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| Public Services Reform (Scotland) Act 2010  Report for the year ended 31 March 2023 |
| August 2023 |
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CONTENTS

[Introduction 3](#_Toc142395794)

[1. Steps to promote sustainable growth 4](#_Toc142395795)

[2. Steps to improve efficiency, effectiveness and economy 6](#_Toc142395796)

[3. Expenditure information 7](#_Toc142395797)

[3.1 Public relations 7](#_Toc142395798)

[3.2 Overseas travel 8](#_Toc142395799)

[3.3 Hospitality and entertainment 9](#_Toc142395800)

[3.4 External consultancy 10](#_Toc142395801)

[3.5 Payments in excess of £25,000 11](#_Toc142395802)

[4. Remuneration 12](#_Toc142395803)

# Introduction

Part 3 of the Public Services Reform (Scotland) Act 2010 (PSRA) imposes duties on the Scottish Government and listed public bodies to publish information as soon as is reasonably practicable after the end of each financial year. These duties came into force on 1 October 2010. The duties in Part 3 of the 2010 Act are intended to promote greater openness and transparency.

This document details the information the Water Industry Commission for Scotland (WICS) is required to publish as prescribed in the PSRA. It has been compiled with reference to the guidance issued by Scottish Government.

Further information on the work of WICS can be found on its [website](https://wics.scot/). Further information on WICS’ activities and full audited financial information can be found in the annual report and accounts.

# Steps to promote sustainable growth

# Section 32 (1)(a) of the PSRA provides that each listed public body must publish a statement of the steps it has taken to promote and increase sustainable growth through the exercise of its functions.

Our role  
As the economic regulator of the Scottish water and sewerage industry, WICS has a statutory duty to promote the interests of current and future consumers and business customers. WICS does this by incentivising Scottish Water to maintain stable prices that are as low as reasonably practicable, by insisting on better service and by facilitating greater value and choice through the competitive retail framework.

Our obligation to advocate the interests of customers in Scotland is accomplished mainly through our implementation of the Strategic Review of Charges (SRC). This process ensures that Scottish Water’s charges are effectively regulated resulting in the best possible outcomes for customers and communities whilst allowing for Scottish Water to deliver the objectives set by Scottish Ministers for the water industry at the lowest reasonable overall cost.

Ensuring a sustainable and resilient water industry

To achieve a water sector that is sustainable in the long term requires Scottish Water to take ownership: doing the right thing for customers and communities, at the right time, and for the right reasons. WICS’ role is to put in place a regulatory framework that enables Scottish Water to do this. WICS must also ensure that Scottish Water is appropriately funded to protect service levels for customers today and in future generations. Investment will need to be appropriately targeted and timeous if the sector is to achieve and sustain net zero emissions.

Developing our regulatory approach

This year was the second year covered by WICS’ final determination for the 2021-27 regulatory control period, which was published in December 2020. It considered the Ministers’ final objectives for the industry and their Principles of Charging and allowed for the investment necessary to improve water quality and the environment further, and to support economic growth. The determination also outlined the need for a long-term, sustainable and innovative approach to replacing Scottish Water’s assets.

In SRC 21-27 WICS recognised that levels of investment would have to increase significantly over the next two decades if the industry were to replace its aging assets and maintain levels of service in the face of climate change. As such, WICS set out the expectation that Scottish Water take ownership of a clear, well-defined strategy that covers what it plans to achieve in the short, medium and long term. Specifically, WICS expected Scottish Water to provide a clear picture of the future investment that could be required and an assessment of the likelihood and timing of this investment.

Throughout the SRC21-27 process, the industry recognised that addressing future challenges would involve a significant transformation of Scottish Water’s business including taking early steps to develop the required organisational capabilities to prepare its strategy. This year, WICS continued to work with Scottish Water as it begins to take some of the initial steps to transform its business. During 2022-23, the focus has been on developing our approach for the next SRC. WICS’ methodology will take account of Scottish Water’s progress on its transformation journey and aim to ensure that the industry continues towards a more sustainable future.

Facilitating the competitive market for retail services

Following the pandemic, we initiated a process to review the financial resilience of retailers to protect the integrity of the market and making sure that it is sufficiently resilient to any future shocks. The failure of energy retailers demonstrated subsequently how important ensuring the financial resilience of market participants can be. During the year we concluded this important work with all active retailers now signed up to an additional licence condition. Scottish Water has now also issued its methodology for how it will assess the financial strength of retailers moving forward.

World collaboration within the Water Sector

WICS is taking the opportunity to share its experience and expertise with this wider audience in line with the Scottish Government’s Hydro Nation commitments and WICS’ duties under the Water Resource Act 2013. This involves direct participation in helping develop water regulatory frameworks in other countries. This involvement in the Hydro Nation initiative helps ensure that we remain in touch with developments in regulatory best practice while helping support international efforts to improve the effectiveness and efficiency of water services worldwide. The work also provides invaluable experience and opportunities for staff and an exposure to alternative regulatory approaches and techniques.

