ANNUAL REPORT AND ACCOUNTS 2024-25

WICS Economic regulation for Scotland's water

CONTENTS

SG/2025/316 For the period 1 April 2024 to 31 March 2025

Laid before the Scottish Parliament by the Scottish Ministers under Part 1, section 5(4) of the Water Industry (Scotland) Act 2002 (as amended)

Introduction

As the economic regulator of publicly owned Scottish Water, the Water Industry Commission for Scotland (WICS) works to ensure that the industry is internationally admired for excellence and sustainable for today's customers and future generations.

This report outlines our work in 2024-25, the fourth year of a six-year regulatory control period. It is presented in three parts:

(i) The performance report:

- Statements from the Chair and Chief Executive Officer/Accountable Officer ("the CEO") reflecting the year and WICS' performance during the period.
- The performance overview section explains our purpose, the outcomes we aim to achieve, and our objectives. It summarises our performance in delivering those outcomes and objectives and the impact of and management of key risks.
- A performance analysis provides a detailed performance review of the period.

(ii) The accountability report:

- The directors' report
- A statement of the Accountable Officer's responsibilities
- The governance statement
- A remuneration and staff report
- A parliamentary accountability report
- The independent auditor's report

(iii) The financial statements:

- Statement of comprehensive net expenditure for the year to 31 March 2025
- Statement of financial position at 31 March 2025
- Statement of cashflows for the year to 31 March 2025
- Statement of changes in equity for the year ended 31 March 2025
- Notes to the financial statements

Part 1: Performance report

1.1 Statement from the Chair

I am pleased to present WICS' Annual Report for 2024-25, marking the fourth year of our current regulatory control period. This report highlights the progress we have made in strengthening our organisation, enhancing our regulatory framework, and delivering on our core responsibilities.

These developments demonstrate our essential role in protecting customers' interests and ensuring that water services in Scotland are delivered efficiently and at the lowest reasonable cost.

Reflecting on our achievements

This year, we published our methodology for the Strategic Review of Charges (SRC27), which will determine investment levels and customer charges for water and sewerage services from 2027 to 2033. Our approach is clear and focused on delivering long-term value for customers. Enhanced outcome measures will ensure that priorities such as service quality, affordability, and environmental performance are monitored effectively throughout the 2027–33 period.

Our approach places customers at the heart of the process. This year, we also agreed a Memorandum of Understanding with Scottish Water and Consumer Scotland, formalising the role of customers in shaping regulatory decisions and ensuring their voices are central to matters that affect them.

We have strengthened the non-household retail market by working with Consumer Scotland and Scottish Water to develop a new Code of Practice. This gives businesses, charities, and public bodies stronger protections and greater confidence in the services they receive.

Together, these achievements demonstrate our commitment to acting in the public interest and delivering outcomes that matter most to customers.

Challenges and opportunities

This year has seen a significant organisational transformation at WICS. In response to the Auditor General's Section 22 report on WICS' 2022–23 Annual Report and Accounts, we have worked hard to strengthen our financial control, governance and management. These reforms have made WICS a more effective and efficient organisation committed to delivering value for money and maintaining public confidence in our work.

We transformed our leadership team, creating a smaller, more accountable senior structure. This has delivered significant savings and has allowed us to increase capacity across the organisation.

Shared services have further improved operational efficiency, including the use of Scottish Government procurement frameworks for interim professional services, IT, and other support functions. Key work, including the SRC27 methodology, has been brought in-house, building internal capability and reducing professional services costs. A review of IT contracts and infrastructure has substantially reduced costs while maintaining service levels and cyber resilience.

We also reviewed the Board's effectiveness to ensure that members are supported in providing robust challenges and oversight. This has been strengthened by the introduction of a revised governance framework and scheme of delegation. Combined with proactive engagement with the Scottish Government's independent review, the Public Audit Committee (PAC), and parliamentary scrutiny, these reforms have reinforced transparency, accountability, and our commitment to learning from the past while preparing for the future.

The importance of our role

Scotland has benefited from a model where Scottish Water is publicly owned, commercially operated, and subject to robust economic regulation. As an independent economic regulator, we play a key role in ensuring that Scottish Water delivers value for money for the people of Scotland. By monitoring and reporting on costs and performance, setting clear expectations, and holding the company to account, we ensure that Scottish Water operates efficiently, sustainably, and always in the interests of Scottish customers.

Looking ahead

As we review Scottish Water's business plan and deliver our determinations for 2027–33, our priority is to ensure customer interests remain at the centre of decision-making. We will continue to engage closely with stakeholders to ensure Scotland's water industry is equipped to meet current and future challenges.

Wider developments in the sector, including the Independent Water Commission's review in England and Wales, provide opportunities to learn and improve our approach in Scotland. We, alongside our industry colleagues, will consider lessons from these findings to strengthen our regulatory model.

We are committed to a regulatory approach that drives efficiency and innovation, ensuring the long-term sustainability of Scotland's water industry. At its heart, our work is focused on delivering tangible benefits to customers—ensuring that services remain resilient, high-quality, and offer the best value to the Scottish public for years to come.

In conclusion, I would like to take this opportunity to thank our employees for their dedication, support, and professionalism throughout the year. Their commitment has been fundamental to WICS' improvement programme and continuing success in meeting our regulatory responsibilities.

Ronnie Hinds
Interim Chair
November 2025

1.2 Performance statement from the CEO and Accountable Officer

As Scotland's economic regulator for water, WICS exists to ensure customers receive genuine value from their water and wastewater services. In 2024–25, we not only held firm to that core role but also reset the organisation to strengthen governance, restore accountability, and prepare for the long term.

During this period, I served as Interim CEO and Accountable Officer before being confirmed as permanent CEO in June 2025. I am proud of how the team has responded. Together, we have delivered for customers through our regulatory work, while laying the foundations that will support WICS for years to come.

Strengthening WICS

Our reforms have been driven by a single guiding principle: to reinstate the Commission with the purpose and intent set out by Parliament when WICS was established in 2005. The alignment between the spirit of the legislation and the way WICS operated was not as sharp as it should have been. This year, we have brought that alignment back into focus. Governance now sits firmly with a strengthened Commission, supported by a clear and accountable Executive.

We acted on the Scottish Government's independent review, the Auditor General's Section 22 report, and the PAC's findings. Together with the Scottish Government, we agreed and implemented a 21-point action plan, alongside a wider 55-point change programme to strengthen oversight, tighten controls, and embed transparency.

A key element of this work was restructuring the leadership team. We confirmed four new directorates and reduced the size of the leadership team. Each role is now clear: the Commission sets direction, provides challenge and holds to account; the CEO leads execution; and the Executive delivers. This is a significant step forward. It restores clarity, strengthens governance, and embeds accountability. It also creates space for succession planning and future leadership, ensuring WICS is not reliant on any one individual, but resilient by design. Key changes included:

- A revised governance framework and new interim Board appointments.
- Stronger audit and risk arrangements.
- New appraisal, recruitment and training policies.
- Clearer decision-making and a reset relationship with the Sponsorship Team.

WICS is now on a sounder footing, better able to deliver its core role and to meet the standards expected of a public body.

Delivering value for customers

In 2024–25, we revised our annual work plan to focus our resources where they add the most significant value. The three strategic objectives in our 2021–27 Corporate Plan have guided this work, and over the past year, we sharpened our focus on them at a critical time for the organisation. We remained firmly focused on ensuring that customers receive the best possible value for their water and sewerage services.

Supporting the sector vision and Ministerial objectives

This remained our priority. We have published the methodology for the Strategic Review of Charges 2027–33, setting out a clear framework that enables Scottish Water to deliver the Minister's objectives and prepare for the future. A central feature of this methodology is the involvement of customers. We finalised new arrangements to ensure customers' views and stakeholder perspectives directly shape the review process and its outcomes.

Challenging Scottish Water to achieve high-quality service levels

We strengthened our oversight and refined the data we collect from Scottish Water. This work is critical for setting price limits and monitoring performance. We published detailed business plan guidance and comprehensive data tables, providing a rigorous baseline against which Scottish Water's future performance can be assessed. This marks a step change in the quality and depth of regulatory information.

Refocusing our international engagement

In the past, we shared our expertise widely overseas. This year, at a critical moment for WICS, we made the deliberate choice to pause international consulting and concentrate resources domestically. This focus allows us to demonstrate excellence where it matters most: in regulating Scottish Water. At the same time, we continue to engage actively in international regulatory debates — through the OECD's Network of Economic Regulators and by contributing a Scottish perspective to the Independent Water Commission's call for evidence as part of Sir John Cunliffe's review of the water industry in England and Wales.

Across these key areas, we have demonstrated real discipline in how we work, ensuring value is delivered where it matters most to customers in Scotland. This same principle will guide us as we begin to shape our next Corporate Plan for 2027–33.

A personal commitment

I want to thank every member of the WICS team. Over the past year, we have delivered significant change while operating below full capacity. That requires resilience, commitment, and a strong belief in our mission.

As CEO, my personal commitment is clear: to rebuild trust in WICS, to keep transparency and accountability at the heart of everything we do, and to create an organisation where people are proud to work.

We are not yet at full strength, but we are building momentum. By 2026–27, we will be at full complement. With the right people in place, the right structures around them, and a culture of continuous improvement, WICS will be stronger, more resilient, and better positioned to deliver lasting value to customers and Scotland's water sector.

1.3 Performance overview

This performance overview summarises our purpose, the outcomes we aim to achieve, and the key challenges and risks we face.

OUR PURPOSE

As the economic regulator, we ensure that the water industry delivers for the people of Scotland. We regulate Scottish Water to provide high-quality, efficient, and sustainable water and wastewater services for today's customers and future generations. We hold Scottish Water accountable for its performance and ensure it delivers the best possible value for customers. Through the Strategic Review of Charges, we help the industry plan for the future and set a cap on charges, ensuring customers pay no more than necessary for essential services now and in the years ahead.

WHY WATER MATTERS

Water is essential for life, society, and the economy. We rely on Scottish Water to:

- Deliver clean, high-quality drinking water at the turn of a tap
- Collect, treat, and return wastewater and surface water safely
- Protect our natural environment; and
- Provide these services affordably and sustainably

Scotland benefits from a model where Scottish Water is publicly owned, commercially run, and independently regulated. This approach has enabled:

- Lower water charges – average household bills for 2024–25 are £125 lower than they would have been without regulatory efficiencies, remaining among the lowest in the UK.
- High investment levels – Scottish Water has invested the most per person in the UK water industry since 2002.
- High customer satisfaction – Scottish Water is among the top-ranking companies in Scotland in terms of customer service, as measured by the UK Customer Satisfaction Index (UKCSI), and it outperforms the average UKCSI for the water sector across the UK.

OUR STRATEGY

WICS is a non-departmental public body. We published our corporate plan for 2021-27 in December 2020. The plan, which was agreed with Scottish Ministers, explains:

- our strategic objectives
- the outcomes we are setting out to achieve for customers, communities and other stakeholders
- the activities we will need to undertake to deliver these outcomes
- the resources necessary.

Our corporate plan focuses on our statutory obligations to current and future customers. It ensures that we contribute fully to delivering the water sector vision. This is particularly important given the need for Scottish Water to achieve net zero emissions by 2040 and to maintain service levels by repairing, refurbishing, and sustainably replacing the industry's assets. Climate change often means that there is too much water in places we do not want it, and too little in the areas where we do. Scottish Water will play a crucial role in adapting to our changing climate.

OUR ORGANISATIONAL MODEL

Scottish Government sponsorship

WICS is sponsored by the Scottish Government's Directorate for Environment, Climate Change and Land Reform. The Framework Document within our Governance Framework sets out how WICS and the Scottish Government (SG) work together, and the key roles and responsibilities of:

- The Commission Board;
- The CEO and Accountable Officer of WICS;
- The Scottish Ministers; and
- The Portfolio Accountable Officer within the SG whose remit includes WICS.

The Board and sub-committees

There have been several changes to WICS' Board during the period from April 1, 2024, to March 31, 2025. At the beginning of the period, WICS' Board comprised three non-executive members (including the chair) and the Chief Executive Officer. Thereafter, two interim members joined on 15 July 2024. Following the resignation of the Chair on 21 October 2025, an interim Chair was appointed. By the end of the period, WICS' Board comprised two non-executive members, one interim non-executive member, the interim chair and the CEO.

During the period, there were two Board subcommittees: the ARC and the Organisational Change Assurance Group (OCAG). The governance statement within the Accountability Report covers further information about our Board Members and the role of our Audit and Risk Committee (ARC).

