

GOVERNANCE FRAMEWORK

This version: Published 4 July 2025

Author: Board Secretary

Review by the Board: 22 May 2025

Approved by the Board: 26 June 2025

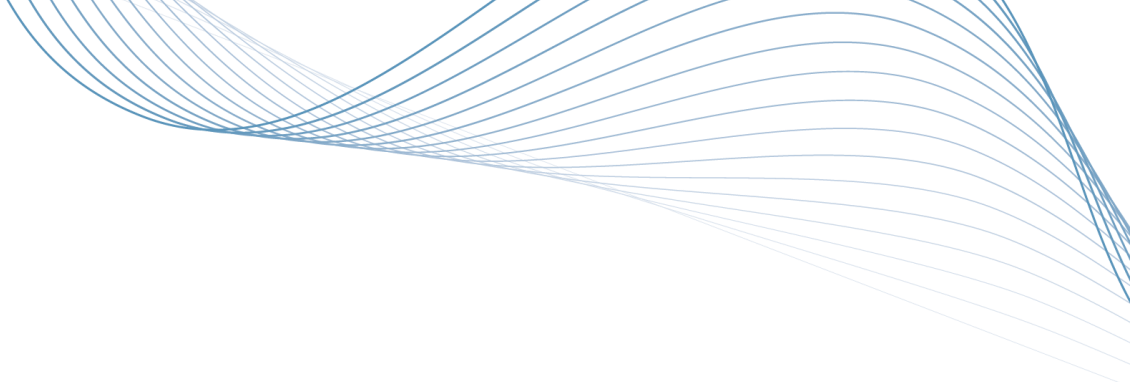
REVISION HISTORY

Audit trail of key changes:

| Version | Revision date | Section of document | Summary of changes |
|---------|---------------|-------------------------------|--|
| 1 | January 2025 | Section B: Framework Document | Reviewed by WICS and Scottish Government to bring in line with model document. |
| 1 | January 2025 | Section E: ARC ToR | ARC ToR reviewed and updated. |
| 1 | January 2025 | Section F: OCAG ToR | OCAG ToR reviewed and updated. |
| 1 | April 2025 | Sections C and D | Rules of Procedure and Scheme of Delegation reviewed and updated |
| 1 | April 2025 | Section G | Code of Conduct reviewed and updated |
| 1 | May 2025 | Sections, C, D and G | Board Member review |
| 2 | June 2025 | Section F | OCAG reviewed and updated. |
| 2 | June 2025 | Sections C, D and G | Legal review. |
| 2 | June 2025 | Sections A, C, D, F, G | Board Member approval. |

This document was approved by:

| Approver | Date of approval | Section of document | Section approved |
|--------------------|------------------|---------------------|--------------------|
| Scottish Ministers | 6 July 2022 | Section G | Code of Conduct |
| WICS' Board | 28 November 2024 | Section B | Framework Document |
| Scottish Ministers | 11 Feb 2025 | Section B | Framework Document |



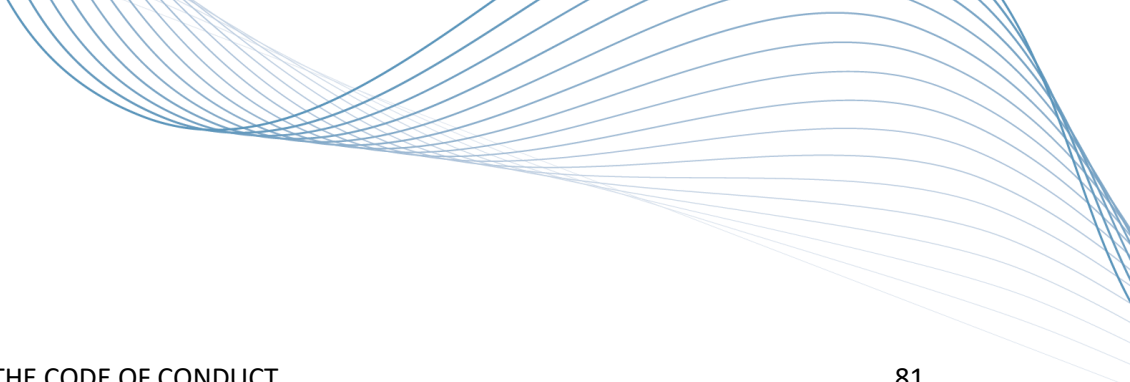
| | | | |
|------------|---------------|------------------------|---|
| WICS Board | 13 March 2025 | Section E | ARC ToR |
| WICS Board | 13 March 2025 | Section F | OCAG ToR |
| WICS Board | 22 May 2025 | Section H | Risk management |
| WICS Board | 26 June 2025 | Sections A, C, D, F, G | Introduction, Rules of Procedure, Scheme of Delegation, OCAG ToR and Code of Conduct. |



CONTENTS

| | |
|---|----|
| SECTION A: INTRODUCTION TO THE GOVERNANCE FRAMEWORK | 7 |
| 1. INTRODUCTION..... | 7 |
| 2. LEGISLATION AND STATUS..... | 7 |
| 3. STATUTORY FUNCTIONS, DUTIES AND POWERS OF WICS | 7 |
| 4. ESTABLISHING A GOVERNANCE FRAMEWORK | 8 |
| 5. DEFINITIONS..... | 9 |
| SECTION B: FRAMEWORK DOCUMENT | 12 |
| 1. INTRODUCTION..... | 12 |
| 2. GOVERNANCE AND ACCOUNTABILITY | 13 |
| 3. RELATIONSHIP BETWEEN SCOTTISH GOVERNMENT AND WICS..... | 18 |
| 4. WICS STAFF MANAGEMENT RESPONSIBILITIES | 20 |
| 5. CORPORATE AND BUSINESS PLANS | 21 |
| 6. ANNUAL REPORT AND ACCOUNTS | 22 |
| 7. EXTERNAL AUDIT..... | 22 |
| 8. INTERNAL AUDIT | 22 |
| 9. GOVERNANCE AND RISK | 23 |
| 10. APPENDIX A: SPECIFIC DELEGATED FINANCIAL AUTHORITIES..... | 28 |
| SECTION C: RULES OF PROCEDURE | 29 |
| 1. INTRODUCTION..... | 29 |
| 2. COMPOSITION OF THE BOARD | 29 |
| 3. RESPONSIBILITIES OF THE BOARD | 30 |
| 4. MEETINGS | 31 |
| 5. CODE OF CONDUCT..... | 33 |
| 6. OTHER COMMITTEES | 33 |
| 7. RESERVED MATTERS | 33 |
| 8. REPORTING FRAMEWORK FOR THE BOARD | 33 |
| 9. BOARD EFFECTIVENESS..... | 34 |
| 10. ALTERATION | 34 |

| | |
|---|-----------|
| 11. ANNEX A PROCEDURE FOR CONFLICTS OF INTEREST | 35 |
| 12. ANNEX B PROCEDURE FOR APPROVAL BETWEEN BOARD MEETINGS | 37 |
| SECTION D: SCHEME OF DELEGATION | 40 |
| 1. INTRODUCTION..... | 40 |
| 2. FINANCE AND CORPORATE SERVICES..... | 40 |
| 3. PRICING | 45 |
| 4. PERFORMANCE AND REPORTING | 46 |
| 5. MARKETS..... | 47 |
| SECTION E: AUDIT AND RISK COMMITTEE (ARC) TERMS OF REFERENCE | 51 |
| 1. INTRODUCTION..... | 51 |
| 2. ARC FRAMEWORK..... | 51 |
| 3. ANNUAL WORK PLAN..... | 54 |
| 4. REPORTS..... | 56 |
| SECTION F: ORGANISATIONAL CHANGE ASSURANCE GROUP (OCAG) ToR..... | 58 |
| 1. PURPOSE | 58 |
| 2. OBJECTIVES | 58 |
| 3. SCOPE | 58 |
| 4. MEMBERSHIP | 59 |
| 5. MEETINGS | 59 |
| 5. AGENDA AND PAPERS..... | 59 |
| 6. REPORTING BY THE GROUP | 59 |
| 7. QUORUM | 60 |
| 8. RESERVED MATTERS | 60 |
| SECTION G: CODE OF CONDUCT FOR BOARD MEMBERS | 61 |
| 1. INTRODUCTION..... | 61 |
| 2. KEY PRINCIPLES OF THE CODE OF CONDUCT..... | 63 |
| 3. GENERAL CONDUCT | 65 |
| 4. REGISTRATION OF INTERESTS..... | 72 |
| 5. DECLARATION OF INTERESTS..... | 76 |
| 6. LOBBYING AND ACCESS | 79 |



| | |
|---|-----------|
| 7. ANNEX A: BREACHES OF THE CODE OF CONDUCT | 81 |
| 8. ANNEX B: DEFINITIONS | 84 |
| SECTION H: RISK MANAGEMENT | 86 |
| 1. INTRODUCTION..... | 86 |
| 2. SUMMARY..... | 86 |
| 3. ROLES AND RESPONSIBILITIES | 87 |
| 4. RISK APPETITE | 88 |
| 5. RISK IDENTIFICATION, CATEGORISATION, AND ASSESSMENT..... | 90 |
| 6. RISK ESCALATION AND REPORTING | 91 |
| 7. RISK REGISTERS AND INTEGRATION | 92 |
| 8. CONTROLS, MITIGATION AND MONITORING | 93 |
| 9. ASSURANCE..... | 94 |
| 10. TRAINING, CULTURE AND CONTINUOUS IMPROVEMENT..... | 95 |
| 11. APPENDIX A: RISK SCORING AND APPETITE MATRICES | 96 |
| 12. APPENDIX B: WORKED EXAMPLES OF THE RISK PROCESS | 98 |
| 13. APPENDIX C: TEMPLATE FOR IDENTIFICATION AND ESCALATION OF RISKS | 101 |



SECTION A: INTRODUCTION TO THE GOVERNANCE FRAMEWORK

1. INTRODUCTION

Governance is the over-arching structure and strategy that provides accountability and direction, and that influences the behaviours and culture within WICS.

Governance impacts everyone in their day-to-day jobs, whether we work as part of a team, purchase goods or services, manage people, or control budgets.

This is not just about what we do but how we do it, creating an environment where governance enables positive change and supports our strategic approach.

Governance is about raising awareness and sharing information; taking responsibility and providing assurance to stakeholders; and improving our approaches, learning lessons for the future.

We all have a part to play in supporting good governance within WICS

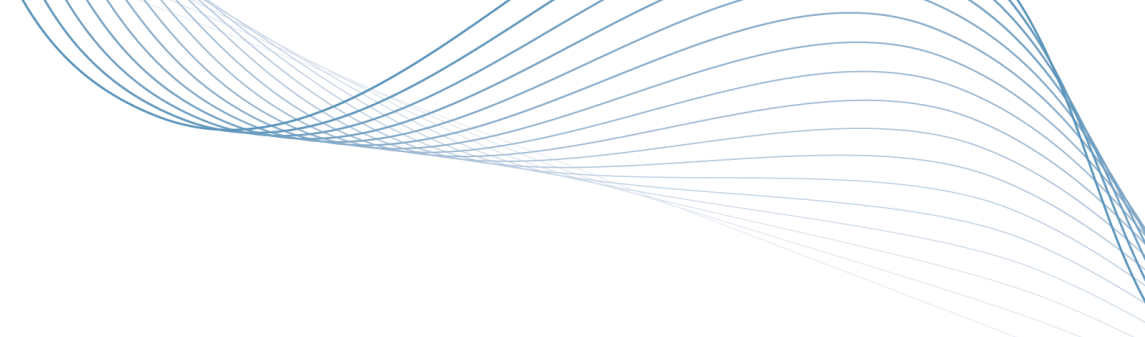
2. LEGISLATION AND STATUS

The Water Industry Commission for Scotland (WICS) is established and governed by the Water Industry (Scotland) Act 2002, as amended by the Water Services etc (Scotland) Act 2005 and the Water Resources (Scotland) Act 2013 (the “Act”). WICS is an Executive Non-Departmental Public Body.

3. STATUTORY FUNCTIONS, DUTIES AND POWERS OF WICS

WICS’ principal statutory functions are set out in the Act. In summary these are to:

- determine charge caps and, in so doing, promote the interests of customers (both current and future in accordance with the terms of the Act) of Scottish Water both in terms of the quality of services provided and the charges that have to be paid;
- Comment on Scottish Water’s reporting of its performance, challenging Scottish Water to become more efficient and sustainable; and
- Oversee and regulate the non-household retail market in Scotland, including by (in a manner which is not detrimental to Scottish Water’s core functions) facilitating the entry of retail water and sewerage providers that wish to supply non-household customers.



WICS exercises these functions independently of the Scottish Ministers, whose power to direct WICS, is confined to matters relating to the WICS' financial management and administration.

4. ESTABLISHING A GOVERNANCE FRAMEWORK

The Act sets out the legal framework within which WICS must operate. The Act permits the Board to regulate its own procedures (including any quorum) and that of any of its committees.

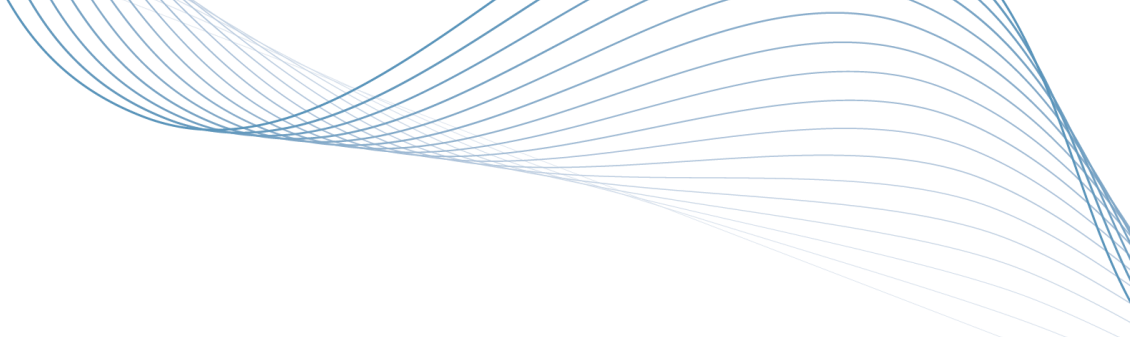
The broad framework within which WICS operates is set out in the Framework Document, a document agreed between WICS and Scottish Ministers. The Framework Document defines the key roles and responsibilities which underpin the relationship between WICS and the Scottish Government. While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework.

This Governance Framework establishes the policies and procedures which WICS will follow in the delivery of its statutory functions. The Governance Framework is set out in this Introduction (section A) and the documents set out below.

| Section | Contents |
|---------|---|
| A | Introduction to the Governance Framework |
| B | Framework Document |
| C | Rules of Procedure |
| D | Scheme of Delegation |
| E | Audit and Risk Committee (ARC) Terms of Reference |
| F | Organisational Change Assurance Group (OCAG) Terms of Reference |
| G | Code of Conduct for Board Members |
| H | Risk Management Strategy |

The Board

WICS is a corporate body. The Board of WICS consists of between 3 and 5 ordinary members and the person holding the position of Chief Executive Officer (informally known as the Board).



The Board is directly responsible for, among other things, approving a corporate plan and an annual report on its activities, both of which are required to be laid before the Scottish Parliament. The purpose and responsibilities of the Board Members are set out in the **Section B: Framework Document** and **Section C: Rules of Procedure**

WICS has adopted the Model Code of Conduct for Members of Devolved Public Bodies, produced pursuant to the Ethical Standards in Public Life etc. Act 2000 and overseen by the Standards Commission for Scotland. **Section G: Code of Conduct** for Board Members sets out the nine key principles of public life, the general conduct expected of Board Members, the requirements for the registration and declaration of interests, and rules regarding lobbying and access to Board Members. Board Members must also operate in terms of the Scottish Government Guidance applicable to them from time to time.

Section D: Scheme of Delegation sets out information on decisions reserved to the Board and those that are delegated or otherwise the responsibility of the Chief Executive Officer.

Monitoring

The Audit and Risk Committee (the “ARC”) is a standing committee of the Board, with delegated responsibility for reviewing the comprehensiveness and reliability of assurances on governance, risk management and the control environment.

It is also responsible for the detailed scrutiny of the annual report and accounts. The purpose and responsibilities of the ARC are set out in the **Section E: Audit and Risk Committee Terms of Reference**.

WICS has a risk management strategy to support the overall goal of having an environment of ‘no surprises’ where we understand the risks we face and eliminate or control them to an acceptable level, by creating a culture founded upon assessment and maximum mitigation of risk. **Section G: Risk Management Strategy** outlines our approach to risk management and sets out the roles and responsibilities in achieving the strategy.

As part of its corporate planning process, WICS should identify the performance indicators it considers appropriate to measure its success over the regulatory period. WICS should report on its performance against these performance indicators at the timescales and frequencies envisaged by the relevant performance indicator. Reporting on the performance indicators will also form part of the annual reporting process.

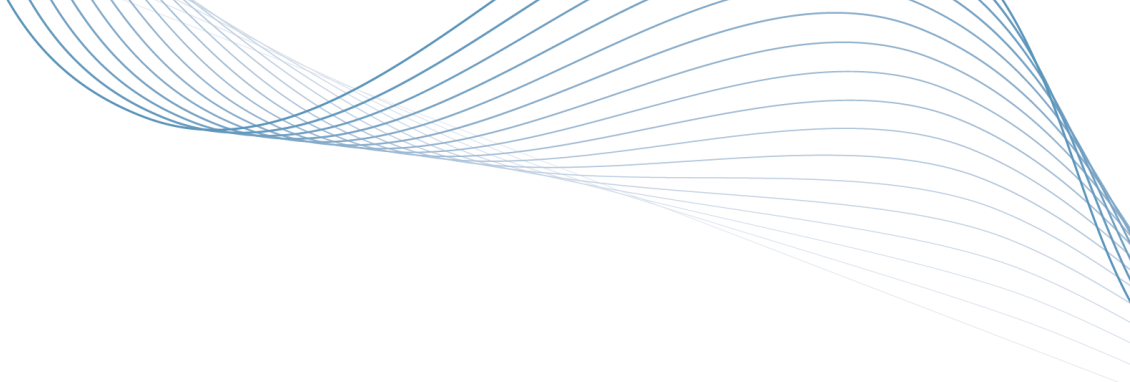
Section H: Measuring Success: Key Performance Indicators outlines the ways in which the organisation measures performance and contributes to the Scottish Government’s National Performance Framework.

5. DEFINITIONS

The table below provides definitions of the terms used within the document that form the Governance Framework.

Definitions

| | |
|--------------------------|---|
| Accountable Officer | means the Chief Executive Officer being the person designated as the Accountable Officer for WICS pursuant to section 15 of the Public Finance and Accountability (Scotland) Act 2000 (the “2000 Act”). |
| Annual Budget | means the annual budget of WICS approved by the Board. |
| Annual Work Plan | means the annual plan of work and activity for WICS approved by the Board. |
| Audit and Risk Committee | means the standing committee established by WICS. |
| Board | means the administrative body of WICS comprising 3 to 5 members appointed by the Scottish Ministers and the person holding the position of Chief Executive Officer. |
| Board Member | means a person appointed as a member of the Board by the Scottish Government and/or the Chief Executive Officer. |
| Board Secretary | Means the person appointed to fulfil the role of Board Secretary |
| Chair | Means the person appointed to the role of Chair by the Scottish Ministers under Schedule 1, paragraph 5(1)(a) of the Act |
| Chief Executive | means the person appointed in the role of Chief Executive Officer under Schedule 1 paragraph 7 of the Act. |
| Code of Conduct | means the document Section G: Code of Conduct for Board Members and forming part of the Governance Framework. |
| Committee | means a committee of the Board established pursuant to Schedule 1, paragraph 10 of the Act |
| Corporate Plan | means the corporate plan approved by WICS’ Board and agreed with Scottish Government. |
| Days | Means working days |
| Delegated matter | Means a matter that the Board has delegated to others (as listed in Annex A) |



| | |
|----------------------|---|
| Deputy Chair | means the Board Member appointed to the role of Deputy Chair by the Scottish Ministers. |
| Framework Document | means the Agreement between WICS and the Scottish Government in Section B: Framework Document . |
| Governance Framework | means the governance framework of WICS comprising the entirety of this document from section A to I. |
| Member | Means a Member of the Board |
| Ordinary resolution | Means a resolution that is passed by a simple majority of such Members entitled and present to vote on that resolution. |
| Reserved matter | Means a matter which is reserved for decision by the Board (as listed in Annex A). |
| Rules | Means this document, as amended from time to time, together with the annexes attached. |
| Scheme of Delegation | means the document headed Section D: Scheme of Delegation and forming part of the Governance Framework. |
| WICS | Means the Water Industry Commission for Scotland |



SECTION B: FRAMEWORK DOCUMENT

INTRODUCTION

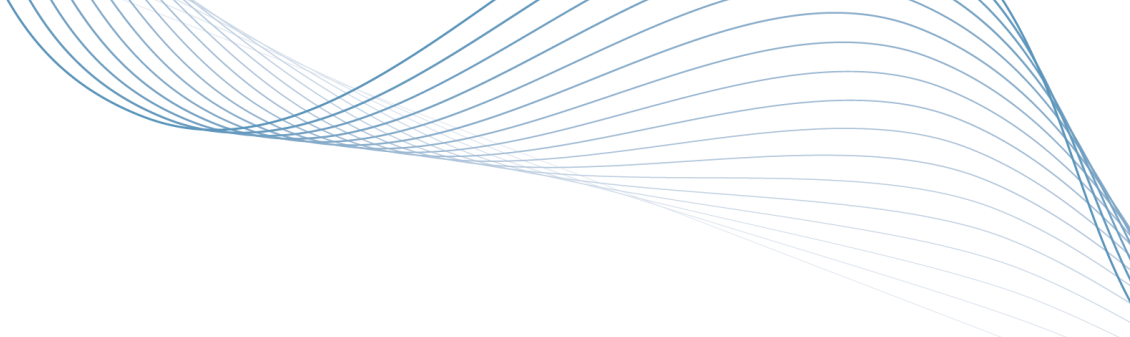
1. This framework document is agreed between the Water Industry Commission for Scotland (WICS) and the Scottish Ministers. It summarises how WICS and Scottish Government (SG) will work together, and the key roles and responsibilities of:
 - The Board;
 - The Chief Executive and Accountable Officer of WICS;
 - The Scottish Ministers; and
 - The Portfolio Accountable Officer within the SG whose remit includes WICS.

While this document does not confer any legal powers or responsibilities, it forms a key part of the accountability and governance framework and as a live document it should be reviewed by SG and WICS regularly, and at least every 3 years. Any significant changes will be agreed between the Board and the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with WICS. Legislative provisions shall take precedence over any part of the document.
3. WICS is not permitted to establish any subsidiaries or enter into joint ventures without express approval from Scottish Ministers.
4. Copies of the document will be published on the WICS website.

Purpose

5. WICS is established under the Water Industry (Scotland) Act 2002 (“the 2002 Act”), as amended by the Water Services etc. (Scotland) Act 2005 (“the 2005 Act”) as an Executive Non-Departmental Public Body. WICS does not carry out its functions on behalf of the Crown.
6. WICS has the general function of promoting the interests of Scottish Water’s customers, including persons who might reasonably become connected to the public water supply, having regard to the interests of current and future customers. WICS has the following statutory functions:
 - To advise the Scottish Ministers on any matter relating to the standard of service provided by Scottish Water or the manner in which Scottish Water conducts its relations with its customers or persons who might reasonably become connected to the public water supply; and
 - Oversee and regulate the non-household retail market in Scotland, including by facilitating the entry of retail water and sewerage providers that wish to supply non-household customers.



WICS also has the power to do anything to facilitate or is incidental or conducive to the exercise of WICS' functions.

7. In pursuance of its statutory functions, WICS shall, inter alia:

- Ensure that customer charges reflect the lowest reasonable overall cost for Scottish Water to deliver the Scottish Ministers' objectives for the water sector; and
 - Comment on Scottish Water's reporting of its performance, challenging Scottish Water to become more efficient and sustainable.
8. WICS is funded by a levy on Scottish Water and the licensed providers that participate in the non-household retail market. The size of these levies is set by the Scottish Ministers in the light of the objectives and key targets for WICS agreed with them through WICS' corporate planning process.
9. WICS is also designated under the Water Resources (Scotland) Act 2013 ("the 2013 Act") as a body that may be directed to support Scottish Ministers in ensuring the sustainable development of the value of Scotland's water resources. This does not preclude stakeholder engagement and knowledge exchange activity, including with international stakeholders, that WICS undertakes as part of fulfilling its core functions and statutory duties.

