consumers are enabled and encouraged to make healthier choices

Our starting point is for consumers to recognise FSS's role with respect to promoting and enabling healthy eating. Our tracker shows that this is the aspect of our role least familiar to consumers, rising from 22% in 2015 to 28% following a healthy eating campaign in 2016, and to 29% in the current year.

The following measures from our consumer tracker survey are key indicators in that they demonstrate consumers' level of concern regarding healthy eating. Following an increased level of concern in 2016/17, which correlates with last year's healthy eating campaign, there has been a slight decline in 2017/18. The decline is not statistically significant, and it could be a positive sign, as a reduction in concern may be linked to the adoption of healthier eating habits. We will, however, continue to monitor, and look at any significant shifts on an ongoing basis. We plan to run a further healthy eating campaign in 2018/19, as a precursor to, and scene-setter for, our forthcoming out of home strategy, and expect the impact of this to be reflected in subsequent waves of our consumer tracker survey.

	Baseline 2015-16	Year 1 2016-17	Year 2 2017-18
Percentage of consumers who know that they need to do something to eat more healthily	51%	59% ↑	56% ↓
Percentage of parents who are concerned about the types of food that their children are eating	45%	53% ↑	52% ↓



4. Responsible businesses flourish

What does this mean, and what have we achieved?

- **Food businesses that provide safe and authentic food benefit from risk-based and proportionate regulation that enables them to flourish.**
- **Irresponsible food businesses are held to account.**

The percentage and number of passes for Food Hygiene Information Scheme (FHIS) listed businesses is a key performance measure, linked directly to the risk of businesses failing to comply with food hygiene requirements, with a potential impact on consumers' health. All food outlets require an inspection, and all (except exempt premises with a low risk to people's health in terms of food safety, e.g. visitor centres selling tins of biscuits) are given a rating under the scheme. All ratings are published on our website, and may be voluntarily displayed by the business. So the percentage and number of passes demonstrates levels of compliance with legal requirements for food hygiene, while also incentivising compliance. This year the number of premises registered on the scheme has increased, while the average pass rate has been maintained.

FHIS listings	Baseline 2015-16	2016-17	2017-18
Number of businesses registered	45,768	47,470 ↑	48,451 ↑
Average pass rate	91%	92% ↑	92% →

The effectiveness of the scheme in achieving its objectives depends upon consumers actually using it, and so we track the awareness and use of the scheme through our consumer tracker surveys, and the results provide a further key performance indicator. Awareness and usage continues to increase.

FHIS usage	Baseline 2015-16	2016-17	2017-18
Consumer awareness	N/A	55% ↑	60% ↑
Usage	26%	30% ↑	31% ↑
FHIS webpage page views	N/A	63,508	77,078 ↑
Database searches (Based on page views)	N/A	51,995	64,197 ↑



We have a proportionate risk-based regulatory strategy

In last year's annual report and accounts, we reported on the development and publication of our [Regulatory Strategy](#), setting out our vision and strategic direction for how we will fulfil our role as a national regulator in Scotland, including our commitment to having due regard to the approaches to better regulation set out in the Scottish Regulators' Strategic Code of Practice. We also explained that we had drawn together a number of new and existing projects into a wide programme of work to support this strategic aim, including those elements that will shape our future food regulatory system to ensure that it continues to meet the needs and challenges of modern Scotland. In taking forward this work this year, the Code of Practice has been our benchmark and we have taken into account its provisions, in the new initiatives within the programme, in reviewing our existing regulatory practice, and in delivery of regulation day to day.

Our regulatory strategy programme has made progress in three key areas this year:

- We completed a successful pilot of the redesigned risk assessment matrix used by local authorities for their inspection of food establishments. This has been aligned with the compliance spectrum approach set out in our Regulatory Strategy and the Code of Practice, and have laid the groundwork for adoption of this approach across all 32 local authorities during 2019.
- We have developed the Scottish National Database which will gather all official control data from local authorities, replacing the previous Local Authority Enforcement Monitoring System (LAEMS) platform. This system has been successfully piloted and is now connected to 31 of Scotland's 32 local authorities. For the first time, this tool will provide a comprehensive national picture of all food businesses in Scotland, facilitating the ability to map the profile of food business compliance, identify opportunities for the development of interventions strategies and tools to address any gaps in business support needs. This data will play a key role in our surveillance strategy and in informing future FSS policy direction, and support information and data sharing with other relevant regulatory bodies where it is appropriate to do so, in line with data protection legislation.
- Progress on work to improve the delivery of animal feed official controls has been slower than originally planned. However, we will be carrying out a procurement exercise for this service in the coming months, in order to implement effective feed delivery control arrangements.

Looking forward, we have reviewed our regulatory strategy programme in the light of the UK's impending exit from the EU. This was to ensure that our regulatory work and initiatives were framed to meet this new challenge and support the FSS readiness programme that is now underway, while still meeting our statutory duties under the Regulatory Reform (Scotland) Act 2014, in the Food (Scotland) Act 2015, and in other food law.

Support for exporting businesses

FSS continued to provide expert assistance for third country delegations seeking to understand how our system of official controls is arranged. This takes the form of presentations and accompanied visits, where appropriate, for visiting third country government delegations. This year we have provided a Chinese government delegation with a presentation as well as accompanying a Ukrainian government delegation with specialist advice during a week-long visit to understand official controls in the Scottish salmon and shellfish industries. The visit entailed extensive preparation by FSS working with colleagues from Scottish Government, the local authorities, and the industry.

FSS has also provided support to local authorities and industry with respect to a number of United States Food and Drug Administration (USFDA) audits of food businesses that are exporting, or wish to export, to the USA.

We continue to work with Scottish Government and DEFRA, the lead government departments for exports, on their proposal for a UK working group to standardise export certification procedures.

Irresponsible food businesses are held to account

Number of formal enforcement notices issued to FSS approved establishments

We are committed to proportionate, targeted and risk-based regulation, and to enabling businesses to meet their food hygiene and standards responsibilities. However, where businesses subject to FSS approval and enforcement do not meet their responsibilities, we take appropriate action where necessary. The number of formal enforcement notices and written warnings that we issue is an indication that we take our consumer protection and regulatory responsibilities seriously.

Statutory notices may be served for failures in food hygiene and safety controls, 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 provisions of food law.

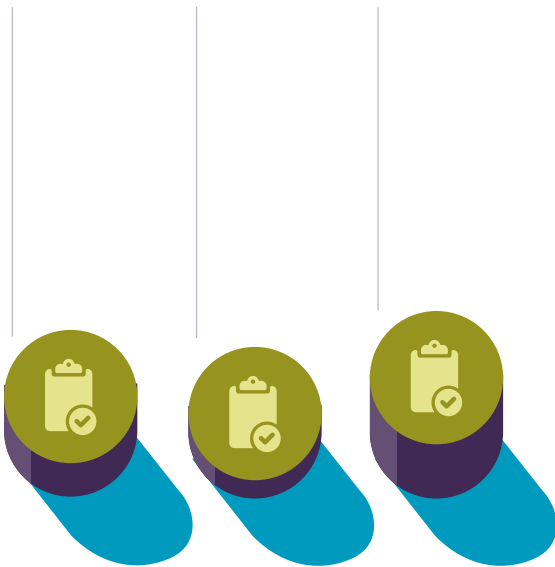
The figures opposite show the numbers and types of enforcement action taken by FSS in approved meat plants in Scotland during 2017/18, compared with those for the previous two years. There were 103 FSS approved meat plants in 2015/16, 102 in 2016/17, and 98 in 2017/18.

The number of enforcement notices issued to FSS approved establishments has more than doubled. This is linked to a series of factors, such as strengthened focus on following up and escalating non-compliance in premises without a continuous FSS presence (cutting plants and game handling establishments). Swifter escalation of persistent issues and more stringent action on carcase contamination has resulted in FSS achieving the lowest average contamination levels in FSS and prior to April 2015, FSA in Scotland's history.



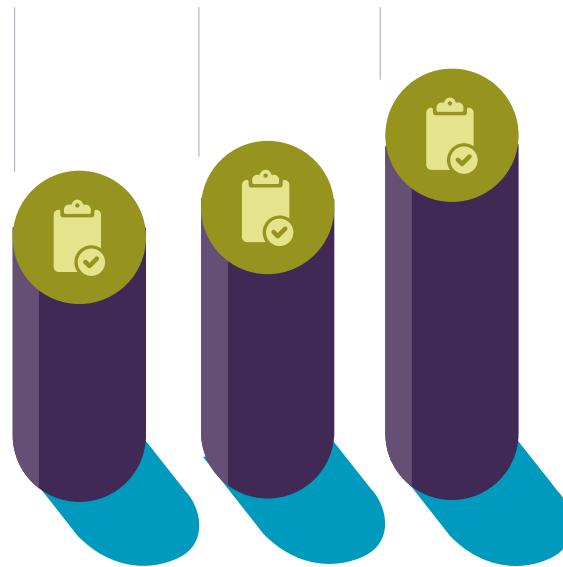
Enforcement

2015 – 2016	2016 – 2017	2017 – 2018
47	32	65

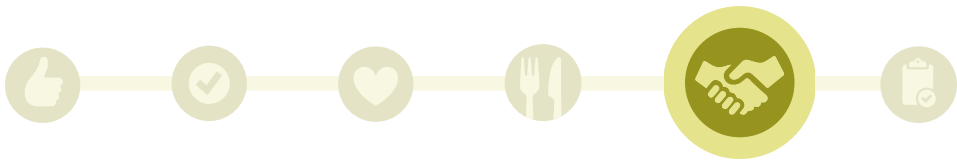


Number of formal enforcement notices issued to FSS approved establishments

2015 – 2016	2016 – 2017	2017 – 2018
238	266	346



Number of written warnings issued to meat food businesses



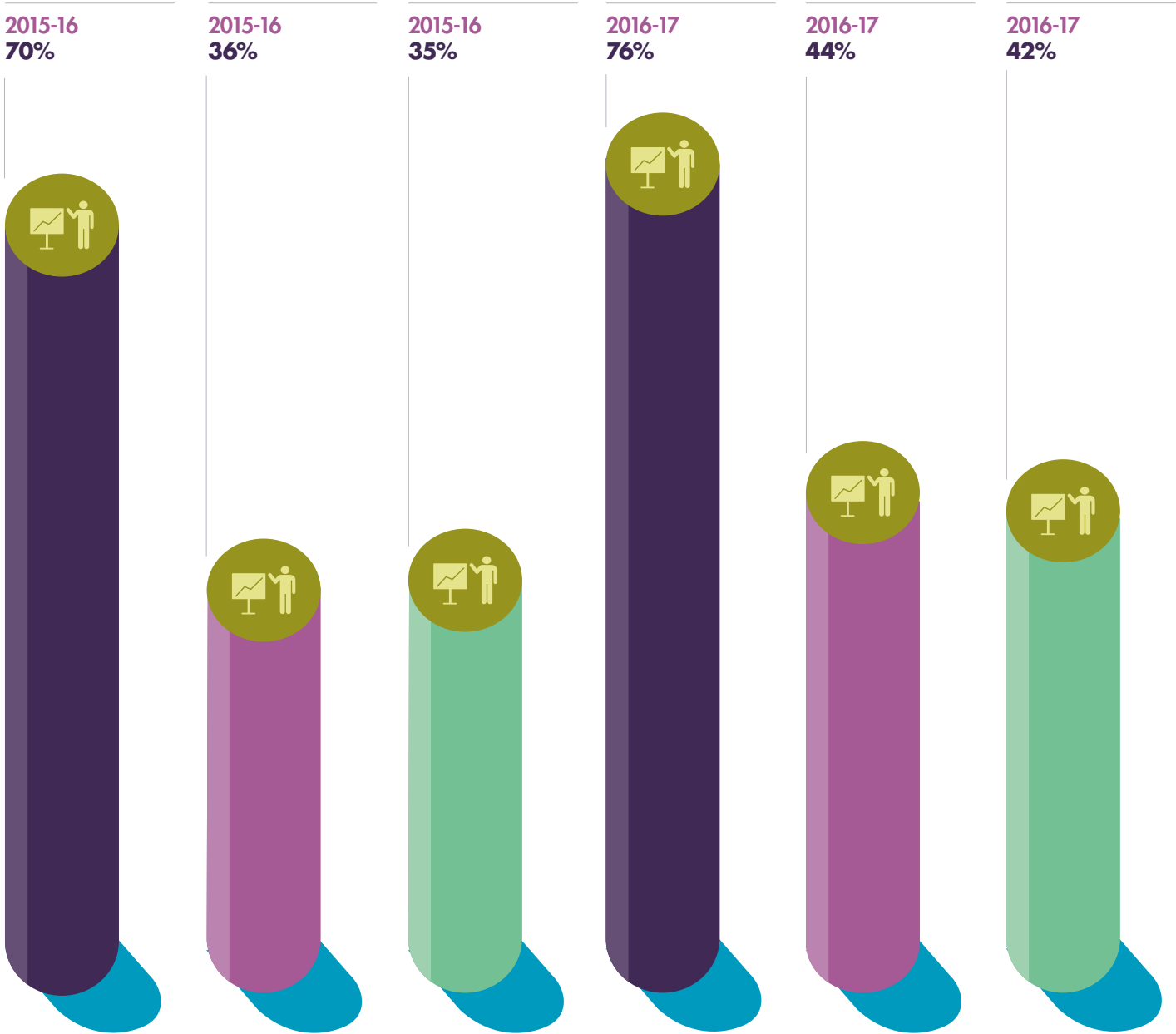
5. FSS is a trusted organisation

What does this mean, and what have we achieved?