Funding

WICS is funded through a levy on Scottish Water and the retailers participating in the competitive non-household market. Scottish Ministers set the size of these levies in light of the objectives and key targets agreed through the corporate planning process.

Organisational structure and governance

This year, working towards a key deliverable in the organisational change programme, we reviewed and refined WICS' organisational structure around four directorates:

The review began with restructuring the leadership team to create a more decentralised model, enabling clearer delegation of responsibilities, stronger collective decision-making, and improved accountability. This work was undertaken in collaboration with the Board and supported by frequent engagement with the Scottish Government Sponsor Team.

The new leadership team structure has already delivered efficiencies in remuneration costs, enabling reinvestment in addressing functional gaps and reducing reliance on consultancy support.

Our operating environment

We work closely with many stakeholders, and these relationships are summarised below.

Stakeholder	Interaction with our work
Scottish Parliament	We are accountable to the Scottish Parliament through Scottish Ministers.
Scottish Government	The Scottish Government sets the overall objectives and principles of charging for the water industry in Scotland.
Scottish Water	We have a duty to promote the interests of both current and future customers by making sure that: • Scottish Water is sustainably funded long-term and delivers value for money. • Scottish Water is as efficient and effective as possible so that customers pay no more than is necessary.

Stakeholder	Interaction with our work
Scottish Environment Protection Agency (SEPA)	SEPA regulates Scottish Water's performance in terms of compliance with environmental standards and investment in improvements.
Drinking Water Quality Regulator (DWQR)	The DWQR regulates Scottish Water's compliance with drinking water quality and investment to protect public health.
Consumer Scotland	Consumer Scotland is the levy-funded advocacy body for Scotland's water sector, established by the Consumer Scotland Act 2020 and accountable to the Scottish Parliament. It promotes positive consumer outcomes and engagement across household and non-household markets, covering service affordability, net-zero transition, and adaptation to climate change.
Central Market Agency (CMA)	The CMA administers the competitive non-household retail market. It is a separate organisation from the Competition and Markets Authority, a UK body, that ensures markets deliver appropriately for consumers.
Scottish Public Services Ombudsman (SPSO)	With responsibility for complaints and dispute resolution in the water sector, the SPSO provides insights into levels of trust and confidence among consumers.

OUR ACHIEVEMENTS 2024-25

Our performance report summarises progress from 1 April 2024 to 31 March 2025, against objectives, outcomes, and KPIs in our Corporate Plan 2021–27. We refreshed our strategic objectives and outcomes in March 2025:

Our strategic objectives		
Strategic objective 1: To support the sector to achieve its long-term vision and the Scottish Ministers' objectives for the regulatory control period.	**Strategic objective 2:** To challenge Scottish Water to achieve high quality levels of service for its customers and communities.	**Strategic objective 3:** To be a recognised as a trusted economic regulator at the forefront of best regulatory practice.

The 9 outcomes we will deliver		
1 Supporting Scottish Water to be sustainable over the long term	4 Supporting Scottish Water to become an analytically driven organisation that takes full account of benefits and costs	7 Acting as a leading communicator, influencing and collaborating with others to deliver our regulatory approach
2 Incentivising an efficient and effective Scottish Water	5 Acting as a hub of information and expertise to support decision making	8 Ensuring that the office operates effectively and in line with our duties and obligations as a public body
3 Helping ensure that the retail market maximises benefits for customers	6 Promoting customer-centric decision making	9 Demonstrating best value in all that we do

Our 2024-25 work plan: Delivering benefits for customers

Our annual work plan for 2024-25 focused on six key themes, each designed to ensure that the Scottish water sector continues to deliver high-quality services, best value and long-term sustainability for customers:

1. Building an effective and efficient WICS – strengthening our organisation so we can regulate Scottish Water effectively, make informed decisions, and provide clear oversight that benefits customers.
2. Delivering the Strategic Review of Charges 2027–33 (SRC27) – setting a fair and transparent framework for charges, ensuring customers pay no more than necessary for essential water and wastewater services.
3. Monitoring and reporting on Scottish Water's costs and performance – holding Scottish Water to account, scrutinising investment, and confirming that customer charges are spent efficiently to maintain and improve services.
4. Improving the retail market framework – raising standards for business and public sector customers, ensuring they have access to high-quality services.
5. Refocusing our engagement – we have paused international consulting activity, but we have continued to focus on knowledge sharing among regulatory networks.
6. Strengthening our cyber resiliency – strengthening our systems and safeguards to protect our data and information.

In addition to these core activities, we delivered a wide-ranging organisational change programme focused on strengthening our organisational structure, governance, financial controls, and focus on our people.

This annual report highlights our progress against these themes. We have achieved almost all of the milestones in the 2024–25 work plan, with some initiatives continuing into 2025–26.

2024-25 AT A GLANCE

Theme 1: Building an effective and efficient WICS

We undertook a wide programme of organisational improvement to strengthen governance, accountability and value for money.

- Delivered a revised organisational structure based on four directorates, established a smaller leadership team and clarified roles and responsibilities.
- Embedded stronger governance processes, improved compliance reporting and redeveloped our risk management framework and reporting.
- Invested in people, introducing HR support, staff engagement, and leadership development.
- Introduced hybrid working.
- Supported the Scottish Government's independent review of WICS and responded proactively and transparently to the PAC.
- Addressed all recommendations from the annual internal audit review.
- Delivered our statutory functions under budget, while maintaining a low cost to the sector—just 60p per person served.
- Total expenditure fell by over 10% compared to the previous year, reflecting improved efficiency across staffing, travel, and consultancy.
- Planning for a financial sustainability review for the next regulatory control period.

Theme 2: Delivering the Strategic Review of Charges 2027-33

Through the Strategic Review of Charges, we ensure that customers pay no more than necessary for essential water and wastewater services.

- Delivered the final SRC27 methodology, shaped by extensive consultation and stakeholder engagement.
- The methodology sets a clear framework for Scottish Water, embedding customer and community priorities in decision-making.
- It strengthens monitoring and assurance, ensuring future performance and investment can be tracked transparently.
- Delivered a new Memorandum of Understanding with Scottish Water and Consumer Scotland formalised customer involvement in the review, ensuring customer voices are heard throughout.

Theme 3: Monitoring and reporting Scottish Water's costs and performance

- We made sure Scottish Water delivers the services and investment that customers fund.

- Scrutinised Scottish Water's investment plans, service levels, and costs, and published our independent Performance Report for 2023–24.
- Revised regulatory accounting rules and financial modelling approaches to ensure greater transparency and consistency.
- Developed new monitoring metrics for 2027–33, strengthening how we hold Scottish Water to account in the next regulatory period.

Theme 4: Improving the retail market framework

We ensure the market works effectively for retailers and Scottish Water, and that business customers and public bodies receive better value from their water services.

- Introduced a collaborative Code of Practice developed with licensed providers, Consumer Scotland, Scottish Water, and the CMA. It sets out clear, measurable service standards to promote transparency and accountability across the market.
- We are pioneering the Market Health Check: an independent, voluntary assessment process that verifies licensed providers uphold meaningful service commitments. Accreditation will be published publicly, giving customers confidence in the quality of providers and raising overall market standards.
- Consulted on Business Stream's governance code, reopened the licence application process, and updated assurance processes to raise standards across the market.
- Together, these initiatives raise the bar across the market and demonstrate our commitment to customer-focused oversight of the market.

Theme 5: Contributing to Hydro Nation

Clarified expectations of WICS Hydro Nation Duty with Scottish Government (February 2025) and paused revenue-generating work, having exceeded a minimum annual net contribution to our income from this work of £300,000.

Theme 6: Strengthening our cyber resiliency

We also renewed our Cyber Essentials Plus accreditation, strengthening resilience against cyber risks.

OUR KEY CHALLENGES AND RISKS

The most pressing challenge in 2024–25 was addressing the Section 22 report and rebuilding trust with key stakeholders and the wider public. While this remains an ongoing journey, we have made significant changes to restore confidence in WICS as a public body and economic regulator that delivers best value. This has included responding transparently to the Scottish Government's independent review of WICS and the PAC's scrutiny, while fulfilling our core regulatory responsibilities.

Resourcing pressures also represented a significant challenge, with a notable number of vacancies across the organisation, including at leadership and Board level. Considerable effort was dedicated to recruitment and implementing a revised organisational structure to ensure WICS can deliver its role efficiently and effectively.

Wider developments in the water sector, including the Independent Water Commission's review of England and Wales, have increased scrutiny and focus on the industry. These developments present both challenges and opportunities for WICS and the broader Scottish Water sector, which we will continue to monitor as we enter 2025–26.

A key part of the organisational change programme was to revise and embed a new risk management framework. This was predominantly in response to the Section 22 report, but also timely given wider risks, including the impact of COVID-19, sustained high inflation, and the need to ensure confidence in governance and controls.

In 2024–25, we reshaped our approach to risk management. A workshop in September 2024 identified and assessed key risks, followed by a mapping exercise to reconcile the old and new risk registers. This ensured a clearer alignment between risks and WICS' strategic objectives. Towards the end of the year, we gave greater focus to mitigation and assurance mapping, beginning to link risks to sources of assurance and to test the adequacy of existing controls. The ARC and the Board supported this work, approving a revised risk management framework in May 2025. This programme will continue into 2025–26 as WICS develops a more mature, embedded, and transparent approach to managing risk.

More information on our key risks and their impact on delivering our outcomes can be found in the risk section of the performance analysis.

1.4 Performance analysis

PERFORMANCE AGAINST KEY OUTCOMES

Our 2024–25 annual work plan sets out the priority areas we would focus on to make progress against the three strategic objectives and nine outcomes in our 2021-27 corporate plan.

Work plan priorities and how they contribute across our nine outcomes

2024-25 work plan priorities	Delivering against objectives and outcomes	
1. An effective and efficient WICS	Strategic Objective 3	Outcomes 8 and 9
2. Strategic Review of Charges 2027-33	Strategic Objectives 1 and 2	Outcomes 1, 2, 4, 5 and 6
3. Scottish Water's costs and performance	Strategic Objective 2	Outcomes 2, 4, and 5
4. Retail market framework	Strategic Objective 1	Outcome 3
5. Contribution to Hydro Nation	Strategic Objective 3	Outcome 7
6. Cyber resiliency	Strategic Objective 3	Outcome 8

Our progress is outlined in the sections below:

Outcome 1: Supporting Scottish Water to be sustainable over the long term

This year, our primary focus has been on developing our draft and final methodology for the Strategic Review of Charges 2027-33 (SRC27). This work establishes the framework within which Scottish Water will operate during the next regulatory control period, ensuring that customers continue to pay no more than necessary for vital water and wastewater services.

Our methodology provides a clear basis for Scottish Water to deliver high-quality services and make the long-term investment needed to maintain Scotland's water infrastructure. It puts customer and community engagement at the heart of the process, ensuring that the views and priorities of customers shape the charging decisions we make. The final methodology was shaped through meaningful stakeholder engagement, including a public consultation, to ensure transparency and broad support for our approach.

Alongside our methodology, we consulted on and published a set of detailed data tables, guidance and definitions for Scottish Water to complete as part of its business plan, which was submitted in draft to WICS in June 2025. Importantly, these requirements enhance our ability to monitor Scottish

Water's performance, with a heightened focus on data quality and assurance throughout the 2027–2033 period.

Outcome 2: Incentivising an efficient and effective Scottish Water

Throughout 2024–25, we continued to closely monitor Scottish Water's performance, holding it accountable for delivering the levels of service and investment funded by customers. In November 2024, we published our 2023–24 Performance Report, providing a clear, evidence-based assessment of Scottish Water's progress.

Our report found that Scottish Water is broadly performing in line with the requirements of the Final Determination. We welcomed improvements in investment delivery, which has returned to within its target range. However, we highlighted concerns that the total investment over the period is likely to be around £500 million lower than initially assumed when the charge caps were set. We also identified areas where performance fell short of Scottish Water's own targets, including completion of some projects carried over from previous regulatory periods, leakage levels, and its new developer Customer Experience Measure. We will continue to closely monitor progress in these areas.

In early 2025, Scottish Water published its draft long-term strategy, Our Sustainable Future Together, for consultation. We carefully reviewed the strategy and provided detailed feedback. In doing so, we highlighted the need for Scottish Water to underpin its projections with clear, comprehensive, and robust evidence. We also raised a series of critical questions to ensure the strategy is analytically sound, transparent, and aligned with the shared sector vision.

Looking ahead, we will continue to engage constructively with Scottish Water as it develops the evidence and analysis underpinning its detailed investment strategy and draft business plan for 2027–33.