GOVERNANCE AND ACCOUNTABILITY

10. This section summarises the specific responsibilities and accountabilities of the key people involved in the governance of WICS.

The Board

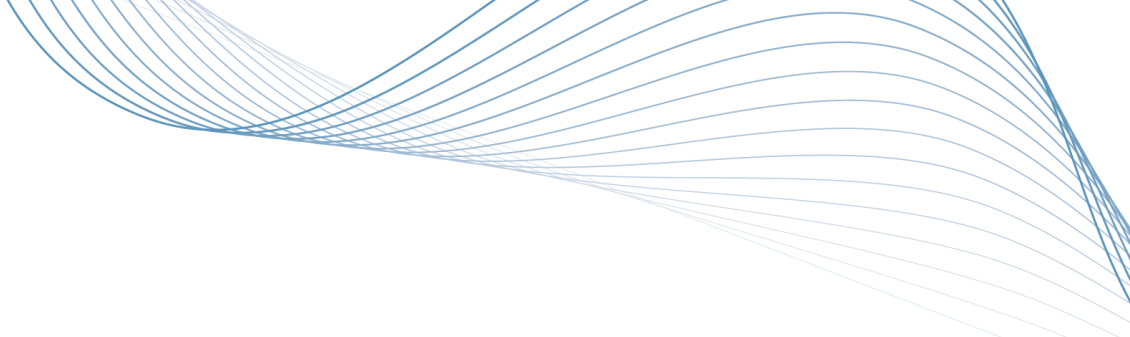
11. Members of the Board of WICS, including the Chair, are non-executives appointed by the Scottish Ministers, in line with the Code of Practice for Ministerial Public Appointments in Scotland. The Chair and Board Members are accountable to the Scottish Ministers and also to the Scottish Parliament and may be required to give evidence to Parliamentary Committees. In line with the 2005 Act, the Board is to consist of no fewer than three, and no more than five, ordinary members, not including the Chief Executive.
12. The Board has overall responsibility for the delivery of the functions and duties of WICS, in accordance with the aims, policies and priorities of the Scottish Ministers. The Board has corporate responsibility, under the leadership of the chair, to:
- Set strategic plans to deliver the functions of WICS, having regard to how the work of WICS can most effectively contribute to the achievement of the outcomes in the National Performance Framework, the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;

- Regularly scrutinise current and projected performance against aims, objectives and targets set out in plans and take decisions on remedial action where required;
- Ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Accountable Officer and the Audit and Risk Committee, ensure that key risks are identified and managed;
- Approve the annual report and accounts and ensure that these are provided to the Scottish Ministers and laid before the Scottish Parliament;
- Promote the efficient, economic and effective use of resources consistent with the principles of [Best Value](#), and regularly scrutinise financial performance and compliance with financial guidance issued by the SG;
- Promote the wellbeing, learning and development of staff, provide support and challenge to the Chief Executive on staffing matters and ensure that **WICS meets the WICS staff management responsibilities** described in the section below; and
- Appoint the WICS Chief Executive, with the approval of Scottish Ministers, in accordance with the 2002 Act, and following appropriate approval of the Chief Executive's remuneration package in line with SG Pay Policy for Senior Appointments.

The Chair

13. The chair will:

- Lead the Board, ensuring that all Board Members have suitable induction to understand the role and their responsibilities, that the skills and experience of all Board Members are used effectively and that the Board undertakes regular self-assessment of its performance;
- Ensure that the performance of each Board Member is reviewed at least once per year and that the Board and/or individual Board Members undertake development activity when required to ensure the effectiveness of the Board;
- Ensure that the Board reviews its effectiveness annually;
- Ensure that a Code of Conduct (aligned to the [Model Code of Conduct for Board Members](#)) is in place, approved by the Scottish Ministers, that corporate actions are taken to implement it as required and that Members understand their responsibilities, using the guidance provided by the Standards Commission for Scotland;
- Work with the Portfolio Accountable Officer or their delegate(s) and the Public Appointments Team in SG on succession planning for the Board, action necessary to fill vacancies as they arise, skills requirements and promoting diversity by encouraging applications from less represented



groups, including younger people, people from minority ethnic backgrounds and people with disabilities; and

- Undertake an annual appraisal of the performance of the Chief Executive, in consultation with the Board as a whole.

14. Specific guidance on how the Chair and Board Members should discharge their duties will be provided in their appointment letters and in [On Board – A Guide for Members of Statutory Boards](#). Guidance on governance good practice is available in the Scottish Public Finance Manual and from the sponsor team who may consult the SG Governance and Risk Team. A list of key aspects of governance to consider is included in the section on the Governance and Risk below.

The Chief Executive

15. The Chief Executive of WICS is employed and appointed by the Board with the approval of the Scottish Ministers. The Chief Executive is the principal adviser to the Board on the discharge of its functions and is accountable to the Board. The Chief Executive role is to provide operational leadership to staff working for WICS and to ensure that its aims and objectives are met, its functions are delivered, and its targets met through effective and properly controlled executive action.

16. The specific duties of the Chief Executive will be set out in a job description, and annual objectives will be agreed with the Chair and used in appraisal of the Chief Executive's performance.

17. In addition to any other specific duties, the Chief Executive will:

- Advise the Board on the discharge of its responsibilities - as set out in this framework document, in the founding legislation and in any other relevant instructions and guidance issued by or on behalf of the Scottish Ministers;
- Implement or oversee implementation of the decisions of the Board;
- Work with the Board on preparation of the Corporate Plan, including liaising with Senior Sponsor and/or Sponsor Team on key points which need to be addressed and the timetable for preparation and review, and work with the Board to ensure that business plans are put in place to meet the Corporate Plan aims, objectives and performance measures;
- Lead and manage the staff of WICS, ensuring their wellbeing, learning and development are prioritised, and ensuring that the WICS staff management responsibilities set out in the section below are addressed;
- Manage the budget for WICS in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, and advise the Board on financial implications of all Board decisions, ensuring that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM);

- Agree with the Board and the Portfolio AO or Senior Sponsor what information is required to enable the Board and SG to scrutinise the performance of WICS and progress against overall strategic and business plan aims and objectives, and ensure that the agreed information is provided and that is both accurate and timely; and
- The leadership team – consisting of the WICS Chief Executive and its four Directors - will manage the day-to-day relationship with the Senior Sponsor and/or Sponsor Team and with other SG officials who have an interest in the work of WICS and other key stakeholders, including staff of other public bodies.

18. In advising the Board, the Chief Executive will ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Accountable Officer

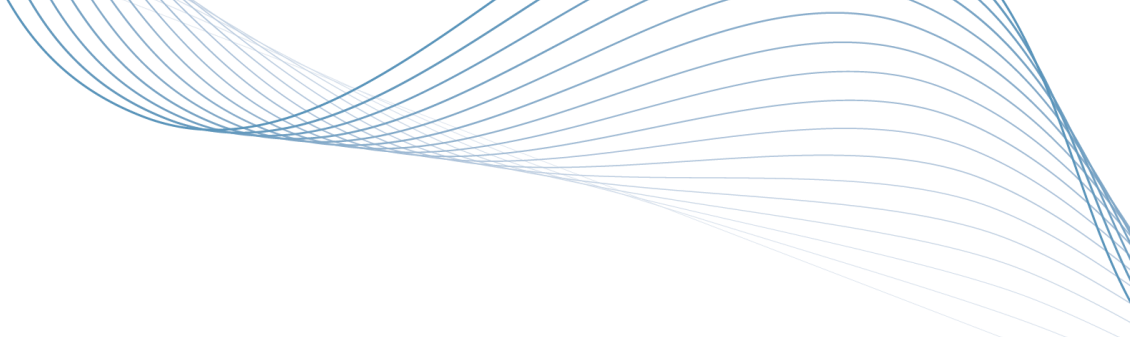
19. The Principal Accountable Officer for the Scottish Administration will designate a senior member of staff in WICS as the Accountable Officer. This will normally be the Chief Executive. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of WICS and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000. The Accountable Officer is personally answerable to the Scottish Parliament for the exercise of their functions and may be called to give evidence to the Public Audit Committee. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Other Public Bodies](#) in the Scottish Public Finance Manual.

20. It is important for the Chair and Board Members to recognise that one aspect of these duties is the duty under section 15(8) of the Public Finance and Accountability (Scotland) Act 2000, that where the Accountable Officer considers that any action they are required to take is not consistent with their Accountable Officer responsibilities, they must obtain written authority from the Board and send a copy of the written authority to the Auditor General for Scotland as soon as possible. The Accountable Officer should consult the Portfolio Accountable Officer before seeking written authority from the Board in these circumstances and should always notify the Portfolio Accountable Officer when such a written authority has been issued.

21. Where the duties of the Accountable Officer and the Chief Executive are not held in one person, the Accountable Officer will work closely with the Chief Executive on governance, and in particular to ensure that the key governance issues highlighted in the section on Governance and Risk below are addressed.

The Scottish Ministers

22. The Scottish Ministers appoint the Chair and Board Members and hold the Board to account for the performance of WICS and its use of resources. Ministers are ultimately accountable to the Scottish Parliament for ensuring that the Board is discharging its duties effectively, although the Parliament will



scrutinise the performance of WICS directly as it does with all public sector bodies. The Scottish Ministers are not directly responsible for the operation of WICS.

23. The Scottish Ministers will:

- Agree the strategic aims, objectives and key targets of WICS as part of the six-year corporate planning process;
- Within the six-year corporate planning process agree the budget for WICS and the associated levies to be paid to WICS;
- Approve the Code of Conduct of the WICS Board;
- Approve any pay remits or proposals and superannuation arrangements for the staff, Chief Executive, Chair and Board Members;
- Lay the annual report and accounts of WICS (together with the annual audit report) before the Scottish Parliament;
- Appoint one of the ordinary members to chair meetings of WICS; and
- Approve the appointment of the Chief Executive.

SG Portfolio Accountable Officer

24. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Net Zero as the Portfolio Accountable Officer (AO) within SG in relation to WICS.

25. The Portfolio AO's duties are to establish a framework for the relationship between SG and a public body, oversee the operation of that framework, ensure the public appointments to the body are made appropriately and ensure that appropriate assurance is provided on the performance and governance of the body. These activities are known collectively as '**sponsorship**'. In practice, the Portfolio AO is likely to delegate some or all sponsorship duties to a Director or Deputy Director as Senior Sponsor and/or to other SG officials in a 'Sponsor Team'. Delegation of key duties is covered in the relevant sections below. The responsibilities of a Portfolio Accountable Officer are set out in detail in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#). In the case of WICS, the Senior Sponsor for SG is the Deputy Director for Water Policy and DECC Operations.

26. **The Portfolio AO will:**

- Make sure the framework document is agreed between the Scottish Ministers and the Board of WICS, reviewed regularly and oversee the operation of the roles and responsibilities set out;

- Ensure that the financial and other management controls being applied by WICS are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- In line with [Code of Practice for Ministerial Appointments](#), ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning; that there is effective induction for new appointees; and ensure that there is regular review and a formal annual appraisal of the performance of the Chair;
- Support regular and effective engagement between WICS and the relevant Scottish Minister(s); and
- Make sure there are clear, documented delegation of responsibilities to a Senior Sponsor and/or Sponsor Team, and that the Board and senior officials of WICS are aware of these delegated responsibilities.

27. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of sponsorship activity.

RELATIONSHIP BETWEEN SCOTTISH GOVERNMENT AND WICS

28. Strategic engagement between the SG and WICS is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Specific governance and accountability roles are described in the section above, but more generally, both the SG and WICS will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'. This emphasises the need for cooperation and good communication, and particularly early warning from either side about any emerging risk or issue with significant implications for the operation or governance of WICS.

29. The following responsibilities have been delegated by the Portfolio AO to the SG Sponsoring Director (Director of Energy and Climate Change):

- Work with the Chief Executive and Chair of WICS to ensure that there is an effective working relationship between Scottish Government and WICS, characterised by trust, respect and openness;
- Promote organisational alignment between WICS and the Scottish Government as appropriate, while fully respecting the statutory functions of WICS; and
- Ensure that there is regular review and a formal annual appraisal of the performance of the Chair.

- Provide assurance to the Portfolio Accountable Officer on the effective discharge of all duties delegated to the Director, Senior Sponsor and Sponsor team.

30. The following responsibilities have been delegated by the Portfolio AO to the SG Senior Sponsor:

- Alongside the Sponsoring Director, ensure that there is an effective working relationship between Scottish Government and WICS, characterised by trust, respect and openness;
- Make sure the framework document is agreed between the Scottish Ministers and the Board of WICS, reviewed regularly and oversee the operation of the roles and responsibilities set out;
- Ensure that the financial and other management controls being applied by WICS are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
- Ensure that public appointments are made in good time and secure appropriate skills, experience and diversity amongst Board members, working with the Chair on succession planning and to ensure that there is effective induction for new appointees;
- Ensure that the Chief Executive or, where appropriate, the Chair and Board Members of WICS, are aware of strategic developments and corporate decisions which may affect WICS' functions or operations;
- Be responsible for advising the Scottish Ministers about WICS' operation and performance; and
- Day-to-day responsibility for discharging any other functions delegated by the Director, working with colleagues across the Scottish Government as necessary.

31. The Sponsor Team's primary function is to carry out the responsibilities delegated to it by the Portfolio AO or Sponsoring Director, directly or via the Senior Sponsor, as described above. In addition to ensuring that the arrangements in this framework document operate effectively, managing public appointments and providing assurance to the Portfolio AO and Sponsoring Director, the Sponsor Team will usually be the first point of contact for the body on any issue with SG. As part of the assurance they provide to the Portfolio AO and Sponsoring Director, they must ensure that key actions and decisions agreed are documented and implemented. This includes ensuring that SG teams implement any agreed actions.

32. SG and WICS have agreed that the following regular meetings should take place as a minimum to support strategic engagement:

- Sponsor Team representatives to meet with the WICS Chief Executive and/or delegates on a monthly basis;
- Senior Sponsor to meet with the WICS Chief Executive on a fortnightly basis;
- Sponsoring Director to meet with the WICS Chief Executive on a biannual basis; and

- SG Portfolio Accountable Officer to meet with the WICS Chair on a biannual basis.

WICS STAFF MANAGEMENT RESPONSIBILITIES

Broad responsibilities for WICS staff

33. The Chief Executive, challenged and supported by the Board, has responsibility for the recruitment, retention and motivation of WICS staff. The broad responsibilities toward its staff are to ensure that:

- HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- The level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness (subject to the SG Pay [Policy for Staff Pay Remits](#));
- The performance of its staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
- Its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve WICS' objectives, in line with best value principles;
- Proper consultation with staff takes place on key issues affecting them;
- Effective grievance and disciplinary procedures are in place and ensures that staff know where to access and how to use;
- Effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place and ensures that staff know where to access and how to use; and
- A code of conduct for staff is in place.

Pay and conditions of service

34. WICS will comply with SG Pay Policy in relation to staff and the Chief Executive. The Chief Executive will ensure that a pay remit, in line with the SG [Pay Policy for Staff Pay Remits](#), is submitted to the SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed. Payment of salaries should also comply with the [Tax Planning and Tax Avoidance section of the Scottish Public Finance Manual \("SPFM"\)](#). Proposals on non-salary rewards will comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM.

35. WICS will also seek appropriate approval under the SG [Pay Policy for Senior Appointments](#) for the Chief Executive's remuneration package prior to appointment, annually or when a new appointment or change to the remuneration package is being proposed.

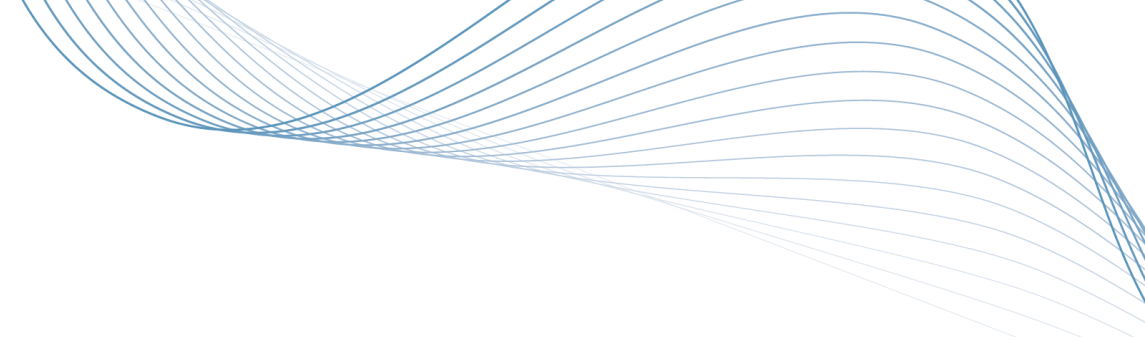


Pensions, redundancy and compensation

36. Superannuation arrangements for WICS' staff are subject to the approval of the SG. WICS' staff shall normally be eligible for a pension provided by the Local Government Pension Scheme (LGPS). Staff may opt out of the occupational pension scheme provided by WICS, but the employers' contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
37. Any proposal by WICS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the SG. Proposals on compensation payments must comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation payment. In all instances, a body should engage with the Sponsor Team prior to proceeding with proposed severance options, and prior to making any offer either orally or in writing.

CORPORATE AND BUSINESS PLANS

38. WICS must prepare a corporate plan, to be agreed with the Scottish Ministers, in line with the timetable for the Strategic Review of Charges. The corporate plan should set out WICS' strategic aims, objectives and targets over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Sponsor Team to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the corporate plan will be published on the WICS website.
39. The corporate plan will include WICS:
- The purpose and principal aims;
 - Will have regard to the national outcomes set out in the National Performance Framework, the Programme for Government and Scotland's Economic Strategy in collaboration with the SG and other public bodies;
 - Analysis of the environment in which it operates;
 - Key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives;
 - Indicators against which performance can be judged;
 - Details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and shared services; and
 - Other matters as agreed with the Sponsor Team as described above.

- 
40. The WICS Board approves an annual work plan and budget consistent with the agreed 6-year corporate plan. A copy of that annual work plan will be provided to the sponsor unit prior to the start of each financial year.

ANNUAL REPORT AND ACCOUNTS

41. WICS must publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report will cover the activities of any corporate, subsidiary or joint ventures under the control of WICS. It will comply with the Government [Financial Reporting Manual](#) (FReM) and outline WICS's main activities and performance against agreed objectives and targets for the previous financial year. It is the responsibility of the Accountable Officer to sign the accounts.
42. The accounts must be prepared in accordance with relevant statutes and the specific accounts direction and other relevant guidance issued by the Scottish Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit.
43. The SG sponsor team should receive a copy of the annual report for comment, and a copy of the draft accounts for information, by no later than 30 September. WICS is responsible for the publication of the annual report and accounts after they have been laid by the Scottish Ministers. Whilst the statutory date for laying and publishing accounts audited by the AGS is by 31 December, following the close of the previous financial year, Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published as early as possible.

EXTERNAL AUDIT

44. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, WICS' annual accounts and passes them to the Scottish Ministers who shall lay them before the Scottish Parliament, together with the auditor's report and any report prepared by the AGS. The AGS, or examiners appointed by the AGS, may carry out examinations into the economy, efficiency and effectiveness with which WICS has used its resources in discharging its functions and/or carry out examinations into the arrangements made by WICS to secure Best Value.
45. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors or recipients of grants from WICS. WICS will ensure this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

INTERNAL AUDIT

46. WICS will:

- Establish and maintain arrangements for internal audit in accordance with the [Public Sector Internal Audit Standards](#) and the [Internal Audit](#) section of the SPFM;
- Set up an audit and risk committee of its board, in accordance with the [Audit Committees](#) section of the SPFM, to advise both the Board and the Accountable Officer;
- Ensure that the Sponsor Team and the Portfolio AO, Sponsoring Director or Senior Sponsor receive promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including WICS' appointed Internal Auditors' opinion on risk management, control and governance – and provide any other relevant audit reports as requested by sponsors; and
- Keep records of, and prepare and forward promptly to the SG, an annual report on fraud and theft suffered by WICS and notify the Portfolio AO, Sponsoring Director or Senior Sponsor immediately of any unusual or major incidents.

47. The SG's Internal Audit and Assurance Directorate has an expectation of cooperation and access to all relevant material when required, the parameters for which would be set out in an engagement document before information was shared. WICS should make it clear on their own Privacy Notice that material may be shared with SG's Internal Audit and Assurance Directorate in certain circumstances.

GOVERNANCE AND RISK

Budget management and delegated authority

48. Under the 2002 Act as amended by the 2005 Act, WICS will be funded by a levy paid by Scottish Water and the licensed providers that participate in the non-household retail market. Following approval by Ministers of the Commission's Corporate Plan, the Sponsor Directorate instructs Scottish Water to pay the amount determined to WICS on a monthly basis. In addition Ministers may approve specific grants and grants in aid to WICS.

49. In addition, Scottish Ministers may approve specific grants and grants in aid to WICS.

50. Receipts from the sale of goods or services and interest earned by WICS on cash balances may be used to provide additional spending power subject to them being included in the approved budget.

51. WICS' specific delegated financial authorities - as agreed in consultation between the Board and the Scottish Ministers - are set out in Annex A. The Board will obtain the prior written approval from sponsors and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

52. Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [The Scottish Public Finance Manual \(SPFM\)](#)
- [The Audit and Assurance Committee Handbook](#)
- [On Board - A Guide for Members of Statutory Boards](#)

53. If in any doubt about a governance issue, the Chair or Chief Executive should consult the Sponsoring Director, Senior Sponsor or Sponsor Team in the first instance, and sponsors may in turn consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

54. The Board and Chief Executive are advised to pay particular attention to guidance on the following issues:

Risk Management

55. WICS must develop an approach to risk management consistent with the Risk Management section of the SPFM and establish reporting and escalation arrangements with the Portfolio AO, Sponsoring Director or Senior Sponsor.

56. The Board should have a clear understanding of the key risks, threats and hazards it may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate organisational resilience, in line with the guidance in: Having and Promoting Business Resilience (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

57. The Board should establish clear internal [delegated authorities](#) with the Chief Executive, who may in turn delegate responsibilities to other members of staff and establish an assurance framework consistent with the [internal control framework](#) in the SPFM.

58. Counter-fraud policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM.

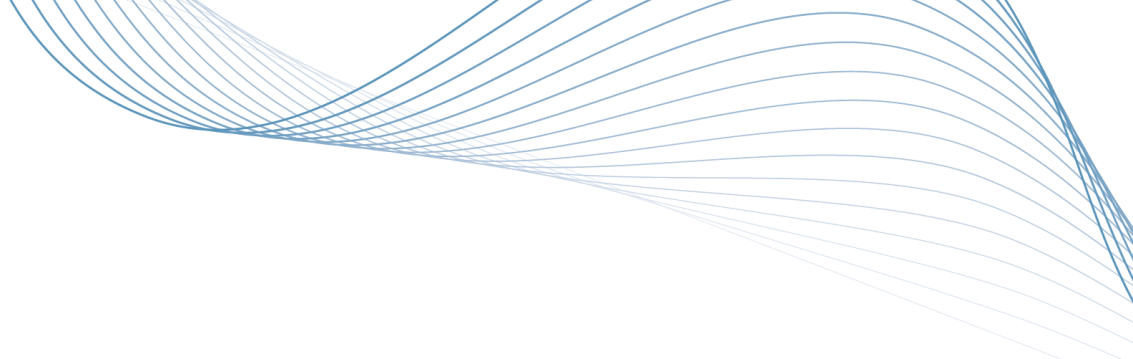
59. Any major investment programmes or projects undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. The Sponsor Team must be kept informed of progress on such programmes and projects and Ministers must be alerted to any developments that could undermine their viability. ICT investment plans must be reported to the SG's Office of the Chief Information Officer.