Consumers’ perception of FSS has improved year on year with increasing trust and confidence since our inception in 2015.

- Scottish consumers trust and act upon our advice

FSS Awareness & Trust





2017-18
76%



2017-18
48%



2017-18
46%



Percentage of consumers who trust FSS to do its job amongst those that are aware of FSS



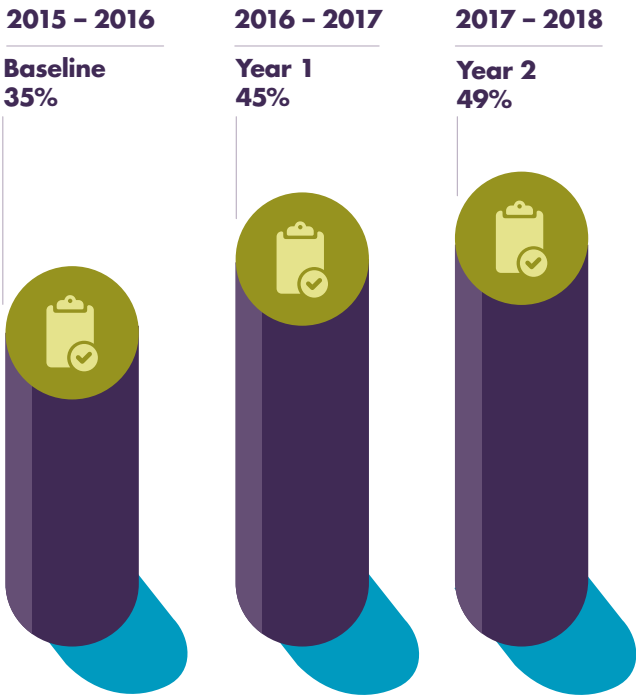
Percentage of consumers who have rated FSS as 'Excellent', 'Very good' or 'Good' to the statement 'Being the experts when it comes to food safety'



Percentage of consumers who have rated FSS as 'Excellent', 'Very good' or 'Good' to the statement 'Having the necessary expertise to help people in Scotland eat healthily'

The percentage of consumers who believe FSS works in the best interests of Scotland and its people has also seen a steady increase in confidence.

Consumer Confidence



The percentage of consumers who believe FSS works in the best interests of Scotland

Our new website was launched in July 2017, with the aim of delivering a better user experience for all visitors to the site. Over this year over 158,000 users visited our website, viewing more than 782,000 pages. We continue to monitor how the website is used in order to ensure we are meeting the needs of all of our stakeholders and identify opportunities to further develop the content have on the site.

This year we have enhanced consumer communication on Science, Evidence and Information (SEI) via our website and social media through three Chief Scientist blogs. The blogs have attracted positive reactions on Facebook, gaining over 1000 impressions, including likes and loves, and over 500 unique web views.

Throughout the year we have made the most of opportunities to raise awareness of FSS, and engage with stakeholders and consumers by attending a number of events across Scotland, including the Edinburgh International Science Festival, Royal Highland Show and Taste of Grampian, and by presenting our Student Road shows. Our stands were all well-attended with consumers very engaged with the interactive areas, activities and information on offer to them.



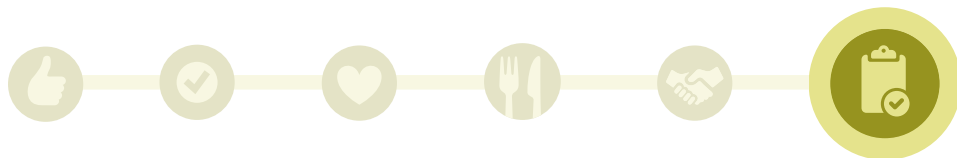
Industry, government and stakeholders listen to our recommendations and advice

We have continued to engage with stakeholders and consumers through various forums to build mutual respect and support mutual understanding of respective priorities and concerns. This year we established the Shellfish Classification and Monitoring Forum, to bring together regulators and industry in the same way as the Scottish Meat Industry Forum which we instituted last year. For the consumer viewpoint, we have spoken directly to around 4,000 individuals through consumer forums and research, and we also met with the Head of Public Affairs from Which? to discuss the remit of FSS and provide an update on topics of current interest.

We continue to engage with the Scottish Government at various levels. Our Chair and Chief Executive (CE) met with Ministers on several occasions to discuss dietary policy, our strategy, and the impact of Brexit, and our staff engage with officials over policy areas of mutual interest. In addition, we held our first parliamentary exhibition at Holyrood, showcasing FSS and engaging with MSPs on our work and achievements to date.

Our Chair and CE also meet bi-annually with the Chair and CE of the Food Standards Agency to discuss topics of mutual interest, and our Deputy CE has also met with the CE of the Food Standards Authority of Ireland to discuss our strategies and future challenges. The Chair, CE, and senior staff have also attended a number of conferences and events both in the UK and abroad, presenting on various aspects of our work, including food fraud, regulation, incident management, and diet and obesity.

In March 2018, we hosted a gathering of experts and representatives from around the globe to give us some [Fresh Thinking on Food](#) at our first conference in Edinburgh. The conference covered four areas that are of a major interest to Food Standards Scotland and delivery of our strategic objectives: future food trends, crime and authenticity, food safety, and diet and obesity. A wide range of speakers attended the conference, including experts from New Zealand, Finland, Holland, Belgium and the USA.



6. FSS is efficient and effective

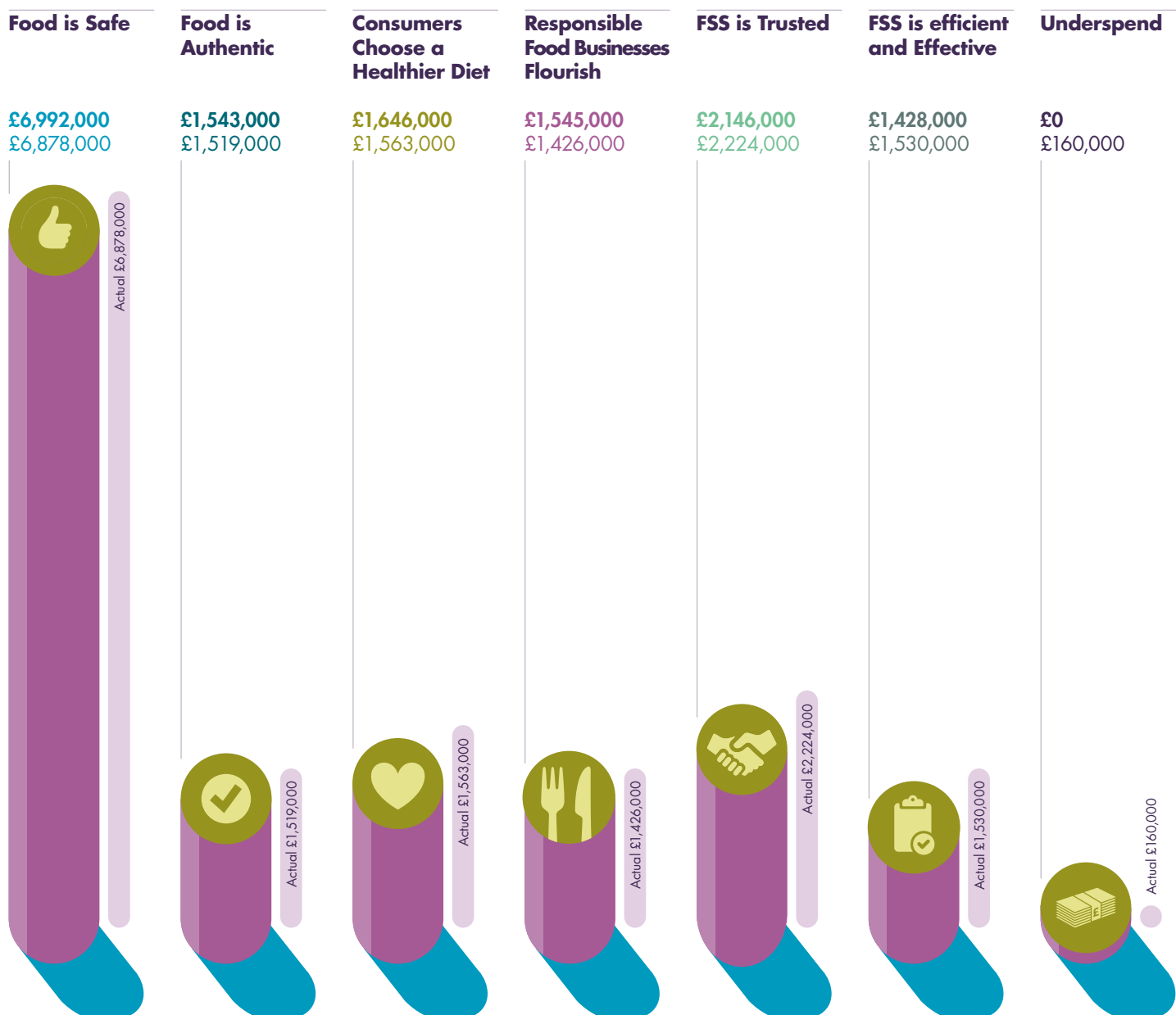
What does this mean, and what did we achieve?

- We make best use of our available resources.

Our Budget

A more detailed overview of how we allocated, and spent, our financial resources to deliver our six Strategic Outcomes during 17/18 is provided below. The budget allocation shows the revised position following an in-year budget review exercise. The actual spend for each outcome represents the final outturn for the year against our total budget of £15.3m.

Strategic outcomes





Budget Allocation by Category



* includes rent, rates, travel and subsistence and other non-staff running costs. More information on administration costs is provided at Note 3.

Financial Performance

FSS Financial performance against delegated budget is shown in the table below.

	Actual	Budget	Variance
DEL Operating Expenditure	14.8	15.0	(0.2)
DEL Capital Expenditure	0.3	0.3	0.0
Total DEL	15.1	15.3	(0.2)
Total AME	0.6	0.6	0.0
Total expenditure	15.7	15.9	(0.2)

FSS drew down £14.8m in cash terms to cover its capital and net operating costs for the year. This has resulted in a cash balance of £2.12m at the end of the financial year which is required to cover accruals in relation to invoices due to be paid and income yet to be received.

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. We aim 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 2018, we paid 100% (2016/17, 100%) of our 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 2018, we paid 77% (2016/17, 89%) of its invoices within these terms.