Outcome 3: Helping ensure that the retail market maximises benefits for customers

Scotland's retail non-household water market continues to offer businesses, public bodies and charities greater choice, tailored services and improved value. Our priority this year has been to ensure the market continues to deliver meaningful benefits for customers by strengthening standards and enhancing trust in the services provided.

Working closely with licensed providers, Scottish Water, Consumer Scotland and the Central Market Agency, we have developed a new Code of Practice for the market. This sets clear service commitments that go beyond minimum licence requirements and will ensure customers can expect consistently high standards from their chosen provider. Alongside this, we have introduced an innovative Market Health Check to build customer confidence and provide assurance that commitments are being met.

We have also taken steps to ensure the market remains open, fair and competitive. We reopened the licence application process following a comprehensive review of requirements for new entrants. We launched a public consultation on the implementation of the Code of Practice and governance arrangements for Business Stream, aiming to support a level playing field for all participants.

Through these actions, we are ensuring that the Scottish retail market continues to evolve in a way that maximises benefits for customers. Looking ahead, full implementation of the market health check assurance process will provide greater confidence that providers are delivering to the standards we expect.

Outcome 4: Supporting Scottish Water to become an analytically driven organisation that takes full account of benefits and costs

A key priority for WICS is to ensure that Scottish Water bases its decisions on robust analysis, with a clear understanding of costs and benefits for customers. Over the past year, we have worked to strengthen the requirements for the quality, consistency and transparency of the regulatory information Scottish Water provides.

We saw a further improvement in the annual return 2023-24, with Scottish Water providing clearer and more comprehensive explanations and fewer queries required (a 15% decrease in the overall number of queries compared to last year). This helps build confidence that the information underpinning decisions is accurate and reliable.

Together with Scottish Water, we also completed the development of a joint financial model for the next Strategic Review of Charges. This model, independently reviewed and validated, will provide a sound basis for assessing future investment needs and ensuring value for money.

In addition, we introduced revised regulatory accounting rules and developed new business plan data tables to ensure Scottish Water's future plans are built on a clear and consistent baseline. Through these steps, WICS is challenging Scottish Water to become a more analytically driven organisation – one that can make well-evidenced decisions in the long-term interests of customers.

Outcome 5: Acting as a hub of information and expertise to support decision-making

In 2024–25, WICS continued to act as a centre of knowledge and expertise, supporting informed decision-making across Scotland's water industry. As part of our final methodology and business plan guidance, we published a wide range of outcome measures for 2027–33, providing a clear central framework for all stakeholders and customers to track Scottish Water's progress and performance. Over 2025–26, we will build on this by developing the future monitoring regime, aligned with water industry investment group governance for the next regulatory period. This group, underpinned by the regulatory information framework, will act as the central forum where the industry can monitor Scottish Water's performance over the 2027-33 regulatory control period.

Our wide and detailed understanding of regulatory frameworks and approaches in other countries enables us to identify areas of best practice or innovation in asset-intensive industries, which we can apply to benefit Scottish Water and its customers.

This year, we continued to share knowledge and expertise nationally and internationally. We organised a study tour for officials from Sabah State in Malaysia, offering participants an in-depth view of Scotland's regulatory framework, including engagement with Scottish Government officials, Scottish Water, and Business Stream. This event provided a valuable opportunity to showcase Scotland's water sector expertise and exchange knowledge.

We also continued participating in the OECD's Network of Economic Regulators (NER), learning from and sharing expertise with others across this network. These activities ensure WICS remains at the forefront of regulatory best practice, helping secure better customer outcomes and supporting sustainable investment in Scotland's water sector.

Outcome 6: Promoting customer-centric decision making

Putting customers at the centre of decision-making is vital to ensure that water services and charges reflect the needs of the people and communities they serve. In late 2024, WICS formalised a collaborative approach to placing customers at the heart of the Strategic Review of Charges 2027–33 (SRC27) through a new Memorandum of Understanding (MoU) with Scottish Water and Consumer Scotland. Signed on 1 November 2024, the MoU provides a clear framework for involving consumers throughout the review, ensuring their views help shape Scottish Water's business plan and inform WICS' Final Determination of charges.

The MoU establishes three pillars of work: evidence, challenge, and confirmation. Independent research provides the evidence for the Independent Customer Group to challenge Scottish Water's proposals, while the confirmation stage tests whether consumers support the final business plan.
This agreement strengthens customer engagement in the price review process, helping us ensure that decisions on water charges reflect customer priorities and maintain public confidence in Scotland's water services.

Outcome 7: Acting as a leading communicator, influencing and collaborating with others to deliver our regulatory approach

In 2024-25, we took key steps to strengthen our role as a trusted voice in the water sector. We recognise that clear communication and meaningful engagement are essential regulatory tools. Our work in this area ensures that stakeholders understand WICS' role and value, ultimately helping to deliver better outcomes for customers.

We clarified our Hydro Nation Duty with the Scottish Government, pausing revenue-generating activity, whilst maintaining space for valuable knowledge sharing that informs our core regulatory work.

We successfully delivered wide-ranging engagement on our Strategic Review of Charges methodology, publishing the draft consultation and promoting it across channels to ensure stakeholders had a clear voice in shaping the future of the regulatory framework. This year, we have also begun planning communications to support our draft and final determinations of charges, which will be key in explaining their impact on customers.

WICS also contributed Scottish insights to the Independent Water Commission's review of regulation in England and Wales, highlighting the benefits of Scotland's approach: clear accountability, public ownership, and a strong focus on long-term investment and customer value.

We continued to engage audiences through media and events, including our Chief Executive's contribution to the Wise on Water podcast, which showcased how effective regulation can deliver greater resilience for customers and the environment.

Looking ahead, we will continue to grow our reach and impact as a communicator, using engagement to deliver independent and customer-focused economic regulation.

Outcome 8: Ensuring that the office operates efficiently and in line with our duties and obligations as a public body

This year has been transformational for WICS. We have taken significant steps to strengthen our operation as a public sector body and economic regulator. We have responded fully to the findings of the Auditor General and the PAC with a comprehensive programme of reform, designed to strengthen governance, improve transparency, and embed a culture of value for money.

The result is that the WICS of today is a very different organisation: one with stronger governance, clearer decision-making, and a culture built upon openness and accountability. These changes reflect both our commitment to responsibility as a public body and our resolve to ensure that Scottish customers benefit from an efficient and effective economic regulator.

We actively supported the Scottish Government's independent review of WICS, published in November 2024. We responded fully and transparently to the PAC following evidence sessions in March and September. We have addressed various issues, including governance and transparency, as well as value for money practices. We hope our proactive and constructive engagement has helped strengthen confidence in WICS and our important role for water customers in Scotland. We understand that trust is earned, and we are committed to demonstrating, through our actions, that WICS is an efficient and responsible public body.

Revising our governance framework has been an important milestone this year in our organisational reform journey. We worked closely with the Scottish Government to agree on a revised Framework Document, which strengthens the foundation of how we are governed and held accountable.

Cyber resilience has remained a priority. In June 2024, we successfully renewed our Cyber Essentials Plus accreditation, reviewed our IT security policy, and delivered annual cyber awareness training for all staff and Board members. We have also strengthened Board-level oversight by appointing a dedicated cyber resilience advocate.

Internally, we have strengthened internal policies, embedded a clearer people focus, and invested in leadership and staff development. We introduced permanent HR support, strengthened staff engagement through regular surveys, and moved to a hybrid working model supported by shared office space.

Overall, this year's progress marks a significant step forward in how WICS operates. These changes mean WICS is better equipped to operate at the forefront of what is expected of a modern, accountable public body and economic regulator.

Outcome 9: Demonstrating best value in all that we do

As a public body, we are acutely aware of our obligations to deliver value for money, and we acknowledge that this has not been demonstrated sufficiently in the past. This year, our focus has been on reviewing our organisational structure, roles, and governance model to ensure that resources are used efficiently and deliver maximum benefit to water customers in Scotland.

We restructured our leadership team into four directorates, creating a smaller, more accountable senior structure. Pay bands for the Chief Executive and Directors were brought more closely into alignment with public sector benchmarks, delivering recurring savings of around £240k and creating space to reinvest in building capacity and improving our work.

To further enhance operational efficiency, WICS has implemented measures to utilise shared services more effectively. The first stage of this approach has involved utilising Scottish Government procurement frameworks to reduce overheads across various functions, including interim professional services, IT, and other support areas.

We have also reduced reliance on external consultancy, bringing key work — including the methodology for the Strategic Review of Charges 2027–33 — in-house. This has built internal capability and delivered significant savings.

As part of this change, WICS has returned to Moray House, where a shared services agreement with another non-departmental public body will allow for more effective use of physical and support resources. To ensure business continuity in the interim, we intend to extend our lease with Stirling Council, providing the necessary time to engage meaningfully in the Single Scottish Estate programme and assess our longer-term accommodation needs.

These measures are underpinned by stronger financial controls, revised compliance reporting to the leadership team, Board and ARC, and a programme of internal audits that have confirmed substantial improvements since December 2023

These organisational changes have been overseen by a sub-committee of the Board, ensuring appropriate scrutiny and alignment with our wider governance model.

Looking ahead, we have initiated a financial sustainability review to project our cost base and operational needs over the medium term. This work will inform the development of our next Corporate plan for the 2027–33 regulatory period, helping us to plan with greater certainty and transparency.

WICS now operates with greater financial discipline, increased transparency, and a stronger focus on delivering efficiency and public value.

ORGANISATIONAL CHANGE

Since December 2023, WICS has delivered a wide-ranging reform programme. These changes have made us more effective and better equipped to provide long-term value for Scotland's water customers.

Our transformation at a glance

Strengthening financial controls and assurance

We have embedded stronger financial stewardship at the core of WICS.

- A revised scheme of delegation now clearly sets out the roles of the board and executive.
- Financial policies covering expenses, procurement, training and fraud prevention have been comprehensively overhauled.
- Cross-functional approvals are now required for all significant expenditure.
- All 2022/23 audit recommendations have been implemented, and most 2023/24 recommendations are substantially complete.
- Audit Scotland and two independent internal audit providers have each acknowledged the progress WICS has made since December 2023.

Strengthening governance and leadership

We have reset the way leadership and governance work together.

- A distributed leadership model has been introduced, restoring clear governance and decision-making.
- A revised Framework Document, agreed with the Scottish Government, now clarifies responsibilities and expectations.
- A new four-directorate leadership structure has been established through open competition.
- Comprehensive induction and training programmes ensure that both Board Members and staff are equipped to deliver their responsibilities, with modules in cyber security, fraud, procurement and whistleblowing.

Resetting our sponsorship relationship

We have built a more open and transparent relationship with the Scottish Government as our sponsor.

- A revised framework ensures clearer and more proportionate oversight, while preserving WICS's independence as a non-departmental public body and economic regulator.
- Government colleagues now attend some Board meetings as observers.
- These changes align fully with the Ryan Review principles of trust, mutual respect and outcome-focused accountability.

Demonstrating a change in operating practice

Our day-to-day operations now reflect efficiency, sustainability and value for money.

- An in-house HR function has been re-established, supported by revised policies and a new training and development framework.
- A hybrid working model and the use of shared services (procurement frameworks, facilities management) have reduced costs and improved flexibility.

These actions contributed to a strong financial position at year-end, ensuring WICS is financially sustainable for the future.

Strengthening people, culture and accountability

We have invested in the people and culture that underpin our success.

- Board capability strengthened through a revised induction programme and refresher training on governance, accountability and public finance responsibilities.
- Mandatory staff training rolled out across key areas (cyber security, fraud awareness, procurement, whistleblowing, and value-for-money).
- New training policy introduced, with clear lock-in clauses to ensure WICS and the public benefit directly from investment in staff development.
- Whistleblowing arrangements enhanced, with clearer internal and external reporting routes and independent assurance from internal audit.

- Regular staff surveys and workshops established, creating new channels for staff to raise concerns, influence culture and shape organisational development.
- In-house HR function embedded, with revised policies and a new appraisal system linking individual objectives directly to organisational goals.
- Culture of transparency and accountability reinforced through regular communication, Board oversight of reforms and active staff engagement throughout the reset process.

Looking ahead

The reforms are embedded, and WICS is now operating with:

- Clearer accountability
- Disciplined financial management
- Strengthened internal capacity
- Improved transparency and trust

This transformation provides a solid platform for delivering on our statutory role—ensuring that Scotland's water industry is regulated efficiently and in customers' best interests.

KEY PERFORMANCE INDICATORS

Our corporate plan identified 11 key performance indicators (KPIs) against which we measure the success of delivering our nine outcomes over the regulatory control period. We identified the key KPIs for this financial year, and our performance against each is described in detail in this section.