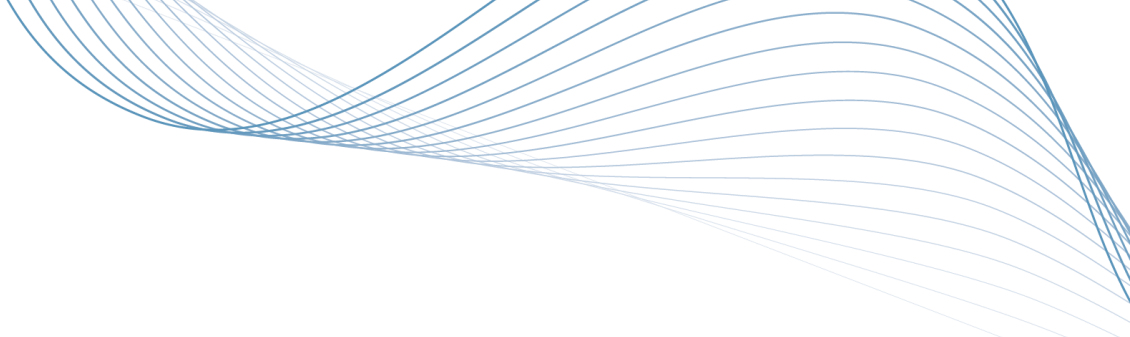
60. WICS must comply with the requirements of the Freedom of Information (Scotland) Act 2002 and ensure that information is provided to members of the public in a spirit of openness and transparency. WICS must also register with [Information Commissioners Office](#) and ensure that it complies with the Data Protection Act 2018 and the General Data Protection Regulations, commonly known as UK GDPR.



Budget and finance

61. Unless covered by a specific delegated authority WICS shall not make any financial investments without the prior approval of the SG. That would include equity shares in ventures which further the objectives of WICS. WICS shall not invest in any venture of a speculative nature.
62. Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the SG. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. WICS must comply with all relevant rules on taxation, including VAT, and recover input tax where it is entitled to do so.
63. Optimising income (not including grant-in-aid) from all sources should be a priority, and sponsors should be kept informed about any significant projected changes in income. Novel or contentious proposals for new sources of income or methods of fundraising must be approved by sponsors and SG Finance. Fees or charges for any services supplied must be determined in accordance with the [Fees & Charges](#) section of the SPFM.
64. Gifts, bequests or donations received by WICS score as income and should be provided for in the agreed annual budget, but should not fund activities or assets normally covered by the levy from Scottish Water and other licensed providers, other SG grant-in-aid trading or fee income, and conflicts of interest must be considered – see the principles in the [Gifts](#) section of the SPFM. Note that this relates to gifts to the body - gifts to individuals are covered in the Model Code of Conduct.
65. Borrowing cannot be used to increase WICS' spending power. All borrowing by WICS - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPFM.
66. Any lending must be in line with the guidance in the [Borrowing, Lending & Investment](#) section of the SPFM on undertaking due diligence and seeking to establish a security. Unless covered by a specific delegated limit WICS must not, lend money, charge any asset, give any guarantee or indemnity or letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFM), whether or not in a legally binding form, without the prior approval of sponsors and SG Finance. Guarantees, indemnities and letters of comfort of a standard type given in the normal course of business are excluded from this requirement.
67. An accurate and up-to-date record of current and non-current assets should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. WICS is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

- 
68. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers impairment, when there is significant movement in existing provisions and/or where a new provision needs to be created, this should be communicated to sponsors and SG Finance as soon as possible to determine the implications for WICS' budget.
69. Any funding for expenditure on assets by a third party should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [clawback](#) guidance in the SPFM.
70. Unless covered by a specific delegated authority, prior approval from sponsors and SG Finance is required before making gifts or special payments or writing off losses. Special payments and losses are subject the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.
71. Unless covered by a specific delegated authority, WICS must not enter into any finance, property or accommodation related lease arrangement – including the extension of an existing lease or the non-exercise of a tenant's lease break - without prior approval from sponsors. Before entering/ continuing such arrangements, WICS must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored.
- Non-property/ accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget for finance leases and other transactions which are in substance borrowing.
72. Procurement policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. The SG's directory of [SG Framework Agreements](#) is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework.
73. All matured and properly authorised invoices relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within the Scottish Ministers' target of payment within 10 working days of their receipt.
74. WICS is subject to the SG policy of self-insurance. Commercial insurance must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of sponsors and their finance business partner subject to the level of inherent financial risk. In the event of uninsured losses being incurred the SG shall consider, on a case-by-case basis, whether or not it should make any additional



resources available to WICS. The relevant sponsor team will provide WICS with a Certificate of Exemption for Employer's Liability Insurance.

75. Unless covered by a specific delegated authority WICS must not provide grant funding to a third party without prior agreement from sponsors and SG Finance. Guidance on a framework for the control of third-party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.
76. The EU State aid regime was effectively revoked from UK law from 1 January 2021. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However, a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government's Subsidy Control Act 2022. Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy control section of the SPFM.

Remuneration

77. Remuneration, allowances and any expenses paid to the Chair and Board Members must comply with the SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.
78. Staff pay, pensions and any severance payments must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on WICS Staff Management Responsibilities.
79. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source.

Banking and cash management

80. Banking arrangements must comply with the [Banking](#) section of the SPFM.
81. Cash management arrangements need to be addressed as well as overall budget management. WICS is primarily funded by a levy on Scottish Water and the licensed providers that participate in the non-household retail market. WICS may also, from time to time, carry out revenue generating activities. WICS will keep its unrestricted cash reserves held during the year to the minimum level needed for efficient operation and any relevant liabilities which have to be met at the year-end.
82. Any [grant in aid](#) received by WICS from SG must be authorised by the Scottish Parliament in the annual Budget Act. Grant in aid not drawn down by the end of the financial year will lapse. WICS will not pay Grant-in-Aid into any restricted reserve it holds.

Helpful information

83. The Public Bodies Support Unit has produced a register of reporting requirements for devolved public bodies which will help in regard to compliance with certain legislative asks. Copies of the register can be obtained from the [PBSU mailbox](#).

APPENDIX A: SPECIFIC DELEGATED FINANCIAL AUTHORITIES

| Expenditure type | Delegated limit |
|---|------------------------|
| Gifts | £75 per gift purchased |
| Special payments | £1,000 |
| Write-off of bad debt and/or losses due to theft or damage to vehicles | £5,000 |
| Write-off of bad debt and/or losses | £1,000 |
| Single-tender contracts | £20,000 |
| Single-tender contracts where contractor has already been awarded contracts by competitive tender | £100,000 |
| Project appraisal - consultancy projects | £100,000 |
| Project appraisal - projects other than consultancies* | £1,000,000 |

* Projects estimated to cost between £150,000 and £1,000,000 to be referred initially in outline to the SG.

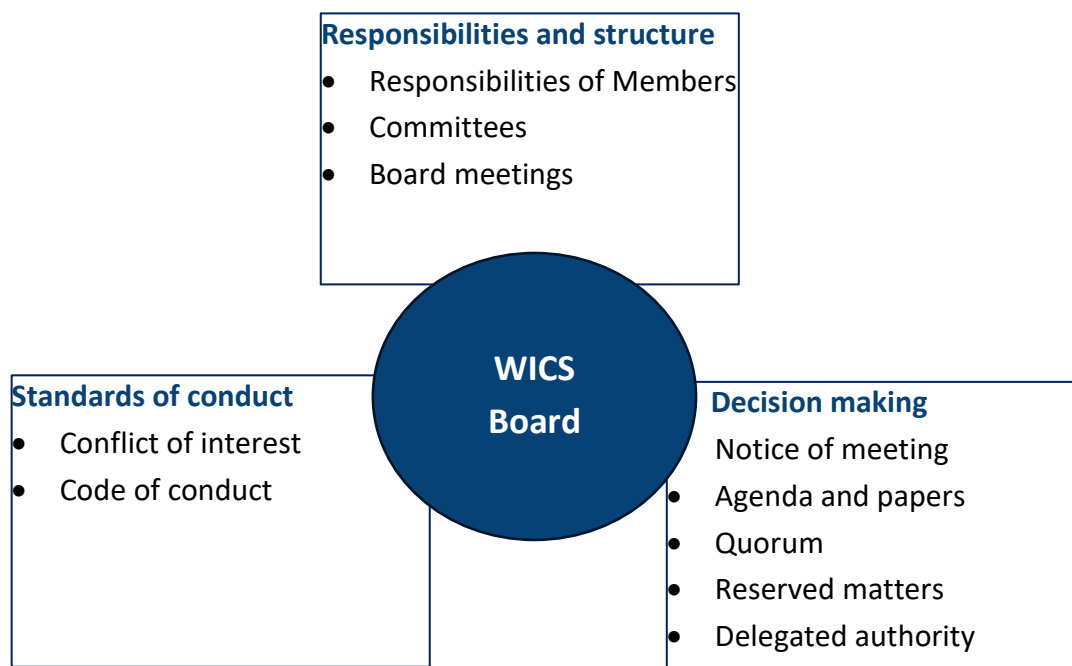
SECTION C: RULES OF PROCEDURE

1. INTRODUCTION

The Water Services etc (Scotland) Act 2005 ("the Act") provides for the WICS' Board to determine its own rules of procedure. These Rules have been approved by the Board, are subject to annual review, and may be amended, revoked, or supplemented as appropriate.

The Rules of Procedure in broad terms set out:

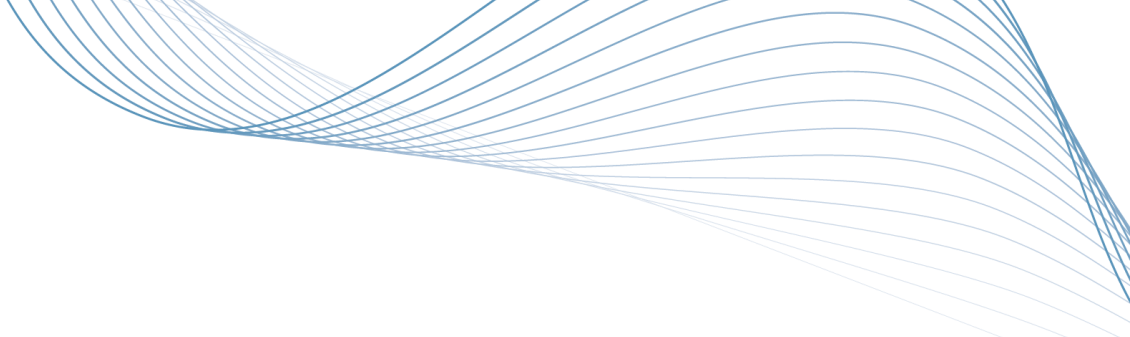
1. the composition and structure of the Board;
2. the decision making processes; and
3. the standards of conduct expected of Members.



Supporting the Rules of Procedure are key governance documents. These are set out within sections to this document and outline the entirety of the governance arrangements for WICS'.

2. COMPOSITION OF THE BOARD

The Board will operate based on collective responsibility and will ensure that the organisation operates in accordance with the guidance issued relevant to non-departmental public bodies. Decisions will be taken, based on consensus where possible, and will be recorded within the minutes of each Board meeting.



The membership of the Board will consist of not fewer than 3, nor more than 5 ordinary members (non-executive) (including the Chair) and the Chief Executive Officer. The Scottish Ministers appoint the Board Members normally for a period of either 3 or 4 years. The length of appointments may vary to ensure continuity of in the membership of the Board.

Members may terminate their appointment at any time by notifying, in writing, the Chair of the Board and Scottish Government following the prescribed notice letter set out in the appointment letter.

3. RESPONSIBILITIES OF THE BOARD

The overall role of the Board is to provide leadership, direction, support and guidance to ensure the organisation delivers and is committed to delivering its functions effectively and efficiently and in accordance with the aims, policies and priorities of the Scottish Ministers; to ensure financial stewardship; and to hold the Chief Executive Officer and the senior management team to account.

Under the leadership of the Chair, the Board has collective corporate responsibility for the strategic direction, governance and performance of WICS. In fulfilling this role, the Board will:

Strategic direction and oversight

- Set the strategic aims and objectives for WICS and approve the Corporate Plan.
- Determine the steps needed to deal with changes which are likely to impact on the strategic aims and objectives of WICS or on the attainability of its operational targets.
- In consultation with the Scottish Ministers, set appropriate performance objectives for the organisation which give due weight to the proper management and use of resources within the stewardship of the organisation and the delivery of outcomes.
- Take account of relevant guidance issued by the Scottish Ministers.

Governance and risk management

- Approve the Governance Framework.
- Ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control.
- Demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.
- Ensure that the Board receives and reviews regular reports monitoring the delivery of WICS' activity.
- Promote the efficient, economic and effective use of staff and other resources by the organisation, consistent with the principles of Best Value, including, where appropriate, through participation in shared services arrangements.
- Receive assurance that WICS has discharged its statutory functions.

- Demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.

Financial accountability

- Approve the annual report and accounts to be laid before the Scottish Parliament. The Chief Executive Officer, as the Accountable Officer, is responsible for signing the accounts and is ultimately responsible to the Scottish Parliament through the Scottish Ministers;
- Ensure that the Board receives and reviews regular financial information concerning the management and performance of the organisation and is informed in a timely manner about any concerns regarding the activities of the organisation.

Board committees

- Establish such Committees as it sees fit. The terms of reference and reporting arrangements of such Committees will be agreed by the Board and reviewed annually.
- Receive regular reports from each Committee and approve recommendations of any Committee (where the powers are not delegated).

Senior leadership appointments

- Appoint, with the approval of the Scottish Ministers, the Chief Executive Officer, following appropriate approval of the Chief Executive's remuneration package in line with Scottish Government Pay Policy for Senior Appointments.

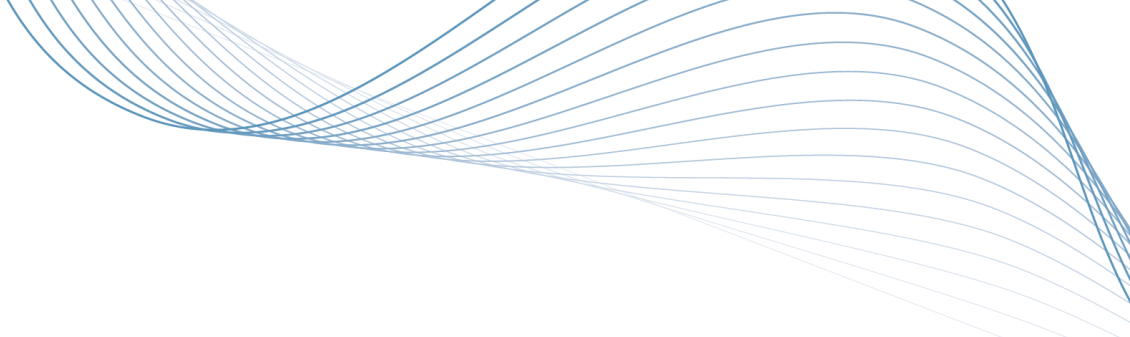
The detailed roles and responsibilities of the Board, the Chair, the Chief Executive and individual Board Members are set out within the Framework Document.

4. MEETINGS

The Board will hold formal meetings at least 4 times each year, with meetings held quarterly where practicable or, at such other frequency as the Chair may determine. Meetings may take place other than WICS' usual place of business. The Board may invite any person to attend all or part of a Board meeting.

During the normal course of business certain matters may arise between scheduled Board meetings that require urgent approval or discussion and cannot be postponed until the next convened Board meeting. As such, subject to the provisions on notice below, the Chair (or the Deputy Chair if the Chair is unavailable) may convene any additional meeting of the Board.

Where there is urgent business of the Board and it is not practical to convene a special meeting, the Chair may under exceptional circumstances deal with the matter(s) by correspondence. In these exceptional circumstances, relevant papers and resolutions will be circulated to Board Members. The actions/decisions



arising from such exceptional circumstances will be reported to and recorded at the subsequent Board meeting.

The procedure for obtaining approval between Board meetings is set out in Annex B.

4.1 Notice of Meetings

Members should receive written notice of a meeting, including the scheduled time and place, at least 10 working days in advance of the meeting. The Chair, or in his absence the Deputy Chair or the Board Member appointed to Chair the meeting in accordance with paragraph 4.3 below, shall have discretion in exceptional circumstances to relax or dispense with the requirements as to the timing of notices and circulation of agendas and papers for meetings. Failure of a Board Member to receive notice of a meeting does not invalidate that meeting or any business transacted at it.

4.2 Agenda and papers

The Chair will approve the Board agenda, including the consideration of any confidential items to be taken in private, no later than 5 working days prior to the scheduled meeting, following discussion with the Chief Executive and Board Secretary.

The agenda and papers for any meeting of the Board will be circulated to Board Members 5 working days in advance of a Board meeting. The Board will be provided with appropriate information to allow it to fulfil the requirements of these terms of reference. Non-receipt of the agenda or papers by any Board Member will not invalidate the meeting or any business transacted at that meeting.

4.3 Minutes

Draft minutes of meetings will be distributed to Board Members for approval or amendment at the next scheduled Board meeting.

4.4 Quorum

The quorum for a meeting of the Board shall be three Board Members present. Board Members may attend meetings of the Board by telephone or video conferencing facility or other medium. Board Members participating by telephone or video conferencing, or other medium shall be present at that meeting.

If the Chair is not present at a meeting of the Board, the Deputy Chair shall chair the meeting of the Board. If there is no Deputy Chair, the Board Members present shall appoint one of their number to chair the meeting.

In the event of a matter requiring a vote, only Board Members present will be able to vote. In the case of an equality of votes the chair of the meeting shall have a second or casting vote.



4.5 Attendance

Board Members are expected to attend all Board meetings. The Chief Executive Officer will ensure that the Board receives appropriate support.

5. CODE OF CONDUCT

Each Board Member will abide by the Code of Conduct in Section G.

6. OTHER COMMITTEES

The Board may establish such other Committees (either standing or ad-hoc) as it may consider appropriate and may determine the membership, terms of reference and procedures of those Committees. The Board currently has two sub-committees:

- The Audit and Risk Committee (ARC) which consider matters relating to risk management and financial control processes; and
- The Organisational Change Assurance Group (OCAG) which considers matters relating to the delivery of organisational change initiatives.

See terms of references within **Section E and F**.

The Board shall specify the extent, if any, to which any Committee has delegated authority to exercise any function of WICS (whether a reserved matter or otherwise).

7. RESERVED MATTERS

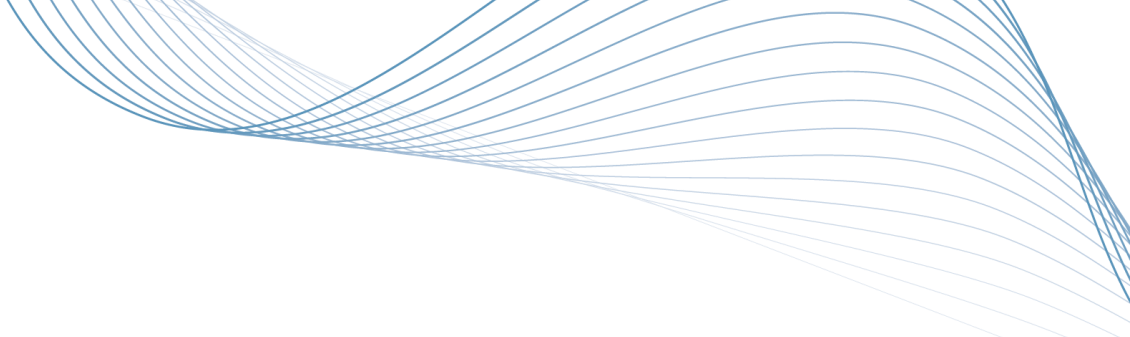
Decisions reserved to the Board are set out in WICS' **Scheme of Delegation in Section C** of this document.

All functions of the Board that are not reserved functions shall be exercisable by the Chair, Chief Executive or Directors on behalf of WICS as agreed in the Scheme of Delegation and in accordance with the Framework Document.

The Board authorises the Chief Executive to sign contracts or other documents on behalf of WICS and to delegate this authority to one or more employees, subject to the rules of Reserved Matters.

Unless otherwise determined by the Board, the Chief Executive shall be responsible for implementing, executing and delivering (as the case may be) the actions needed to give effect to each decision made by the Board.

8. REPORTING FRAMEWORK FOR THE BOARD



The Board will receive regular reports from the CEO and WICS staff to provide assurance that the Corporate Plan is being delivered and that WICS has discharged its statutory duties. The reporting framework shall allow the Board Members to:

- receive assurance that WICS has discharged its statutory functions;
- receive and review regular reports monitoring the delivery of WICS' activity as set out in the Corporate Plan and annual work plan;
- determine the steps needed to deal with changes, which are likely to impact on the strategic aims and objectives of WICS; the discharge of its statutory duties or on the attainability of its operational targets;
- promote the efficient, economic and effective use of staff and other resources by WICS consistent with the principles of Best Value, including, where appropriate, participation in shared services arrangements;
- ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control;
- take account of relevant guidance issued by the Scottish Ministers;
- ensure that the Board receives, and reviews regular financial information concerning the management and performance of WICS and is informed in a timely manner about any concerns regarding the activities of WICS;
- review the terms of reference of each Committee established annually;
- receive regular reports from each Committee established and approve recommendations of any Committee (where the powers are not delegated); and
- demonstrate high standards of corporate governance at all times, including openness and transparency in its decision making.

9. BOARD EFFECTIVENESS

The Chair, with support from the Board Secretary and relevant committee secretariat, will ensure that the Board and all its committees are subject to an annual self-assessment to ensure that they are working effectively.

10. ALTERATION

The Rules of Procedure may be altered by the Board provided that the change is agreed by a majority of Board Members.

11. ANNEX A PROCEDURE FOR CONFLICTS OF INTEREST

Each Member must comply with the requirement to adhere to the processes for dealing with conflicts of interest and registering interests, which have been approved by the Board and are set out in this Code of Conduct.

Disclosing a conflict of interest (Member)

Each Member must disclose all conflicts of interest. If a Member is in doubt as to whether a particular matter amounts to a conflict of interest, he/she should disclose it. If a Member becomes aware that there may be a conflict of interest during the course of a Board meeting he/she must disclose the relevant interest that gives rise to the potential conflict immediately on becoming aware of the potential conflict of interest.

In the event that a Member receives a written paper or otherwise becomes aware of any matter as to which he/she believes that a conflict of interest may arise, he/she must disclose his/her interest in the matter to the Board Secretary at the earliest opportunity and return the paper if appropriate to the Board Secretary with an indication of the extent to which it has been read.

If any Member other than the Chair discloses a potential conflict of interest, he/she may either absent themselves from any discussion and decision relating to the matter to which the interest relates; or ask the Chair to determine how to proceed. When asked how to proceed by a Member who has disclosed a potential conflict of interest in relation to any matter, the Chair shall in his/her discretion determine whether the interest disclosed by the Member amounts to a conflict of interest.

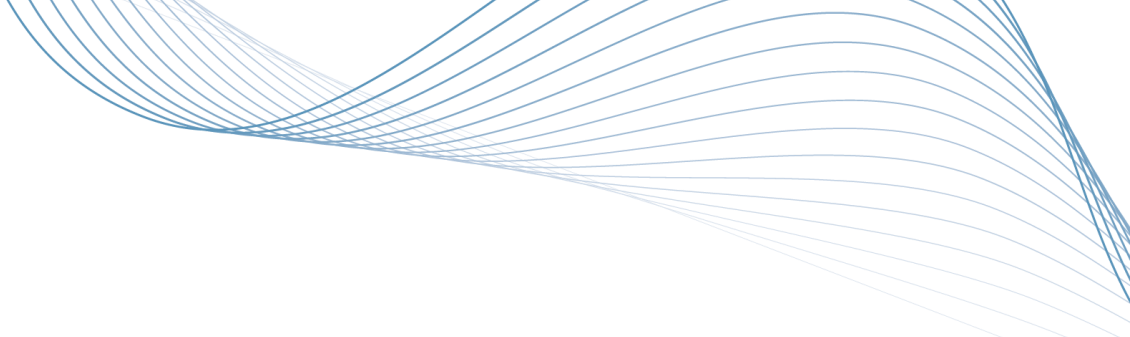
Disclosing a conflict of interest (Chair)

If the Chair discloses a potential conflict of interest, then, subject to any contrary decision of the Board (excluding the Chair), the provisions of Annex A shall apply as if the Chair has asked for determination on how to proceed, with the Deputy Chair making all decisions that would otherwise be made by the Chair

Process to be followed when conflict of interest has been determined

Where the Chair determines that a Member does have a conflict of interest in relation to any matter, he/she may decide that the Member: must absent himself or herself from any discussion or decision relating to the matter; may be present during any discussion or decision but may not participate in the discussion or decision; or may be present and participate in the discussion, but may contribute only statements of fact. In no case may a Member whom the Chair has determined to have a conflict of interest in relation to a matter either vote on a decision concerning that matter or contribute more than statements of fact to any discussion of the matter.