Efficiency Savings

In 2017/18, we identified financial savings of £311k from across our business in order to reinvest this money in other key parts of our work. This represents 2% of our budget, an increase from last year's saving of 1.8%. The savings have come from better value being achieved through our corporate travel provider, securing savings through the procurement of new contracts and reduction in overtime costs compared with the previous year. In addition, savings were achieved in the monitoring programme relating to the official controls for shellfish. These savings have been used to extend the delivery of our healthy eating campaign, provide additional funds for our schools programme and invest in equipment for our desktop IT refresh to enable better mobile/remote working across the organisation.

Our use of evidence

As an evidence-based organisation, it is important that we gather and use evidence effectively. In implementing our Science Evidence and Information (SEI) Strategy this year we have published an annual SEI forward look and an open data plan. We have also enhanced our evaluation of the SEI we commission through introducing peer review guidance and an evaluation form for our staff, to improve confidence that our SEI projects are completed to the required standards, timeframes and value for money.

Externally, we have engaged with key science stakeholders in Scotland with the Scottish Government Strategic Research programme and the Scottish Science Leadership network, nationally with the FSA Chief Scientist and FSA Scientific Advisory Committees, and internationally with the European Food Safety Authority (EFSA) and the Norwegian Scientific Committee for Food Safety (VKM). This engagement has helped us with the provision of professional development of our scientific staff and to develop staff guidance and talks on managing risks for food and feed safety food standards or diet and nutrition, and with consumer research to support the development of future consumer SEI communications.

To foster innovative thinking and working within FSS on SEI we have provided staff talks and resources on economic, statistical/business analysis, use of social media and GIS systems. This will improve the way we create and deliver future public health policy for consumers in Scotland.

We are an organisation of well-motivated and appropriately skilled people committed to carrying out all our duties in a responsible way.

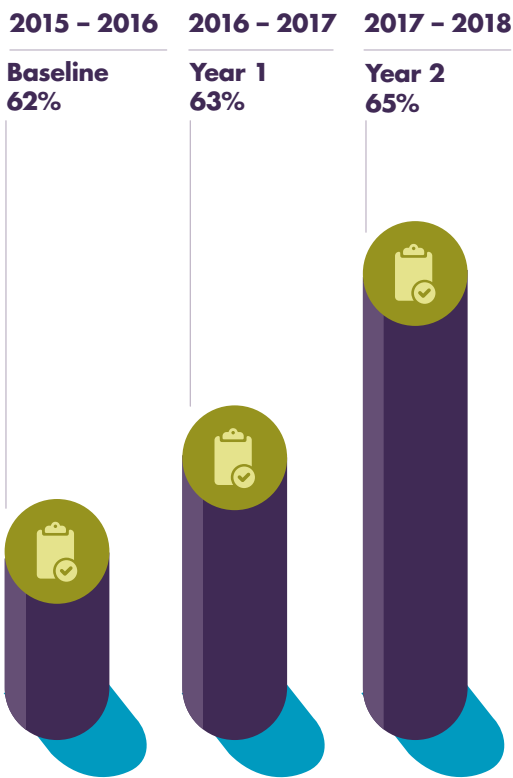
Our people

We continue to engage our staff through a variety of communication channels, and are very pleased that the 2017 staff survey shows a further increase in our overall staff engagement index, ranking us 19 out of 98 organisations of a similar size (100-399 employees) across the civil service, placing us above the civil service average of 61% and equalling the high performers benchmark for staff engagement.

We are committed to equality and diversity in our staff. The composition of FSS staff by gender and age are key indicators for us.

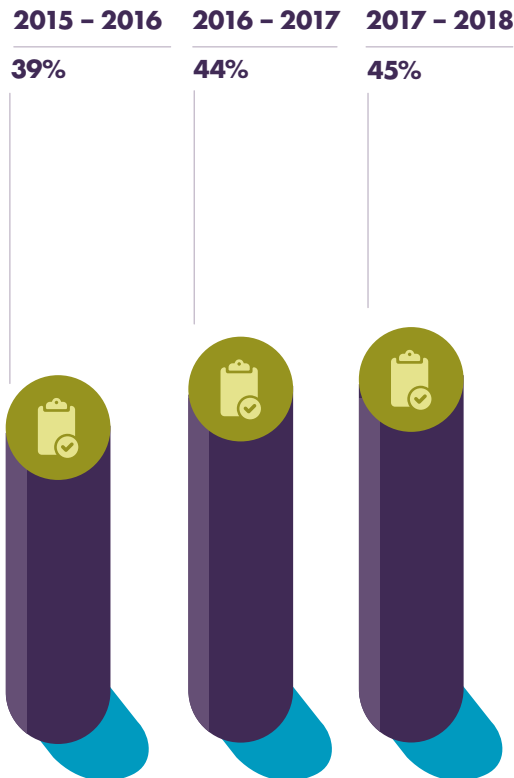
Following an improvement in 2016/17, our gender balance increased slightly this year, but remains below the civil service average of 54% and the Scottish Government average of 52% of females employed. The Meat Hygiene profession has historically been male dominated – only 9% of Meat Hygiene Inspectors (MHIs) in FSS are female, and this is an area where there has been limited staff turnover. We aim to increase applications from younger and female applicants for MHI roles in any future recruitment exercises to address this.

Looking at the bigger picture on gender equality, FSS was pleased to be approached this year to be part of a wider circle working with the First Minister’s Advisory Council on Women and Girls, and our Deputy CE attended a meeting of the Council, which aims to bring attention to inequality and be a catalyst for change.



Employee engagement index from the civil service survey

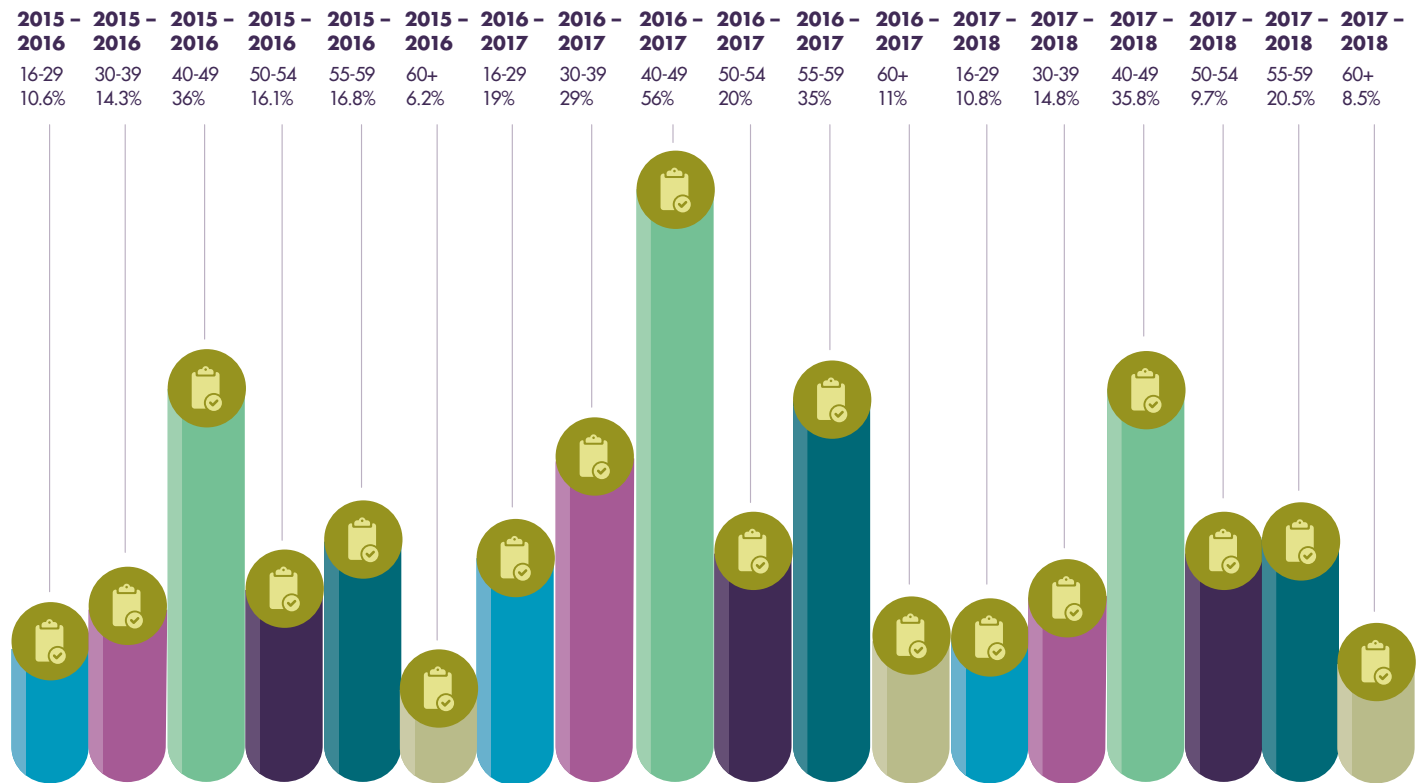
Percentage of female staff in FSS



Percentage of female staff in FSS



FSS Staff Age Distribution



Overall, almost 40% of our workforce is aged 50 or over. This year we agreed to employ modern apprentices where appropriate in order to develop young talent, and began our first recruitment exercise in March 2018.

FSS has also signed up to the Disability Confident scheme and we have received a committed accreditation. Through Disability Confident, we as an organisation will continue to work with employees to ensure that disabled people and those with long-term health conditions have the opportunities to fulfil their potential and realise their aspirations.

Our social and environmental responsibilities

FSS has achieved accreditation from the Scottish Living Wage Foundation. Achieving this accreditation is a real symbol of commitment to our staff, stakeholders and people in Scotland. This year our Deputy Chief Executive took part in the Career Ready scheme, mentoring a school pupil for a period of approximately 6 months, and we intend to continue to take part in the scheme in 2018/19.

As a Scottish public body, FSS is subject to the climate change duties set out in Part 4 of the Climate Change (Scotland) Act 2009 to contribute to climate change mitigation and to climate change adaptation, and to act sustainably. We actively monitor and report on our environmental performance, and our Climate Change reports are published [here](#). As part of our commitment to operating in a more sustainable manner, we have produced and rolled out a Carbon Management Plan containing a number of targets that have been developed in line with those set by Scottish Government. Reports against the plan are based on carbon dioxide emissions per tonne equivalent over the course of the year and this metric is used for all aspects

such as business travel, waste management and energy use. This helps FSS maintain an oversight of the environmental impacts associated with business activities throughout the year and enables comparisons to be made.

FSS also has, as a public body, a statutory duty to further the conservation of biodiversity so far as it is consistent with the proper exercise of our functions. We produced our first biodiversity report in December 2017, and this is published on our website [here](#).

We will do what we say and clearly demonstrate this.

Freedom of Information

Under the Freedom of Information (Scotland) Act 2002 (FOISA) everyone has the right to ask for any information that we hold.

FOISA requires authorities to adopt an approved publication scheme and pro-actively publish information as well as respond to requests. We have adopted the Scottish Information Commissioner’s Model Publication Scheme, and reviewed our

	2015-16	2016-17	2017-18
Total number of Freedom of Information requests received	5	36	32
Response within 20 working days	100%	80%	100%
Request for a review	0	2	0
Review requests responded to within 20 working days	0	2	0
Appeals to Information Commissioner	0	0	0



Guide to Information this year. Our [Open Data Publication Plan](#) is aligned to Scottish Government Digital Strategy with a vision of a Scotland which makes it public data open by default and freely available for others to reuse to deliver better public services. The plan outlines our strategy for the release of our official datasets to the public under Open Government 3.0 Licence. Further information on how FSS manages its compliance with FOISA can be found on our [website](#).