In March 2025, we revised some of these KPIs in light of key changes made within the organisation following the section 22 report, particularly to ensure consistency with the decision to pause revenue generating international projects.

The KPIs we delivered against for this financial year are outlined in the table below, along with an analysis of how we performed against those indicators.

Outcome(s)	KPI	Performance during 2024-25
8	By February of each year of the corporate plan period, we will set out in an annual workplan the activities which we will undertake during the year. In the following year our Annual Report will include information on progress against our workplan.	The Board approved our 2024-25 work plan in April 2024. Regular updates on the work plan are provided to the Board at each board meeting. These updates have informed the performance summary in this annual report.
1-3	We will implement a regulatory framework that enables and supports Scottish Water to	Delivered.

Outcome(s)	KPI	Performance during 2024-25
	take full ownership of its relationship with customers and its decision making. We will report annually to the Board, and in our statutory annual report and accounts, on progress.	Our methodology for SRC27 published in December 2024 provides the framework for customer involvement. We report in outcome 6 above the action we have taken to introduce an MoU between WICS, Scottish Water and Consumer Scotland.
1-3	By November of each year, we will publish our annual reports on Scottish Water's overall performance in delivering the requirements set out in the 2021-27 final determination and identify any gaps that have the potential to impact on the level of trust among stakeholders.	Delivered. Our assessment of Scottish Water's 2023-24 performance was published in November 2024.
3	Working with licensed providers, we will seek to put in place by December 2024 effective measures which ensure that all licensed providers have appropriate financial resilience.	Delivered.
3	By April 2023 we will introduce a voluntary market-wide process that allows licensed providers to demonstrate behaviours consistent with EBP.	Delivered. Our Code of Practice is now in place, as reported under outcome 3 above.
4-6	Our annual reports on Scottish Water's overall performance will include an assessment of its progress in ensuring that project appraisals encompass a full assessment of the economic costs and benefits of investment. This assessment should include aspects such as the carbon impact, and of natural and social capital.	Not yet met. It is more appropriate to cover this KPI in the SRC27 draft determination when reviewing Scottish Water's appraisals. Moving forward, this KPI will be revised: "Our draft determination will include an assessment of Scottish Water's project appraisals and encompass a full assessment of the economic costs and benefits of investment. This assessment should include aspects such as the carbon impact, and of natural and social capital."

Outcome(s)	KPI	Performance during 2024-25
7	We will report annually on requests for regulatory advice and information and expertise from industry stakeholders and international partners, and on the nature of support we have provided.	Delivered. As reported in under outcome 7 above, during the period we hosted a study tour from Sabah State and engaged with the Independent Water Commission's review of the water sector in England and Wales.
4-6	Our annual reports on Scottish Water's overall performance will include an assessment of its progress in ensuring that customers and communities are involved in decision making. This will encompass assessing the extent to which customers could reasonably have confidence that their views are being heard and acted upon.	Not yet met. It is more appropriate to cover this KPI in the draft determination in our view of the approach taken to customer involvement. Moving forward, this KPI will be revised: "Our draft determination will include an assessment of Scottish Water's progress in ensuring that customers and communities are involved in decision making. This will encompass assessing the extent to which customers could reasonably have confidence that their views are being heard and acted upon."
7	We will support the Scottish Government's Hydro Nation initiative by delivering projects and assistance, providing a minimum annual net contribution to our income from this work of £300,000.	Delivered and exceeded by 2023-24.
8	We will ensure that our income and costs remain within budget targets over the regulatory control period and will report our financial performance on a regular basis to the Commission Board.	Delivered. In line with the corporate plan and budget, we delivered our priorities in 2024-25. For more information on the financial results for the year, see the section on financial performance.
9	We will achieve the desired structure for the office by 2025 and ensure that progress remains on track in the interim.	Delivered. We have delivered a revised organisational structure for WICS as reported under outcome 9.

Looking ahead, we have revised our KPIs further for the 2024-27 period:

Outcome(s)	KPI	Directorate	2025-26	2026-27
8	By March of each year of the corporate plan period, we will set out in an annual workplan the activities which we will undertake during the year. In the following year, our Annual Report will include information on progress against our workplan.	F&CA	✓	✓
1-3	By November of each year, we will publish our annual reports on Scottish Water's overall performance in delivering the requirements set out in the 2021-27 final determination and identify any gaps that have the potential to impact on the level of trust among stakeholders.	P&R		✓
3	We will introduce a market health check process that allows licensed providers to demonstrate behaviours consistent with EBP.	Markets	✓	
4-6	Our draft determination will include an assessment of Scottish Water's project appraisals and encompass a full assessment of the economic costs and benefits of investment. This assessment should include aspects such as the carbon impact, and of natural and social capital.	Pricing		✓
4-6	Our draft determination will include an assessment of Scottish Water's progress in ensuring that customers and communities are involved in decision making. This will encompass assessing the extent to which customers could reasonably have confidence that their views are being heard and acted upon.	Pricing		✓
8-9	We will ensure that our income and costs remain within budget targets over the regulatory control period and will report our financial performance on a regular basis to the Board.	F&CA	✓	✓

PRINCIPAL RISKS

During 2024–25, we faced several principal risks which reflected both the legacy of organisational change and the demands of our regulatory role. The most significant themes were as follows.

Governance and organisational resilience

Strengthening governance arrangements and embedding cultural change remained a priority. While progress was made through revised structures and clearer roles, the risk of reputational harm and loss of confidence was carefully managed.

Financial management and compliance

Demonstrating strong financial control was a central risk, particularly in light of previous audit findings. Financial policies and procedures were strengthened further, and compliance improved significantly, although it remains under active monitoring.

Cybersecurity and data protection

Cyber risk has been consistently assessed as high, reflecting the wider external threat environment. Regular reporting from the Head of IT, along with investment in cyber resilience measures, provided assurance; however, vigilance will remain necessary into 2025–26.

Regulatory delivery

Given its importance to customers and stakeholders, the Strategic Review of Charges 2027–33 presented operational and reputational risks. Robust project governance and close engagement with Consumer Scotland and Scottish Water mitigated these risks during the year.

People and organisational capacity

The demands of implementing change placed pressure on staff capacity and morale. Targeted HR support and staff surveys helped the leadership team respond to concerns, but this will continue to be a focus as the organisation adapts.

Fraud and assurance improvements

A fraud risk assessment in early 2025 highlighted cyberfraud as the most significant exposure area. Work began on assurance mapping to ensure that risks are matched with reliable sources of assurance, and this programme will continue as a routine activity.

These risks underline the importance of embedding a more mature risk management culture. The measures introduced in 2024–25 reduced some exposures, but several remain live and will require ongoing attention in 2025–26.

FINANCIAL PERFORMANCE

We prepare a detailed annual budget that aligns with the corporate plan and submit it to the board for approval. We use a comprehensive budgeting and financial reporting system, which aligns with the Scottish Public Finance Manual (SPFM), to compare actual results to the budgets approved by the board. Management accounts are prepared each month, with significant variances from the budget investigated and reported. Cash flow and other financial forecasts are prepared regularly throughout the year to ensure that WICS has sufficient cash to meet its operational needs.

Financial performance 2024-25

As set out in the financial statements, the net operating surplus for the year was £970,451 (2023-24, restated: £803,107) before interest received, corporation tax payable and any adjustments for actuarial gains or losses.

The total income received for the year was £4,134,420 (2023-24: £4,519,241). The income received from Scottish Water aligned with the corporate plan. The levy on licensed providers remained unchanged for another year, reflecting a decrease against the corporate plan in support of the continued delivery of the Market Health Check.

No international income was received during the year. This reflects the Scottish Government's decision to pause international activity, allowing WICS to reset its strategic focus. In contrast, international income in 2023–24 is related to the final stages of project work in New Zealand.

Rental income from the sub-lease decreased by £28,420 to £91,594 (2023-24: £120,014). This reduction reflects Zero Waste Scotland's renunciation of the sublease from 1 January 2025, with the move to a shared occupancy agreement between the two organisations.

The financial year 2024-25 expenditure was £3,163,969 (2023-24, restated: £3,716,134). Travel and subsistence costs totalled £22,793 in 2024–25, a significant reduction from £162,015 in the previous year. The most significant contributing factor to this decrease was the cessation of international business development activity. In 2023–24, £107,336 of travel expenditure was related directly to international engagement. No such activity occurred in 2024–25 following the Scottish Government's decision to pause international work. Additionally, domestic travel was reduced considerably.

During the year, we continued the restructure of our leadership team, with the wider organisational restructure progressing through 2025–26. These changes will not be fully embedded until the end of the 2025–26 financial year. In the interim, savings have been realised from vacant posts, meaning colleagues carry a broader range of responsibilities. It was, however, essential to ensure the new structure was carefully designed to support the organisation's future needs. As a result, remuneration costs were around £232k lower than the internal budget.

We also adopted a more disciplined approach to using external consultants. While maintaining some service contracts for specialist economic and legal support, we undertook a more rigorous review of consultancy requirements. Where appropriate, we competitively tendered our consultancy requirements to ensure value for money and the right expertise was obtained. Consequently, expenditure on consultants was just under £300k, compared with the £775k set out in the budget.

The internal budget agreed by the Board at the start of the financial year projected a net expenditure position of £125,606. This reflected the use of surpluses generated earlier in the regulatory period (2021–27), which had created a high cash balance to be applied in later years. Excluding corporation tax, depreciation, bank interest and IAS19 adjustments, the actual year-end position was a net surplus of £1,243,546 – an increase of £1,369,151 on the budgeted position.

We recognise that this year's expenditure levels are not sustainable in the longer term. Once the organisational change programme has been completed, our staff complement will increase, and remuneration costs will rise accordingly. These issues, alongside wider cost pressures, are being addressed as part of our financial sustainability review.

Accommodation will also need to be considered. Our current lease on office space expires in March 2026. In recent years, we have sublet part of our office to Zero Waste Scotland, and during the past year, we have shared the space with them. This has proved to be an effective use of resources and demonstrates the benefits of collaboration with another NDPB. Looking ahead, we anticipate that a combination of space-sharing with other organisations, alongside a balance of office and home working, will offer the most efficient and sustainable approach.

We also reviewed IT expenditure during the year, for example, by using the Scottish Government's mobile contract and optimising hardware requirements. Combined with previous work to migrate all IT infrastructure to the cloud, these measures deliver ongoing annual savings of around £75k.

The reserves balance on 31 March 2025 was £5,758,223 (2023–24 restated: £4,593,064), reflecting the surplus generated in the year. Surplus cash continues to be deposited in a higher-interest-earning treasury deposit account. This approach generated £122,180 in bank interest during the year (2023–24: £84,632). As part of the financial sustainability work underway in 2025–26, we will review the high cash balance and develop a sustainable approach to managing reserves and future cash requirements.

Supplier payment policy and performance

Our policy is to pay all supplier invoices not in dispute within the terms of the relevant contract and as soon as possible following receipt. In line with Scottish Government guidance, we aspire to meet a 10-working-day target for paying bills to businesses in Scotland. Prompt payment is a key objective and a reflection of our commitment to supporting our suppliers.

In 2024-25, the average time to pay suppliers was 8 days (2023-24: 6 days). Performance against payment targets is summarised below:

Time taken to pay	**2024-25**	**2023-24**
Within 10 days	72%	95%
Between 11 and 30 days	27%	4%
More than 30 days	1%	1%

All invoices are received electronically and processed through a standard workflow. This includes verification against purchase orders, confirmation of goods or services received, and approval for payment in line with delegated authority. Payments are made on a weekly cycle.

During the year, approval times were affected by resourcing constraints at senior levels, with a small leadership team having to take on a broader range of responsibilities. As a result, approvals were sometimes more cautious and took longer to complete, contributing to the lower proportion of invoices settled within 10 days.

We continue to review and refine our internal processes to ensure that payments are made promptly and that we provide timely and appropriate support to our suppliers.

WICS fully complies with the requirements of the Late Payment of Commercial Debts (Interest) Act 1998. No interest was paid under this legislation in 2024-25 (2023-24: none).

The Public Services Reform (Scotland) Act 2010

The Public Services Reform (Scotland) Act 2010 imposed duties on the Scottish Government and public bodies such as WICS to publish specific information about their expenditure. The Act requires us to publish two statements outlining our steps to promote and increase sustainable growth, as well as improve efficiency, effectiveness, and economy. The purpose of publishing this information is to encourage greater openness and transparency. We publish a report on our website setting out our response to the requirements of the Act.

SOCIAL MATTERS

Our statutory purpose is designed to deliver environmental, social and economic success. We take our social responsibility seriously and ensure that all staff policies and procedures are up-to-date and comply with the latest legislation.