Recording conflict of interest



All decisions as to whether there is a potential conflict of interest, whether it amounts to a conflict of interest, and how a Member should proceed in the case of a conflict must be disclosed and must be determined having regard to the terms, and the spirit and purpose, of the Code of Conduct.

Any decision made under the above conflict of interest provisions shall be recorded in the minutes of the Commission meeting together with any additional information that the Board considers appropriate (including for example, the extent to which the relevant Member participated in a discussion or had access to papers).

12. ANNEX B PROCEDURE FOR APPROVAL BETWEEN BOARD MEETINGS

Intimating matters requiring Board approval between meetings

- Where a Member or employee considers that it is necessary for the Board to approve or discuss an item before the next convened Board meeting, he/she shall inform the Board Secretary.
- The Board Secretary will inform the Chair and the Chief Executive of the request for Board approval or decision and the item at issue.
- The Chair and the Chief Executive will consider the request for Board approval or decision and inform the Board Secretary whether or not they both agree to it.
- Where the Chair and the Chief Executive both agree to the request, they will jointly determine whether it is appropriate for the item to be decided or discussed via email or at a Board meeting called at short notice.
- If neither agree to the request then the item will be raised at the next planned Board meeting.

Process for making a decision between meetings by email

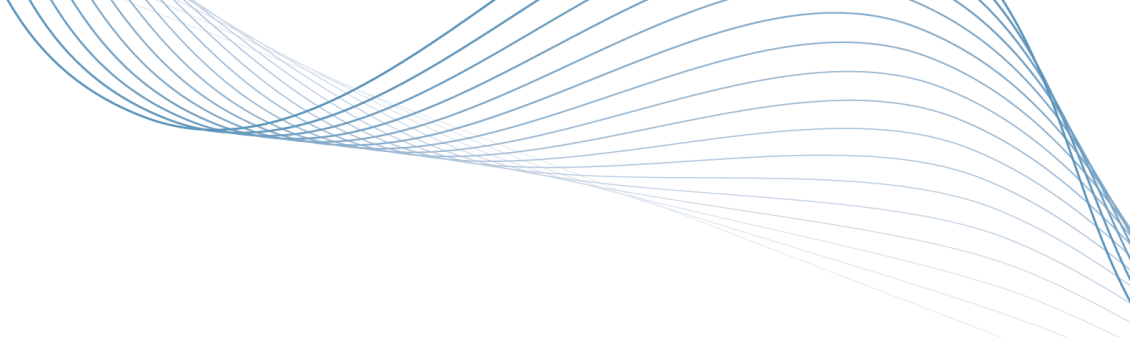
- The Chair and the Chief Executive may determine that an item can be decided by email without the need for a Board meeting at short notice unless any other Member objects. In this case, the item will be sent out by e-mail by the Board Secretary to all Members and will include a recommendation.
- In the case of email approval, in order for a recommendation to be approved: at least three responses must be received from Members; and at least two responses must be received from non-executive Board Members; and a majority of all responses received from Board Members must be in favour of the recommendation.

Process for arranging an additional Board meeting

- If the Chair and the Chief Executive both agree that a Board meeting at short notice is appropriate they will instruct the Board Secretary to convene a meeting at short notice.
- If the Chair is unavailable or he/she has declared a relevant conflict of interest then the views of the Deputy Chair will be sought on whether to call a meeting at short notice.
- The Board Secretary will telephone or email all Members without exception to outline the purpose and the proposed time of the meeting and to ascertain the availability of Members to attend in person or by telephone or video link.
- The meeting at short notice will be convened at the earliest convenient time the quorum rules will permit and all procedures for normal meetings will apply.

Agenda and papers for additional meeting

- The Board Secretary will provide a formal agenda and papers for discussion as soon as practicable before the Board meeting at short notice.

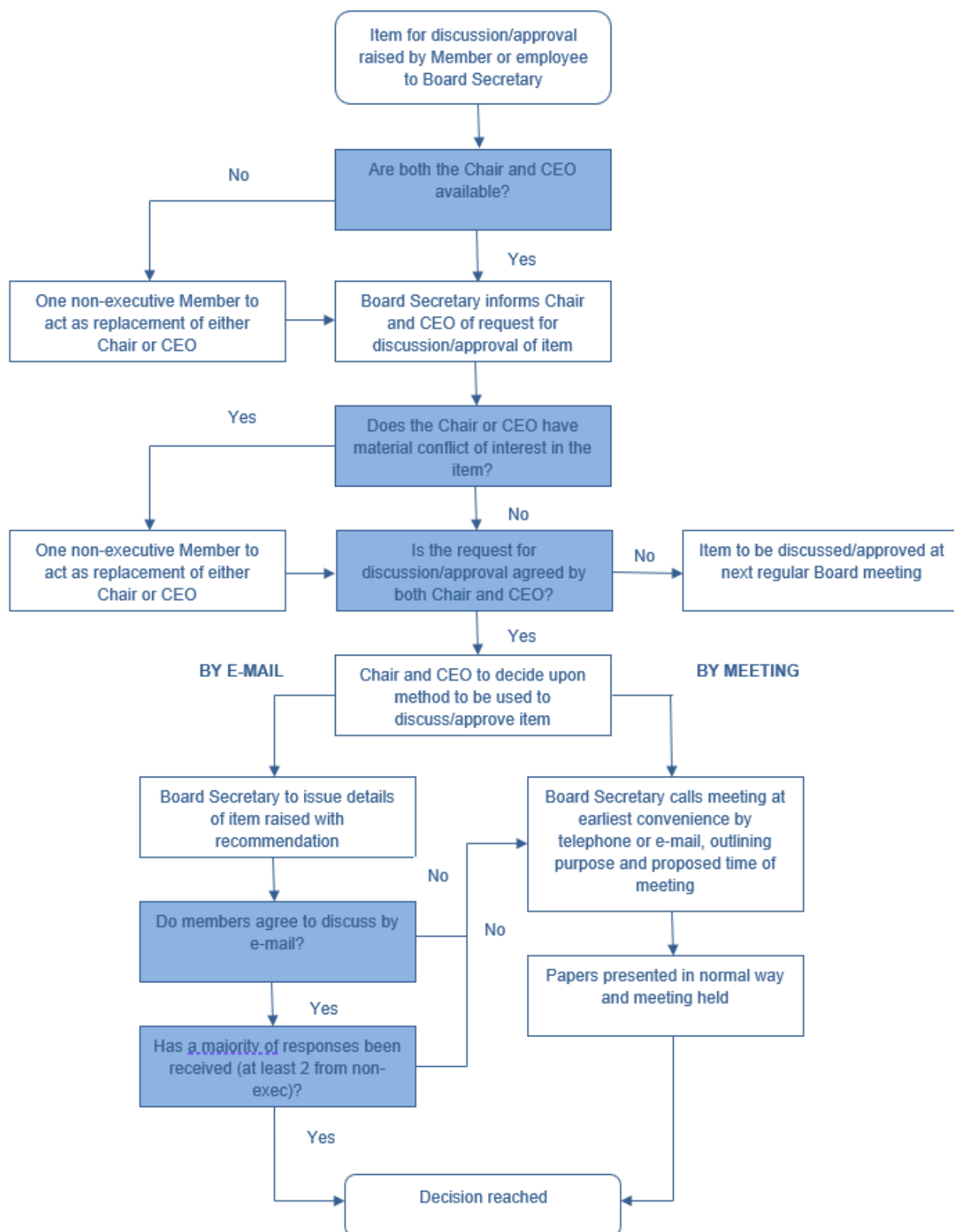
- 
- In so far as is practicable, all Board Members (whether attending or not) will be given an opportunity before such a Board meeting to comment on the items in person or by telephone or email to the Chair or the Chief Executive.
 - Copies of the minutes of such a Board meeting will be presented for approval in the usual way.

Exceptional circumstances

If the matter is exceptionally urgent and the Chair considers that it would not be practicable to call a Board meeting at short notice or to obtain the necessary approvals from Members by email, the Chair (or, in his/her absence or if he/she has a relevant conflict of interest, the Deputy Chair) may take the required decision. He/she will notify all Members at the earliest possible opportunity and report the decision at the next Board meeting.

With regards to any financial transaction, in an emergency situation where a financial transaction is urgently required to safeguard any of WICS' operations or to protect its assets, the Chair (or, if the Chair is unavailable or has a relevant conflict of interest, the Deputy Chair) may approve such transaction on behalf of the Board. He/she will notify all Members at the earliest possible opportunity and report the decision at the next Board meeting.

Process flow – procedure for approval between meetings



SECTION D: SCHEME OF DELEGATION

1. INTRODUCTION

The Scheme of Delegation sets out the matters reserved to the Board. Other matters are delegated to either the Chair and Chief Executive Officer together, or the CEO who shall exercise such functions on behalf of WICS in accordance with the Framework Document. This CEO may delegate this authority to one or more employees.

The detailed tables below provide guidance for the Board, leadership team and staff on the delegated authorities across each directorate.

These delegated authorities have been approved by the Board and are consistent with WICS' statutory duties and obligations. These delegated authorities can be amended or reviewed provided that the change is agreed by a majority of Board Members.

1. FINANCE AND CORPORATE SERVICES

The following tables set out the delegated authorities relating to the Finance and Corporate Services directorate. The Director of Finance and Corporate Services, supported by directorate staff, the Leadership Team and the Board Secretary, is responsible for ensuring that the Board receives the necessary information to discharge its responsibilities and make informed decisions across these key areas.

| 2.1 Strategy and governance | Reserved | Delegated |
|--|----------|-----------|
| Approval of changes to the WICS' Governance Framework | Board | |
| Approval of WICS' strategic aims and objectives | Board | |
| Approval, for submission to the Scottish Ministers, the Corporate Plan, which outlines the activities, key performance indicators, reporting and work plans to deliver the strategic objectives of WICS. | Board | |
| Approval of any material ¹ amendments to the Corporate Plan. | Board | |

¹ A change shall be considered *material* if it is likely to have a significant impact on WICS' ability to deliver its strategic objectives, or if it alters the scope, priorities, or key performance indicators of the Corporate Plan in a way that falls outside the risk appetite set by the Board. This may include, but is not limited to:

- Substantial changes to the allocation of resources or delivery timelines for key activities;

| | | |
|--|-------|--|
| Establishment of any committee of WICS; the specification of its terms of reference; annual work plans, and approval of the appointment of members to serve on any such committee. | Board | |
| Approval of any formal agreement to delegate (where permitted by law) WICS' functions to any other body. | Board | |
| Approval of any other memorandum of understanding or formal agreement that WICS may enter into with a government department, public authority or other regulatory body in relation to the exercise of its functions. | Board | |

| 2.2 Risk and audit | Reserved | Delegated |
|--|-----------------|--------------------------|
| Approving WICS' risk management strategy and setting WICS' risk appetite. | Board | |
| Approving major decisions impacting the organisation's risk profile or exposure. | Board | |
| The appointment, removal and remuneration of internal auditors. | Board | |
| Approval of the Audit and Risk Committee's terms of reference and annual work plan, confirming that both deliver the level of assurance required by Board Members to support them in their responsibilities for risk, control, governance, and associated assurance. | Board | |
| Providing assurance to the Board through an annual review of the organisation's risk management arrangements, including appraisal of any changes or enhancements to key elements of its risk management processes and procedures. | | Audit and Risk Committee |
| Providing oversight and assurance to the Board on governance, risk and internal controls, including confirming that the overall risk management framework and audit functions are operating effectively. | | Audit and Risk Committee |

- Revisions to strategic priorities or the introduction/removal of major workstreams;
- Amendments that could affect WICS' statutory duties, regulatory credibility, or relationships with key stakeholders, including the Scottish Ministers;
- Any change that introduces a level of risk not previously agreed by the Board within its articulated risk appetite.

| | | |
|---|--|--------------------------|
| Approval of WICS' internal audit programme. | | Audit and Risk Committee |
| Overseeing and providing assurance to the Board of the timely and effective implementation of recommendations from internal and external audit reports. | | Audit and Risk Committee |

| 2.3 Financial and contractual | Reserved | Delegated |
|---|----------|-----------|
| Approval, for submission to the Scottish Ministers, the Corporate Plan, which contains WICS' budget and the associated levies to be paid to WICS. | Board | |
| The entering into any contracts or incurring expenditure over £25,000 that is not provided for in the agreed Corporate Plan, or any expenditure regardless of value that is considered novel ² or contentious ³ , repercussive or which has, or could have, significant future cost implications. | Board | |
| Approval of WICS' annual work plan and budget consistent with the agreed Corporate Plan. | Board | |
| Approval of WICS' annual report and accounts, and authorisation for the Accountable Officer to sign the accounts and initiate the process for laying the finalised annual report and accounts before the Scottish Parliament. | Board | |
| Approval of any significant change in accounting policies and practices requirements which are not in line with the Scottish Government reporting requirements and SPFM. | Board | |

² Expenditure will be deemed to be novel where expenditures refer to any unusual spending for public bodies and/or outside WICS' standard activities and approved budget categories.

³ Expenditure will be deemed to be contentious where they could attract public scrutiny, involve reputational risks, or are subject to differing interpretations of policy compliance.

| | | |
|---|-------|--------------------------|
| Providing advice and assurance to the Board on accounting policies, the review process for the annual report and accounts prior to audit, errors identified, and the Accountable Officer's letter of representation to external auditors. | | Audit and Risk Committee |
| The entering into of any material contracts in the ordinary course of business which involve a liability exceeding £100,000 | Board | |
| Approval of single tender purchase expenditure over £10,000 | Board | |
| Approval of expenditure over £60,000 | Board | |
| The oversight of any significant legal or regulatory dispute in which WICS is, or will potentially be, involved in the approval of or commencement of any significant legal or regulatory proceedings, or whether to appeal any judgement given against WICS. | Board | |

| 2.4 Staff | Reserved | Delegated |
|--|----------|-----------|
| Approval of the appointment and removal of any Chief Executive and the terms and conditions of service including remuneration with agreement from Scottish Ministers and in accordance with the Scottish Government's Pay Policy for Senior Appointments and SPFM. | Board | |
| Approval of the appointment and removal of Directors, including their terms and conditions of service and remuneration, in accordance with Section B of the Framework Document, the Scottish Government's Pay Policy for Senior Appointments, and the I SPFM. | Board | |
| Approval of HR policies, including the broad pay framework for remuneration of staff. | Board | |
| Approval of material changes to WICS' (Director level) leadership structure | Board | |



2.5 Communications

Reserved

Delegated

Approval of media statements and other external communications containing matters likely to be controversial including reports to Scottish Ministers and evidence to the Scottish Parliament or any Parliamentary Committee.

Chair and CEO

2. Pricing Directorate

The following tables set out the delegated authorities relating to the Pricing directorate. The Director of Pricing supported by directorate staff, Leadership Team and the Board Secretary, is responsible for ensuring that the Board receives the necessary information to discharge its responsibilities and make informed decisions across these key areas.

| 3.1 Scheme of Charges | Reserved | Delegated |
|---|----------|-----------|
| Approval of Scottish Water's annual charges scheme with or without amendments (Source 2002 Act, Section 29A) | Board | |
| Granting consent to any departure by Scottish Water from its charges scheme, together with establishment of procedures for giving such consent (Source 2002 Act, Section 29E) | Board | |

| 3.3 Strategic Review of Charges | Reserved | Delegated |
|---|----------|-----------|
| Approval of any methodology proposed by WICS to manage the process of revising prices which will conclude with the issue of a draft determination or a final determination pursuant to Section 29B of the 2002 Act. | Board | |
| Approval of decision papers during the Strategic Review of Charges process which could materially impact the outcome of the determination of charges. | Board | |
| Approval of any draft determination of WICS pursuant to section 29B of the 2002 Act (Scottish Water's maximum charges). | Board | |
| Approval of any final determination of WICS pursuant to section 29B of the 2002 Act (Scottish Water's maximum charges). | Board | |
| Exercising the powers, functions and duties expressly conferred and/or imposed upon WICS in relation to a Competition and Markets Authority referral in relation to the final determination of charges. | Board | |

3. Performance and Reporting Directorate

The following tables set out the delegated authorities relating to the Performance and Reporting directorate. The Director of Performance and Reporting supported by directorate staff, Leadership Team and the Board Secretary, is responsible for ensuring that the Board receives the necessary information to discharge its responsibilities and make informed decisions across these key areas.

| 4.1 Scottish Water's performance | Reserved | Delegated |
|---|----------|-------------------------|
| Approval of WICS' annual assessment of Scottish Water's performance. | Board | |
| Approval of Scottish Water's customer standards code, together with the issuing of any advice to Scottish Ministers or any requirement to Scottish Water in relation to compliance with such code (Source: 2002 Act, sections 26 and 27). | Board | |
| Review of Scottish Water's delivery plan to confirm it is consistent with the final determination. | | CEO and Director of P&R |
| Approval of Scottish Water's delivery plan consistent with the final determination or approval of any course of action where Scottish Water's delivery plan is assessed as inconsistent with the final determination. | Board | |
| Approval of the framework and process by which WICS' requests and reviews Scottish Water's annual information return. | | CEO and Director of P&R |
| Approval of key messages included in WICS' commentary on Scottish Water's investment performance, to be provided to Scottish Ministers as part of any water industry investment group. | | CEO and Chair |

4. Markets Directorate

The following tables set out the delegated authorities relating to the Markets directorate. The Director of Markets supported by directorate staff, the Leadership Team and the Board Secretary, is responsible for ensuring that the Board receives the necessary information to discharge its responsibilities and make informed decisions across these key areas.

| 5.1 Reasonable costs (connections and disconnections) | Reserved | Delegated |
|---|-----------------|-----------------------------|
| Approval of the procedure for the assessment of a reasonable cost question within WICS' jurisdiction relating to a water and/or sewerage connection or disconnection under: <ol style="list-style-type: none"> 1. Section 6(3) of the Water (Scotland) Act 1980 or Section 1(4) of the Sewerage (Scotland) Act 1968; and 2. Section 18(9) or Section 20(13) of the Water Services etc. (Scotland) Act 2005. | Board | |
| The decision whether to initiate the process for a reasonable cost question and whether it is within WICS' jurisdiction. | | CEO and Director of Markets |
| Approval of the draft and final determination of any reasonable cost question within WICS' jurisdiction relating to a water and/or sewerage connection or disconnection | Board | |
| Approval of the disconnections code, including any amendments or modifications (Section 19(1) of the 2005 Act). | Board | |
| Review of any refusal by Scottish Water to provide a supply of water to non-domestic premises following the termination of arrangements for supply of water to those premises by a water supply licensee. (1980 Act section 9(2C)) | Board | |
| 5.2 Default Directions | Reserved | Delegated |
| Annual approval of default tariffs consistent with the final determination for the relevant regulatory control period. | Board | |
| Annual approval of Directions issued to Licensed Providers pursuant to Standard Licence Condition B1 (Duty to provide default services). | | CEO and Director of Markets |

5.3 Licensing framework

Reserved

Delegated

Approving whether or not to grant a water services and / or sewerage services licences, to consent to the transfer of such licences, or to revoke such licences (Section 6 and Schedule 2 paragraphs 4 and 10 of the 2005 Act).

Board

5.4 Directions

Reserved

Delegated

Approval of the process for the determination, modification or suspension of the standard conditions which apply to water services and sewerage services licences (Schedule 2, paragraph 2 of the 2005 Act).

Board

The determination, modification or suspension of the standard conditions which apply to water services and sewerage services licences (Schedule 2, paragraph 2 of the 2005 Act).

CEO and
Director of
Markets

Approval of the process for the giving of Directions to any licence holder as regards compliance with the terms and conditions (Section 8(2) of the 2005 Act).

Board

The giving of Directions to any licence holder as regards compliance with the terms and conditions (Section 8(2) of the 2005 Act).

CEO and
Director of
Markets

Approval of the process for the giving of Directions to Scottish Water, licensees or others to secure the orderly participation and in a manner that is not detrimental to the exercise of Scottish Water's core functions of licence holders (Section 11(2) of the 2005 Act).

Board

The giving of Directions to Scottish Water, licensees or others as to secure the orderly participation and in a manner that is not detrimental to the exercise of Scottish Water's core functions of licence holders (Section 11(2) of the 2005 Act).

CEO and
Director of
Markets

| 5.5 Licence fees | Reserved | Delegated |
|---|-----------------|-----------------------------|
| Approval of a fees scheme for submission to Scottish Ministers to collect fees from licence holders to cover the costs incurred by WICS in exercising its functions relating to water services and sewerage services licences (Section 9(1) of the 2005 Act). | Board | |
| 5.6 Wholesale terms and conditions | | |
| Approval of the process for the determination of cases where no agreement is reached between Scottish Water and a licence holder as to wholesale terms and conditions (Section 16(7) of the 2005 Act). | Board | |
| Approval of specific terms and conditions between Scottish Water and a licence holder (Section 16(7) of the 2005 Act). | | CEO and Director of Markets |
| 5.7 Enforcement action | Reserved | Delegated |
| Approval of a policy statement regarding the imposition of financial penalties for contravention of the terms and conditions of a water services and /or sewerage services licences (Schedule 2, paragraph 11 of the 2005 Act). | Board | |
| Approval of the process for investigations for the purposes of monitoring and enforcing compliance with the terms and conditions of water services and sewerage services licences, including other relevant regulatory requirements (Section 8(1) of the 2005 Act). | Board | |
| Authorisation to initiate a formal investigation, including the grant of powers of entry. | | CEO and Director of Markets |

| | | |
|--|-------|--|
| Approve the enforcement action against a licence holder where a contravention has been identified (Schedule 2, paragraphs 8, 10 and 11 of the 2005 Act). | Board | |
| | | |

| 5.8 Other charges | Reserved | Delegated |
|--|-----------------|-----------------------------|
| Making of any assessment and determination as to the charges payable under pre-existing agreements between Scottish Water and non-household customers (Schedule 3, paragraph 2 of the 2005 Act) ⁴ . | | CEO and Director of Markets |

| 5.9 CMA referral | Reserved | Delegated |
|---|-----------------|------------------|
| Exercising the powers, functions and duties expressly conferred and/or imposed upon WICS in relation to a Competition and Markets Authority referral. | Board | |

⁴ Schedule 3 agreements are legacy agreements between Scottish Water and customers created prior to the passage of the 2005 Act. The charges for these agreements are a departure from the Default Tariffs and Scottish Water's published wholesale Scheme of Charges. The 2005 Act requires WICS to publish determinations of the amount Scottish Water may recover from the Licensed Provider as wholesale charges for each relevant agreement.



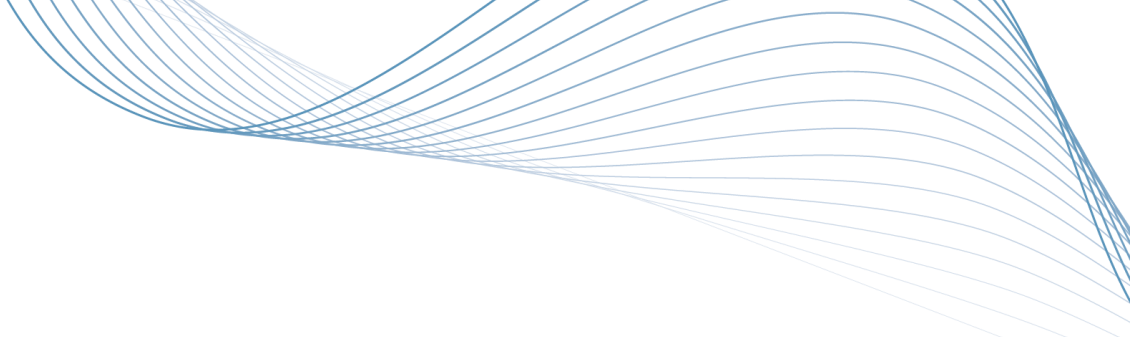
SECTION E: AUDIT AND RISK COMMITTEE (ARC) TERMS OF REFERENCE

1. INTRODUCTION

The Audit and Risk Committee (“the ARC”) is crucial in ensuring effective governance, accountability, and financial integrity within an organisation. In line with the Scottish Government’s **Audit and Assurance Committee Handbook**, the ARC is essential for maintaining transparency and confidence in an organisation’s operations. The key responsibilities of the ARC are:

- **Financial oversight** includes reviewing accounting policies, monitoring significant estimates and judgments, and ensuring compliance with financial reporting regulations. The ARC assures that the financial information is true, fair, and transparent.
- **Risk management:** The ARC's significant role is to oversee the organisation's risk management framework. This includes reviewing the organisation’s risk register, ensuring that key risks are identified, managed, and mitigated by management, and challenging management's assumptions and processes around risk.
- **Internal and External Audit:** The ARC reviews the plans and performance of both internal and external audit functions. They assess the scope and effectiveness of internal audits, ensuring they focus on areas of high risk. Additionally, the ARC engages with external auditors, reviewing their findings and ensuring timely implementation of their recommendations.
- **Governance and internal controls:** The ARC supports the Board and Accountable Officer by reviewing the effectiveness of the governance framework and internal controls. This includes evaluating how well internal control systems protect the organisation from fraud and ensuring that governance statements reflect the actual control environment.
- **Assurance and accountability:** The ARC ensures the comprehensiveness and reliability of governance, risk management, and internal control assurances. This includes reviewing the quality of assurances to ensure that they are reliable and adequate for decision-making.
- **Communication and reporting:** The ARC is responsible for effective communication with internal audit, external audit, and senior management. After each meeting, the ARC should provide reports to the Board and Accountable Officer summarising key discussions, decisions, and any required actions.