During the year we have continued our work with the New Zealand Government’s Department of Internal Affairs (DIA) as they prepare for the introduction of economic regulation and water reform. We also participated in a small project to support New Zealand’s Ministry of Transport which involved examining regulatory models and their application to New Zealand’s state highway network. Other projects included supporting the Romanian regulator (ANRSC) as part of a consortium with the consultancy BDO and working with Romanian operator Apa Vital to develop its business plans and supporting regulatory information.

# Steps to improve efficiency, effectiveness and economy

# Section 32 (1)(b) of the PSRA provides that each listed public body must publish a statement of the steps it has taken to improve efficiency, economy and effectiveness in the exercise of its functions.

As a public body we are very conscious of our obligations to deliver value for money. This year, we have taken further steps to review the way we deliver our objectives to ensure our spending is as efficient as possible. We monitor our expenditure with care, and by maintaining robust financial authorisation, expenditure scrutiny and procurement processes, we ensure maximum cost effectiveness.

We have begun work to review our operations, structure and roles to demonstrate we are operating as effectively as possible. In addition to identifying efficiencies internally, we are working with the Scottish Government and others in the public sector to review the scope for further synergies including making use of shared services and increasing revenue generating activity through our international work.

We are continuing to benefit significantly from the reduced costs associated with moving to more flexible working arrangements. Our staff have been operating very effectively in a hybrid remote model.

Public Bodies in Scotland are bound by the Climate Change Public Bodies Duties as set out in Part 4 of the Climate Change (Scotland) Act 2009. These duties require public bodies, in exercising their functions to contribute to carbon emissions reduction and act sustainably.

As a small office, we recognise that the extent to which we can continually reduce our carbon footprint is limited. That said, we do all that we can to make sure that our internal office functions are delivered in a sustainable and carbon aware manner. Our internal policies encourage employees to make carbon aware decisions in relation to procurement and travel.

Following the Covid-19 pandemic we resumed international travel in February 2022. However, our experience of remote working has allowed us to carry out much of our work for international partners from home. Overseas travel is sometimes required to support our international projects and some of our employees spent time working abroad in New Zealand during the year. We off-set our carbon footprint from international travel by funding tree planting in Scotland.

# Expenditure information

All expenditure disclosed in the sections below include VAT. The figures are unaudited.

## 3.1 Public relations

Requirement

WICS is required to publish a statement of expenditure during the year on all external communications, including the cost of in-house and contracted staff and consultants. Expenditure on 'public relations' includes (for example) marketing, PR campaigns, media relations, marketing research and evaluation, branding and design, promotional events, external events, conferences and exhibitions, corporate communications, sponsorship, publications and printing, digital communications, advertising and media planning.

DISCLOSURES

WICS does not employ or use any external consultants for public relation activities. The following categories of expenditure incurred by WICS is deemed to relate to public relations, as defined above.

Websites

WICS hosts two websites: (i) [WICS' corporate website](https://wics.scot/) and (ii) a website to support the [retail market](https://www.scotlandontap.gov.uk/) The costs associated with the websites are shown in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Expenditure type | 2022-23 (£) | 2021-22 (£) | 2020-21 (£) |
| Website hosting | 5,228 | 4,494 | 1,776 |
| Website development and maintenance[[1]](#footnote-1) | 36,892 | 111,653 | 84,328 |

Publishing

Publishing costs are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2022-23 (£) | 2021-22 (£) | 2020-21[[2]](#footnote-2) (£) |
| Publishing | 1,160 | 1,095 | 71,993 |

PUBLIC RELATION EVENTS

In October 2023, WICS held a stakeholder event, the total cost of which was £5,013 (21-22: £nil).

## 3.2 Overseas travel

Requirement

WICS is required to publish a statement of expenditure incurred on overseas travel, including travel to as well as from the United Kingdom. The following should be included: the cost of hotels, conference fees, the cost of travel and subsistence during the overseas visit and any other related expenditure.

Disclosure

Travel after the COVID pandemic, particularly overseas travel, did not resume until February 2022. Therefore, there were no travel costs in 2020-21 and those in 2021-22 were minimal.

|  |  |  |  |
| --- | --- | --- | --- |
| Type of expense | 2022-23 (£) | 2021-22 (£) | 2020-21 (£) |
| Flights | 196,928 | 3,081 | - |
| Accommodation | 64,626 | 1,043 | - |
| Subsistence | 32,946 | 546 | - |
| Other travel and expenses | 9,190 | 175 | - |
| **Total** | **303,690** | **4,845** | **-** |

The overseas travel costs in the table above include costs associated with a funded project in relation to consultancy services provided by WICS to the Department of Internal Affairs (DIA) in New Zealand. Of the total costs for 2022-23, £220,518 was reimbursed as part of the fees paid by the DIA.