ANTI-BRIBERY AND CORRUPTION

As part of our zero-tolerance approach towards fraud, bribery, and corruption, we have an employee code of conduct, a whistleblowing policy, and clear policies regarding acceptable levels of gifts and hospitality (both given and received). We actively encourage staff to be aware of and adhere to appropriate behaviours with customers and suppliers. We maintain a register of gifts and hospitality.

No frauds were detected in 2024-25.

We take malpractice very seriously and are committed to conducting our business honestly. We encourage open communication from all employees and want everyone to feel secure about raising concerns.

Our internal whistleblowing policy encourages and enables employees to raise concerns confidentially. All staff are protected under whistleblowing laws when they raise issues in accordance with the policy.

We also have an external whistleblowing policy, which aims to assist contractors and the general public, should they need to raise concerns about the water industry in Scotland.

We received one external whistleblowing report concerning Scottish Water during this reporting period. We launched a thorough investigation into the complaint, which involved engaging with Scottish Water and other relevant industry stakeholders. Our final report was issued alongside supporting evidence, and the matter was successfully closed.

We remain vigilant in addressing instances of whistleblowing and will continue to ensure that they are handled appropriately and in full compliance with our obligations.

TRANSPARENCY OF INFORMATION

We aim to be open in everything we do. Our default approach is to publish information about our activities on our website whenever possible. We also maintain a public-facing disclosure log to accommodate freedom of information requests. We also regularly engage with industry stakeholders and transparently set out our approach and decisions through published papers.

COMPLAINTS

We value and recognise the learning that complaints can generate and use complaint information to help us improve our services. No complaints were received during the 2024-25 period.

OUR SUSTAINABILITY PERFORMANCE

While our direct environmental footprint is small, WICS recognises that sustainability encompasses environmental, social and governance (ESG) factors. In line with the Government Financial Reporting Manual (FReM) requirements (paragraphs 5.4.7–5.4.16), we report on how we integrate these considerations into our strategy, operations and risk management to deliver long-term value for the public.

Environmental

WICS continues to embed environmental responsibility across its operations, with a focus on minimising carbon emissions, reducing waste and promoting efficient resource use.

- Greenhouse gas emissions**:** our principal source of emissions is business travel. The increase in in-person meetings has led to a corresponding rise in travel-related emissions, from 0.6 tonnes CO_2 in 2023–24 to 4.5 tonnes CO_2 in 2024–25.
- Home-working emissions: based on DEFRA guidance and typical energy usage, our estimated home-working footprint for 2024–25 is 8.9 tonnes CO_2e.

- Energy and resources: as part of our shared accommodation arrangement, we benefit from renewable energy contracts and modern, energy-efficient facilities. Paper and printing usage have been significantly reduced through the introduction of paperless meetings and digital workflows.
- Waste and recycling: all waste is segregated for recycling where possible, and we continue to work with our accommodation partner to ensure environmentally responsible waste management.

Social

We are committed to fair work, equality and staff wellbeing, ensuring WICS remains an inclusive and supportive workplace.

- Workforce and equality: as at 31 March 2025, 55% of our workforce and 50% of our board members were female. Recruitment and promotion follow fair work principles, and pay structures are aligned with Scottish public sector benchmarks.
- Wellbeing and engagement: our hybrid working model supports flexibility and work–life balance. Regular staff surveys and engagement sessions help shape our organisational culture and identify areas for improvement.
- Learning and development: all employees completed mandatory training in 2024–25 on equality, fraud awareness, whistleblowing, procurement, and cyber security. A new appraisal process links individual objectives directly to corporate outcomes.

Governance

Strong governance underpins our sustainability approach.

- The Board and Audit and Risk Committee oversee sustainability performance through our risk management and assurance framework.
- ESG considerations are embedded in our corporate risk register and linked to our strategic objectives on value for money, efficiency and resilience.
- Our procurement policy applies whole-life costing and requires suppliers to demonstrate sustainable and ethical practices, in line with the Scottish Government’s Sustainable Procurement Duty.
- The revised Framework Document agreed with the Scottish Government in 2025 further clarifies accountability and reinforces transparent decision-making.

Looking ahead

In 2025–26, WICS will:

- Develop enhanced reporting on social and governance indicators aligned with the public sector sustainability reporting framework.
- Continue to promote shared accommodation and collaboration with other public bodies to reduce costs and environmental impact.
- Publish an annual sustainability statement summarising progress against our environmental and social objectives.

David Satti

Chief Executive Officer

11 December 2025

Part 2: Accountability report

2.1 Director's report

THE BOARD

The Board is responsible for our overall direction and performance, including its efficiency and effectiveness as a public body. Members come from various business backgrounds and bring a wealth of knowledge and expertise.

During this period, our Board was chaired by Donald MacRae until his resignation on 21 October 2024. Following his departure, Ronnie Hinds was appointed as interim chair. Three other members were Robin McGill (chair of the ARC), Ann Allen, and Morag Sheppard.

During this period, Ronnie Hinds's interim chair appointment was extended until 31 December 2025, and Morag Sheppard's interim member appointment was extended until 15 October 2025.

Scottish Ministers appoint members of the Board. The length of appointments may vary to ensure continuity of membership, but they are usually three or four years. A further term is possible, subject to evidence of effective performance and satisfying the skills, knowledge, and personal qualities required on the Board at the time of re-appointment.

A summary of the official appointment dates for members serving during 2024-25 is detailed below.

Name	Position	Initial appointment date	Re-appointment date	Appointment end date
Donald MacRae*	Chair	01/07/2016	01/05/2022	30/04/2026
Ronnie Hinds	Interim Chair	21/10/2024	-	31/12/2025
Ronnie Hinds**	Interim Member	15/07/2024	-	15/07/2025
Morag Sheppard	Interim Member	15/07/2024	-	15/10/2025
Ann Allen***	Member	01/07/2020	01/07/2024	30/06/2028
Robin McGill	Member	01/01/2020	01/01/2024	31/12/2027

**Donald MacRae resigned from the Board on 21 October 2024.*

***Ronnie Hinds was appointed interim Chair from 21 October 2024.*

****Ann Allen resigned from the Board on 30 April 2025.*

The CEO of WICS is also a member of the Board. The Board appointed David Satti as Interim Chief Executive, effective 20 March 2024.

DIRECTORS

During 2024–25, the leadership team, alongside the Interim Chief Executive, was made up of:

- Donna Very, Director of International and Corporate Affairs
- Colin McNaughton, Director of Analysis
- Andrea Mancini, Director of Price Reviews

As part of a leadership restructure in early 2025, roles were realigned to strengthen accountability and focus. From January 2025, David Satti was appointed Director of Pricing, and Colin McNaughton became Director of Performance and Reporting.

At the close of the reporting period, two director positions, the Director of Finance and Corporate Affairs and the Director of Markets, were being filled. Since year-end, the Director of International and Corporate Affairs has accepted voluntary severance (June 2025), and David Satti has been appointed as the permanent Chief Executive. Recruitment will continue in 2025–26 to ensure the leadership team has the full complement of skills and experience needed to deliver WICS' objectives.

INTERESTS HELD BY THE BOARD

Our Board Members and Directors are asked to complete a declaration of interest, and we publish a register of interests on our website. During the year, neither the Board Members nor Directors held interests in other bodies with which WICS has dealings.

AUDITORS

Under the Public Finance and Accountability (Scotland) Act 2000, our independent auditors are appointed by the Auditor General for Scotland. Audit Scotland has been appointed as our external auditors for five years from 2022-23 to 2026-27. The appointment is undertaken in accordance with the Code of Audit Practice approved by the Auditor General.

The fees paid to Audit Scotland for the independent statutory audit for the financial year 2024-25 are £22,963 (2022-23: £22,460).

All relevant audit information has been made available to our auditors, and the Accountable Officer has taken steps to ensure that the auditors are aware of any relevant audit information.

OTHER INFORMATION

We had no notifiable data breaches to the Information Commissioner's Office until 31 March 2025.

SIGNIFICANT EVENTS SINCE THE END OF THE FINANCIAL YEAR

In June 2025, WICS agreed on a voluntary severance arrangement with the Director of International and Corporate Affairs. As the agreement was entered into after 31 March 2025, it does not give rise to a liability in these financial statements. The payment will be recognised in the financial year 2025–26.

2.2 Statement of Accountable Officer's responsibilities

Under the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005, Scottish Ministers have directed WICS to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The financial statements are prepared on an accruals basis. They must give a true and fair view of our state of affairs and our income and expenditure, statement of financial position and cash flows for the financial year.

In preparing the financial statements, the Accountable Officer is required to comply with the requirements of the FReM, and to:

- Observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed, as set out in FReM, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going-concern basis.

The Permanent Secretary has appointed the CEO as the Accountable Officer of WICS. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding our assets, are set out in the SPFM published by Scottish Ministers.

So far as the Accountable Officer knows, there is no relevant audit information of which WICS' auditors are unaware. The Accountable Officer has taken all the steps he should have taken to make himself aware of any relevant audit information and establish that WICS' auditors are aware of that information.

The Accountable Officer confirms that the annual report and accounts are fair, balanced, and understandable and that he takes personal responsibility for them and the judgments required to determine whether they are fair, balanced, and understandable.

2.3 Governance Statement

THE GOVERNANCE FRAMEWORK

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

Non-departmental public bodies are directed by Scottish Ministers to comply with the SPFM. The SPFM provides guidance on the proper handling of public funds to ensure:

- Compliance with statutory and parliamentary requirements.
- Value for money.
- High standards of propriety.
- Effective accountability and robust systems of internal control.

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

The Accountable Officer is responsible for maintaining a sound governance framework that supports the achievement of the organisation's policies, aims, and objectives set by Scottish Ministers, while safeguarding the public funds and assets for which they are personally responsible, in accordance with their responsibilities.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, culture, and values that govern our activities and behaviours. It enables us to monitor the achievement of our strategic objectives and consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The internal control system is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims, and objectives, and can therefore only provide reasonable, not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of our policies, aims, and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised, and manages them efficiently, effectively, and economically.

WICS’ broader governance framework is currently under review to ensure it remains robust and proportionate. As part of this process, the Framework Document, which outlines the respective roles and responsibilities of WICS, its Board, and the Scottish Government, was comprehensively reviewed, updated, and finalised in early 2025.

The governance framework has been in place for the full year ended 31 March 2025 and up to the date of approval of the annual report and accounts.

THE BOARD

The Board's role is to provide strategic leadership, direction, support, and guidance to ensure that we deliver and are committed to delivering our functions effectively, efficiently, and in accordance with Scottish Ministers' aims, policies, and priorities.

Board members are responsible for ensuring that we fulfil our statutory duties and any targets agreed upon with Scottish Ministers, and for promoting the efficient and effective use of staff and other resources in accordance with Best Value principles.

The Board’s scheme of delegation details its role and responsibilities in full. Board members are required to comply with the Code of Conduct for board members. They discharge their duties in accordance with the guidance set out in their appointment letters and On Board: A Guide for Members of Statutory Boards.

Board Members’ terms of appointment and attendance

The Board meets regularly and held seven formal meetings during 2024-25. At each formal meeting, the Board was mandated to focus on strategic issues relating to monitoring Scottish Water’s performance, the Strategic Review of Charges, and developments in the retail market. The Board held three informal update meetings to discuss current issues and matters arising between formal meetings.

Members have participated in Board business by attending and contributing to board and ARC meetings since their appointment.

In addition to attending Board meetings and strategy meetings, Board Members engage with stakeholders non-executively. Reports of engagement activity are provided at each subsequent Board meeting to ensure that the activity is documented and to facilitate discussions among members and management regarding any issues arising from this activity.

Statistics on attendance at board meetings and board composition are presented in the tables below.