2. ARC FRAMEWORK



The Board and Accountable Officer have established an Audit and Risk Committee (the “ARC”) as a Committee of the Board to support it in its responsibilities for risk, control, governance, and associated assurance through a process of constructive challenge.

Membership

The ARC should consist of at least two members, with an ideal membership of three. Currently, the ARC includes both non-executive Board members, Robin McGill and Morag Sheppard, with no independent external members. Robin McGill will chair the ARC, supported by a secretariat function provided by a WICS employee.

Reporting

After each meeting, the ARC will formally report to the Board and Accountable Officer in writing. The ARC will agree on the key messages to be reported at the end of each meeting, which the secretariat will use to prepare an update paper to present at the next scheduled Board meeting.

The ARC will provide the Board and Accountable Officer with an annual report, timed to support the finalisation of the financial and governance statements, summarising its conclusions from the work it has done during the year.

Responsibilities

The ARC will advise the Board and Accountable Office on:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts before submission for audit, levels of error identified, and management’s letter of representation to the external auditors;
- the planned activity and results of both internal and external audits;
- the adequacy of management response to issues identified by audit activity, including external audit’s management letter/report;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering internal audit services; and
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The ARC will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

Rights

The ARC may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and

- procure specialist ad-hoc advice at the organisation's expense, subject to budgets agreed by the Board and Accountable Officer.

Access

The representatives of Internal and External Audit will have free and confidential access to the Chair of the ARC. WICS employees may seek direct access to the Chair of the ARC as an additional channel for raising significant concerns related to financial integrity, risk management, compliance or ethics that they feel may not have been appropriately addressed through standard internal channels.

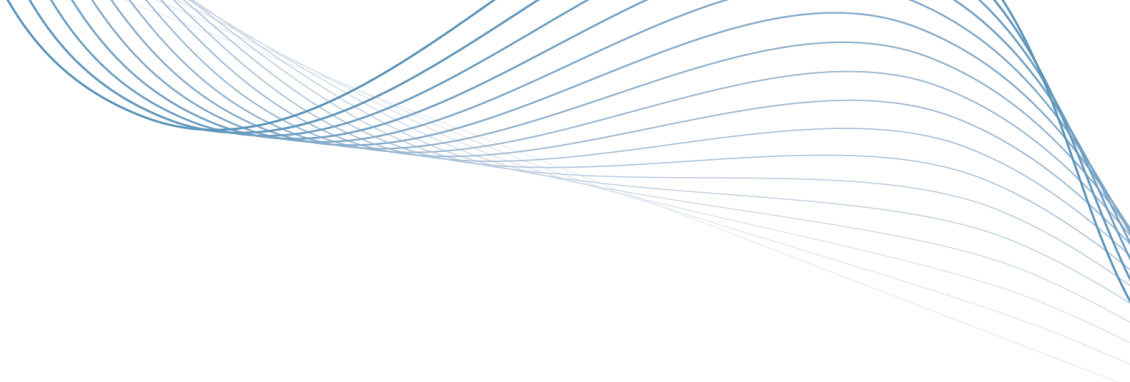
Meetings

The procedures for meetings are:

- The ARC will meet at least four times a year, and the chair may convene additional meetings as necessary.
- Where possible, meetings should be held before Board meetings to ensure the Board considers any issues the ARC raises and incorporates these insights into their broader decision-making processes.
- A minimum of two members of the ARC will be present for the meeting to be deemed **quorate**.
- The Accountable Officer, the Head of Finance, a representative of Internal Audit, and a representative of External Audit will attend ARC meetings.
- The ARC may ask any other WICS employees to attend to assist it with its discussions.
- The ARC will invite the Chair of WICS, other members of the Board, and a member of WICS' Scottish Government sponsor team to a meeting at least once a year.
- The ARC may ask any or all of those who usually attend but are not members to withdraw to facilitate open and frank discussion of any matter.
- The Board or Accountable Officer may ask the ARC to convene further meetings to discuss any matter on which they want the ARC's advice.

3. Annual work plan

| Activity <small>[Reference in (#) relates to the corresponding report in section 4]</small> | | Feb | May | Aug | Nov |
|--|---|------------|------------|------------|------------|
| Admin | Approve minutes of previous meeting (1) | ✓ | ✓ | ✓ | ✓ |
| | Review ARC action tracker (2) | ✓ | ✓ | ✓ | ✓ |
| | Hold a Member only private session | ✓ | ✓ | ✓ | ✓ |
| | Review ARC terms of reference | | | ✓ | |
| | Consider report on ARC effectiveness (18) | | | ✓ | |
| Compliance | Consider Workforce Health and Performance Report (3) | ✓ | ✓ | ✓ | ✓ |
| | Consider compliance report (4) | ✓ | ✓ | ✓ | ✓ |
| External Audit | Consider external audit plan (5) | | ✓ | | |
| | Consider external audit report (6) | | | | ✓ |
| | Hold a private session with the external audit team | | | | ✓ |
| | Approve annual report and accounts (7) | | | | ✓ |
| Finance | Consider finance report (8) | ✓ | ✓ | ✓ | ✓ |
| | Consider year-end financial results (9) | | | ✓ | |
| Internal Audit | Consider internal audit progress update (10) | ✓ | ✓ | ✓ | ✓ |
| | Consider management updates on progress against IA actions (11) | ✓ | ✓ | ✓ | ✓ |



| Activity <i>[Reference in (#) relates to the corresponding report in section 4]</i> | | Feb | May | Aug | Nov |
|---|---|-----|-------------|-----|-----|
| | Consider the internal audit work plan for the year (12) | ✓ | | | |
| | Approve the internal audit charter (13) | ✓ | | | |
| | Consider annual internal audit plan (14) | | ✓ | | |
| | Hold a private session with the internal audit team | | ✓ | | |
| | Consider report on internal audit effectiveness (19) | | | | ✓ |
| Organisational updates | Organisational Directorate update (15) | ✓ | ✓ | ✓ | ✓ |
| | Consider a report on cyber resilience (16) | ✓ | ✓ | ✓ | ✓ |
| | Consider changes to internal policies and procedures | | As required | | |
| Reporting | Approve report from the ARC to the Board (17) | | | | ✓ |
| | Agree actions to be reported to the Board | ✓ | ✓ | ✓ | ✓ |
| Risk | Consider risk updates from management (20) | ✓ | ✓ | ✓ | ✓ |
| | Review risk management strategy and assurance map | | ✓ | | |

3. Reports for presentation at meetings

| Ref | Area | Report Description | Frequency | Type |
|-----|----------------|--|-----------|---------|
| 1 | Administration | Minutes from the previous meeting | Quarterly | Approve |
| 2 | Administration | Report tracking progress on actions raised at each meeting | Quarterly | Discuss |
| 3 | Compliance | Workforce Health and Performance Report, which includes: <ul style="list-style-type: none"> • Health and safety review • Sickness/absence/turnover statistics • Performance management statistics • Staff survey results | Quarterly | Discuss |
| 4 | Compliance | Report on compliance issues, including notes on: <ul style="list-style-type: none"> • Data breaches and DP impact assessments • FOI, EI and SA requests⁵ • Parliamentary requests and media enquiries • Complaints and whistleblowing | Quarterly | Discuss |
| 5 | External audit | Audit plan for the year | Annually | Approve |
| 6 | External audit | Audit report, including cover letter incorporating draft audit opinion and draft ISA 580) ⁶ | Annually | Discuss |
| 7 | Financial | Annual report and accounts, including a report on changes to the accounting policies and governance statement and any material financial estimates | Annually | Approve |
| 8 | Financial | Finance report, reviewing overall compliance with policies and procedures and highlighting emerging issues and significant expenditure | Quarterly | Discuss |
| 9 | Financial | Finance report on year-end results compared to the previous year | Annually | Discuss |
| 10 | Internal audit | Internal audit progress report summarising work in the last quarter, including: | Quarterly | Discuss |

⁵ Freedom of Information, Environmental Information, Subject Access

⁶ Should include a note on co-operation with internal audit

| Ref | Area | Report Description | Frequency | Type |
|-----|----------------|--|-------------|---------|
| | | <ul style="list-style-type: none"> work performed (and a comparison with work planned) presentation of any draft reports key issues emerging significant changes to the audit plan resourcing issues affecting the delivery of internal audit objectives. | | |
| 11 | Internal audit | Management update on progress against internal audit recommendations | Quarterly | Discuss |
| 12 | Internal audit | Work plan for the year, including draft of assignment plans and internal audit charter | Annually | Approve |
| 13 | Internal audit | Internal audit report, to include: <ul style="list-style-type: none"> annual audit opinion IA review against their own KPIs A note on co-operation with external audit | Annually | Discuss |
| 14 | Internal audit | Proposal for re-tendering internal audit | As required | Approve |
| 15 | Organisational | Directorate update – annual update from each Director | Quarterly | Discuss |
| 16 | Organisational | Update report on cyber resilience | Quarterly | Discuss |
| 17 | Performance | Draft report from the ARC to the Board | Annually | Approve |
| 18 | Performance | Draft report on ARC effectiveness, possibly including: <ul style="list-style-type: none"> Comparison against the Handbook Results of a survey of key ARC contacts | Annually | Discuss |
| 19 | Performance | Draft report on internal audit performance | Annually | Discuss |
| 20 | Risk | Risk update, including: <ul style="list-style-type: none"> risk register summary and heatmap summary of changes and updates to risk register since the last meeting. In depth analysis of at least one risk | Quarterly | Discuss |



SECTION F: ORGANISATIONAL CHANGE ASSURANCE GROUP (OCAG) TERMS OF REFERENCE

1. PURPOSE

The Organisational Change Assurance Group (referred to as "the Group") has been established to oversee the progress of the Organisational Change programme on behalf of the Board. This programme aims to enhance WICS' business performance by implementing practical changes that address both audit findings and WICS' delivery model. The programme consists of 52 activities covering governance, human resources, future working arrangements, and finance initiatives.

The Group will provide scrutiny and serve as a sounding board, offering recommendations to the Board regarding any necessary decisions. Key risks will be reported to the Audit and Risk Committee (ARC) as part of standard risk management practices.

The CEO is accountable for the resources and delivery of the programme, delegating responsibilities as appropriate.

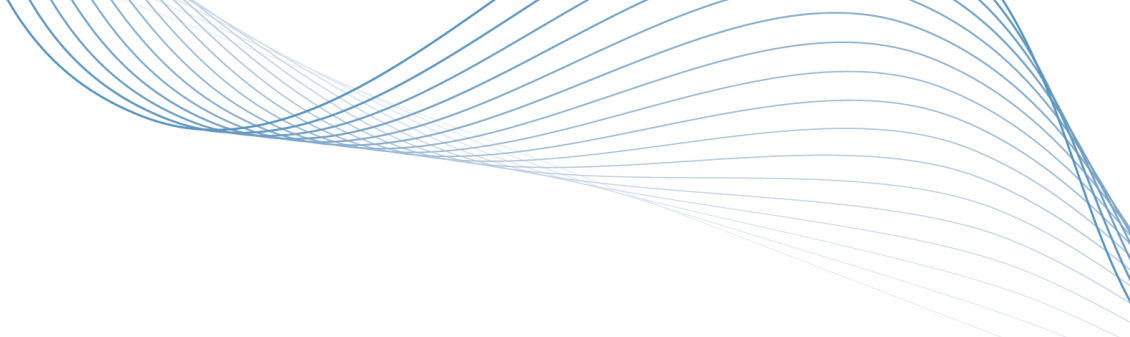
The terms of reference were updated in May 2025 to include reference the Financial Sustainability Review which is detailed below.

2. OBJECTIVES

- Provide oversight of the organisational change programme.
- Ensure that project streams are well-defined and progress aligns with the organisational objectives.
- Oversee the execution of the change process, including maintaining oversight of a Gantt chart, key project milestones, dependencies and the programme critical path.
- Manage and mitigate risks associated with the change by continuously reviewing the risk register.
- Capture key issues and ensure close governance of all changes to ensure that projects are kept on track and achieve key milestones.
- Due to the importance and sensitivity of the Financial Sustainability Review (FSR), establish a separate FSR workstream who will meet independently from the organisational change assurance group.
- .

3. SCOPE

The Group will focus on the following areas:

- 
- Organisational change programme – to oversee the entire programme and ensuring proper coordination across the organisation;
 - Role review – to oversee the approach to the review of roles within WICS once a new leadership structure is implemented and the new positions are filled;
 - Milestones and timelines – to ensure timely delivery, monitor and review milestones using project management tools (such as Gantt charts);
 - Risk management – to maintain and review the risk register to identify and mitigate potential risks; and
 - Stakeholder engagement – to ensure that key stakeholders are kept informed and consulted throughout the process.

4. MEMBERSHIP

The Group will consist of the following members:

- Chair: Board Member
- Deputy Chair: Board Member
- Chief Executive Officer
- Project Manager
- Experienced Analyst
- Head of Human Resources

In respect of the Financial Sustainability Review (FSR), Interim Chair of Board and Head of Finance will meet independently with the OCAG members noted above. Other WICS staff may be asked to join the FSR meeting on an adhoc basis depending on the subject matter expertise required.

5. MEETINGS

The Group held meetings fortnightly during February 2025 and moved to monthly from mid-March 2025. Meetings will take place in Moray House, Stirling. Where it is not practical to have an in-person meeting, a virtual meeting will be scheduled via MS Teams.

In respect of FSR, a separate meeting will be held monthly commencing in June 2025.

5. AGENDA AND PAPERS

The agenda and the programme status reports for each meeting will be prepared by the Project Manager and circulated to members 2 working days before a meeting.

6. REPORTING BY THE GROUP

The Group will provide oral updates at each Board Update meeting and full Board meeting. The Group will escalate key issues to the Board for decision.



The Group will report key risks to the Audit and Risk Committee as part of standard risk management.

7. QUORUM

The quorum for a meeting of the group will be 3 Members.

8. RESERVED MATTERS

Decisions reserved to the Board are set out in WICS' Scheme of Delegation (Section D).

SECTION G: CODE OF CONDUCT FOR BOARD MEMBERS

1. INTRODUCTION

WICS' Code of Conduct adopts the terms of the Model [Code of Conduct](#) that has been issued by the Scottish Ministers, with the approval of the Scottish Parliament, as required by the [Ethical Standards in Public Life etc. \(Scotland\) Act 2000 \(the "Act"\)](#). That Model Code of Conduct was updated during 2021 and published by the Standards Commission for Scotland on 7 December 2021.

The purpose of the Code of Conduct is to set out the conduct expected of those who serve on the boards of public bodies in Scotland. As Board Members, you are required to follow the Code of Conduct in the discharge of your responsibilities.

The Code of Conduct has been developed in line with the nine key principles of public life in Scotland. The principles are listed in Section 2 and set out how the provisions of the Code of Conduct should be interpreted and applied in practice.

[Guidance](#)⁷ on how to use the Code of Conduct has been produced by The Standards Commission for Scotland and contains case illustrations and examples of factors that members may wish to consider when applying the requirements of the Code. Some of this guidance has been included in this document to enhance your understanding of the Code.

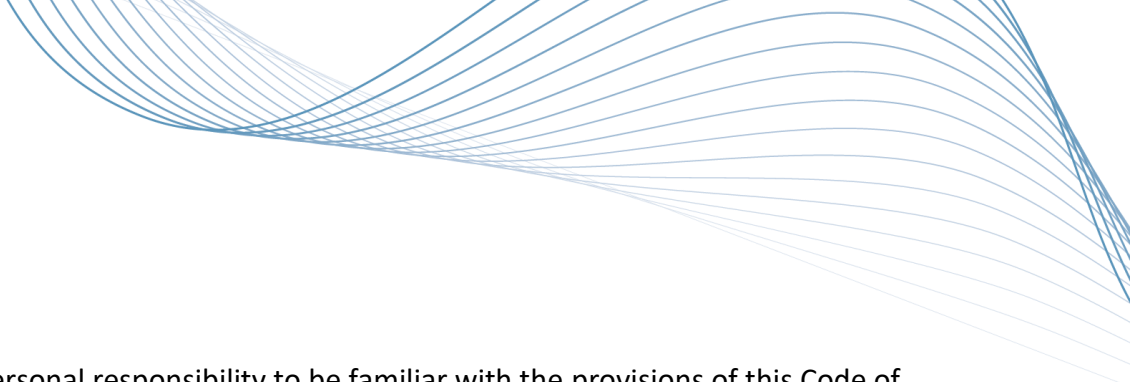
1.1 My responsibilities

I understand that the public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties. I will always seek to meet those expectations by ensuring that I conduct myself in accordance with the Code of Conduct.

I will comply with the substantive provisions of this Code of Conduct, being sections 3 to 6 inclusive, in all situations and at all times where I am acting as a board member of WICS, have referred to myself as a board member or could objectively be considered to be acting as a board member.

I will comply with the substantive provisions of this Code of Conduct in all my dealings with the public, employees and fellow board members, whether formal or informal.

⁷ Additional guidance notes on specific topics are available here: <https://www.standardscommissionscotland.org.uk/education-and-resources/professional-briefings>.



I understand that it is my personal responsibility to be familiar with the provisions of this Code of Conduct and that I must also comply with the law and WICS' rules, standing orders and regulations. I will also ensure that I am familiar with any guidance or advice notes issued by the Standards Commission for Scotland ("Standards Commission") and WICS, and endeavour to take part in any training offered on the Code of Conduct.

I will not, at any time, advocate or encourage any action contrary to this Code of Conduct.

I understand that no written information, whether in the Code of Conduct itself or the associated Guidance or Advice Notes issued by the Standards Commission, can provide for all circumstances. If I am uncertain about how the Code of Conduct applies, I will seek advice from the Chair or Chief Executive of WICS. I note that I may also choose to seek external legal advice on how to interpret the provisions of the Code of Conduct.

1.2 Enforcement

[Part 2 of the Act](#) sets out the provisions for dealing with alleged breaches of the Code of Conduct, including the sanctions that can be applied if the Standards Commission finds that there has been a breach of the Code of Conduct. More information on how complaints are dealt with and the sanctions available can be found at Annex A.



2. KEY PRINCIPLES OF THE CODE OF CONDUCT

The Code of Conduct has been based on the following key principles of public life. I will behave in accordance with these principles and understand that they should be used for guidance and interpreting the provisions in the Code of Conduct.

I note that a breach of one or more of the key principles does not in itself amount to a breach of the Code of Conduct. I note that, for a breach of the Code of Conduct to be found, there must also be a contravention of one or more of the provisions in sections 3 to 6 inclusive of the Code of Conduct. The key principles are:

Duty

I have a duty to uphold the law and act in accordance with the law and the public trust placed in me. I have a duty to act in the interests of the public body of which I am a member and in accordance with the core functions and duties of that body.

Selflessness

I have a duty to take decisions solely in terms of public interest. I must not act in order to gain financial or other material benefit for myself, family, or friends.

Integrity

I must not place myself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence me in the performance of my duties.

Objectivity

I must make decisions solely on merit and in a way that is consistent with the functions of WICS when carrying out public business including making appointments, awarding contracts, or recommending individuals for rewards and benefits.

Accountability and stewardship

I am accountable to the public for my decisions and actions. I have a duty to consider issues on their merits, taking account of the views of others and I must ensure that WICS uses its resources prudently and in accordance with the law.

Openness

I have a duty to be as open as possible about my decisions and actions, giving reasons for my decisions and restricting information only when the wider public interest clearly demands.

Honesty

I have a duty to act honestly. I must declare any private interests relating to my public duties



and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

I have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of WICS and its members in conducting public business.

Respect

I must respect all other board members and all employees of WICS and the role they play, treating them with courtesy at all times. Similarly, I must respect members of the public when performing my duties as a board member.

3. GENERAL CONDUCT

3.1 Respect and courtesy

I will treat everyone with courtesy and respect. This includes in person, in writing, at meetings, when I am online and when I am using social media.

I will not discriminate unlawfully on the basis of race, age, sex, sexual orientation, gender reassignment, disability, religion or belief, marital status, or pregnancy/maternity. I will advance equality of opportunity⁸ and seek to foster good relations between different people.

I will not engage in any conduct that could amount to bullying or harassment (which includes sexual harassment). I accept that such conduct is completely unacceptable and will be considered to be a breach of this Code of Conduct.

I accept that disrespect, bullying and harassment can be:

- A one-off incident.
- Part of a cumulative course of conduct.
- A pattern of behaviour.

I understand that how, and in what context, I exhibit certain behaviours can be as important as what I communicate, given that disrespect, bullying and harassment can be physical, verbal, and non-verbal conduct.

I accept that it is my responsibility to understand what constitutes bullying and harassment and I will utilise resources, including the Standards Commission's guidance and advice notes, WICS' policies, and training material (where appropriate) to ensure that my knowledge and understanding is up to date.

Except where it is written into my role as Board member, and / or at the invitation of the Chief Executive, I will not become involved in the operational management of WICS⁹. I acknowledge and understand that operational management is the responsibility of the Chief Executive and WICS' Executive Team.

⁸ You should ensure you are familiar with the [Equality Act 2010](#), which provides a legal framework to protect the rights of individuals and advance equality of opportunity for all. The Equality and Human Rights Commission has produced guidance on the Equality Act, which can be found at: <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-guidance>.

⁹ As a member, you are entitled (and indeed required) to scrutinise the effective delivery of services and whether operational targets have been achieved. You should be careful, however, not to make public statements which expressly, or by implication, criticise the actions (or inaction) of an individual employee or identifiable group of employees.

I will not undermine any individual employee or group of employees, or raise concerns about their performance, conduct or capability in public. I will raise any concerns I have on such matters in private with senior management as appropriate.

I will not take, or seek to take, unfair advantage of my position in my dealings with employees of WICS or bring any undue influence to bear on employees to take a certain action. I will not ask or direct employees to do something which I know, or should reasonably know, could compromise them, or prevent them from undertaking their duties properly and appropriately.

I will respect and comply with rulings from the Chair during meetings of WICS, any committees of WICS or any outside organisations that I have been appointment or nominated to by WICS or on which I represent WICS.

I will respect the principle of collective decision-making and corporate responsibility. This means that once the Board has decided, I will support that decision, even if I did not agree with it or vote for it.

Examples from the Guidance

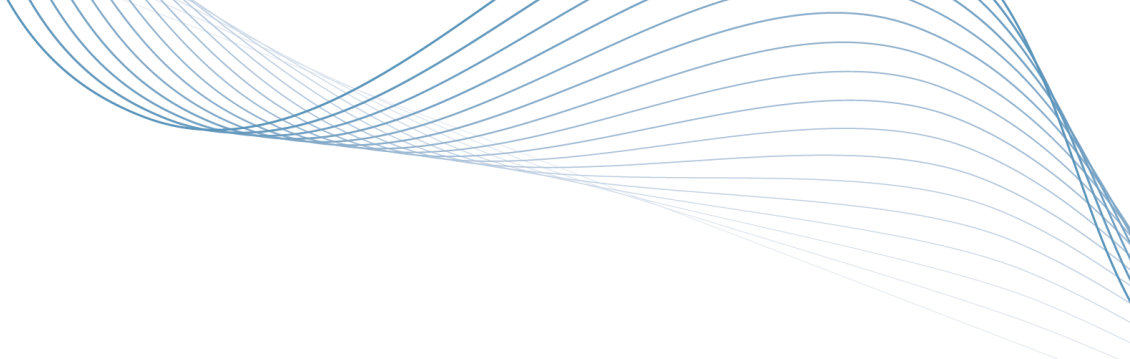
Employees

In a scenario where you are concerned about the quality of a report before you, you should consider how you raise your concerns. Saying “I note this report does not contain a risk assessment – I would be grateful if a risk assessment could be undertaken” would be respectful, whereas saying “as usual, your report is inadequate and poorly prepared as it does not contain a risk assessment” could be perceived as being personally critical of the report’s author.