Data protection

FSS is well prepared to comply with the General Data Protection Regulation (GDPR) which became enforceable from 25 May 2018. This year the Keeper of the National Records of Scotland (NRS) agreed, and commended, our Record Management Plan, which took into consideration the requirements of GDPR, and this provided a good foundation from which to work. We have put in place a governance structure, with a comprehensive GDPR complaints process, to effectively process and manage all personal identifiable information in the organisation. Additionally, we have adopted 'Privacy by Default' principle through the integration of our privacy impact resource suite to our project and portfolio management toolbox to ensure that every data sharing activity is cleared with legal and data-security experts and supported by enforceable contracts. We will continue to engage with our internal and external stakeholders to make certain that all stakeholders are equipped with up-to-date information about our collective responsibility to demonstrate compliance to GDPR.

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.

We received 2 formal complaints during 2017/18, compared with 41 during 2016/17, and 11 in 2015/16. Both of the complaints received during period 2017/18 were resolved at stage 1 of the complaints handling process with neither complaint being upheld. We have not been contacted by the SPSO regarding any complaints about our service.

Human Right, Anti-Corruption and Anti-Bribery

We respect the human rights embodied within the European Convention on Human Rights, giving them due consideration in all our actions and decisions.

We have a gifts and hospitality policy, incorporating guidance on the requirements of the Bribery Act, and counter-fraud and whistleblowing policies and procedures in place to ensure the effective management of risks associated with these issues.

Geoff Ogle

Chief Executive and Accountable Officer
Date: 22 August 2018

Accountability Report





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 2018 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 Board has a role in approving FSS's Annual Accounts and ensuring that the Annual Report and Accounts are laid before Parliament. The Annual Report and Accounts were approved by the Board and authorised for issue by the Accountable Officer on 22 August 2018.

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) Act.

The Budget (Scotland) Act 2017 confirmed the FSS resource budget for the financial year 2017/18 as £15.3 million.

During the Scottish Government's Spring Budget Revision, FSS was also allocated an Annually Managed Expenditure (AME) budget of £0.568 million in order to cover the estimated provisions linked to pension liabilities that were transferred to FSS from the Food Standards Agency as part of the establishment of the organisation.

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 has been done to promote sustainable growth, improve efficiency, effectiveness and economic stability in the exercise of its 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 quarterly on the [FSS website](#).

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.

Corporate Governance Report

Director's Report

Information relating to membership of the Board and the Senior Management Team, and on the auditors of FSS.

The Board

As a non-Ministerial Office of the Scottish Administration, FSS is led by a Board of non-executive members. The interests of the consumer and the general public are the primary concern of

each member. None of the members are 'stakeholder members' or represent the interests of a particular sector or sectors. All have knowledge and experience in areas relevant to the work of FSS or otherwise have skills and experience which would contribute effectively to the work of FSS.

The membership of the Board as at 31 March 2018 was as follows:

Board Member	Appointed to Board	Term	Date at which current term of appointment ends
Ross Finnie (Chair)	1 April 2015	1st	31 March 2019
Louise Welsh (Deputy Chair)	1 April 2015	1st	31 March 2019
George Brechin	1 April 2015	2nd	31 March 2021
Marieke Dwarshuis	1 April 2015	2nd	31 March 2021
Heather Kelman	1 April 2015	1st	31 March 2019
Carrie Ruxton	1 April 2015	1st	31 March 2019
Susan Walker	1 April 2015	1st	31 March 2019
Anne Maree Wallace	1 April 2015	2nd	31 March 2021



Board Appointments are made by Scottish Ministers through an open, public appointments process, 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.

The Board normally meets in public and did so 5 times during 2017/18. Minutes of the Board meetings are publicly available on the [FSS website](#), together with the Board Members' Code of Conduct and Register of Interests. In addition to its formal meetings, the Board attended workshops, visits and briefing sessions to increase its understanding of a wide range of relevant topics.

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 effectiveness of the organisations 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 Committee's membership and its operation are outlined in the Governance Statement.

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 their objectives cover business, corporate and capability matters. 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

Elsbeth Macdonald, Head of Strategy and Policy and Deputy Chief Executive

Ian McWatt, Chief Operating Officer

Garry Mournian, Head of Corporate Services

Professor Norval Strachan, Chief Scientific Advisor

Remuneration and pension entitlements

Details of the Senior Management Team's remuneration and Pension entitlements can be found in the Remuneration and Staff Report.

Information Security and Personal Data Related Incidents

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

Auditor

Under the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland has appointed Elaine Barrowman of Audit Scotland as the auditor for the financial year 2017/18. 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 £40,630 is shown at note 1.13 to the accounts.

Statement of Board's Responsibilities

FSS's [Framework Document](#), agreed with the Scottish Government, sets out the roles and responsibilities of the Chair and Members of FSS and of FSS's Accountable Officer.

The role of the Board

The Board is responsible for:

- the strategic direction of the organisation and for supporting the Executive in its leadership function;
- ensuring delivery of its statutory objectives; and
- assuring itself that its functions are carried out effectively, economically and efficiently, with appropriate arrangements in place for corporate, business and workforce planning, risk and financial management and reporting on its performance.

Board Members are collectively accountable to the Scottish Parliament for policy delivery, compliance with statutory duties and non-financial performance against agreed strategic objectives.

The role of the Chair

The primary duty of the Chair is to lead FSS in the successful performance of its functions, in particular:

- formulating the FSS strategy and direction;
- ensuring that in reaching decisions the Board has due regard to all appropriate information and evidence;
- ensuring that actions and decisions taken by FSS are in accordance with its statutory obligations and consistent with its aims and objectives;
- encouraging high standards of propriety and regularity across Members and staff of FSS; and
- representing FSS to stakeholders.

The Chair also ensures that all Board members are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction and ongoing training, including on the financial management and reporting requirements of public sector bodies; that there are adequate arrangements in place for the ongoing review of each Board Member's contribution to FSS; and that there are adequate arrangements in place for succession planning.

Additionally, the Chair and Board members represent and support FSS in a number of ways. The Chair is involved in communications with the media regarding FSS campaigns and high profile food incidents; and the Chair and individual Board members represent FSS and engage with stakeholders at events. Within the organisation, the Chair and individual Board members participate in joint Board/Executive working groups.



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 issued by Scottish Ministers at the end of these financial statements.

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

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 Permanent Secretary of the Scottish Administration has appointed me, the Chief Executive, as the Accountable Officer for FSS.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am answerable, for keeping proper records and for safeguarding FSS's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

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.

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.

Governance Statement

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound governance framework and systems of internal control that supports the achievement of FSS's policies, aims and objectives. I am also responsible for safeguarding FSS's public funds and assets, in accordance with the Scottish Public Finance Manual (SPFM).

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; and to inform preparation of the annual Scottish Budget Act.

Our [Framework Document](#), which is our agreement with the Scottish Government and sets out our relationship, was revised in April 2016 and is published on our website

The implementation of our [Corporate Plan 2016-19](#) in 2016, drives the delivery of our Strategy, and provides an overarching framework in the development of our wider governance structure and allows 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. The plan was also refreshed during 2017 to reflect our budget allocation for the 2017/18 financial year.

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 2018 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 is proportionate and provides reasonable assurance of effectiveness.

Within FSS, our systems of internal control are a key element of our assurance and governance framework, based on an ongoing 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.

FSS also relies 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 Scottish Government's Internal Auditors.

The Board

As stated in the Directors' Report, the Board sets the strategic direction and holds the Chief Executive to account for the leadership and performance of FSS. The Board met 5 times during 2017/18 to fulfil this role and all of the meetings were quorate. The Chief Executive attends all Board meetings.

Record of Attendance at Board meetings 2017/18

FSS Board Member	Number of Meetings 5	Attendance
Ross Finnie		5
George Brechin		5
Marieke Dwarshuis		5
Heather Kelman		5
Carrie Ruxton		5
Susan Walker		5
Anne Maree Wallace		4
Louise Welsh		3

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 [FSS website](#).

All 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 carried out an annual review of the Board's effectiveness on 19th April 2017.

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 and is supported by the Head of Corporate Services at each meeting. 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 and provides quarterly reports to inform the Board of the committee's discussions. The ARC also provides an annual assurance statement to assist the Board in its consideration of the annual report and accounts.

Relevant training and development has been, and will continue to be, provided to members of the Committee. The ARC also review its own effectiveness annually and report the results of that review to the Board and Accountable Officer, recommending any changes it considers necessary. The ARC Effectiveness Review was completed on 22nd November 2017.

Record of attendance at Audit and Risk committee meetings 2017/18

Committee Member	Number of Meetings 5	Attendance
Susan Walker (Chair)		4
George Brechin		5
Marieke Dwarshuis		4
Anne Maree Wallace		5

The Senior Management Team

The Senior Management Team (SMT) provides corporate leadership to FSS and supports 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 business meeting once a fortnight 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, Chief Operating Officer, Head of Corporate Services 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.

Our approach to managing risk and the FSS Strategic Risk Register, was subject to its annual review by the Board at its [November](#) meeting. Board Members also consider risks in relation to each of the papers presented at its meetings. The ARC continues to provide oversight of strategic risks on behalf of the Board on a quarterly basis and can raise any issues with the Board. In addition, during 2017/18, the ARC have also trialled reviewing Directorate risk registers.

We have continued to adopt the principles of the Scottish Government approach to managing risk and developed our own Risk Management Policy and Guidance document, published on our intranet site, that outlines our risk appetite and how we seek to consistently identify and manage risks effectively, through a tiered approach. Our SMT reviews all risk registers monthly and report to the ARC on a quarterly basis.

Identified risks are recorded and maintained on the appropriate level of risk register and 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.

This approach provides 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.

With the establishment of various Programme Boards within FSS, separate risk registers are 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.

In 2017/18 the following summarised risks were identified as among those potentially having the greatest impact on our activities (key risks are also reported within the Performance Report where risk mitigation is also outlined):

- FSS regulatory and operational delivery functions are largely related to EU law, there is a risk that, given the tight timescales and ongoing uncertainty about constitutional issues, FSS does not have adequate capacity, capability or time to prepare for the effect this will have in Scotland and in relation to delivering our Strategy and Corporate Plan.
- Budgetary and resource risks associated with wider pressures such as exiting the EU or wider financial pressures across the Scottish Administration meaning we have to focus on statutory requirements only.
- Inconsistent delivery of feed official controls due to resources available not matching statutory requirements.
- An increase in frequency of outbreaks of foodborne illness or other food incidents due to a failure of controls by food business operators.

From a strategic perspective, exiting the EU poses significant risk. Given the scale and impact and uncertainty of risks materialising, we established a Brexit Programme risk register that considers in more detail the risks associated with leaving the EU. This approach follows our risk management framework as we have now moved to a programme based structure for all work associated with exiting the EU. The Brexit risk register was discussed by the ARC in September, where it was agreed that, given their potentially fast changing nature going forward, Brexit associated risks should be discussed on an ongoing basis as part of the ARCs assurance role with regards to risk.

Our budget for 18/19 is confirmed however delivery of our new Strategy and Corporate Plan is currently based on a flat-line budget settlement. Work will progress during 2018/19 to develop our approach to workplace and succession planning alongside our longer term financial management plan, which has been approved by the Board and articulates how FSS plans to efficiently deliver its programme of work over the life of our Corporate Plan.

Internal Audit and Official Controls Audit

The internal audit function is provided by Scottish Government's Internal Audit Division (SG Internal Audit) and Food Standards Agency Internal Audit. The relationship with SG Internal Audit 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 based on an annual audit plan which is approved by the Accountable Officer and the ARC and should be conducted in accordance with the UK Public Sector Internal Audit Standards (PSIAS). Audit Scotland completed a review of Scottish Government's Internal Audit Directorate, which is responsible for providing internal audit

services to Food Standards Scotland. The review concluded that while internal audit meets some requirements of the PSIAS, there were a number of significant aspects which required improvement. The review found no areas where the underlying evidence would suggest an incorrect audit opinion or conclusion. Following discussions with SGIAD we are content that there is no direct evidence that this issue impacted on the service provided to FSS, however we note that due diligence will be undertaken in 2018-19 to ensure FSS internal audit quality meets the standards expected.