Board attendance

<u>Key</u>

✓ = Full attendance

P = Attendance for part of the meeting

Name	Position	Formal board meetings	Board update meetings	ARC meetings
Donald MacRae*	Chair	6/6 ✓	2/2 ✓	-
Ronnie Hinds	Interim Member/ Interim Chair	5/5✓	1/2✓	1/1✓
Morag Sheppard	Interim Member	5/5✓	2/2✓	3/3 ✓
Ann Allen*	Member	4/7 (P, P, P)	3/3✓	1/1✓
Robin McGill	Member	5/7 (P, P)	3/3✓	4/4✓
David Satti	Interim CEO	7/7✓	3/3✓	4/4✓

**Donald MacRae resigned in October 2024*

**Ann Allen resigned in April 2025*

Board composition

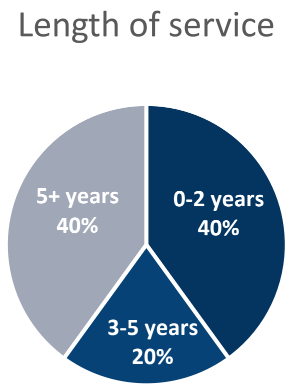
The non-executive gender representation[1] of WICS' Board during the period 1 April 2024 to 31 March 2025 was:

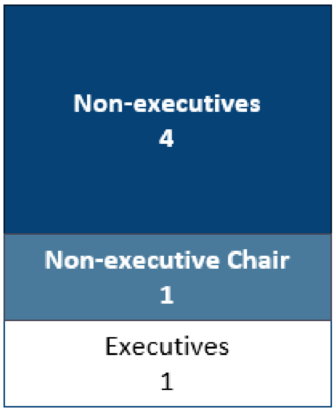
Date	Total	Female	% female
1 April 2024	3	1	33%
15 July 2024	5	2	40%
31 March 2025	4	2	50%

During the year, non-executive Board membership ranged from 3 to 5 members, with female representation varying between 33% and 50%.

When the Board was at full complement from 15 July 2024 until 31 March 2025, the length of service was as follows:

[1] The Gender Representation on Public Boards (Scotland) Act 2018 was introduced to help address the historic and persistent underrepresentation of women in public life. Section 1 of the Act sets the "gender representation objective" for a public board that 50% of non- executive members are women.





Board effectiveness

As part of our commitment to strong governance, the Board undertook a self-effectiveness review during 2024–25. This provided an opportunity for Members to reflect on how the Board operates, identify areas of good practice, and agree on improvements to strengthen its effectiveness.

This self-evaluation is aligned with key areas within WICS' Governance Framework and highlights both strengths and areas for improvement.

The self-effectiveness review covered the period 1 April 2024 to 31 March 2025. However, only two Members have been in post for the full duration of this period.

The review confirmed that the Board operates with integrity, high ethical standards, and effective oversight through the ARC. Meetings are well-structured and supported by comprehensive papers, enabling open discussion and clear decision-making. Staff engagement with the Board was also highlighted as a positive feature.

The review also identified several areas for improvement:

- Board capacity and composition – at the time of this review (May 2025) the Board was at the statutory minimum. Additional appointments are required to enhance resilience, improve succession planning, and broaden the scope of skills (for example, economic regulation and competition law).
- Governance framework – Members emphasised the importance of completing revisions to the Scheme of Delegation and other key governance documents to clarify roles and responsibilities.
- Strategic vs operational focus – given recent challenges, the Board has necessarily engaged more in operational matters. Members recognised the need to return to a more strategic role once stability is restored.
- Induction and succession planning – formalising induction arrangements and reintroducing individual Board evaluations were identified as necessary steps for strengthening performance and development.

- Stakeholder engagement – Members agreed there is scope to increase direct Board-level engagement with stakeholders, including Scottish Water, to reinforce WICS' role and support delivery of the Strategic Review of Charges.

Several actions have already been implemented or are in progress as part of our organisational change programme, including:

Improvement area(s)	Action	Status
Governance framework Strategic vs operational focus	Review and revise WICS' governance framework (Rules of Procedure, Scheme of Delegation and Code of Conduct)	Completed in June 2025.
Board resource, capacity and performance	Review and develop a Board Induction programme	Completed in September 2025.
Board resource, capacity and performance	Recruit and on-board three new Board Members	Completed in September 2025.
Stakeholder engagement	Develop a communications strategy	Completed in August 2025.

Further planned actions include:

- A dedicated strategy session once new Members are onboard, to refocus the Board on long-term priorities and developing the 2027–33 Corporate plan.
- Reintroducing Board Member appraisals in line with best practice.
- Incorporating a suite of SMART KPIs into the 2027–33 Corporate plan to strengthen performance reporting.

Through this improvement programme, the Board is committed to building on its strengths and ensuring it is well-resourced, well-informed, and focused on delivering strategic oversight in the years ahead.

CORPORATE PLAN

As agreed with the Scottish Ministers, our corporate plan sets out WICS' strategic aims and objectives. It outlines the key objectives and performance targets for the regulatory period, along with the strategies for achieving them. The plan also explains how our work contributes to the Scottish Government's primary purpose and aligns with the National Performance Framework.

For the current regulatory period (2021–2027), we have developed a comprehensive corporate plan that outlines the measures against which we assess and report our performance. In March 2025, we updated this plan's objectives, outcomes and KPIs to reflect organisational changes following the Section 22 report and to ensure alignment with the decision to pause revenue-generating international projects. These updated objectives are outlined in our 2025–26 annual work plan and serve as the basis for reporting in this annual report.

RISK MANAGEMENT

All bodies to which the SPFM is directly applicable must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The SPFM outlines the general principles for a successful risk management strategy, which we have used to inform our own strategy.

WICS maintains internal control and risk management systems to support the achievement of its statutory duties and objectives, while safeguarding public funds and assets. The ARC oversees these arrangements and receives regular reports on the corporate risk register, compliance and internal audit.

The ARC oversees risk management at WICS and considers the corporate risk register at each meeting. During 2024–25, the ARC collaborated closely with the leadership team to review risk ownership, scoring, and mitigation strategies. The leadership team also reviews the register on a weekly basis. It discusses whether any matters require escalation to the ARC or Board level, ensuring that emerging risks are addressed promptly and transparently.

Towards the end of the financial year, WICS prepared a revised risk management strategy, which was formally adopted in May 2025. Although this falls outside the reporting period, it marks a significant development in establishing a more mature and consistent approach to risk management. The new strategy provides clearer definitions of risk appetite, introduces assurance mapping to test the adequacy of controls, and outlines the creation of organisation-wide risk registers, ensuring that risk considerations are embedded in day-to-day decision-making.

Additionally, WICS has launched a staff training programme to build awareness of risk management principles and support a culture in which risks are consistently identified, escalated, and monitored across the organisation.

These changes represent a shift from a reactive, compliance-based approach to one where risk management is integrated into governance and strategic decision-making.

BOARD COMMITTEES

Audit and risk committee (ARC)

The Board has appointed the ARC to assist in fulfilling the Board’s statutory and fiduciary responsibilities by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, and the integrity of financial statements and annual reports. The Board appoints members to the ARC, which is governed by its terms of reference and remit.

The ARC meets to receive reports from internal and external auditors and our employees. The internal and external auditors may attend all ARC meetings and contact the Chair of the ARC at any time to express specific concerns identified during audit work.

The ARC meets at least four times a year. During the year, Robin McGill chaired the ARC. The board appoints members based on the breadth of skill, knowledge, and experience they can bring to the ARC.

The ARC operates independently and reports to the board. The ARC presented its annual report to the May 2025 board meeting, outlining the work undertaken by the ARC to review its control systems and financial reporting processes, as well as to measure and manage the risk inherent in delivering the organisation’s objectives.

The annual report confirmed that the ARC had discharged its responsibilities effectively during the year, with a focus on risk management, financial procedures, and organisational governance.

The ARC noted significant progress in strengthening financial controls, embedding new policies and procedures, and taking a more consistent and mature approach to risk management. It welcomed the constructive engagement of both internal and external audit and acknowledged management's commitment to responding to recommendations and implementing improvements.

While recognising that further work is required to refine assurance mapping, strengthen procurement controls, and embed cultural change across the organisation, the ARC concluded that arrangements for governance, risk management and internal control had improved materially during 2024–25 and were continuing to move in the right direction.

Organisational change assurance group (OCAG)

The OCAG was established in late 2024 to oversee WICS’s organisational change programme independently. As the group came into being towards the end of the financial year under review, its initial role was to agree its remit and to begin considering the key risks and dependencies associated with the change programme.

Early discussions focused on governance and accountability arrangements, financial and risk controls, and embedding cultural change and clearer role responsibilities across the organisation.

Therefore, much of OCAG’s substantive work has continued into 2025–26. The group is now providing the leadership team with independent challenge and assurance to the Board that the reform programme is being delivered in line with best practice and that improvements are being embedded sustainably.

INTERNAL AUDIT

Internal audit is central to good governance in any public sector organisation. It provides independent and objective assurance on the adequacy of risk management, control, and governance arrangements, helping the board and ARC hold management accountable and safeguard public funds. In doing so, internal audit supports transparency, accountability, and continuous improvement — all of which are vital to maintaining public confidence.

In October 2024, following a competitive tender process, WICS appointed Azets as its new internal auditors. Although their appointment came midway through the financial year, the auditors successfully delivered the full internal audit programme for 2024–25. This included reviews of financial procedures, risk management, and the regulatory framework:

- The review of financial procedures confirmed that material improvements had been made to expenditure controls, delegated authorities and documentation.
- The risk management review found that WICS had adopted a more mature approach, noting that further refinement is needed to ensure consistency in risk scoring, alignment with the organisation's developing risk appetite, and clearer ownership and reporting.
- The regulatory framework review examined the robustness of WICS's approach to overseeing Scottish Water and the retail market. It highlighted strengths in transparency and stakeholder engagement, while recommending further work to formalise documentation and to ensure consistency in how regulatory judgements are recorded and reviewed.

Azets also examined progress against earlier audit recommendations. Four of the 24 actions still open when appointed were confirmed as complete by March 2025, with structured arrangements to track and close the remainder.

In its annual report to the ARC in May 2025, Azets concluded:

> *"In our opinion, WICS has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives."*

The ARC and board welcomed this opinion, recognising the progress made in a short period and the value of the new audit team's constructive and professional approach.

The internal audit programme has provided clear and practical recommendations that help embed a stronger culture of compliance and accountability across the organisation. In 2025–26, further good progress has already been made: by August 2025, only five audit actions remain open, demonstrating the organisation’s commitment to addressing all outstanding issues and moving towards a more resilient and mature control environment.

Review of effectiveness

As the Accountable Officer of WICS, I am responsible for reviewing the effectiveness of the internal control systems. My review of the effectiveness of these systems is informed by the work of the internal auditors and the executive managers within the organisation. The executive managers are responsible for developing and maintaining the internal control framework.

I also rely on the comments made by the external auditors in their management letter and other reports. The ARC has advised me on the systems' effectiveness. Based on the evidence available to me, I am satisfied that WICS maintained an adequate and improving framework of governance, risk management, and internal control throughout 2024–25 and up to the date of approval of these accounts.

Significant progress has been made during the year to strengthen financial controls, update key governance documents, and embed a more mature and consistent approach to risk management. The findings of internal and external audit, along with the work of the ARC and the Organisational Change Assurance Group, assure that our governance arrangements are operating effectively and that identified areas for improvement are being addressed.

While further work is required to consolidate these improvements and ensure full embedding across the organisation, I am confident that the actions taken during the year have materially enhanced WICS’s overall control environment and positioned it well to deliver its statutory functions with integrity, transparency, and accountability.

2.4 Remuneration and staff report

REMUNERATION POLICY

The Board and CEO's remuneration packages are agreed upon within the parameters set by the Scottish Government's pay policy. The Scottish Government approves the daily fee to be paid to the chair, members, and the CEO's remuneration package.

Board Members contribute at least one day per week to supporting WICS' activities, and the Chair at least two days per week.

There is no separate remuneration committee, and remuneration-related issues are brought to the attention of the Board as they arise. No performance payments were made in 2024-25 in accordance with the Scottish Government pay policy.

DIRECTORS' SALARIES AND PENSION ENTITLEMENTS

The total overall remuneration of the CEO in the year was £141,969 (2023-24: £218,784[2]).

The CEO and other directors are active Falkirk Council Pension Scheme members. The table below outlines the total remuneration of all the directors, including accrued pension benefits:

AUDITED INFORMATION	2024-25 Gross salary £(000)	2024-25 Pension benefits[3] £(000)	2024-25 Total £(000)	2023-24 Gross salary £(000)	2023-24 Pension benefits £(000)	2023-24 Total £(000)
David Satti, CEO and Accountable Officer	140 – 145	50 – 55	**195 – 200**	125 - 130	25 - 30	**155 - 160**
Colin McNaughton Director of Analysis	130 – 135	45 - 50	**180 – 185**	125 - 130	30 - 35	**155 - 160**
Donna Very Director of International and Corporate Affairs	130 – 135	45 - 50	**175 - 180**	125 - 130	10 - 15	**140 - 145**

[2] The total for the previous year included £214,678 paid to the former CEO, Alan Sutherland. The current CEO was appointed on 20 March 2024. The former CEO received 6 months' pay in lieu of notice, which contributed to the decrease in remuneration from 2023-24 to 2024-25.