An example of effective scrutiny could be to say at a public meeting “I have concerns about this service we are providing in respect of X, as it appears there are undue delays. Could a report therefore be prepared on service delivery for X against key performance indicators over the last six months? Where these are not met, could information be provided as to why not and on what steps are being taken to improve matters”. However, saying that “the performance of Ms A, as the director, appears to be lacking, as service X is clearly not meeting its key performance indicators” could be seen as being critical of Ms A as an individual.

Operational matters

A public body was in the process of updating its website’s design and content. One of its members sent numerous emails, and made multiple telephone calls, to the public body’s IT department questioning the proposed layout, the timescale for the roll-out and the design of other websites in



the supplier's portfolio. The member also suggested wording and other content to be used on specific pages and questioned the proposed menu headings for the new site. While the Panel accepted that members would have a strategic role in such a project, and would be entitled to scrutinise its implementation and make some suggestions, the member in question was found to have strayed too far into discussions and decision-making at an operational level. Indeed, the Panel found that the member's interference resulted in delays to the project as employees' time was taken up in dealing with the member's enquiries and suggestions. The member was found to have breached the Code.

3.2 Remuneration, allowances and expenses

I will comply with the rules, and the policies of WICS, on the payment of remuneration, allowances, and expenses.

3.3 Gifts and hospitality

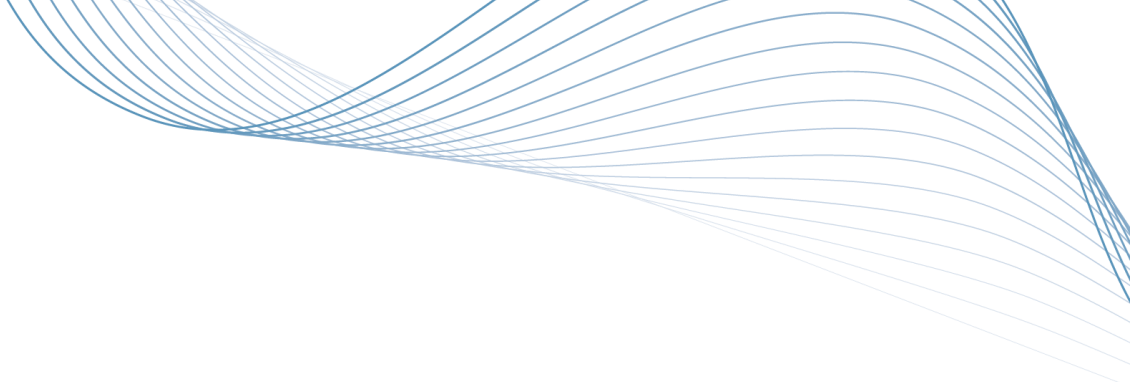
I understand that I may be offered gifts (including money raised via crowdfunding or sponsorship), hospitality, material benefits or services ("gift or hospitality") that may be reasonably regarded by a member of the public with knowledge of the relevant facts as placing me under an improper obligation or being capable of influencing my judgement.

I will never **ask for** or **seek** any gift or hospitality. I will **refuse** any gift or hospitality, unless it is¹⁰:

- a minor item or token of modest intrinsic value offered on an infrequent basis;
- a gift being offered to WICS¹¹;
- hospitality which would reasonably be associated with my duties as a Board member; or
- hospitality which has been approved in advance by WICS.

¹⁰ Notes from Guidance: "These would be things such as a pen, or a notepad, or hospitality such as tea or coffee at a local event, or a sandwich or buffet lunch included as part of a daily rate charged and provided to all delegates at a training event or conference". "Similarly, where you are representing the public body in an official role, you will be expected to accept hospitality normally associated with that role, for example, a dinner to commemorate the anniversary of an event. If you are invited to such events, you should always check, in advance, with your public body that you can accept the invitation".

¹¹ The Code also recognises that there may be situations where, as a member, you may be expected to accept gifts on the public body's behalf. These could be, for example, from representatives of a similar body from another country. In those circumstances, if it would cause embarrassment or offence to refuse the gift, you can accept it. You should, however, pass the gift to the appropriate employee of your public body at the earliest opportunity.



I will consider whether there could be a reasonable perception that any gift or hospitality received by a person or body connected to me could or would influence my judgement.

I will not allow the promise of money or other financial advantage to induce me to act improperly in my role as a board member. I accept that the money or advantage (including any gift or hospitality) does not have to be given to me directly. The offer of monies or advantages to others, including community groups, may amount to bribery, if the intention is to induce me to improperly perform a function.

I will never accept any gift or hospitality from any individual or applicant who is awaiting a decision from, or seeking to do business with, WICS.

If I consider that declining an offer of a gift would cause offence, I will accept it and hand it over to WICS at the earliest possible opportunity and ask for it to be registered.

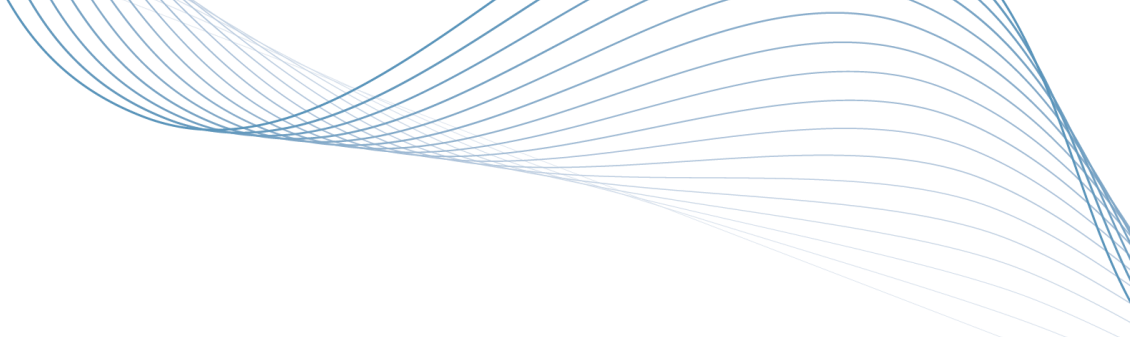
I will promptly advise the appropriate officer at WICS if I am offered (but refuse) any gift or hospitality of any significant value and / or if I am offered any gift or hospitality from the same source on a repeated basis, so that WICS can monitor this.

I will familiarise myself with the terms of the [Bribery Act 2010](#), which provides for offences of bribing another person and offences relating to being bribed.

Examples from the Guidance

A complaint alleged that a member accepted and subsequently failed to declare hospitality received from a law firm that was involved in a tender application to provide legal services to the member's public body. The hospitality involved a trip to watch the Scottish Cup Final at Hampden. It could not be said that the hospitality in question was minor, or that it was associated with the members' duties as a member of their board. In addition, it was found that it should have been evident to the member that there was a possibility that the law firm would submit a tender to provide services to the public body. Although the member was not directly involved in the tender decision, the Panel found that it was likely that a member of the public would reasonably consider that the hospitality could have led the board member to influence others involved in making the decision. By accepting the hospitality, the member was found to have breached the Code.

A complaint alleged that a councillor had failed to declare hospitality received during a site visit from a recipient of planning permission who was to make further applications for the same development. However, there was no evidence to suggest that any Council representative, including the councillor in question, received any gift or further hospitality other than being provided with



light refreshments mid-morning. Evidence suggested that these had been provided by the developers, following a Council request. This was not regarded as inappropriate for the purposes of the Code

3.4 Confidentiality

I will not disclose confidential information or information which should reasonably be regarded as being of a confidential or private nature, without the express consent of a person or body authorised to give such consent, or unless required to do so by law. I note that if I cannot obtain such express consent, I should assume it is not given.

I accept that confidential information can include discussions, documents and information which is not yet public or never intended to be public, and information deemed confidential by statute.

I will only use confidential information to undertake my duties as a board member. I will not use it in any way for personal advantage or to discredit WICS (even if my personal view is that the information should be publicly available). I note that these confidentiality requirements do not apply to protected whistleblowing disclosures made to the prescribed persons and bodies as identified in statute.

3.5 Use of WICS' resources

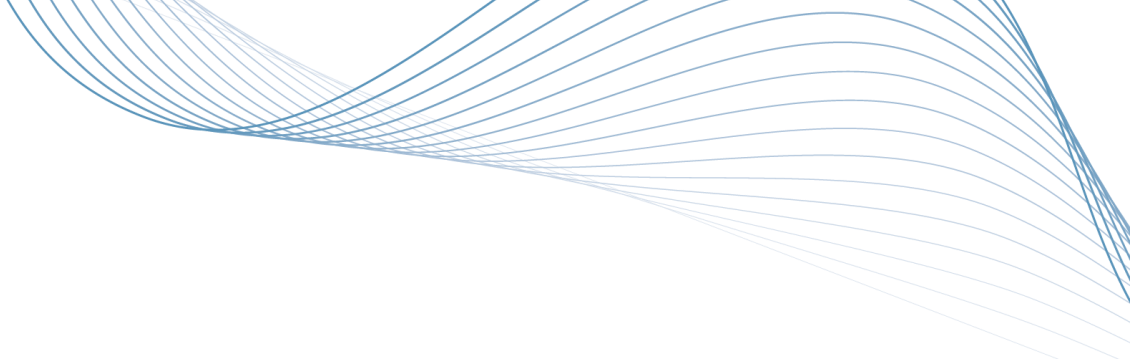
I will only use WICS' resources, including employee assistance, facilities, stationery, and IT equipment, for carrying out duties on behalf of WICS, in accordance with its relevant policies. I will not use, or in any way enable others to use, WICS' resources:

- imprudently (without thinking about the implications or consequences);
- unlawfully;
- for any political activities or matters relating to these; or
- improperly.

Examples from the Guidance:

A complaint alleged that a member used his public body's email account and computer to submit a tender application to another public body on behalf of his private consultancy business. It was found that the member had breached the provisions in the Code prohibiting the improper use of public body facilities.

A complaint alleged that a member asked employees in her public body's print room to print a substantial number of posters and flyers advertising a function being held to raise money for an external charity. While it was noted that the print room employees could have declined the request, the fact that it was made by a board member had made it difficult for them to do so. The Panel accepted that while the member had gained no personal benefit, she had nevertheless breached the Code.



A member disclosed to the press the identity of an employee who had made a claim for constructive dismissal against their public body. The member could only have become aware of the information he disclosed by virtue of being a board member, and would reasonably have been aware that the information was sensitive, confidential and not for public disclosure. The Panel concluded that the member had breached the Code

3.6 Dealing with WICS and preferential treatment

I will not use, or attempt to use, my position or influence as a board member to:

- improperly confer on or secure for me, or others, an advantage;
- avoid a disadvantage for myself, or create a disadvantage for others or
- improperly seek preferential treatment or access for me or others.

I will avoid any action which could lead members of the public to believe that preferential treatment or access is being sought.

I will advise employees of any connection, as defined at Section 5, I may have to a matter, when seeking information or advice or responding to a request for information or advice from them.

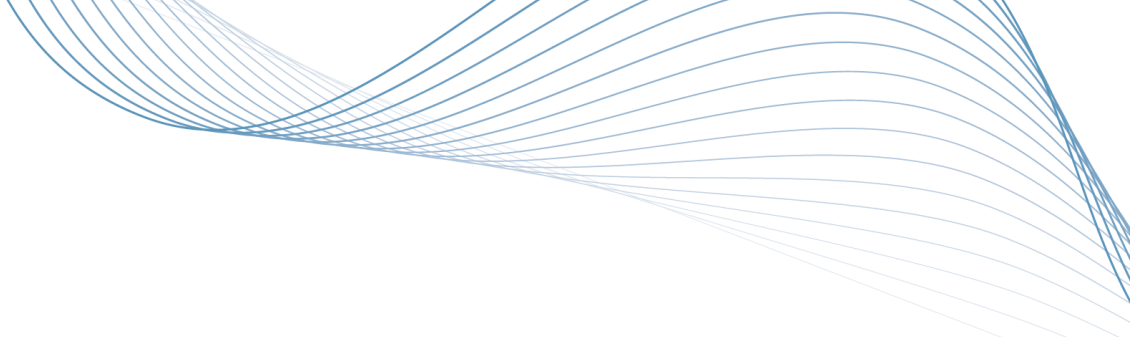
Examples from the Guidance:

A complaint alleged that a member of an NHS board sought preferential treatment when contacting employees about a close relative's place on a waiting list for hospital treatment. In contacting the employee, the member had sought information which would not normally be available to members of the public. The member had also sought to exert influence in asking that the relative's treatment be expedited. It was found that the member's actions amounted to attempts to seek preferential treatment in breach of the Code.

A member asked an employee for their login details so they could log into a case management system in order to check the progress of a complaint made by a close friend. The employee in question refused to share the login details. However, the member was found to have breached the preferential treatment provision of the Code by virtue of their actions in seeking to gain entry to a case management system that they would not otherwise be allowed to access. While the member would have been entitled to ask for an update on the status of the complaint, the case management system contained personal data and confidential information to which the member was not entitled.

3.7 Appointments to outside organisations

If I am appointed, or nominated by WICS, as a member of another body or organisation, I will abide



by the rules of conduct and will act in the best interests of that body or organisation while acting as a member of it. I will also continue to observe the rules of this Code of Conduct when carrying out the duties of that body or organisation.

I accept that if I am a director or trustee (or equivalent) of a company or a charity, I will be responsible for identifying, and taking advice on, any conflicts of interest that may arise between the company or charity and WICS.

4. REGISTRATION OF INTERESTS

The following section set out what I have to register when I am appointed and whenever my circumstances change. The register covers my current term of appointment.¹²

I understand that regulations made by the Scottish Ministers describe the detail and timescale for registering interests; including a requirement that a board member must register their registrable interests within one month of becoming a board member and register any changes to those interests within one month of those changes having occurred.

The interests which I am required to register¹³ are those set out below. Other than any close family member who has transactions WICS or is likely to have transactions or do business with it, I understand it is not necessary to register the interests of my spouse or cohabitee.

Category 1: Remuneration

I will register any work for which I receive, or expect to receive, payment. I have a registrable interest where I receive remuneration by virtue of being:

- employed;
 - self-employed;
 - the holder of an office;
 - a director of an undertaking;
 - a partner in a firm;
 - appointed or nominated by WICS to another body; or
 - engaged in a trade, profession or vocation or any other work.
-

¹² The Register should cover your whole term of office. Should an interest no longer apply (for example if you cease to receive remuneration through employed work during your term of office), the entry should still be listed in the Register and retained for the whole term of office. However, you should amend the Register to reflect the change of circumstances.

¹³ You are required by the 2021 Regulations to update your entries in the Register of Interests within one month of your circumstances changing. While your public body may issue a reminder annually or even on a more frequent basis, it is nevertheless your personal responsibility to ensure your entry is updated within one month of a new interest arising or of your circumstances changing. You should also ensure that you review all your entries in the Register at least once a year, even if you think nothing has changed.

I understand that in relation to any of the payments received in relation to the work above, the amount of remuneration does not require to be registered. I understand that any remuneration received as a board member of WICS does not have to be registered.

I understand that if a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under Category Two, "Other Roles".

I must register any allowances I receive in relation to membership of any organisation under Category 1.

When registering employment as an employee, I must give the full name of the employer, the nature of its business, and the nature of the post I hold in the organisation.

When registering any relevant remuneration from the categories listed above, I must provide the full name and give details of the nature of the business, organisation, undertaking, partnership, or other body, as appropriate. I recognise that some other employments may be incompatible with my role as board member of WICS in terms of section 6 of this Code of Conduct, in relation to lobbying.

Where I otherwise undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and how often it is undertaken

When registering a directorship, it is necessary to provide the registered name and registered number of the undertaking in which the directorship is held and provide information about the nature of its business.

I understand that registration of a pension is not required as this falls outside the scope of the category.

Category 2: Other roles

I will register any unremunerated directorships where the body in question is a subsidiary or parent company of an undertaking in which I hold a remunerated directorship.

I will register the registered name and registered number of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which I am a director and from which I receive remuneration.

Category 3: Contracts¹⁴

I have a registerable interest where I (or a firm in which I am a partner, or an undertaking in which I

¹⁴ This category may overlap with Category One: Remuneration. If so, you should add an entry under both sections, for transparency. An example of the detail required would be as follows: *Director and shareholder of cleaning company which has a contract with MidScotland College to valet the college's vehicle fleet. Contract start date: 1 February 2010.*

am a director or in which I have shares of a value as described in category 6 below) have made a contract with WICS:

- under which goods or services are to be provided, or works are to be executed; and
- which has not been fully discharged.

I will register a description of the contract, including its duration, but excluding the value.

Category 4: Election expenses (not applicable to WICS)

This section relates to registering a description of, and statement of any assistance towards election expenses if I was elected to a public body. However, this is not applicable to WICS as all board members are appointed by Scottish Ministers.

Category 5: Houses, land and buildings

I will register any interest where I own or have any other right or interest in houses, land, and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of WICS.

I accept that, when deciding whether or not I need to register any interest I have in houses, land or buildings, the test to be applied is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as being so significant that it could potentially affect my responsibilities to WICS and to the public, or could influence my actions, speeches, or decision-making.

Category 6: Interest in shares and securities

I have a registerable interest where:

- I own or have an interest in more than 1% of the issued share capital of the company or other body; or
 - Where, at the relevant date, the market value of any shares and securities (in any one specific company or body) that I own or have an interest in is greater than £25,000.
-

Category 7: Gifts and hospitality

I understand the requirements of section 3.3 regarding gifts and hospitality. As I will not accept any gifts or hospitality, other than under the limited circumstances allowed, I understand there is no longer the need to register any.

Category 8: Non-financial interests

I may also have other interests and I understand it is equally important that relevant interests such as membership or holding office in other public bodies, companies, clubs, societies, and organisations such as trades unions and voluntary organisations, are registered and described. In this context, I understand non- financial interests are those which members of the public with knowledge of the relevant facts might reasonably think could influence my actions, speeches, votes, or decision-making in WICS (this includes its committees and memberships of other organisations to which I have been appointed or nominated by WICS).

Category 9: Close family members

I will register the interests of any close family member¹⁵ who has transactions with WICS or is likely to have transactions¹⁶ or do business with it.

¹⁵ The Code does not define what is meant by ‘close family member’ as this will depend on your individual circumstances, but it is likely that a spouse, cohabitee, partner, parent and child would be considered to fall within this category. You do not need to disclose the family member’s name or any other personal data in the register; it is sufficient for you to identify the relationship and nature of the transaction. For example, *“my son is a partner in a law firm that has a contract to provide legal services to the health board”*.

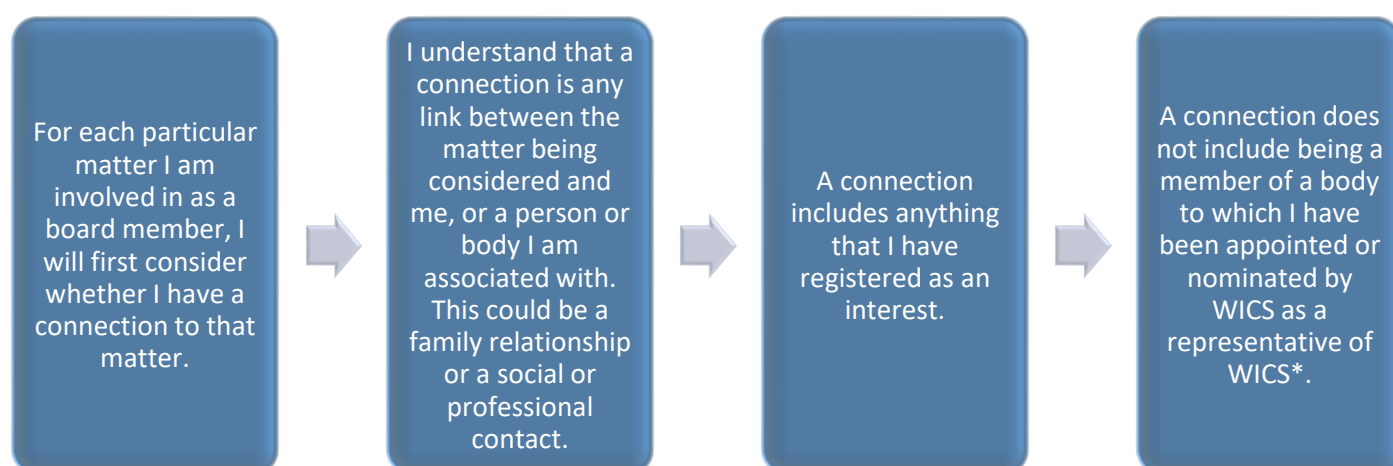
¹⁶ Such transactions include contracts for the supply of goods and services, and the execution of works. The fact that a close family member may be employed by your public body would not be considered a transaction or business for the purposes of Category Nine. Therefore while such a connection could amount to a declarable interest under Section 5 of the Code, it would not require to be registered.

5. DECLARATION OF INTERESTS

The requirement for members to declare certain interests is a fundamental requirement of the Code. A failure to do so removes the opportunity for openness and transparency in a member's role and denies the public the opportunity to consider whether a member's interests may or may not influence their discussion and decision-making.

The Code does not restrict the ability of a public body to benefit from the knowledge and experience of its members. Having knowledge or experience of a matter that is to be considered by your public body is not necessarily a connection. For example, if your public body is considering tenders received for the provision of a new IT system, your knowledge and experience as an IT specialist would not be considered a connection.

STAGE 1: CONNECTION



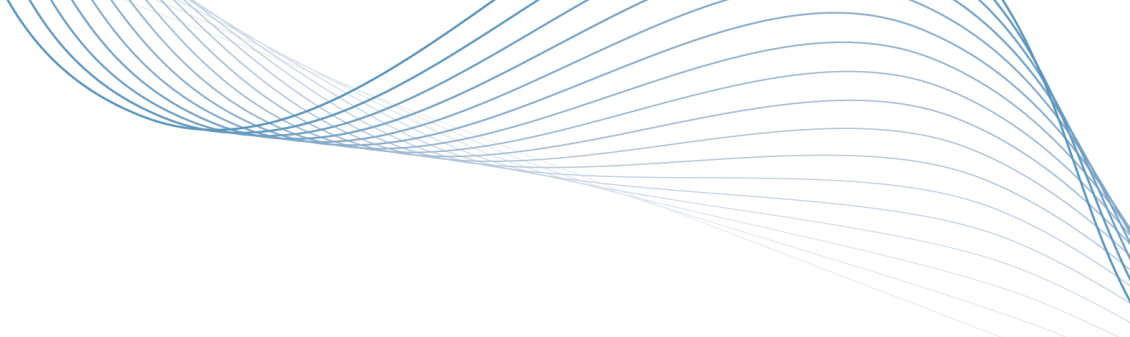
*Unless the matter being considered by WICS is quasi-judicial or regulatory; or I have a personal conflict by reason of my actions, my connections, or my legal obligations.

STAGE 2: INTEREST

I understand my connection is an interest that requires to be declared¹⁷ where the objective test is met – that is where a member of the public with knowledge of the relevant facts would reasonably regard my connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision-making.

At all times when applying the objective test, you should be aware that it is just that – objective. The

¹⁷ When making a declaration of interest you only need provide enough information for those at the meeting to understand why you are making a declaration. For example, it may be sufficient to say: “*I declare an interest as my partner is a member of the organisation making the application*”. You might not necessarily need to provide details about how long your partner has been a member and in what capacity.



test is not what you yourself know about your own motivations and whether the connection would unduly influence you: it is what others would reasonably think if they were in possession of the relevant facts.

There may be instances where, having applied the objective test, you consider the connection is so remote and insignificant that you do not think it amounts to an interest.