During 2017/18 Internal Audit undertook a programme of risk-based internal audits with specific work on Food Fraud Prevention, Detection and Investigation; Incident Management & related Emergency Planning and; a review of our Health, Safety and Environmental Management System. Two follow-up reviews were also completed during the year with no outstanding issues being reported.

The FSA Internal Audit team provides an audit service that mainly covers Official Controls delivered through field operations in Scotland, and is formalised through the Memorandum of Understanding with FSS. The Official Controls annual audit plan is developed through discussions with FSS management to ensure activities included in the plan reflect FSS's risk-based priorities and strategic objectives for Official Controls. This is in line with the guidance issued by the EU in relation to audits of Official Controls.

FSA Internal Audit conducted three audits of official controls on behalf of FSS during the year covering controls for Animal by-Products, Approved Game Handling Establishments and Animal Welfare. These audits all resulted in agreed management actions which 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 or Official Controls Audit recommendations, FSS has established an Audit Implementation Group which aims to meet quarterly to review and update progress on actions taken and discuss relevant issues. The group reports to the SMT through the Head of Corporate Services with bi-annual progress reports also being provided to the ARC.

Internal Audit Opinion

The Internal Auditors have issued their report on Internal Audit Activities in 2017/18 which includes the annual assurance level provided to FSS. A Reasonable assurance has been provided by Internal Audit in respect of our risk management, control and governance arrangements. Internal Audit has highlighted in their report that this assurance marking is a positive rating that means our controls are adequate but require improvement in some areas to enhance the adequacy and effectiveness of procedures. Internal Audit also highlighted the ongoing improvement surrounding our approach to governance and control over the year. In addition, we receive assurance relating to the arrangements for risk management, control and governance over the SG key corporate systems used by FSS. A "Reasonable" assurance was provided by Internal Audit for 2017/18.

The FSA's Head of Internal Audit has concluded that the level of maturity of risk control and governance arrangements within FSS as they relate to Official Controls have continued to improve and reflect the continuing progress in developing and implementing appropriate control arrangements since FSS was established.

Of the three audits completed during the year one received a substantial assurance opinion and the other two were awarded "Moderate" assurance opinions. Whilst some areas for improvement were highlighted, there were no issues of significance identified from the audits completed and management continued to demonstrate willingness and ability to address issues identified in the audit reports promptly, in line with agreed risk priorities. Based on this, the FSA Head of Internal Audit has given an overall "Moderate" assurance opinion in relation to risk management control and governance arrangements for official controls. A Moderate assurance rating is the equivalent of SG Internal Audit's Reasonable rating.

Specific External Assurance Reviews

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

During 2017/18 we were subject to two FDQ verification visits. This is the process awarding organisations use to confirm assessment centres comply with the quality assurance criteria and are assessing candidates in line with national standards. At the first visit, in June 2017, we were found to demonstrate significant strengths with the maintenance of FDQ standards across most criteria, with only two minor recommendations for improvement. These were swiftly addressed, before the second FDQ visit, in September 2017, when a live assessment and interviews with the candidate and assessor were also undertaken by FDQ, with no concerns being raised.

As part of our work on charging for the delivery of official controls in approved meat establishments, our cost model and methodology on how the hourly rates are calculated using direct and indirect costs, was independently reviewed by RSM UK Ltd. This review verified the cost model and methodology and also provided some recommendations for FSS to consider to enhance this area of work. These recommendations will be put in place during 18/19.

Linked to our work on food fraud and investigations, we were inspected by the Office of the Surveillance Commissioner (OSC) in April 2017. The OSC oversees the conduct of covert surveillance and covert human intelligence sources by public authorities in accordance with the Police Act 1997 and the Regulation of Investigatory Powers Act 2000 (RIPA). For Scotland that is RIP(S)A.

The initial inspection was for the OSC to consult with FSS and establish our intentions and preliminary actions in establishing an effective regime which enables the organisation to effectively discharge its responsibility under RIP(S)A 2000 if required to do so and to provide appropriate guidance where necessary. The visit was a precursor to a more formal and detailed inspection of FSS which will be conducted at a later date which is yet to be determined.

We commission a VAT audit each year to ensure the treatment of our VAT recovery is correct. This was undertaken by VAT Liaison for the 2017/18 year and resulted in £11,302 net VAT to be repaid to HMRC for 2017/18.

Controls Assurance Statements

At the start of the financial year, the Deputy Chief Executive, Chief Operating Officer and Head of Corporate Services agreed 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, Chief Operating Officer and Head of Corporate Services also complete an assurance statement, based on the requirements of the SPFM Internal Controls checklist and supported by our internal assurance mapping process which is undertaken by Branch Heads bi-annually. These statements set out how an effective system of internal controls has been maintained within the respective business areas. 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 also focus our attention on partnership working with stakeholders and other Government departments to deliver shared objectives. We continue to make use of Scottish Government's corporate shared services where possible and taken advantage of Government procurement frameworks in order to achieve best value.



Information Security and Personal Data Related Incidents

During 2017/18, we have continued to develop our own Information Security framework and policies which work alongside relevant Scottish Government guidance. These policies have been adopted 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. Over the latter part of the reporting year, our policies have also been reviewed and revised, where required, to ensure compliance with the new General Data Protection Regulations (GDPR) which came into effect in May 2018 and supersedes 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, trained, and are required to update Information Asset Registers on a regular basis. An effective Records Management Plan is now in place and supports FSS in meeting our obligations under the Public Records (Scotland) Act 2011. I am pleased to report that the Records Management Plan for FSS was submitted and approved by the Keeper of the Records of Scotland during 2017-18.

In March 2018 we commissioned a Cyber Resilience pre-assessment as part of our commitment to develop an effective Cyber Resilience Action Plan in line with the wider SG Cyber Resilience requirements for public bodies in Scotland.

There were no significant data incidents or losses reported during the year which required to be reported to the Information Commissioner.

Whistleblowing

Our internal whistleblowing policy and procedure is available to all staff on the FSS intranet.

We have also published details on our [website](#) of how anyone might report suspected food fraud, and of the protection afforded to employees by the Public Interest Disclosures Act 1998.

Fraud

We have counter-fraud policies and procedures in place and no cases of fraud were reported during 2017/18.

Internal Controls and Corporate Governance - Looking Ahead

During 2018/19 FSS will continue to seek to improve the effectiveness of its governance framework and systems of internal controls. In particular FSS will look to:

- Further develop our approach to operational and strategic performance reporting for the Senior Management Team and Board so that we can demonstrate how effectively we are delivering the Corporate Plan and Strategy.
- Develop and implement a programme-based approach to how we deliver our work, implementing appropriate and proportionate governance and reporting arrangements to both the Senior Management Team and the Board.
- Support our move to a programme based approach, in which we will continue to develop our approach to managing projects in FSS through our Project Management Handbook and associated toolkit.
- Implement Internal Audit recommendations made as a result of audits undertaken during the year – including implementation of our debt recovery and bad-debt write off policy.

- 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.
- Develop our Digital Transformation plan and governance arrangements, which will outline how we plan to use new technologies to delivery our business in a more efficient and effective manner, where possible.
- 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 Senior Management Team and Internal and External Audit have highlighted that FSS continues to demonstrate a reasonable assurance that we have sufficient levels of internal controls in place to mitigate risks to the organisation. This has been supported by our Assurance Mapping framework which is based on the SPFM's internal control checklist. Whilst there have been no significant governance issues raised, it is recognised that we still need to fully develop some areas of our systems of internal control and we are committed to continually improving in this area.

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.

Remuneration and Staff Report



Remuneration and Staff Report

The sections marked (audited) in this Remuneration and Staff Report are subject to a separate opinion by Audit Scotland. The other sections of the Remuneration and Staff Report were reviewed by Audit Scotland to ensure they were consistent with the financial statements.

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 2017/18'. Further information about the policy may be found on the [Scottish Governments website](#).

The Chair's post is part-time for eight days per month, and was paid at £277 (2016/17, £274) per day. The members' posts are also part-time, for four days per month, and were paid at £211 (2016/17, £209) per day. The Deputy Chair is paid for an additional six days over the year, in recognition of the increased responsibilities. 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). Further information on the work of the SSRB can be found at www.gov.uk

Within the Scottish Government, the Top Level Pay Committee ensures that the Pay and Performance Management System (PPMS) policy falls within the parameters set by the SSRB and Cabinet Office.

The majority of staff employed below senior civil service level are part of the Scottish Government main collective bargaining unit for the determination of salary. Remuneration is determined by the Scottish Government and, in determining policy, account is taken of the need for pay to be set at a level which will ensure the recruitment, retention and motivation of staff. Also taken into account are the Government's policies on the Civil Service and public sector pay and the need to observe public spending controls.

As outlined under the Employment Policies section, some staff retained FSS terms and conditions, however agreement was reached with the trade unions that the SG Main pay award would be applied to staff regardless of which terms and conditions they had opted for and that negotiations on any changes to terms and conditions would also take place as part of the SG Main bargaining unit.

Employment 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 536. The tables in the remuneration report are subject to audit.



Salary, benefits in kind 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 (audited)

	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £000) ¹		Total (£000)	
	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17	17/18	16/17
Board Member Fees										
Ross Finnie	25-30	25-30	–	–	–	–	–	–	25-30	25-30
George Brechin	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Marieke Dwarshuis	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Heather Kelman	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Carrie Ruxton	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Susan Walker	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Anne Maree Wallace	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Louise Welsh ²	10-15	10-15	–	–	–	–	–	–	10-15	10-15
Chief Executive										
Geoff Ogle	105-110	105-110	–	–	–	–	20-25	40-45	125-135	145-155
Senior Management Team										
Elspeth Macdonald	70-75	70-75	–	–	–	–	15-20	35-40	85-95	105-115
Peter Midgley ³	–	60-65	–	–	–	–	–	30-35	–	90-100
Ian McWatt	65-70	60-65	–	–	–	–	55-60	20-25	120-130	80-90
Garry Mournian ⁴	55-60	–	–	–	–	–	65-70	–	120-130	–
Norval Strachan ⁵	35-40 (70-75 Full Time Equivalent)	40-45 (70-75 Full Time Equivalent)	–	–	–	–	–	–	35-40 (70-75 Full Time Equivalent)	40-45 (70-75 Full Time Equivalent)

- ¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- ² Louise Welsh was appointed deputy chair on 9 June 2016 and the salary band also reflects payment of 6 additional days per annum.
- ³ Peter Midgley retired from FSS in March 2017.
- ⁴ Garry Mournian became a formal part of the FSS Senior Management Team following promotion in April 2017. Prior year's figures have not been provided due to his grading prior to this appointment.
- ⁵ Norval Strachan joined the Senior Management Team as the organisations Chief Scientific Advisor, on secondment from Aberdeen University in April 2016 working 2.5 days per week on FSS business (0.5 FTE). Pay and Pension benefits remain the responsibility of the University of Aberdeen. Actual salary costs paid by FSS to the University of Aberdeen are reported above alongside the full time equivalent £70-75k. 16/17 costs shown included pension and National Insurance contributions, therefore 17/18 costs have been reported to show salary costs only.

Salary

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

Benefits in kind

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

Bonus Payments

In line with Scottish Ministers' public sector pay policy, no staff have received bonus payments in 2017/18.

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.

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.

	2017/18	2016/17
Band of Highest Paid Directors Total Remuneration	£105 – £110,000	£105 – £110,000
Median Total Remuneration	£28,033	£27,000
Ratio	3.8	4.0
Remuneration Range Band	£17,000 – £110,000	£19,000 – £110,000



Pension Benefits (audited)

	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV
	£000	£000	£000	£000	£000
Chief Executive					
Geoff Ogle	45 – 50 plus lump sum of 120 – 125	0 – 2.5 plus lump sum of 0	841	784	5
Senior Management Team					
Elspeth Macdonald	25 – 30 plus lump sum of 65 – 70	0 – 2.5 plus lump sum of 0	470	435	6
Peter Midgley ¹	N/A	N/A	N/A	N/A	N/A
Ian McWatt	30-35	2.5-5	460	397	36
Garry Mournian ²	15 – 20 plus a lump sum of 40 – 45	2.5 – 5 plus a lump sum of 5 – 7.5	210	166	31
Norval Strachan ³	N/A	N/A	N/A	N/A	N/A

¹ Peter Midgley retired from FSS in March 2017.