[3] The accrued pension benefits have been calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

AUDITED INFORMATION	2024-25 Gross salary £(000)	2024-25 Pension benefits[3] £(000)	2024-25 Total £(000)	2023-24 Gross salary £(000)	2023-24 Pension benefits £(000)	2023-24 Total £(000)
Andrea Mancini[4] Director of Price Reviews	100 - 105	40 - 45	**145 - 150**	125 - 130	25 - 30	**155 - 160**
Alan Sutherland, former CEO[5]	-	-	**-**	210 - 215	15 - 20	**230 - 235**

The retirement benefits of the directors are as follows:

AUDITED INFORMATION				Cash equivalent transfer value[6]		
	Accrued pension as at 31 March 2025 and related lump sum £(000)	Accrued pension as at 31 March 2024 and related lump sum £(000)	Change in pension net of inflation and related lump sum £(000)	At 31 March 2025 £(000)	At 31 March 2024 £(000)	Increase net of members' contributions £(000)
David Satti	20 – 25 No lump sum	15 – 20 No lump sum	0 – 5 No lump sum	228	181	27
Colin McNaughton	15 – 20 No lump sum	10 – 15 No lump sum	0 – 5 No lump sum	207	164	25
Donna Very	30 – 35 Lump sum: 0 - 5	30 – 35 Lump sum: 0 - 5	0 – 5 Lump sum: -2.5 - 0	610	517	63
Andrea Mancini[7]	20 – 25 No lump sum	20 – 25 No lump sum	0 – 5 No lump sum	335	229	88
Alan Sutherland	-	-	0 – 2.5 Lump sum: -2.5 - 0	-	706	4

[4] Resigned on 10 January 2025
[5] Resigned on 31 December 2023
[6] The cash equivalent transfer value (CETV) is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The increase shown is the difference between the CETV value calculated at 31 March 2025 and 31 March 2024.
[7] The member is now a deferred pensioner and they ceased paying contributions on 10 January 2025. No further contributions have been allowed for in the calculation after this date.

The directors' normal retirement age is 67 for members born before April 1977 and 68 for all others. This is the earliest date the member can take full benefits without consent and reduction. The directors would not become entitled to any other benefits on early retirement.

BOARD REMUNERATION

The remuneration of the board members, other than the CEO, was as follows:

AUDITED INFORMATION	2024-25		2023-24	
Name, position	**Day rate (£)**	**Total £(000)**	**Day rate (£)**	**Total £(000)**
Ronnie Hinds, interim chair[8]	350	15 – 20	-	-
Ronnie Hinds, interim member[9]	304	0 - 5	-	-
Morag Sheppard, interim member[10]	304	10 - 15	-	-
Robin McGill, member	304	15 – 20	304	15 – 20
Ann Allen, member[11]	304	15 – 20	304	15 – 20
Donald MacRae, chair[12]	383	20 - 25	383	35 – 40
Jo Armstrong, member[13]	-	-	304	10 – 15

Board members are not members of the pension scheme. No benefits in kind were paid in the year.

NON-SALARY REWARDS (AUDITED INFORMATION)

No taxable benefits were paid to employees during the year (2023-24: gifts—£207; entertaining—£519; homeworking—£704; eyecare—£690; tax and national insurance on benefits—£1,718).

FAIR PAY DISCLOSURE (AUDITED INFORMATION)

Reporting bodies must disclose the relationship between the remuneration of the highest-paid director in their organisation and other employees. The following table sets out information on

[8] Appointed as interim chair from 21 October 2024
[9] Appointed 15 July 2024 as an interim member
[10] Appointed 15 July 2024
[11] Resigned 30 April 2025
[12] Resigned 21 October 2024
[13] Resigned 14 February 2024

staff remuneration and numbers, including the relationship between the remuneration of the highest-paid director and that of other employees.

Metric	2024-25	2023-24	% change
Staff remuneration – lowest (£000)	25 – 30	25 - 30	
Staff remuneration – highest (£000)	140 - 145	210 - 215	
Highest paid director (CEO) (£000)	140 - 145	210 – 215	
Average salary, excluding the CEO (£000)	60 - 65	60 – 65	
25th percentile (£)	39,464	42,897	↓8%
25th percentile pay ratio	3.6	5.0	
50th percentile (£)	45,024	43,818	↑3%
50th percentile pay ratio	3.2	4.9	
75th percentile (£)	89,914	101,515	↓11%
75th percentile pay ratio	1.6	2.11	
Average number of persons employed, including the CEO	22	25	
Average number of persons employed - directors	4	5	
Average number of persons employed – other employees	18	20	
Average number of persons employed – agency staff	0.4	-	

The reduction in the highest paid director’s remuneration from £210–215k in 2023–24 to £140–145k in 2024–25 reflects the change in Chief Executive during the previous year and the appointment of a new Chief Executive on revised terms. This has also contributed to lower pay ratios across the organisation.

Average salaries for staff excluding the Chief Executive remained stable at £60–65k. Movements in the 25th, 50th and 75th percentiles reflect the organisation’s relatively small size and the impact of vacancies during the restructure.

The average number of staff employed during the year decreased from 25 to 22 FTE, mainly due to vacant posts arising from the organisational change programme. Within this, the average number of directors fell from five to four. Temporary agency staff were also engaged for part of the year, averaging 0.4 FTE, to provide specialist HR and project management support.

EXIT PACKAGES

No exit packages were paid to employees during the year (2023-24: £86,268 paid to the former Chief Executive following his resignation, effective 31 December 2023). A voluntary severance arrangement for a leadership team member was agreed upon after the year-end and is therefore not included within the figures reported for 2024–25. Further details are provided in the note on significant events since the end of the financial year in section 2.1.

Staff composition

At the end of the financial year, the number of employees of each sex was as follows:

	Male	Female	Total
Directors	2	1	3
Other employees	10	9	19
Agency staff	-	2	2

Total staff costs for the year were £2,105,159 (2023-24: £2,378,966). Staff costs are outlined in more detail in note 3.5.4 of the financial statements.

All employees hold permanent UK employment contracts. As mentioned above, two part-time agency staff were in place to support the organisational change programme. One provided HR support for two and a half days per week from July 2024, while the other was appointed in February 2025 as a project manager to assist with the programme's delivery.

OTHER EMPLOYEE INFORMATION

Key employee metrics

The table below outlines the key staff metrics for the year. The information does not include agency staff.

	2024-25			2023-24		
Metric	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Total staff employed (%, avg FTE)	50%	50%	**22**	51%	49%	**25**
Of which were recruited in the year	*68%*	*32%*	***0.5***	*100%*	*-*	***1***
Part-time workers (%, avg FTE)	-	-	**-**	-	-	**-**
Of which were recruited in the year	-	-	**-**	-	-	**-**

	2024-25			2023-24		
Metric	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Employees earning < £25,000	-	-	**-**	-	-	**-**
Employees earning £25,001 - £40,000	38%	62%	**4**	29%	71%	**5**
Employees earning £40,001 - £80,000	52%	48%	**11**	56%	34%	**11**
Employees earning > £80,000	57%	43%	**7**	61%	39%	**8**
Employees aged 16 - 24	-	-	**-**	100%	-	**1**
Employees aged 25 – 34	50%	50%	**10**	46%	54%	**13**
Employees aged 35 - 49	51%	49%	**7**	57%	43%	**7**
Employees aged 50+	52%	48%	**4**	60%	40%	**5**
Employees from ethnic minorities	-	-	**-**	-	-	**-**
Of which were recruited in the year	-	-	**-**	-	-	**-**
Employees with a declared disability	-	-	**-**	-	-	**-**
Of which were recruited in the year	-	-	**-**	-	-	**-**
Staff turnover (%)	9%	18%	**14%**	16%	8%	**12%**
Of which were recruited in the year	-	-	**-**			
Average number of sick days per person	-	26	**13**	-	7	**4**
Average length of absences (days)	1	13	**12**	1	9	**7**

Equality and diversity in our workplace

We remain committed to valuing and promoting equal opportunities and diversity in all aspects of our work. Our workforce in 2024–25 remained evenly balanced between men and women (50/50), consistent across most age groups. Staff are represented across all pay bands, though women are more strongly represented in the £25,001–£40,000 range while men predominate at higher levels.

We adhere to the Scottish Government’s Pay Policy, which ensures a progressive approach to pay and protects those on lower incomes. Our staff handbook sets out our equal opportunities policy, and we actively promote a culture in which all employees can develop their potential, regardless of protected characteristics.

Throughout the year, all employees participated in equality, diversity, and inclusion training, demonstrating our ongoing commitment to awareness and improvement.

Sickness absence and staff turnover

Staff turnover decreased slightly this year, from 17% in 2023–24 to 14% in 2024–25. Female staff experienced higher turnover (18%) than male colleagues (9%).

Sickness absence also increased significantly, with the average number of sick days per person rising to 13, compared with 4 the previous year. The average length of absence also increased from 7 to 12 days.

We continue to provide supportive policies for employees experiencing ill health, including flexible return-to-work arrangements. In addition, our confidential employee assistance programme offers counselling and guidance for staff, helping to address personal and work-related concerns. These trends highlight the importance of our renewed focus on health and well-being.

Health, safety and well-being

Our health and safety policy is committed to providing a safe and supportive working environment. Most staff continued to work from home during the year, though a phased return to office working began in 2024–25. Annual workstation assessments were carried out for all employees, with equipment and well-being needs followed up on individually.

Staff survey results on hybrid working showed that many colleagues value flexibility, the opportunities for collaboration, and the real-time support that an office environment provides. These insights have helped inform the new hybrid working policy, which requires a minimum office presence of two days per week on average, every quarter.

We undertook several well-being initiatives during the year, including surveys and workshops to explore feedback in more depth. The recent internal audit on whistleblowing highlighted the need to strengthen our processes and engagement in this area.

Following the appointment of a Head of HR, collaborative work is ongoing to review, develop, and refresh employment policies to ensure they are legally compliant, comprehensive, user-friendly, and designed to ensure fairness, equity, and consistency. The level of employee engagement in executing these policies, and the design of these policies themselves, underpin the continuing journey of cultural change at WICS.

Alongside an annual national HSE Wellbeing Survey, which was rolled out in 2024-25, a tailored staff survey is being designed to capture eight areas of the employee experience within WICS. This will identify areas requiring more definition, support, focus, or investment to enhance employees' lived experiences.

Learning and development

We actively encourage learning and development for all staff. Our performance management and development framework supports the identification of training needs and opportunities, and we continued to invest in professional development throughout the year.

The appointment of a dedicated HR resource in 2025 has enabled us to strengthen this work. In August 2025, the Audit and Risk Committee and the Board approved new employment policies on recruitment and selection, performance management, career development, training and development, and hybrid working.

Recruitment activity

Recruitment activity during 2024–25 was limited, but three new colleagues joined towards the end of the financial year as part of our organisational change programme. This marked the beginning of a planned renewal and growth period, with further recruitment planned in both the regulatory and corporate services directorates as the change programme progresses.

WICS remains committed to promoting equality and diversity across the organisation, and this commitment has been highlighted within the new recruitment and selection policy, specifically in recognising areas of current underrepresentation in the organisation structure.

2.5 Parliamentary accountability report

FUNDING

We have a corporate plan, which has been agreed upon with Scottish Ministers and published on our website. We agree with the Scottish Government on the issues to be addressed in the plan and the timetable for its preparation and review. The finalised plan reflects our strategic aims and objectives as agreed by Scottish Ministers, indicative budgets and any priorities set by Scottish Ministers.

Under the 2002 Act, as amended by the 2005 Act, WICS is funded by a levy paid by Scottish Water. Following approval by Scottish Ministers of the corporate plan, the sponsor directorate instructs Scottish Water to pay the amount, determined by WICS, every month. Fees are payable by licensed providers on a cost-recoverable basis, sufficient to meet the costs WICS incurs in exercising its functions relating to water and sewerage services.

The corporate plan, or elements thereof, is updated between Strategic Reviews as and when necessary, and a copy is provided to the sponsoring unit before the Strategic Review period starts.

LOSSES AND SPECIAL PAYMENTS

There were no losses or special payments in the year (2023-24: £nil).

GIFTS

No gifts were made during 2024-25 (2023-24: £192).

CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2025 other than those disclosed at note 3.5.13 (2023–24: £nil).