Examples might be where a charity you occasionally donate to is seeking funding from your public body, or when a neighbour you have little social contact with works for a company that has a contract to provide cleaning services for the building where your public body's offices are located.

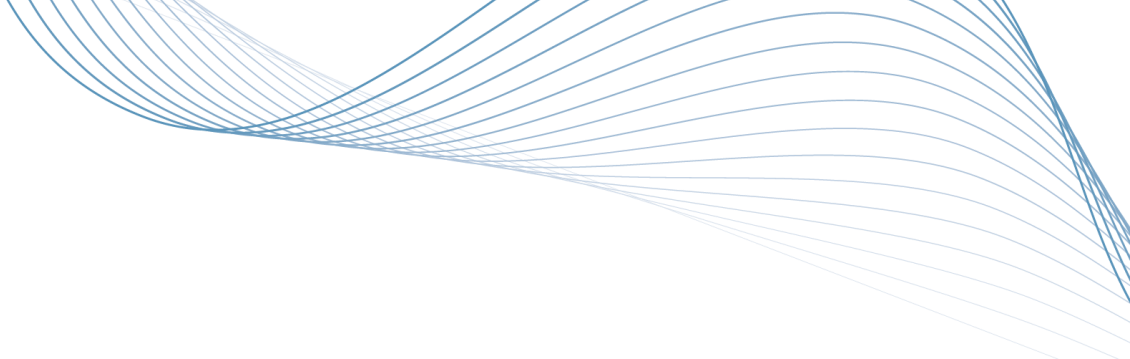
You should be mindful of the need to protect the confidentiality of another person's business or financial interests when making a declaration of interest. You are only required to provide enough information to make it clear why you consider you have a clear and substantial interest.

Examples from the Guidance:

A complaint alleged that a member of a public body sat on the Appointment Panel for the recruitment of a new Chief Executive, despite being a close friend of one of the candidates. Having reviewed all evidence, including that given by witnesses at the Hearing, the Panel determined that there was no breach of the Code. This was because there was no evidence that the member's association with, or connection to, the candidate in question went beyond a limited professional relationship or that they had engaged in any contact outside a work setting. The Panel concluded that a member of the public, with knowledge of these relevant facts, would not reasonably regard the member's connection as being so significant that it would be considered as being likely to influence their discussion or decision-making. As such, the connection did not amount to an interest that would require to be declared for the purposes of Section 5 of the Code.

A college board was considering a plan for the restructuring of the college's academic faculties. Though the exact details of the restructuring were not yet finalised, it was likely that the plan would result in a number of job losses. A board member, who had a close friend employed as a lecturer in one of the faculties potentially under threat by the restructuring, failed to declare that friendship as an interest. By failing to declare the interest, the Panel found that the member had breached the Code. Although it was not certain that the restructuring would have resulted in the loss of his friend's job, a member of the public, with knowledge of the relevant facts, could reasonably have regarded the member's friendship as being likely to prejudice the discussion and decision-making related to the restructuring.

Part of the agenda for a public body's board meeting dealt with consideration of a proposed memorandum of understanding between the public body and a university. At the outset of the board meeting, a member, who was also Chancellor of the university in question, declared an interest. When the agenda item arose,



the member excused themselves from the board meeting and left the room, returning only when discussion of the memorandum had completed. The member's declaration, together with the fact they had left the meeting, was documented in the board minutes. The member had, therefore, acted in accordance with the Code.

STAGE 3: PARTICIPATION

I will declare my interest as early as possible in meetings. I will not remain in the meeting nor participate in any way¹⁸ in those parts of meetings where I have declared an interest.

I will consider whether it is appropriate for transparency reasons to state publicly where I have a connection, which I do not consider amounts to an interest.

I note that I can apply to the Standards Commission and ask it to grant a dispensation to allow me to take part in the discussion and decision-making on a matter where I would otherwise have to declare an interest and withdraw (as a result of having a connection to the matter that would fall within the objective test).

I note that such an application must be made in advance of any meetings where the dispensation is sought and that I cannot take part in any discussion or decision-making on the matter in question unless, and until, the application is granted.

I note that public confidence in a public body is damaged by the perception that decisions taken by that body are substantially influenced by factors other than the public interest.

I will not accept a role or appointment if doing so means I will have to declare interests frequently at meetings in respect of my role as a board member. Similarly, if any appointment or nomination to another body would give rise to objective concern because of my existing personal involvement or affiliations, I will not accept the appointment or nomination.

¹⁸ It is not sufficient for you to retire to the back of the room or the public gallery. If the meeting is being held online, you should retire to a separate breakout room or leave and re-join after the discussion on the matter has concluded. It is not sufficient for you to turn off your camera and / or microphone for the duration of the matter.

You should not give anyone reason to doubt that you are no longer in any position to influence the outcome of deliberations on the relevant item either directly or indirectly. This means that you should refrain from contacting your member colleagues remotely (for example by email or text) while they are considering the item.

6. LOBBYING AND ACCESS

I understand that a wide range of people will seek access to me as a board member and will try to lobby me, including individuals, organisations, and companies. I must distinguish between:

- Any role I have in dealing with enquiries from the public.
- Any community engagement where I am working with individuals and organisations to encourage their participation and involvement.
- Lobbying, which is where I am approached by any individual or organisation who is seeking to influence me for financial gain or advantage, particularly those who are seeking to do business with WICS (for example contracts/procurement).

In deciding whether, and if so how, to respond to such lobbying, I will always have regard to the objective test, which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard my conduct as being likely to influence my, or WICS', decision-making role.

I will not, in relation to contact with any person or organisation that lobbies, do anything which contravenes this Code of Conduct or any other relevant rule of WICS or any statutory provision.

I will not, in relation to contact with any person or organisation that lobbies, act in any way which could discredit WICS.

If I have concerns about the approach or methods used by any person or organisation in their contacts with me, I will seek the guidance of the Chair or Chief Executive of WICS.

The public must be assured that no person or organisation will gain better access to, or treatment by, me as a result of employing a company or individual to lobby on a fee basis on their behalf. I will not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which I accord any other person or organisation who lobbies or approaches me. I will ensure that those lobbying on a fee basis on behalf of clients are not given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming.

Before taking any action as a result of being lobbied, I will seek to satisfy myself about the identity of the person or organisation that is lobbying and the motive for lobbying. I understand I may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that I understand the basis on which I am being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code of Conduct and the [Lobbying \(Scotland\) Act 2016](#).

I will not accept any paid work:

- Which would involve me lobbying on behalf of any person or organisation or any clients of a person or organisation.

- To provide services as a strategist, adviser, or consultant, for example, advising on how to influence WICS and its members. This does not prohibit me from being remunerated for activity which may arise because of, or relate to, membership of WICS, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences, or other events.

Examples from the Guidance:

A board member introduced a change to her public body's funding application policy, which was subsequently approved by the board. Following board approval, a service user sent the member an email complaining about the policy change. The member referred the service user's email to the Chief Executive for an employee response. The service user complained that the member's failure to respond indicated that she did not want to engage with him and had denied him access. The Panel noted, however, there was no specific obligation under the Code for individual members to respond to all who seek to lobby them. The Panel considered that the member had acted appropriately in referring the email to the Chief Executive so that the appropriate employee could respond. As such, it determined that the complaint did not amount to a breach of the Code.

A complaint alleged that a Health Board member had held an individual meeting with a supplier of medical equipment, despite knowing that the supplier was involved in an ongoing tender process. The member met with the supplier alone, without taking an employee of his public body, and without informing his board in advance that he was meeting the supplier. At the next meeting of the board, the tender applications were discussed and the supplier in question was awarded the contract. The Panel found that by meeting with the supplier alone and by subsequently taking part in the discussions and decision-making over the tender, the member had breached the Code. It was likely that a member of the public, with knowledge of the relevant facts, would perceive that the member had offered preferential treatment to the supplier compared to the other suppliers involved in the tender.

A member of a board involved in the provision of grant funding accepted payment from a lobbying organisation. At a subsequent board meeting, convened to discuss and decide upon a round of funding, the member posed a number of critical questions and made derisive comments regarding the majority of the funding applicants. The member did not, however, criticise or comment upon an application for funding by a body that transpired to be a client of the lobbying organisation. The Panel found that by accepting the payment from the lobbying organisation, the member had breached the Code and, further, that it was clear from his actions in the board meeting that, in return for the payment, he was attempting to accord preferential treatment to the lobbying organisation's client.

7. ANNEX A: BREACHES OF THE CODE OF CONDUCT

INTRODUCTION

[The Ethical Standards in Public Life etc. \(Scotland\) Act 2000](#) (“the Act”) provided for a framework to encourage and, where necessary, enforce high ethical standards in public life.

The Act provided for the introduction of new Code of Conduct for local authority councillors and members of relevant public bodies, imposing on councils and relevant public bodies a duty to help their members comply with the relevant Code of Conduct.

The Act and the subsequent Scottish Parliamentary Commissions and Commissioners etc. Act 2010 established the [Standards Commission for Scotland](#) (“Standards Commission”) and the post of [Commissioner for Ethical Standards in Public Life in Scotland](#) (“ESC”).

The Standards Commission and ESC are separate and independent, each with distinct functions. Complaints of breaches of a public body’s Code of Conduct are investigated by the ESC and adjudicated upon by the Standards Commission.

The first Model Code of Conduct came into force in 2002. The Code of Conduct has since been reviewed and re-issued in 2014. The 2021 Code of Conduct has been issued by the Scottish Ministers following consultation, and with the approval of the Scottish Parliament, as required by the Act.

INVESTIGATION OF COMPLAINTS

The ESC is responsible for investigating complaints about members of devolved public bodies. It is not, however, mandatory to report a complaint about a potential breach of the Code of Conduct to the ESC. It may be more appropriate in some circumstances for attempts to be made to resolve the matter informally at a local level.

On conclusion of the investigation, the ESC will send a report to the Standards Commission.

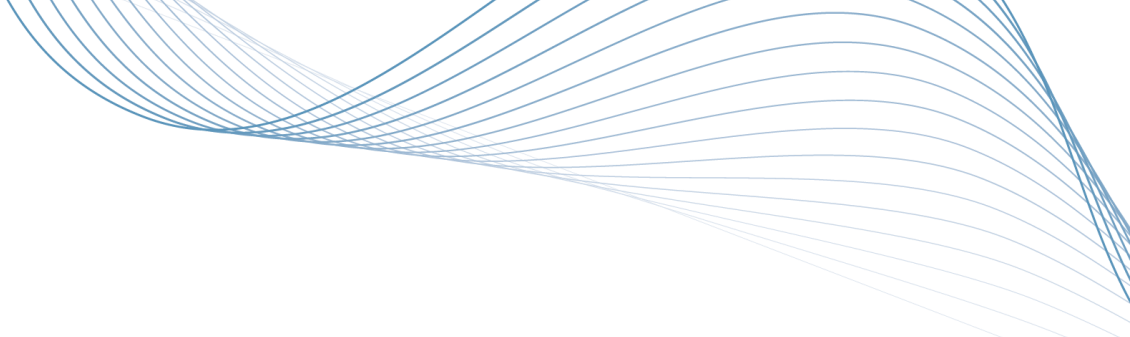
HEARINGS

On receipt of a report from the ESC, the Standards Commission can choose to:

- Do nothing.
- Direct the ESC to carry out further investigations.
- Hold a Hearing.

Hearings are held (usually in public) to determine whether the member concerned has breached their public body’s Code of Conduct.

The Hearing Panel comprises of three members of the Standards Commission.



The ESC will present evidence and/or make submissions at the Hearing about the investigation and any conclusions as to whether the member has contravened the Code of Conduct. The member is entitled to attend or be represented at the Hearing and can also present evidence and make submissions. Both parties can call witnesses.

Once it has heard all the evidence and submissions, the Hearing Panel will decide about whether or not it is satisfied, on the balance of probabilities, that there has been a contravention of the Code of Conduct by the member. If the Hearing Panel decides that a member has breached their public body's Code of Conduct, it is obliged to impose a sanction.

SANCTIONS

The sanctions that can be imposed following a finding of a breach of the Code of Conduct are as follows:

Censure

A censure is a formal record of the Standards Commission's severe and public disapproval of the member concerned.

Suspension

This can be a full or partial suspension (for up to one year). A full suspension means that the member is suspended from attending all meetings of the public body. Partial suspension means that the member is suspended from attending some of the meetings of the public body.

The Commission can direct that any remuneration or allowance the member receives as a result of their membership of the public body be reduced or not paid during a period of suspension.

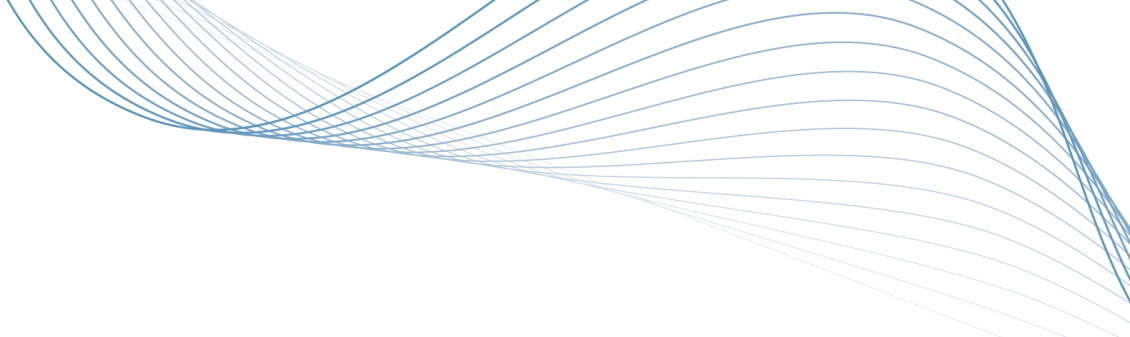
Disqualification

Disqualification means that the member is removed from membership of the body and disqualified (for a period not exceeding five years), from membership of the body. Where a member is also a member of another devolved public body (as defined in the Act), the Commission may also remove or disqualify that person in respect of that membership. Full details of the sanctions are set out in section 19 of the Act.

INTERIM SUSPENSIONS

Section 21 of the Act provides the Standards Commission with the power to impose an interim suspension on a member on receipt of an interim report from the ESC about an ongoing investigation. In deciding about whether or not to impose an interim suspension, a Panel comprising of three Members of the Standards Commission will review the interim report and any representations received from the member and will consider whether it is satisfied:

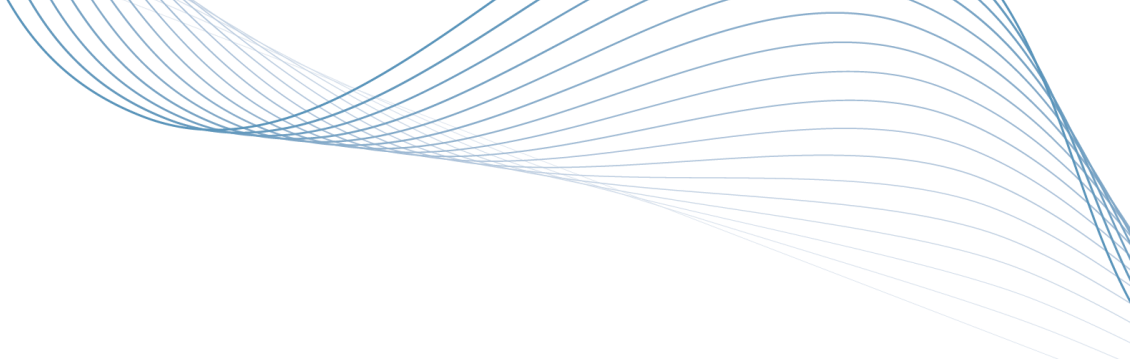
- That the further conduct of the ESC's investigation is likely to be prejudiced if such an action is not taken (for example if there are concerns that the member may try to interfere with evidence or witnesses); or

- 
- That it is otherwise in the public interest to take such a measure. A policy outlining how the Standards Commission makes any decision under Section 21 and the procedures it will follow in doing so, should any such a report be received from the ESC can be found [here](#).

The decision to impose an interim suspension is not, and should not be seen as, a finding on the merits of any complaint or the validity of any allegations against a member of a devolved public body, nor should it be viewed as a disciplinary measure.

8. ANNEX B: DEFINITIONS

| Term | Definition |
|--------------------------|---|
| Bullying | Inappropriate and unwelcome behaviour, which is offensive and intimidating, and which makes an individual or group feel undermined, humiliated, or insulted. |
| Chair | Includes Board Convener or any other individual discharging a similar function to that of a Chair or Convener under alternative decision-making structures. |
| Code of Conduct | The code of conduct for members of WICS, which is based on the Model Code of Conduct for members of devolved public bodies in Scotland. |
| Cohabitee | Includes any person who is living with you in a relationship similar to that of a partner, civil partner, or spouse. |
| Confidential information | Includes: <ul style="list-style-type: none">• Any information passed on to the public body by a government department (even if it is not clearly marked as confidential) which does not allow the disclosure of that information to the public.• Information of which the law prohibits disclosure (under statute or by the order of a Court).• Any legal advice provided to the public body.• Any other information which would reasonably be considered a breach of confidence should it be made public. |
| Election expenses | Expenses incurred, whether before, during or after the election, on account of, or in respect of, the conduct or management of the election. |
| Employee | Includes individuals employed: <ul style="list-style-type: none">• Directly by the public body.• As contractors by the public body.• By a contractor to work on the public body's premises. |
| Gifts | Can include any item or service received free of charge, or which may be offered or promised at a discounted rate or on terms not available to the general public. Gifts include benefits such as relief from |



| | |
|---------------|--|
| | indebtedness, loan concessions, or provision of property, services, or facilities at a cost below that generally charged to members of the public. It can also include gifts received directly or gifts received by any company in which the recipient holds a controlling interest in, or by a partnership of which the recipient is a partner. |
| Harassment | Any unwelcome behaviour or conduct which makes someone feel offended, humiliated, intimidated, frightened and / or uncomfortable. Harassment can be experienced directly or indirectly and can occur as an isolated incident or as a course of persistent behaviour. |
| Hospitality | Includes the offer or promise of food, drink, accommodation, entertainment, or the opportunity to attend any cultural or sporting event on terms not available to the general public. |
| Relevant date | Where a board member had an interest in shares at the date on which the member was appointed as a member, the relevant date is – (a) that date; and (b) the 5th April immediately following that date and in each succeeding year, where the interest is retained on that 5th April. |
| Public body | Means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000, as amended. |
| Remuneration | Includes any salary, wage, share of profits, fee, other monetary benefit, or benefit in kind. |
| Securities | A certificate or other financial instrument that has monetary value and can be traded. Securities includes equity and debt securities, such as stocks bonds and debentures. |
| Undertaking | Means: <ul style="list-style-type: none"> • A body corporate or partnership. • An unincorporated association carrying on a trade or business, with or without a view to a profit. |



SECTION H: RISK MANAGEMENT

1. Introduction

The Water Industry Commission for Scotland (WICS) safeguards customer and public interests in Scotland's water and sewerage services. WICS' statutory duties include economic regulation and supporting the achievement of ministerial objectives.

Risk is inherent in all aspects of activity undertaken to deliver these responsibilities. This strategy sets out a framework for managing risk to support the achievement of strategic aims, promote good governance, and align with public sector expectations, including guidance from the Scottish Public Finance Manual (SPFM) and HM Treasury's Orange Book.

This document establishes a consistent approach to identifying, evaluating, escalating, and managing risks across all levels of the organisation, ensuring that the framework contributes to the decision-making process, business planning, resource allocation, and assurance reporting.

2. Summary

This summary outlines what employees need to know about risk management at WICS.

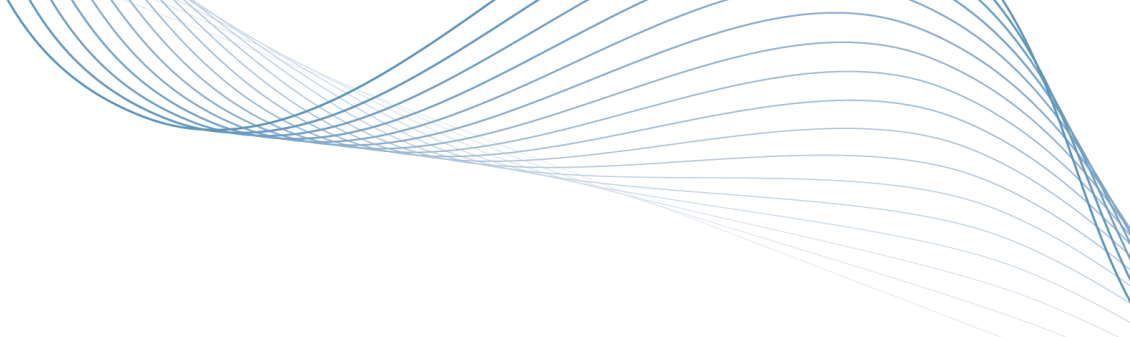
(i) Identifying a risk

If an activity, decision, or situation could threaten WICS' ability to deliver objectives, comply with obligations, or maintain public trust, it may be a risk. Risks can relate to operations, strategic outcomes, projects, or reputation.

(ii) Taking responsibility

All staff are responsible for identifying and raising risks. Risks should be discussed with a line manager or director. Each directorate maintains a risk register, and managers decide whether further escalation is needed. Each director will manage further delegation of risk within their directorate, including any sub-risk registers.

(iii) Escalating a risk



If a risk (i) could affect WICS' statutory duties, reputation, or finances; (ii) cannot be managed at the team or project level; or (iii) exceeds WICS' stated risk appetite, then it must be escalated to the Leadership Team for review.

(iv) What happens next

The Leadership Team reviews risks weekly and decides whether to include them in the Principal Risk Register. The ARC and Board are updated regularly.

Appendix B provides worked examples of the risk process in action.

3. Roles and responsibilities

Effective risk management is supported by clearly defined responsibilities across WICS' governance and operational structure. These responsibilities are outlined below.

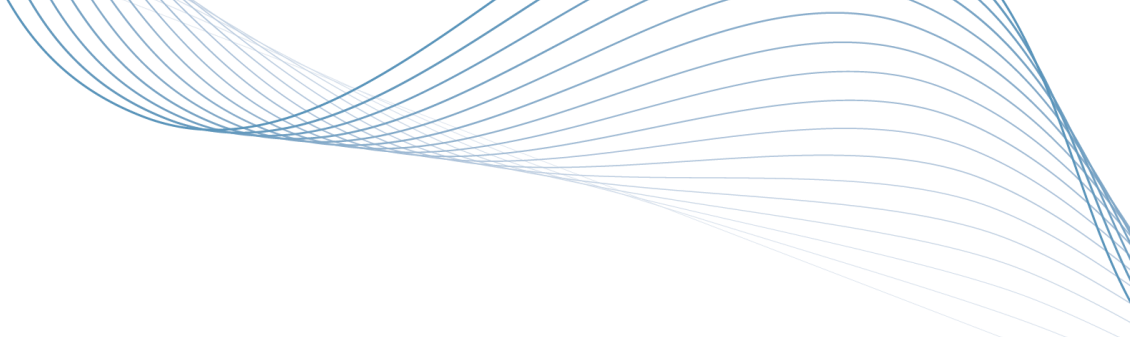
The Board is responsible for setting WICS' risk appetite and ensuring a culture of openness and transparency regarding risk. It also reviews and approves the Risk Management Strategy and monitors the overall risk profile through regular reporting.

The Audit and Risk Committee (ARC), on behalf of the Board, provides oversight of the adequacy and effectiveness of the risk management strategy. At each meeting, the ARC reviews the Principal Risk Register and ensures that the mitigations are appropriate, up-to-date, and aligned with the agreed-upon risk appetite.

As the Accountable Officer, the Chief Executive Officer is responsible for implementing the strategy, ensuring the necessary systems and processes, and assuring the Board that risk is effectively managed throughout the organisation.

The Leadership Team is key to embedding the risk strategy across directorates and projects. It leads the regular review of the Principal Risk Register, coordinates risk escalation to the Principal Risk Register from Directorate risk registers, and assesses the effectiveness of mitigating actions. The Leadership Team meets weekly and has a standing agenda item on risk.

Directors and project managers are required to maintain directorate and project-specific risk registers. They are responsible for identifying, scoring, and managing risks within their area of responsibility, escalating where appropriate.



All employees have a duty to identify and escalate risks within their role. Risk management responsibilities are embedded in job descriptions, and all staff are expected to comply with the agreed-upon processes outlined in this strategy.