² Garry Mournian became a formal part of the FSS Senior Management Team following promotion in April 2017. Prior year's figures have not been provided due to his grading prior to this appointment.

³ The University of Aberdeen was unable to provide the pension information in the format set out in the table above for this year's accounts and FSS will discuss these requirements with the University for 2018/19.

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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on 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 8% and 14.75% (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 0.5% of pensionable salary 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 (audited)

There have been no leavers within the individuals reported on who received compensation for loss of office during the 2017/18 financial year.

Staff Report

The staff report contains information relating to staff costs and staff numbers.

Staff Costs (audited)

Our overall staff costs for the year were £7.4m. Staff costs comprises wages and salaries, social security costs and other pension costs for all staff as well as Agency costs. It excludes the wages and salaries and pension costs of the Board Members as well as contract inspectors and veterinary costs.

A Administration costs			2017/18	2016/17
	£000	£000	£000	£000
	Staff	Board	Total	Total
Wages and salaries	3,797	99	3,896	3,584
Social security costs	396	5	400	365
Other pension costs	770	–	770	703
Sub total	4,963	103	5,066	4,652
Apprenticeship Levy	13	–	13	–
Agency Staff	141	–	141	212
Total	5,117	103	5,220	4,864
Less recoveries in respect of outward secondments	(13)	–	(13)	(40)
Total net costs	5,103	103	5,207	4,824

B Programme costs			2017/18	2016/17
			£000	£000
Wages and salaries			1,830	1,974
Social security costs			188	204
Other pension costs			314	337
Agency Staff			–	–
Contract inspectors and veterinary costs			2,586	2,458
Total			4,917	4,973
Less recoveries in respect of outward secondments			–	–
Total net costs			4,917	4,973



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

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (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, as such the pension costs are accounted for as if it were a defined contribution scheme. 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 and at: www.civilservicepensionscheme.org.uk/about-us/resource-accounts/

For 2017/18, employers' contributions of £858,791 (2016/17, £784,332) 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 contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires and not the benefits paid during this period to existing members.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £700 were paid to 1 appointed stakeholder pension provider. Employer contributions are age-related and range from 8-14.75% 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 2013. There are currently 44 (2016/17, 47) FSS employees who are active members of LGPS. For the year ended 31 March 2018, contributions of £307,259 (2016/17, £330,416) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2018, this rate was 16.7% (16.7% in 2016/17) of pensionable remuneration.

On the basis of the updated actuarial valuation, under IAS19, the FSS fund deficit at 31 March 2018 was £9,850 million (2016/17, £10,752 million). FSS has taken over responsibility to fund to the scheme and in 2017/18, £185,000 (2016/17, £241,000) was paid based on the actuary's estimate of employer's contributions as a lump sum payment to reduce the deficit. In addition to the required payment, a payment of £200,000 was made in March 2018 to reduce the deficit further.

The LPFA 2016 Triennial Fund Valuation was undertaken during 2016 and has set the FSS contribution rate (20.02%) for the period from 1 April 2017 to 31 March 2020. This review also included the required minimum deficit payment reduction amounts for the next three years.

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 2018/19 to be £462,000 which includes the lump sum payment of £189,770 to reduce the deficit.

Number of Senior Civil Service staff employed at 31 March 2018

Band	2017/18 Total	2016/17 Total
SCS 2	1	1
SCS 1	1	1

Average Number of Persons Employed

	2017/18	2016/17
Board	8	8
Directly Employed Staff	167	167
Temporary Staff	9	8.5
Inwards Loans/Secondments	1.6	1
Total	185.6	184.5

Full Time Equivalent persons employed at 31 March 2018

	2017/18	2016/17
Board	8	8
Directly Employed Staff	166.5	167.3
Temporary Staff	8	8
Inwards Secondments	1.5	0.5
Total	184	183.8

*our Board are not employed full time but have been included for completeness and to provide a full picture of the persons employed within FSS.

Gender Balance

At the end of the 2017/18 financial year, the number of persons of each sex who were Board Members, Senior Managers and employees* was as follows:

	Female		Male	
	17/18	16/17	17/18	16/17
Board Members	6 (75%)	6 (75%)	2 (25%)	2 (25%)
Senior Management Team (Inc. Chief Executive and Deputy Chief Executive)	1 (20%)	1 (20%)	4 (80%)	4 (80%)
Employees	74 (45%)	73 (44%)	89 (55%)	93 (56%)
Total	81 (46%)	80 (45%)	95 (54%)	99 (55%)

*includes permanent and fixed term appointments and inward secondments but excludes other temporary staff



Sickness Absence Data

	Average total sick days per employee 2017/18	Average total sick days per employee 2016/17
Short Term Absence	2.6	2.1
Long Term Absence	2.6	1.8
Total	5.2	3.9

Reporting of Civil Service and other compensation schemes

FSS had no redundancy and other departure costs in 2017/18 related to active staff members. Exit costs are accounted for in full in the year of departure. Where FSS has agreed early retirements, the additional costs are met by the FSS and not by the Civil Service pension scheme.

Ill-health retirement costs are met by the pension scheme and are not included in the table. There were no retirements made on ill-health grounds in 2017/18.

Employee Engagement

We ensure that our staff are kept informed and engaged in our work through a range of methods. These include monthly staff briefing sessions, weekly blogs/newsletters and our internal publication 'The Inspector'.

Our Branches and Directorates work to deliver our corporate and strategic objectives. To support this, our performance management system ensures all staff agree objectives with their line manager which are closely linked to our Corporate Plan.

Employment Policies

During 2015/16 negotiations took place with the recognised trade unions and agreement was reached to offer all staff the opportunity to transfer to Scottish Government Main bargaining unit (SG Main) terms and conditions of employment from 1 April 2016. The majority of staff accepted this offer, with 21 retaining their FSS terms and conditions. Only 19 staff still remain on FSS Terms and Conditions, however some staff are currently considering transferring to the Scottish Government Main Terms and Conditions. Agreement was also reached with the trade unions that the Scottish Government Main pay award would be applied to staff regardless of which terms and conditions they had opted for and that negotiations on any changes to terms and conditions would also take place as part of the Scottish Government Main bargaining unit.

Trade Unions

As FSS is part of the Scottish Government Main bargaining unit we are therefore subject to the terms of the Partnership Agreement set out between the Scottish Government Management and the Council of Scottish Government Unions (CSGU).

To support this agreement at local level, FSS operate a local Partnership Group to consider common employee relations issues within FSS. We have positive working relationships with both PCS and Prospect Unions. Formal FSS Partnership Group meetings take place quarterly, and informal dialogue takes place throughout the year on more day to day issues.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The facility time data organisations are required to collate and publish under the new regulations are shown below. The data is also required to be published on our website before 31st July each year and can be found at www.foodstandards.gov.scot

Relevant trade union official – the total number of employees who were relevant trade union officials during the relevant period.

Number of employees who were relevant union officials during the relevant period	FTE employee number
3	3

Percentage of time spent on facility time – How many employees who were TU representatives officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time.

Percentage of time	Number of representatives
0%	0
1-50%	3
51%-99%	0
100%	0

Percentage of pay bill spent on facility time – Provide the figures requested in the first column of the table below to determine the percentage of the total pay bill spent on paying employees who were relevant trade union officials for facility time during the relevant period.

Total cost of facility time	£2,302.98
Total pay bill	£7,434,952
Percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100	0.03%

Paid TU activities – As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant trade union officials during the relevant period on paid TU activities. Time spent on paid TU activities as a percentage of total paid facility time hours calculated as:

Time spent on paid TU activities as a percentage of total paid facility time hours calculated as: (total hours spent on paid TU activities by relevant trade union officials during the relevant period ÷ total paid facility time hours) x 100	6.08%
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Please note that this is the first year of collecting this data and it has been collated in retrospect. Going forward data will be collected on a quarterly basis from Trade Unions Representatives to ensure this information is as accurate as possible.

Our data return covers only local Trade Union activity. As we are part of the Scottish Government Main Bargaining Unit, our pay bargaining is carried out centrally, therefore this activity is covered under the Scottish Government data return. Food Standards Scotland employed 176 staff at 31 March 2018. The number of trade union representatives is therefore 1.7% of the total number of staff.

Recruitment

FSS recruitment is undertaken by Scottish Government and their policies align with the Civil Service recruitment principles. All recruitment during the year was carried out in accordance with these principles as well as internal FSS policies and procedures relating to the approval of recruitment of staff. 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

FSS and Scottish Government recruitment policies 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, and we have Disability Confident Committed status.

Our 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

We are committed to fully embedding equality as a key component of our business, both as a consumer protection body and as an employer. Our role is to protect the Scottish public from health risks arising from the consumption of food and to provide advice on promoting good health through the food we eat and it is important that we seek to ensure that our services are accessible by, and benefit, everyone. We also want to be an excellent employer. We cannot deliver our vision without skilled and committed people. We value diversity in our workforce; it brings a range of talents and different perspectives to our work, and rightly should reflect the diversity of our customers.

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.

In accordance with our statutory responsibility, we carry out monitoring on all the protected characteristics of our workforce. This allows us to identify any gaps or issues in our recruitment and employment practices and procedures and to find ways to try to address these.

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 public body, we operate in a way which promotes equal opportunity and test our policies against the requirements of equality legislation. Our second [mainstreaming report](#) was published in April 2018.

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.

Health, Safety and the Environment

The Health, Safety and Environmental Management System (HSE MS), developed in 2016, was further embedded across FSS. The HSE MS was reviewed and updated, where necessary, to reflect any legislative or organisational changes and the system will continue to be managed to this end, retaining the relevance and suitability required of it. Our Health and Safety Committee continues to meet quarterly and is chaired by the Chief Operating Officer and is 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. We have continued to invest in specific health and safety related training for our staff and have rolled out our e-learning suite of courses across FSS. This year also saw the development and integration of a safety representative role in FSS to provide another level of resilience and assurance. The safety reps play an important role in cascading information and ensuring the development of policies and procedures reflect input from across the business.

Reportable Incidents, Diseases and Dangerous Occurrences (RIDDOR)

During the year we recorded a total of 47 (2016/17, 26) health and safety incidents. 15 (2016/17, 9) related to accidents in the workplace and 12 (2016/17, 17) were reported near misses with a further 20 reported as undesired circumstances under a new reporting metric introduced this year. Whilst we have seen an increase in the total number of incidents recorded, this is largely attributed to improved reporting arrangements and increased levels of awareness throughout the organisation on what should be reported. No incidents were required to be reported under RIDDOR to the Health and Safety Executive (2016/17, 0) however all incidents reported were followed up in accordance with the FSS health and safety policies and corrective action taken where necessary.

Consultancy Spend

No external (to the Public Sector) consultants were used during the year. FSS commissioned the Digital Transformation Service (DTS), which is part of Scottish Government, to provide a range of internal consultancy services to support our work on developing our IT systems. As a result of this work, we incurred expenditure of £12,487 during 2017/18. We also commissioned NHS National Services Scotland to provide some consultancy work during the latter part of 2017/18, relating to the ongoing development of a programme-based approach to managing our work. This was at a cost of approximately £3000.



Parliamentary Accountability Report

Charitable Donations, Gifts and Paid Sponsorships

FSS made a charitable donation of £5,000 to the Scottish Cancer Prevention Network (SCPN) during 2017/18. This contribution allowed to the SCPN to target funding to study the link between obesity and cancer prevention. Four sponsorships were made in relation to our presence at the Taste of Grampian event in June 2017 (£4,000), sponsorship (£8,100) of the Convention of Scottish Local Authorities (COSLA) Excellence Awards, specifically the award for tackling inequalities and improving health; sponsorship of the Marketing Society Industry Insight programme for 2018 (£6,000) and; sponsorship of a nutrition initiative called 'Peas Please' aimed at promoting consumption of vegetables (£7,370). In line with the Scottish Public Finance Manual, no gifts were given or donated by FSS during 2017/18.