## 3.3 Hospitality and entertainment

Requirement

# WICS is required to publish a statement of expenditure on hospitality and entertainment, interpreted widely as including any gifts, meals, parties, receptions, tickets for or invitations to public, sporting, cultural or other events or other similar benefits accorded by a public body to its own members or employees or third parties for whatever reason.

# The payment of reasonable travel and subsistence allowances and the reimbursement of expenses that are necessarily incurred in relation to service as a member or employee of a public body should be excluded.

# Gifts and benefits which are wholly trivial and of minimal value may also be excluded as de minimis. WICS has disclosed gifts over the value of £50 for 'one off' gifts or benefits.

DISCLOSURES

Hospitality and entertainment

# The only form of hospitality expenditure incurred by WICS relates to staff events, such as retirement and leaving lunches and entertainment in the form of meals for visitors and other stakeholders. Expenditure on these two categories are outlined in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Type of event | 2022-23 £) | 2021-22 (£) | 2020-21 (£) |
| Staff related | 3,323 | - | - |
| Stakeholder related | 4,504 | - | - |

# WICS limited the number of in-person meetings during the COVID pandemic, therefore there was no expenditure during this time.

Gifts > £50

# Gifts are provided in exceptional cases to recognise life events of employees and key stakeholders. The total amount spent on gifts greater than £50 are outlined in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Recipient | 2022-23 £) | 2021-22 (£) | 2020-21 (£) |
| WICS employees and members[[3]](#footnote-3) | 2,939 | 3,160 | 219 |
| External stakeholders | 52 | 55 | 56 |

## 3.4 External consultancy

Requirement

A statement on expenditure on “external consultancy” services, as defined as a wide range of professional services such as management consultancy, IT consultancy, financial consultancy, research and evaluation and policy development.

DISCLOSURES

WICS requires wide-ranging advice to make appropriate assumptions about the reasonable costs that it should allow for in setting prices. These assumptions must be robust to external challenge. WICS must also ensure that its processes and decisions can withstand judicial scrutiny. Supplementing WICS’s expertise with that of outside experts provides significant reassurance of the quality and independence of its work.

## Expenditure on external consultancy services is outlined, by type, in the table below.

|  |  |  |  |
| --- | --- | --- | --- |
| Type of consultancy service | 2022-23 (£) | 2021-22 (£) | 2020-21 (£) |
| Regulation and licensing support | 242,980 | 187,946 | 349,261 |
| OECD peer review | - | - | 225,776 |
| Internal audit and accounting | 108,006 | 77,402 | 63,651 |
| Other | 15,243 | 13,374 | 11,448 |
| **Total** | **366,229** | **278,722** | **650,136** |

## 3.5 Payments in excess of £25,000

Requirement

Section 31 (3) of the Act provides that each listed body must publish a statement specifying the amount, date, payee and subject matter of any payment made which has a value in excess of £25,000 (inclusive of VAT).

“Payments” include all payment transactions, including payments for goods and services and transactions with government departments or other public bodies. However, it does not include information relating to remuneration or other payments made to an individual to their service as a member or employee of a public body such as salary, allowances, fees or pension.

The reporting requirement relates to cash payments, not accruals or invoices.

DISCLOSURES

Cash payments 2022-23

|  |  |  |  |
| --- | --- | --- | --- |
| Date of transaction | Amount (£) | Recipient | Description |
| 11/04/22 | 47,420.00 | Grant Thornton | Internal audit services |
| 27/10/22 | 75,350.02 | Harvard Business School | Advanced Management Programme |
| 10/01/23 | 31,443.60 | Oxera Consulting | Economic consultancy services |
| 10/01/23 | 40,243.20 | Oxera Consulting | Economic consultancy services |
| 01/03/23 | 27,072.00 | Grant Thornton | Internal audit services |
| 30/03/23 | 61,901.40 | Oxera Consulting | Economic consultancy services |

# Remuneration

# Section 31(4) of the PSRA provides that each listed public body must publish a statement specifying the number of individuals (if any) who received remuneration during that financial year in excess of £150,000 in relation to service as a member or employee of a public body.

# Remuneration in relation to service as a member or employee includes salary, bonus or other discretionary performance payments, allowances, fees, royalties and also bonus or other payments in respect of performance in a previous financial year, but does not include receipt of pension, voluntary severance, compromise agreements or redundancy payments.

# The Chief Executive is the only employee of WICS who received remuneration payments in excess of £150,000.

# Full disclosure of remuneration costs and directors’ salary and pension entitlements can be found in our [annual report and financial statements.](https://wics.scot/publications/our-performance/annual-reports-financial-statements)

1. The cost of rebranding and developing a new corporate website is included in 2021-22 and 21-22. [↑](#footnote-ref-1)
2. This includes the costs of launching the Draft and Final Determinations. As this work was carried out during the COVID pandemic, much of the work had to be carried out remotely, using publications. [↑](#footnote-ref-2)
3. Includes vouchers paid to employees as a Christmas gift [↑](#footnote-ref-3)