Internal Audit provides an independent and objective assessment of the risk management strategy, including controls' design and operational effectiveness.

A risk strategy advisor¹⁹ will oversee the development and maintenance of WICS' risk management strategy, providing expert guidance and advice to staff on best practices. This role supports a consistent and informed approach to risk across the office but does not identify, own, or actively manage individual risks.

4. Risk appetite

Risk appetite articulates the level and nature of risk that WICS is willing to accept to achieve its objectives. It serves as a reference point for decision-making, risk assessment, and resource allocation across the organisation.

Process for setting the appetite

The Board sets WICS' overall risk appetite across six principal risk categories as part of the corporate planning process for the full regulatory control period. This provides a baseline for how risk is approached in strategic, operational, and regulatory activities. These appetite levels are formally approved and embedded within the organisation's planning, performance, and assurance frameworks.

As part of developing each annual work plan, the Board reviews the existing risk appetite statements to confirm whether they remain appropriate. This ensures that risk tolerance remains aligned with WICS' evolving priorities, regulatory context, and operational capacity.

In addition, the Board may choose to revise one or more appetite statements during the regulatory period if significant changes occur in the operating environment. Examples include new ministerial directions, external threats, structural reforms, or emerging strategic opportunities. Any revisions are subject to formal Board approval and recorded within the corporate planning cycle.

Risk appetite informs the acceptability of risks, escalation thresholds, and mitigation strategy design. Where planned activities exceed the agreed appetite in any category, proposals may be adjusted in scope, timing, or delivery to ensure alignment with WICS' tolerance for risk.

¹⁹ This is not a specific role at WICS, but forms part of a wider governance role.

Appetite categories

WICS defines three broad appetite levels, which reflect different approaches to risk-taking depending on the nature of the activity:

- **Averse:** WICS avoids taking risks unless absolutely necessary, prioritising stability, compliance, and safeguarding public resources.
- **Careful:** WICS takes a balanced approach, accepting measured risks with a clear benefit to efficiency, improvement, or public value — but only with strong controls in place.
- **Open:** WICS is willing to take informed risks to innovate, drive progress, or influence long-term sector improvements, provided the risks are well understood and aligned with strategic goals.

The Board approves the appetite levels across the six principal risk categories, ensuring they reflect WICS' strategic ambitions, statutory obligations, and regulatory responsibilities. These appetite statements are then embedded into the organisation's planning, performance, and decision-making processes.

The risk categories, current appetite levels, and statements are outlined in the table below.

| Risk category | Appetite | Description |
|----------------------------------|-----------------------------|---|
| Capability and capacity | Careful | The focus is on retaining and developing the necessary skills and experience. |
| Service delivery | Careful (to be reviewed) | Emphasis is placed on efficient and effective performance of operational functions. Risk appetite will take account of the wish to innovate in service delivery methods. |
| Strategic outcomes | Careful | Risk is considered acceptable where aligned to objectives and stakeholder interests. |
| Reputation | Averse | Risk is managed proactively to maintain confidence and credibility. |
| Compliance, fraud and corruption | Averse | There is zero tolerance for breaches of regulatory or legal obligations. |
| Security, health and safety | Averse | Safety and protective security measures are expected to be robust and effective. |



5. Risk identification, categorisation and assessment

Risks are identified through a combination of formal processes and routine operational activity. These include risk workshops, strategic planning sessions, audits, reviews, incident analysis, and feedback from internal and external stakeholders.

Some risks can potentially impact WICS' long-term objectives, such as its ability to deliver regulatory outcomes or statutory responsibilities. Others are more operational, affecting internal systems, processes, people, or day-to-day activities.

In addition, project-specific risks are identified in relation to time-bound initiatives or programmes (e.g. the Strategic Review of Charges), where delivery timelines, interdependencies and scope create distinct risk profiles.

WICS categorises risks into six overarching categories (as defined in section 4). Each risk is assessed using a standardised 5x5 matrix based on impact and likelihood which considers both **impact** and **likelihood**. For every risk, three scores are recorded:

- Inherent score – before controls are applied.
- Current score – reflecting mitigations already in place.
- Target score – the acceptable level of risk, determined by appetite.

Appendix A provides detailed guidance on WICS' risk scoring and appetite framework. It outlines how risks are assessed using the 5x5 matrix, which combines impact and likelihood with a weighting towards impact.

Mitigating actions are required for any risk where the current score exceeds the agreed target score. Actions must be assigned to a named individual, include a deadline, and be reviewed regularly.



6. Risk escalation and reporting

Risks identified at a project or directorate level that exceed agreed thresholds or cannot be managed locally must be escalated to the Leadership Team for review.

Escalation criteria

Risks should be escalated to the Leadership Team if they meet any of the following criteria:

- The current score falls within the escalation levels for the risk category of the risk, as outlined in Appendix A.
- The risk cannot be mitigated at the project or directorate level.
- The risk affects more than one area of the organisation.

Routine escalation route

Escalation should include a completed risk summary and a recommendation from the relevant director or project lead (appendix C provides a template for risk escalation data gathering). The Leadership Team determines whether risks should be promoted to the Principal risk register. Decisions are based on the potential impact on strategic objectives, public confidence, financial or reputational exposure, or alignment with the stated risk appetite.

Leadership team's role in reporting and escalation

The Leadership Team reviews the Principal risk register weekly and submits it to the ARC for review at each scheduled meeting (usually quarterly). Updates include new risks, score changes, overdue actions, and risks where mitigation has not been effective. Where risks escalate rapidly or present a critical threat, the Board and/or ARC are informed outside the normal cycle to support timely decision-making and oversight.

ARC review

At each quarterly meeting, the ARC receives the Principal Risk Register and a summary of key changes since the previous meeting. The ARC is also provided with a focused review of the highest priority risks, particularly those with scores above appetite or where mitigation has been challenging. Emerging risk themes and overdue actions are highlighted, and a summary of overall alignment with risk appetite is included to support effective oversight.

Where relevant, the ARC is informed of any updates to the risk management strategy, including staff training, process improvements, or audit findings relating to the design or effectiveness of controls.



Board review

The Board receives a summary report on risk as part of its regular ARC update, typically following each ARC meeting. This includes an overview of the current risk profile, key movements since the last report, and any risks that exceed appetite or could impact WICS' strategic objectives, statutory duties, or public trust. A full version of the Principal Risk Register is provided annually or on request.

7. Risk registers and integration

WICS operates a three-tiered system of risk registers to ensure appropriate oversight and management across all levels of the organisation:

1. **Principal Risk Register** – captures risks with significant strategic, cross-cutting, or external implications.
2. **Directorate risk registers** – maintained at the directorate level to manage risks relevant to specific functions or operational areas. Individual directorates may also maintain sub-risk registers to support more detailed risk tracking within teams or workstreams.
3. **Project risk registers** – developed for major programmes or time-bound initiatives, such as the Strategic Review of Charges, to monitor delivery-specific risks.

All registers follow a consistent structure and scoring methodology to support clear escalation and integration. Risks identified within the directorate or project registers may be escalated to the Principal Risk Register if they are assessed as having a broader organisational impact or exceeding the scope of local control, as set out in section 6 above.

Integration is supported through regular reviews by directorate leads, weekly Leadership Team risk discussions, and formal reporting to the Audit and Risk Committee (ARC). High-risk entries must clearly align with WICS' strategic priorities and include robust mitigation plans.



8. Controls, mitigation and monitoring

Controls are a key component of effective risk management. They are the measures—whether policies, processes, systems, or behaviours—that reduce the likelihood of a risk occurring or lessen its potential impact. A clear understanding of the current controls should support each identified risk.

WICS is in the early stages of formally documenting and assessing its organisational controls. As part of the maturing risk framework, the focus should be on identifying and describing the key controls associated with each risk. These may include preventative controls (e.g., segregation of duties, approval limits) and detective controls (e.g., reconciliations, exception reporting), and they can range from formal procedures to operational practices embedded in day-to-day activity.

Controls are integrated throughout the broader risk management process:

- **Risk scoring:** Controls inform the “current” risk score by providing a realistic exposure view after considering mitigations. Well-established, effective controls should reduce the score from its “inherent” level.
- **Mitigation planning:** Where risks remain above appetite, further actions may be required to strengthen existing controls or introduce new ones. These actions are recorded and tracked until risk is reduced to an acceptable level. Actions should be SMART.²⁰
- **Escalation and oversight:** The robustness of controls contributes to decisions about whether a risk requires escalation to the Leadership Team or inclusion in the Principal Risk Register.
- **Monitoring:** Controls should be reviewed regularly to remain relevant, practical and effective. Over time, control assessments will become more structured, supporting internal audit and assurance activity.

As control documentation becomes more consistent across the organisation, WICS will build its capacity to assess and report on the design and effectiveness of key controls. This will enhance confidence in managing risks and strengthen the link between risk management, assurance, and decision-making.

²⁰ Specific, measurable, achievable, relevant and time-bound.



9. Assurance

Assurance is an integral part of WICS' risk management framework. It provides structured, risk-based confidence that key controls are operating effectively and risks are managed per the organisation's stated appetite. The assurance framework supports achieving strategic objectives and compliance with statutory obligations, and underpins transparent, accountable decision-making across WICS.

WICS maintains an assurance map that aligns directly with the corporate risk register and the six principal risk categories. The map identifies areas where assurance is strong, highlights potential gaps, and ensures that assurance activity is appropriately targeted and proportionate to the level of risk and appetite. The risk strategy adviser reviews it regularly, and the ARC should review it at least annually.

The assurance framework is structured around four lines of defence:

- **First line:** Operational controls and day-to-day management activity.
- **Second line:** Oversight functions, including governance, finance, and HR.
- **Third line:** Independent internal assurance, such as internal audit.
- **Fourth line:** External or independent assurance, such as external audit or commissioned reviews.

Each area of assurance is assessed according to the strength of current arrangements, regarding the level of assurance required based on risk appetite. The assessment uses a traffic light system:

- Green indicates that current assurance meets the required level.
- Amber indicates that assurance is slightly below the required level.
- Red indicates that current assurance is significantly below what is required.

The assurance map also distinguishes between different types of assurance, considering factors such as the source's independence, the frequency and coverage of review activity, and the availability of documented evidence.

The assurance map is fully embedded in WICS' broader risk and governance framework. It informs the development of internal audit plans, supports corporate planning processes, and enables the ARC to monitor whether key areas of organisational exposure are receiving appropriate scrutiny.

It also complements the control assessment and escalation processes described elsewhere in this strategy, helping to ensure that risk, control, and assurance activities are aligned.



10. Training, culture and continuous improvement

Risk awareness is supported through a structured training programme. Induction training is mandatory for all new staff and includes core content on the risk strategy. Refresher training is delivered at least every two years or in response to policy updates. Managers receive advanced training covering risk scoring, controls, and escalation.

Risk management responsibilities are embedded in job descriptions and included in performance expectations for managers.

The risk culture is promoted through regular discussion in Leadership and team meetings, inclusion in business planning, and shared learning from reviews and incidents.

This strategy is reviewed annually in conjunction with the annual work plan and is updated as required. Significant updates are submitted to the ARC and Board for approval. Internal Audit reviews are conducted periodically, and recommendations are incorporated into revisions.

Appendix A: Risk scoring and appetite matrices

WICS uses a scoring system which is weighted towards impact.

| IMPACT | RISK PROFILE | | | | |
|------------|--------------|-----|--------|------|-----------|
| VERY HIGH | 50 | 100 | 150 | 200 | 250 |
| HIGH | 25 | 50 | 75 | 100 | 125 |
| MEDIUM | 10 | 20 | 30 | 40 | 50 |
| LOW | 5 | 10 | 15 | 20 | 25 |
| NEGLIGIBLE | 1 | 2 | 3 | 4 | 5 |
| LIKELIHOOD | RARE | LOW | MEDIUM | HIGH | VERY HIGH |

| Impact | Qualifying criteria |
|---------------|---|
| 50: Very high | <ul style="list-style-type: none"> Destructive and unacceptable impact on WICS' activities that would significantly change the overall approach. Potentially large resource consequences that outweigh current operational circumstances. |
| 25: High | <ul style="list-style-type: none"> Significant and unacceptable impact on activity requiring a material change to the critical approach/procedure/process. Resource implications would be challenging to absorb within current operational circumstances. |
| 10: Medium | <ul style="list-style-type: none"> Moderate impact on activity that may require multiple approach/procedure/process changes. Acceptable level of resource consequences. |
| 5: Low | <ul style="list-style-type: none"> Minor impact on activity, requires little overall change in approach. Few resource consequences. |
| 1: Negligible | <ul style="list-style-type: none"> No real impact |

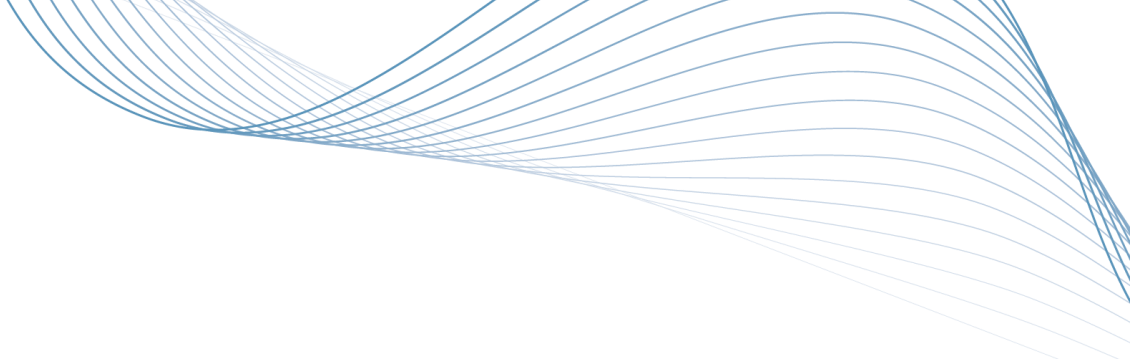
| Likelihood | Qualifying criteria | Chance of occurring |
|--------------|-------------------------------|---------------------|
| 5: Very high | Almost certain to occur | 75% |
| 4: High | More likely to occur than not | 51 – 75% |
| 3: Medium | Fairly likely to occur | 26 – 50% |
| 2: Low | Unlikely to occur | 6 – 25% |
| 1: Rare | Extremely unlikely to occur | 1-5% |

The tables below guide the approach to monitoring and reporting risks, depending on the Board's appetite and risk profile.

| Profile | Directorate | Leadership Team | ARC | Board |
|-----------|--|---|---|--|
| Very high | Requires urgent mitigation and escalation | Must be notified immediately | Must be notified immediately | Must be notified immediately |
| High | Actively review and escalate | Monitored as part of regular reporting cycle (weekly) | Monitored as part of regular reporting cycle (quarterly) | Monitored as part of regular reporting cycle (quarterly) |
| Medium | Actively review | | Acceptable if they are managed, monitored and all mitigations have been implemented | |
| Low | Acceptable if they are managed and monitored | | | |

| IMPACT | RISK PROFILE – AVERSE | | | | |
|------------|-----------------------|-----|--------|------|-----------|
| VERY HIGH | 50 | 100 | 150 | 200 | 250 |
| HIGH | 25 | 50 | 75 | 100 | 125 |
| MEDIUM | 10 | 20 | 30 | 40 | 50 |
| LOW | 5 | 10 | 15 | 20 | 25 |
| NEGLIGIBLE | 1 | 2 | 3 | 4 | 5 |
| LIKELIHOOD | RARE | LOW | MEDIUM | HIGH | VERY HIGH |

| IMPACT | RISK PROFILE – CAREFUL | | | | |
|------------|------------------------|-----|--------|------|-----------|
| VERY HIGH | 50 | 100 | 150 | 200 | 250 |
| HIGH | 25 | 50 | 75 | 100 | 125 |
| MEDIUM | 10 | 20 | 30 | 40 | 50 |
| LOW | 5 | 10 | 15 | 20 | 25 |
| NEGLIGIBLE | 1 | 2 | 3 | 4 | 5 |
| LIKELIHOOD | RARE | LOW | MEDIUM | HIGH | VERY HIGH |



| IMPACT | RISK PROFILE – OPEN | | | | |
|------------|---------------------|-----|--------|------|-----------|
| VERY HIGH | 50 | 100 | 150 | 200 | 250 |
| HIGH | 25 | 50 | 75 | 100 | 125 |
| MEDIUM | 10 | 20 | 30 | 40 | 50 |
| LOW | 5 | 10 | 15 | 20 | 25 |
| NEGLIGIBLE | 1 | 2 | 3 | 4 | 5 |
| LIKELIHOOD | RARE | LOW | MEDIUM | HIGH | VERY HIGH |

Appendix B: Worked examples of the risk process

Example 1

Identifying the risk: During strategic planning discussions, the Leadership Team recognises that a significant number of senior staff are expected to retire or leave within 18–24 months. Given WICS’ relatively small size, this could result in a substantial loss of institutional knowledge and regulatory expertise, particularly during the next Strategic Review of Charges. If unaddressed, this could lead to:

- Reduced ability to deliver statutory duties effectively.
- Delays or errors in key outputs.
- Increased dependence on external consultants, with potential cost and consistency implications.
- Reduced resilience in responding to emerging policy or market changes.

Assessing the risk: A risk is logged under “capability and capacity” and “strategic” categories (appetite = careful) and scored as follows:

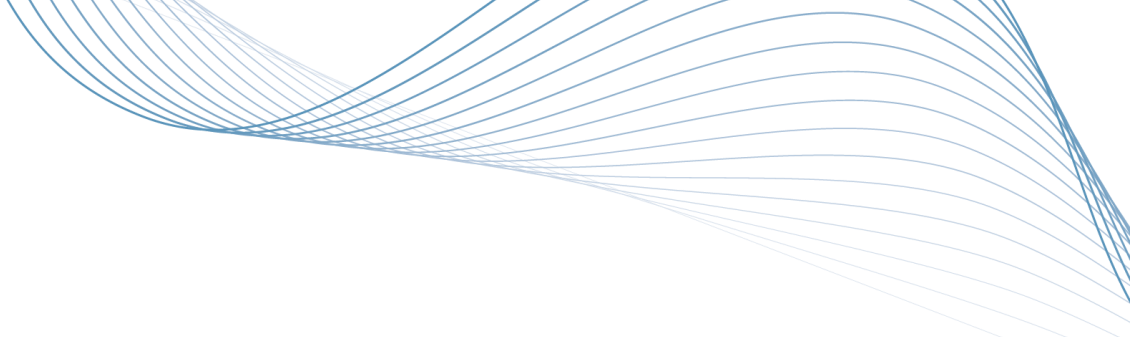
Impact: Scored as “high” (25) due to potential disruption to critical business functions and long-term objectives.

Likelihood: Assessed as “high” (4) — several departures are already confirmed, and recruitment is expected to be challenging.

Initial score: 100

This score exceeds the “careful” appetite level for relevant risk categories requiring escalation.

Escalating the risk: The Director of Finance and Corporate Services submits a formal escalation, including current controls (succession planning discussions and interim cover), which are deemed insufficient. The risk is proposed for inclusion in the Principal Risk Register.



Leadership Team review: At its weekly meeting, the Leadership Team agrees to escalate the risk. It identifies further mitigations:

- Commissioning a targeted workforce planning review.
- Developing a formal knowledge management strategy.
- Establishing a secondment and mentoring programme to support internal capacity building.
- Proactively initiating recruitment pipelines for key roles.

The risk is added to the Principal Risk Register, and ownership is assigned to the CEO. Quarterly updates are sent to ARC.

Monitoring and reporting: Progress is tracked via the action planner over the following months. While short-term exposure remains, longer-term mitigation efforts begin to show results. The risk score remains high but stable and is retained on the Principal Risk Register pending the completion of key recruitment and retention measures. The Board and ARC are briefed on both challenges and progress.

Example 2

Identifying the risk: An analyst working on a key cost benchmarking exercise for the strategic review of charges notices that some financial data submitted by Scottish Water appears inconsistent. If this data is used without clarification or adjustment, there's a risk that the resulting analysis could be based on flawed assumptions. This could lead to:

- Incorrect signals to Scottish Ministers.
- Reputational damage if challenged externally.
- Reduced confidence in WICS's regulatory objectivity.

The analyst flags this concern to their line manager.

Assessing the risk: With input from the analyst, the line manager completes a risk assessment:

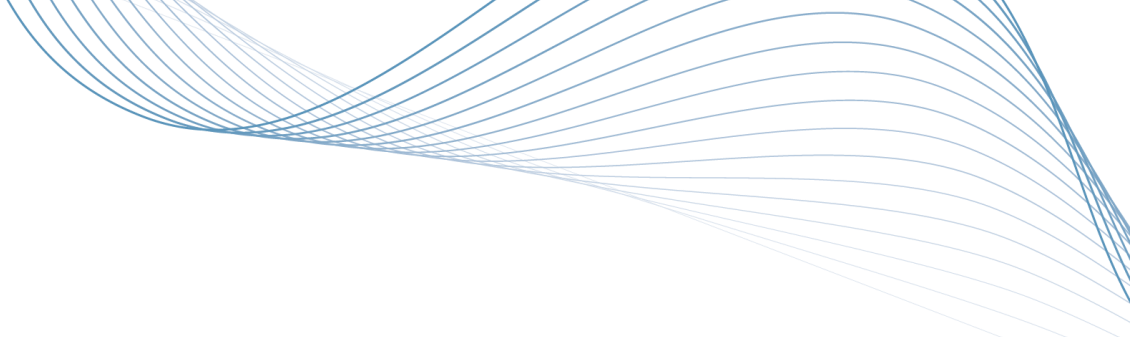
Type of risk: Strategic (careful appetite) and reputational (averse appetite)

Impact: Scored as "high" (25) due to potential policy consequences and stakeholder perception.

Likelihood: "Medium" (3) as the concern may not materialise, but the risk is real if unaddressed.

Initial score: 75

They refer to the "averse" risk appetite matrix and see that a score of 75 is in the "high" section (amber).



Escalating the risk: The line manager escalates it to the relevant Director, who completes a risk summary for the Leadership Team to review.

Leadership Team review: At the weekly meeting, the Leadership Team agrees that the current mitigations (double-checking data and clarifying assumptions with Scottish Water) are progressing but are not yet sufficient. Additional actions are needed: a peer review of the analysis and early engagement with the Board to explain the approach. The risk should be temporarily recorded on the Principal Risk Register, with regular updates.

Monitoring and reporting: Over the next 4 weeks, mitigation steps are taken. Once assurance on the robustness of the analysis is confirmed, the risk is downgraded and eventually closed. The ARC is informed of the initial concern and the steps to address it.

Appendix C: Template for identification and escalation of risks

Section 1: Risk Overview

| | |
|------------------------------|--|
| Risk title | <i>Short, descriptive title</i> |
| Risk owner | <i>Name and role of the individual raising the risk</i> |
| Directorate / Project | <i>Area where the risk originated</i> |
| Date raised | <i>DD/MM/YYYY</i> |
| Risk category | <i>Capability and capacity / service delivery / strategic outcomes / reputation / compliance, fraud and corruption / security, health & safety</i> |

Section 2: Risk description and assessment

| | |
|-------------------------|--|
| Risk description | <i>A clear summary of the issue, including potential causes and consequences</i> |
|-------------------------|--|

| Initial risk score | Impact | Likelihood | Total |
|---|---------------|-------------------|--------------|
| Inherent (before controls are applied) | | | |
| Current (reflecting mitigations already in place) | | | |
| Target (the acceptable level of risk, determined by appetite) | | | |

Section 3: Controls and mitigations

| | |
|--------------------------------------|--|
| Existing controls | |
| Proposed additional actions | |
| Action owner(s) and deadlines | |

Section 4: Escalation justification, (if applicable)

| | |
|--|--|
| Reason for escalation , either: <ul style="list-style-type: none">Score exceeds risk appetite | |
|--|--|

- Cannot be managed at the directorate or project level
- Affects multiple areas of WICS
- Strategic, reputational, or regulatory implications
- Other (please specify)

Director's comment and recommendation

Section 5: Leadership Team review (To be completed after submission)

Date Reviewed

Decision, either:

- Escalate to Principal Risk Register
- Retain at directorate or project level
- Additional information required

Leadership Team comments



WICS
Moray House
Forthside Way
Stirling
FK8 1QZ

T: 01786 430 200
E: enquiries@wics.scot

WICS Economic
regulation for
Scotland's water