Losses and Special Payments

No losses or special payments, as defined within the relevant sections of the Scottish Public Finance Manual, were incurred during 2017/18.

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](#).

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 2017/18 financial year, with an adjustment being made for plant closures since 2015.

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

Guarantees, indemnities and letters of comfort

No guarantees or letters of comfort were provided during the 2017/18 reporting year.

	2017/18			2016/17		
	Income	Full Cost	Surplus/ (Deficit)	Income	Full Cost	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Industry	3,278	4,606	(1,328)	3,202	4,448	(1,246)
Government	318	318	–	286	286	–
Other (Assessment Centre charges)	29	29	–	20	20	–
Total	3,625	4,953	(1,328)	3,508	4,754	(1,246)


Geoff Ogle

Chief Executive and Accountable Officer

Date: 22 August 2018

Independent Auditor's Report



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

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 120 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.

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Food Standards Scotland for the year ended 31 March 2018 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. 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 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In my opinion the accompanying 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 2018 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 2017/18 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income

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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters by the Auditor General for Scotland

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

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

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Elaine Barrowman CPFA

Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

22 August 2018

Financial Statements

for the year ended 31 March 2018

- Statement of Comprehensive Net Expenditure
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Changes in Taxpayers' Equity
- Notes to the accounts



Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

		2017/18	2016/17
	Note	£000	£000
Other operating income	5	(3,625)	(3,508)
Total operating income		(3,625)	(3,508)
Staff costs	Staff Report	10,124	9,797
Purchase of goods and services	4	4,144	4,355
Depreciation and impairment charges	4	510	578
Provision expense	4	18	20
Pension expense	4	597	514
Other operating expenditure	4	3,267	3,520
Total operating expenditure		18,660	18,784
Net operating expenditure		15,035	15,276
Other comprehensive net expenditure			
- Actuarial (gain)/loss on pension scheme liabilities	13	(1,116)	513
Total comprehensive net expenditure		13,919	15,789

Statement of Financial Position as at 31 March 2018

		2017/18	2016/17
	Note	£000	£000
Non-current assets:			
Property, plant and equipment	6	1,003	1,004
Intangible assets	7	829	1,044
Total non-current assets		1,832	2,048
Current assets:			
Trade and other receivables	11	1,177	931
Other current assets	11	452	296
Cash and cash equivalents	10	2,120	2,151
Total current assets		3,748	3,378
Total assets		5,580	5,426
Current Liabilities:			
Trade and other payables	12	(203)	(254)
Other liabilities	12	(1,786)	(1,589)
Provisions	13	(37)	(22)
Total current liabilities		(2,026)	(1,866)
Total assets less current liabilities		3,554	3,561
Non-current liabilities:			
Provisions	13	(221)	(240)
Net pension liability	13	(9,962)	(10,872)
Total non-current liabilities		(10,182)	(11,112)
Total Assets less total liabilities		(6,629)	(7,551)
Taxpayers' equity and other reserves:			
General fund		(6,629)	(7,551)
Total taxpayer's equity		(6,629)	(7,551)

Geoff Ogle
Chief Executive and Accountable Officer
22 August 2018



Statement of Cashflows for the year ended 31 March 2018

		2017/18	2016/17
	Note	£000	£000
Cash flows from operating activities			
Net operating Expenditure	SOCNE	(15,035)	(15,276)
Adjustment for non-cash transactions	4	551	618
Increase/(Decrease) in trade and other receivables	11	(401)	103
Increase/(Decrease) in trade and other payables	12	146	(828)
less movements relating to items not passing through the Statement of Comprehensive Net Expenditure			
Use of provisions	13	615	534
Cash contribution to pension deficit	13	(413)	(471)
Net cash outflow from operating activities		14,537	(15,321)
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(179)	(6)
Purchase of intangible assets	7	(115)	(164)
Net cash outflow from investing activities		(294)	(170)
Cash flows from financing activities			
From the Consolidated Fund (Supply)	SoCIE	14,800	15,500
Net Financing		14,800	15,500
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		(31)	10
Cash and cash equivalents at the beginning of the period	10	2,151	2,141
Cash and cash equivalents at the end of the period	10	2,120	2,151

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

		2017/18	2016/17
	Note	General Fund £000	General Fund £000
Balance at 01 April 2017		(7,551)	(7,259)
Transfers on absorption			(42)
Net Parliamentary Funding		14,800	15,500
Net operating expenditure for the year	SOCNE	(15,035)	(15,276)
Actuarial gain/(loss)	13	1,116	(513)
Auditors' remuneration and expenses	4	41	40
Balance at 31 March 2018		(6,629)	(7,551)

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 103), these financial statements have been prepared in accordance with the 2017/18 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.

1.3 Significant Accounting Policies and Material Judgements

Estimates and the underlying assumptions are reviewed on a regular basis by 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.
- IAS 19 Employee Benefits – Significant judgement has been made around pension liabilities. All figures reported are prepared by an independent actuary using financial assumptions that comply with the reporting standard.

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 continued to develop 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:

2017/18

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
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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 2017/18 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.lpfa.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 provided by Audit Scotland 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 provision has 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.

The Early Retirement provision has 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, FSS 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.

2. Restatement of 2016/17 Comparatives

FSS has not restated the accounts relating to 2016/17.

3. Net Costs by Group

Branch	Administration		Programme		2017/18	2016/17
	Costs	Income	Costs	Income	Net operating cost	Net operating cost
	£000	£000	£000	£000	£000	£000
Board, Senior Management Team and Private Office	827	–	–	–	827	983
Communications and Marketing	634	–	1,151	–	1,785	1,835
Corporate Services	3,733	–	2	–	3,735	3,765
Regulatory Policy	719	–	2	–	721	673
Food Protection Science and Surveillance	536	–	760	1	1,294	1,342
Nutrition Science and Policy	278	–	177	–	455	585
Operational Delivery	2,917	–	4,660	3,579	3,998	4,438
Enforcement Delivery	647	–	278	–	924	839
Scottish Food Crime Unit	653	–	212	2	864	552
Audit	321	–	–	43	278	264
Science Strategy and Information Analysis	104	–	50	–	153	–
Totals	11,368	–	7,292	3,625	15,035	15,276

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.

The Corporate Services administration costs also include organisational wide expenditure such as facilities (rent, rates, utilities), shared service costs (IT, Procurement, HR) and the pension liability payments we need to make in relation to legacy pension agreements that pre-date FSS and were transferred upon vesting in 2015.

The Audit figures presented relate to the running costs associated with our Audit Branch. The work of this team involves conducting audits of local authorities and veterinary audits of Food Business Operators to ensure compliance with the relevant regulations.

Staff costs by branch are contained within the Administration costs presented. A summary of staff costs is shown in the table below. Additional detail regarding staff costs are provided in the Staff Costs and Remuneration section of the annual report.

	2017/18	2016/17
	£000	£000
Staff Costs	7,397	7,167
Apprenticeship Levy	13	–
Agency Staff	141	212
Contract inspectors and veterinary costs	2,586	2,458
Less recoveries in respect of outward secondments	(13)	(40)
Total net costs	10,124	9,797

4. Non-pay expenditure

	2017/18		2016/17	
	£000		£000	
Goods and services	4,144		4,355	
		4,144		4,355
Depreciation and impairment charges: Non-cash				
Depreciation	180		223	
Amortisation	330		306	
Loss on disposal of property, plant and equipment			49	
		510		578
Provision expense				
Dilapidation	14		—	
Early Departure	4		20	
		18		20
Pension expense	597		514	
		597		514
Other operating expenditure				
Accommodation costs including rates, estate management and security	285		243	
System Support Costs – Other	257		266	
Legal costs	256		316	
Other Admin costs	654		514	
Internal auditors' remuneration and expenses	64		50	
Travel and Subsistence and Hospitality	528		462	
Training and Development	95		79	
Other	61		130	
IT Costs	61		58	
Rentals under operating leases	403		407	
Research and Development expenditure	563		955	
Nominal charge: External auditors' remuneration and expenses	41		40	
		3,267		3,520

5. Income

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

	2017/18	2016/17
	£000	£000
Income for official controls charged to industry	3,278	3,202
Income for meat hygiene work charges to other government departments	318	286
Other income e.g. assessment centre charges	29	20
Total income	3,625	3,508

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 (FBO) for these activities. This is effectively a subsidy of £1.3m to the meat industry. 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. FSS can charge no more than the full cost. Invoices for any supplementary charges are issued quarterly in arrears.

6. Plant and Equipment

	Fixtures and fittings £000	Office Equipment £000	Computer Equipment £000	Motor Vehicles £000	AUC £000	Total £000
Cost or valuation						
At 1 April 2017	782	341	376	48	–	1,547
Additions	–	–	138	41	–	179
Disposals	–	–	–	–	–	–
At 31 March 2018	782	341	514	88		1,726
Depreciation						
At 1 April 2017	137	246	139	21	–	543
Charged in year	72	26	75	7	–	180
Disposals	–	–	–	–	–	–
At 31 March 2018	209	272	215	27	–	723
Carrying amount at 31 March 2018	574	69	299	61	–	1,003
Carrying amount at 1 April 2017	646	95	236	27	–	1,004
Asset financing						
Owned	574	69	299	61	–	1,003
Carrying amount at 31 March 2018	574	69	299	61	–	1,003

	Fixtures and fittings	Office Equipment	Computer Equipment	Motor Vehicles	AUC	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2016	986	350	395	48	–	1,779
Additions	–	–	10	–	–	10
Adjustment to prior year additions	(4)	–	–	–	–	(4)
Disposals	(199)	(9)	(29)	–	–	(238)
At 31 March 2017	782	341	376	48		1,547
Depreciation						
At 1 April 2016	224	189	82	14	–	509
Charged in year	71	66	79	7	–	223
Disposals	(159)	(9)	(21)	–	–	(189)
At 31 March 2017	137	246	139	21	–	543
Carrying amount at 31 March 2017	646	95	236	27	–	1,004
Carrying amount at 1 April 2017	762	161	313	34	–	1,270
Asset financing						
Owned	646	95	236	27	–	1,004
Carrying amount at 31 March 2017	646	95	236	27	–	1,004

7. Intangible Assets

Intangible assets comprise computer software, software licenses and Assets Under Construction (AUC).

	Computer software and software licences	AUC	Total
	£000	£000	£000
Cost or valuation			
At 1 April 2017	1,577	94	1,671
Additions	84	31	115
Transfers	94	(94)	–
Disposals	–	–	–
At 31 March 2018	1,755	31	1,785
Amortisation			
At 1 April 2017	627	–	627
Charged in year	330	–	330
Disposals	–	–	–
At 31 March 2018	957	–	957
Carrying amount at 31 March 2018	798	31	829
Carrying amount at 1 April 2017	950	94	1,044

				2016/17
Cost or valuation				
At 1 April 2016	1,507	–	1,507	
Additions	70	94	164	
Disposals	–	–	–	
At 31 March 2017	1,577	94	1,671	
Amortisation				
At 1 April 2016	321	–	321	
Charged in year	306	–	306	
Disposals	–	–	–	
At 31 March 2017	627	–	627	
Carrying amount at 31 March 2017	950	94	1,044	
Carrying amount at 31 March 2016	1,186	–	1,186	

8. Capital and other commitments

8.1 Capital Commitments

At 31 March 2018 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.

	2017/18	2016/17
	£000	£000
Obligations under operating leases comprise:		
Land and buildings:		
Not later than one year	404	404
Later than one year and not later than five years	1,616	1,616
Later than five years	2,868	3,272
	4,888	5,292

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 2018.

9. Financial Instruments

As the cash requirements of the organisation 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

	2017/18 £000	2016/17 £000
Balance at 1 April	2,151	2,141
Net charges in cash and cash equivalents	(31)	10
Balance at 31 March	2,120	2,151
The following balances at 31 March were held at:		
Government Banking Service	2,120	2,151
Balance at 31 March	2,120	2,151

11. Trade receivables, financial and other current assets

	2017/18 £000	2016/17 £000
Amounts falling due within one year:		
Trade receivables	506	558
VAT recoverable	671	373
Other receivables	–	–
	1,177	931
Other current assets:		
Prepayments and accrued income	452	296
	452	296

12. Trade payables and other current liabilities

	2017/18 £000	2016/17 £000
Amounts falling due within one year:		
Other taxation and social security	17	15
Trade payables	187	238
Other payables	(1)	1
	203	254
Other current liabilities:		
Accruals	1,786	1,589

13. Provisions for liabilities and charges

Early departure and other provisions

	Early departure	Dilapidations	2017/18 £000 Total	2016/17 £000 Total
Balance at 31 March 2017	262	–	262	248
Transfer from FSA	–	–	–	20
Provided in the year	3	14	18	16
Provisions utilised in the year	(22)	–	(22)	(25)
Borrowing costs (unwinding of discount)	1	–	1	4
Balance at 31 March 2018	243	14	258	262

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

			2017/18 £000	2016/17 £000
	Early departure	Dilapidations	Total	Total
within one year	23	14	23	22
Total current provisions liability	23	14	37	22
between one and five years	91	–	91	90
thereafter	130	–	130	150
Total non-current provisions liability	221	–	221	240
Provisions balance at 31 March 2018	243	14	258	262

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.

FSS are recognising a provision in relation dilapidations as a result of a survey report confirming FSS could reasonably expect costs of approximately £185,000 to be incurred should it vacate Pilgrim House at the end of the current lease. The provision will be made annually on a cumulative basis over the lease term (15 years). Dilapidations were not recognised in the first 2 years and therefore has been spread over the last 13 years of the lease.

13.1 Early departure costs

Early departure cost refers to liabilities to staff for early retirement. FSS is meeting the additional costs of benefits beyond the normal Principal Civil Service Scheme (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 0.14% (2016/17 0.24%) in real terms. During 2017/18, no early departure costs were made in relation to current staff members.

13.2 Other**Legal Claims**

There was a legal claim made against FSS during 2015/16 in relation to the inclusion of non-contractual overtime and allowances in holiday pay calculations for statutory annual leave. This remained unsettled as at the end of 2017/18.

FSS is also disclosing an ongoing employment tribunal case regarding a claimed unfair dismissal. It is anticipated that this case will be resolved in 2018/19.

Further information is 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. Board pension provision relates to the by-analogy pension scheme with the (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 2018 is £113,000 (31 March 2017, £120,000).

The disclosures confirm that over the period the defined benefit liability has decreased by £7,000. This is attributable to 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:

	Year Ending 31/3/18	Year Ending 31/3/17
Discount rate	2.55%	2.80%
Rate of increase in pensions in payment	2.45%	2.55%
CPI inflation assumption	2.45%	2.55%

Mortality

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

	As at 31 March 2018		As at 31 March 2017	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners				
Exact Age				
60	27.5	29.2	29	30.8
65	22.6	24.2	24	25.8

Present value of scheme liabilities

	Value at 31/03/18 £000s	Year Ending 31/03/17 £000s
Liability in respect of		
Current Pensioners	113	120
Total present value of scheme liabilities	113	120

Analysis of movement in scheme liability

	2017/18 £000s	2016/17 £000s
Scheme liability at the beginning of year	120	105
Movement in the year:		
Interest cost	3	4
Actuarial loss/(gain)	(5)	16
Benefits paid	(5)	(5)
Net pension liability	113	120

Analysis of amount charged to operating profit

	2017/18 £000s	2016/17 £000s
Current service cost (net of employee contributions)		
Interest cost	3	4
Total expense/(income)	3	4

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

	2017/18 £000s	2016/17 £000s
Experience loss/(gain) arising on the scheme liabilities	1	(1)
Change in assumptions underlying the present value of the scheme liabilities	(6)	17
Net total actuarial loss/(gain) in statement of changes in taxpayers' equity	(5)	16

Sensitivity of the defined benefit obligation (DBO) to changes in the significant actuarial assumptions

		Impact on DBO %	£000s
Change in Assumptions*			
Rate of discounting scheme liabilities	+0.5 % a year	(6)	(7)
Rate of increase in CPI	+0.5 % a year	6	7
Life expectancy: each member assumed to retire 1 year earlier than expected		3	3

*Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and given the interdependencies between the assumptions the impacts may offset to some extent.

13.4 Provision for pension liability

13.4.1 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 2013, and administered by London Pension Fund Authority (LPFA). For the year ended 31 March 2018, contributions of £307,259 (2016/17, £330,416) were paid to the fund at the rate determined by the Actuary appointed to the fund. For the year ended 31 March 2018, this rate was 16.7% of pensionable remuneration.

On the basis of the updated actuarial valuation (issued 26 April 2018), under IAS19, the FSS fund deficit at 31 March 2017 was £9.850 million. FSS have taken over responsibility to fund to the scheme. In 2017/18, £185,336 was paid based on the actuary's estimate of employers contributions as a lump sum payment of £200,000 to further reduce the deficit.

The 2016 LPFA triennial fund valuation (as at 31 March 2016) has 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 2018/19 to be £462,000, which includes the lump sum payment of £185,336 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:

	Year Ending 31/3/18 % p.a.	Year Ending 31/3/17 % p.a.
Discount Rate	2.55%	2.7%
Pension Increase	2.35%	2.6%
Salary Increases	3.85%	4.1%

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.

	As at 31 March 2018		As at 31 March 2017	
	Men (years)	Women (years)	Men (years)	Women (years)
Retiring today	21.2	24.8	21.1	24.7
Retiring in 20 years	23.6	27	23.5	26.9

Movement in liabilities

	2017/18 £000s	2016/17 £000s
Opening Defined Benefit Obligation	31,494	26,496
Current service cost	532	394
Interest cost	839	944
Change in financial assumptions	(525)	5,000
Change in demographic assumptions	–	(185)
Experience loss/(gain) on defined benefit obligation	–	(624)
Liabilities assumed/(extinguished) on settlements	–	–
Estimated benefits paid net of transfers in	(948)	(602)
Past service costs, including curtailments	–	–
Contributions by Scheme participants	89	96
Unfunded pension payments	(25)	(25)
Closing Defined Benefit Obligation	31,456	31,494

Movement in assets

	2017/18 £000s	2016/17 £000s
Opening Fair Value of Employer's Assets	20,742	16,310
Interest on assets	557	590
Return on assets less interest	586	2,777
Other actuarial gains/(losses)	–	917
Administration expenses	(27)	(21)
Contributions by Employer including unfunded	632	700
Contributions by Scheme participants	89	96
Estimated benefits paid plus unfunded net of transfers in	(973)	(627)
Settlement prices received/(paid)	–	–
Closing Fair Value of Employer Assets	21,606	20,742

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

	Value at 31/03/18 £000s	% at 31/03/18 £000s	Value at 31/03/17 £000s	% at 31/03/17 £000s
Equities	13,212	61%	12,291	59%
LDI/Cashflow matching	–	n/a	–	n/a
Target return portfolio	4,842	22%	4,383	21%
Infrastructure	945	4%	1,092	5%
Commodities	–	n/a	–	n/a
Property	1,555	7%	1,057	5%
Cash	1,052	5%	1,919	9%
Market value of assets	21,606	100%	20,742	100%
Present value of scheme liabilities	(31,456)		(31,494)	
Net pension liability	(9,850)		(10,752)	

13.4.2 Movement in deficit during the year

	2017/18 £000s	2016/17 £000s
Scheme liability at 1 April	(10,752)	(10,186)
Service cost	(532)	(394)
Administration expenses	(27)	(21)
Employer contributions	247	259
Payment of deficit	385	441
Other finance net interest charged (note 13.4.3)	(282)	(354)
Actuarial (loss)/gain (note 13.4.4)	1,111	(497)
Net pension liability	(9,850)	(10,752)

13.4.3 Analysis of the amount charged to net operating expenditure

	2017/18 £000s	2016/17 £000s
Service cost	532	394
Administration expenses	27	21
	559	415
Employer contributions to be set off	(247)	(259)
Amount (credited)/charged to operating cost	312	156
Analysis of the net amount charged to operating cost		
Net interest on the defined liability/(asset)	282	354

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

	2017/18 £000s	2016/17 £000s
Return on fund assets in excess of interest	586	2,777
Other actuarial gains/(losses) on assets	–	917
Change in financial assumptions	525	(5,000)
Experience gain/(loss) on defined benefit obligation	–	185
Changes in effect of asset ceiling	–	624
Remeasurement of the net assets/(defined liability)	1,111	(497)

13.4.5 Sensitivity Analysis

	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	−0.1%
Present value of Total Obligation	30,950	31,456	31,970
Projected Service Cost	507	518	529
Adjustment to long-term salary increase	+0.1%	0.0%	−0.1%
Present value of Total Obligation	31,509	31,456	31,403
Projected Service Cost	518	518	518
Adjustment to pension increases and deferred valuation	+0.1%	0.0%	−0.1%
Present value of Total Obligation	31,918	31,456	31,001
Projected Service Cost	529	518	507
Adjustment to mortality age rating assumption	+1 Year	None	−1 Year
Present value of Total Obligation	32,660	31,456	30,297
Projected Service Cost	535	518	502

13.5 Summary of pension charges and liability charged to net operating expenditure

	Board pension	LGPS	Total 2017/18	2016/17
Net pension liability at 1 April	(120)	(10,752)	(10,872)	(10,291)
Current service cost	–	(532)	(532)	(394)
Administrative expenses	–	(27)	(27)	(21)
Employer contributions set off	–	247	247	259
Interest cost	(3)	(282)	(285)	(358)
Charged to net operating expenditure	(3)	(594)	(597)	(514)
Deficit payments	5	385	390	446
Actuarial gain/(loss) recognised in SOCTE	5	1,111	1,116	(513)
Net pension liability	(112)	(9,850)	(9,962)	(10,872)

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 was anticipated that the claim would be resolved during 17/18, however the settlement is still ongoing and at this time a monetary value on the liability is unknown but it is anticipated not to be material.

FSS is disclosing a second contingent liability in relation to an ongoing employment tribunal case regarding a claimed unfair dismissal. It is anticipated that this case will be resolved in 2018/19, however at this time a monetary value on the conclusion of this case is unknown but is not expected 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.

16. 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.

17. Early adoption of IFRSs, amendments and interpretations

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

18. Impending Application of Newly Issued Accounting Standards Not Yet Effective

There are three new Standards that have been considered by FSS from those being introduced by the International Accounting Standards Board (IASB).

IFRS 9 Financial Instruments (expected to be adopted by FReM in 2018-19) has been reviewed by FSS Management and will have no material impact on the financial statements of FSS.

IFRS 15 Revenue from Contracts with Customers (expected to be adopted by FReM in 2018-19) specifies how and when revenue should be recognised, as well as requiring FSS to provide users of financial statements with more informative, relevant disclosures. FSS already recognises all revenue from customers when performance obligations are satisfied, using a standard pricing and discount model. As a result there should be no material impact on the financial statements, although the relevant additional disclosures will be added to the 2018-19 Annual Accounts.

IFRS 16 Leases (expected to be adopted by FReM in 2019-20) is expected to have a material future impact on the financial statements of FSS due to the agreement FSS has in place for rental of office space. This will be reported in accordance with FReM and the relevant additional disclosures will be added to the 2018-19 Annual Accounts.

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 (FReM) 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



foodstandards.gov.scot

**Food Standards Scotland
Pilgrim House
Old Ford Road
Aberdeen
AB11 5RL
enquiries@fss.scot**

(SG/2018/18)

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

SG/2018/18

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