David Satti
Accountable Officer
11 December 2025

2.6 Independent Auditor's Report

Independent auditor's report to the members of the Water Industry Commission for Scotland, the Auditor General for Scotland and the Scottish Parliament

REPORTING ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of the Water Industry Commission for Scotland for the year ended 31 March 2025 under the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2025 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2024/25 FReM; and
- have been prepared in accordance with the requirements of the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005, and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

REPORTING ON REGULARITY OF EXPENDITURE AND INCOME

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORTING ON OTHER REQUIREMENTS

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005, and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005, and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Water Industry (Scotland) Act 2002, as amended by the Water Services etc. (Scotland) Act 2005, and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

USE OF MY REPORT

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, 8 Nelson Mandela Place
Glasgow, G2 1BT

12 December 2025

Part 3: Financial statements

3.1 Statement of comprehensive net expenditure for the year ended 31 March 2025

The notes on pages 65-89 form part of these financial statements	Notes	31 March 2025 £	31 March 2024 £ restated
Income			
Income from activities	3.5.2	4,134,420	4,519,241
Expenditure			
Staff costs	3.5.4	(2,353,159)	(2,714,966)
Depreciation	3.5.6	(11,322)	(13,782)
Other expenditure	3.5.5	(799,488)	(987,386)
		(3,163,969)	(3,716,134)
Operating surplus		970,451	803,107
Interest receivable		122,180	84,632
Net surplus for the year after interest		**1,092,631**	**887,739**
Corporation tax payable		(28,472)	(14,924)
Other comprehensive net income			
Actuarial gain	3.5.14	101,000	127,998
Total comprehensive net income		**1,165,159**	**1,000,813**

All income and expenditure related to continuing activities.

3.2 Statement of financial position as at 31 March 2025

The notes on pages 65-89 form part of these financial statements	Notes	31 March 2025 £	31 March 2024 £ restated
Non-current assets			
Property, plant, and equipment	3.5.6	30,100	20,389
Property lease	3.5.7	103,243	50,629
Long-term lease payments receivable		-	58,948
Total non-current assets		**133,343**	**129,966**
Current assets			
Other receivables	3.5.8	64,762	178,363
Cash and cash equivalents		5,956,309	4,938,033
Total current assets		**6,021,071**	**5,116,396**
Current liabilities			
Trade payables and other current liabilities	3.5.9	(196,948)	(334,388)
Lease payments payable		(103,243)	(109,333)
Total current liabilities		**(300,191)**	**(443,721)**
Non-current liabilities			
Lease payments payable		-	(109,577)
Provisions	3.5.10	(67,000)	(67,000)
Total net assets, excluding pension liabilities		**5,787,223**	**4,626,064**
Pension scheme liability	3.5.14	(29,000)	(33,000)
Net assets		**5,758,223**	**4,593,064**
General reserve		5,787,223	4,626,064
Pension reserve		(29,000)	(33,000)
Total equity		**5,758,223**	**4,593,064**

The Board approved the financial statements on 11 December 2025.
The Accountable Officer authorised these financial statements to be issued on 11 December 2025.

David Satti
Accountable Officer

11 December 2025

3.3 Statement of cashflows for the year to 31 March 2025

The notes on pages 65-89 form part of these financial statements	Notes	31 March 2025	31 March 2024 restated
Cash flows from operating activities		**£**	**£**
Operating surplus		970,451	803,107
Adjustments for non-cash items			
Difference in pension costs compared to contributions	3.5.14	98,000	130,000
Depreciation on tangible non-current assets	3.5.6	11,322	13,782
Finance costs		(1,000)	(3,000)
Decrease in provision	3.5.10	-	(47,797)
Loss on disposal of fixed assets		2,476	-
Movements in working capital			
Decrease in other receivables	3.5.8	119,935	577,261
Increase in trade payables and other liabilities	3.5.9	(253,107)	(53,739)
Net cash inflow from operating activities		**948,077**	**1,419,614**
Cash flows from investing activities			
Purchase of property, plant, and equipment	3.5.6	(23,511)	(8,328)
Net cash outflow from investing activities		**(23,511)**	**(8,328)**
Cash flows from financing activities			
Interest received		122,180	84,632
Corporation tax payable		(28,472)	(14,924)
Net inflow from financing activities		**93,708**	**69,708**
Net increase in cash and cash equivalents		**1,018,276**	**1,480,994**
Cash as at 1 April		4,938,033	3,457,039
Cash as at 31 March		5,956,309	4,938,033
Net increase in cash and cash equivalents		**1,018,276**	**1,480,994**

3.4 Statement of changes in equity for the year ended 31 March 2025

The general and pension reserves are analysed in note 3.5.11	£
Balance at 1 April 2023	**3,592,251**
Total comprehensive net income for the year 2023-24	1,000,813
Balance as at 31 March 2024	**4,593,064**
Total comprehensive net income for the year 2024-25	1,165,159
Balance as at 31 March 2025	**5,758,223**

The notes on pages **65-89** form part of these financial statements.

3.5 Notes to the financial statements

3.5.1 ACCOUNTING POLICIES

The financial statements are prepared in a form determined by Scottish Ministers, in accordance with the Water Industry Act 1999, as amended by the Water Industry (Scotland) Act 2002 and the Water Services etc. (Scotland) Act 2005.

The financial statements are prepared as required by the Accounts Direction issued by Scottish Ministers and prepared in accordance with the FReM issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public-sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to our circumstances for the purpose of giving a true and fair view has been selected. The policies adopted are described below. They have been consistently applied in dealing with items considered material to the financial statements.

The preparation of the financial statements in conformity with the FReM requires the use of certain critical accounting estimates. It requires management to exercise judgment in applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below in "critical accounting estimates and key judgements".

The Board and Accountable Officer have considered the budget for 2025-26, including the statutory contribution from Scottish Water and Licensed Provider levies, and consider that WICS has adequate resources to continue operating for the foreseeable future. The financial statements are, therefore, prepared on a going concern basis.

(i) Accounting convention

These financial statements have been prepared under the historical cost convention, which has been modified to account for the revaluation of property, plant, equipment, and intangible assets.

(ii) Critical accounting estimates and key judgements

Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. WICS makes estimates and assumptions concerning the future. By definition, the resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension
The present value of the pension obligations depends on several factors that are determined on an actuarial basis using several assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

WICS is ultimately responsible for the financial and demographic accounting assumptions adopted, based on actuarial advice. WICS determines the appropriate discount rate at the end of each year, taking into account information provided by actuaries. This interest rate should be used to determine the present value of estimated future cash outflows required to settle the pension obligations. In determining the appropriate discount rate, WICS considers the interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, which have maturity terms approximating the related pension liability terms.

Other key assumptions for pension obligations are based partly on current market conditions. Additional information is disclosed in note 3.5.14.

Dilapidation provision
The provision for dilapidations is based on an estimate provided by a property management company, covering the anticipated costs of restoring the leased property to its original condition as required by the lease agreement. This estimate is reviewed periodically to ensure it remains reasonable under current market conditions.

Estimating the dilapidation provision involves judgment about the likely scope and cost of future remedial work at the end of lease terms. Changes in these assumptions or costs may result in adjustments to the provision within the next financial year. Information on the dilapidation provision can be found in note 3.5.10.

(iii) Newly adopted IFRS
No newly adopted IFRS' have been applied to these financial statements.

(iv) IFRSs issued, not yet adopted
The FReM requires bodies to disclose information on new accounting standards that have been issued but are not yet adopted. The following standards have been issued by the International Accounting Standards Board (IASB) but have not yet been adopted by HM Treasury for application within the public sector.

IFRS 17 Insurance Contracts
IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and is expected to be adopted by the FReM from April 2025. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. WICS does not issue insurance contracts; therefore, this standard is not expected to have any impact on the financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements
FRS 18 is effective for accounting periods beginning on or after 1 January 2027. It has not yet been endorsed by the UK Endorsement Board or adopted by HM Treasury. The standard will replace IAS 1 and introduce a new structure for the primary financial statements and associated disclosures. WICS will assess the impact of this standard once adoption guidance is available, although it is not expected to have a material impact on the recognition or measurement of balances.

No other new or amended standards or interpretations issued by the IASB are expected to have a material effect on WICS's future financial statements.

(v) Leases

Under IFRS 16, lessees and lessors must recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, WICS has elected to utilise the capitalisation threshold of £500 to determine the assets to be disclosed.

All existing operating leases fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. New contracts and contract renegotiations will be considered under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the statement of financial position as (i) right-of-use assets, which represent the Board's right to use the underlying leased assets; and (ii) lease liabilities, which represent the obligation to make lease payments.

The value of lease payments will generally be assumed to be a fair proxy for the economic benefits derived from the related right-of-use asset and used to depreciate the asset over the life of the lease.

(vi) Furniture and fittings and information technology

Furniture and fittings and information technology are recorded in the financial statements at depreciated replacement cost because their fair market value is not readily available.

Depreciation is calculated monthly and charged on cost less estimated residual value on a straight-line basis over the expected useful lives of up to a maximum of:

- furniture and fittings: 10 years, which is not more than the lease term of the building in which the furniture and fittings are located; and
- information technology: 4 years.

WICS considers that all the assets in these categories have short useful lives, and the depreciation rates provide a realistic reflection of consumption and reduction in carrying value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(vii) Financial assets

Classification

WICS classifies financial assets as ‘loans and receivables.’ WICS does not hold any financial assets that would be classified as ‘available for sale’ or ‘held-to-maturity.’ The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise other receivables and cash and cash equivalents.

Recognition and measurement

Financial assets are recognised when WICS becomes a party to the contractual provisions of the financial instrument. Financial assets are no longer recognised when the rights to receive cash flows from the asset have expired or we have transferred all risks and rewards of ownership.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The carrying amount of the asset is reduced using a provision account and the amount of the loss is recognised in the comprehensive statement of income and expenditure. When a loan or receivable is uncollectible it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited in the comprehensive statement of income and expenditure.

(viii) Financial liabilities

Classification

WICS classifies financial liabilities on initial recognition as other financial liabilities. Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. Our other financial liabilities comprise trade and other payables in the balance sheet.

Recognition and measurement

Financial liabilities are recognised when WICS becomes party to the contractual provisions of the financial instrument. A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled, or expired. Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

(x) Provisions

Provisions are recognised when WICS has a present legal or constructive obligation because of past events; an outflow of resources will probably be required to settle the obligation; and the amount has been reliably estimated.

Where there are several similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

(xi) Income and expenditure

Funding is by way of a statutory contribution paid by Scottish Water, as directed by Scottish Ministers. Licensing activity is funded by a levy charged to Licensed Providers. Income is also received from the beneficiaries of support provided by WICS in relation to Hydro Nation activities.

From 1 July 2021, WICS sub-let its premises in Stirling. Rental income from the property is recorded as rental income. Other income in relation to the sub-lease includes service charges and building insurance, recharged at cost and included within “other income”. The sub-lease ended on 31 December 2024.

Purchases of goods and services are recorded as expenditure when the goods or services are received rather than when payments are made.

All income and expenditure is recognised in the statement of comprehensive net expenditure in the period to which it relates.

(xii) Value added tax

Most of WICS’ activities are outside the scope of Value Added Tax (VAT) and, in general, WICS is not required to declare output tax to HMRC on the income it receives. Correspondingly, WICS is not entitled to recover VAT that it incurs on costs (input tax) in relation to these activities that fall outside the scope of VAT. Such irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets.

(xiii) Corporation tax

Similarly, most of WICS' activities are outside the scope of corporation tax. However, corporation tax is payable on bank interest received from cash deposits held and profits made from rental income. WICS submits a corporation tax return to HMRC each year to declare this tax obligation.

(xiv) Employee benefits

WICS' employees are members of the Local Government Pension Scheme (the Scheme) administered by Falkirk Council. The Scheme is a tax approved, defined benefit occupational pension scheme and the scheme regulations are made under the Public Service Pension Schemes Act 2013 and, in the case of the Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014, under the Superannuation Act 1972. The Scheme is contracted out of the State Second Pension scheme and meets the government's standards under the automatic enrolment provisions of the Pensions Act 2008.

The Scheme is accounted for on a defined benefit basis under IAS 19 Employee Benefits (IAS 19). Assets and liabilities of the Scheme are held separately from those of WICS. The Scheme's assets are measured using market values and the Scheme's liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated to spread the cost of pensions over employees' working lives. The contributions are determined by an actuary based on triennial valuations using the Age Attained Method. The actuaries review the progress of the Scheme in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Scheme after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Scheme is recognised in the statement of comprehensive expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

The statement of comprehensive expenditure includes the net impact of returns on the Scheme's assets and interest on the Scheme's liabilities, which is disclosed (net) as other finance income or interest payable. A pension scheme asset is recognised on the balance sheet only to the extent the surplus may be recovered by reduced further contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that we have a legal or constructive obligation to settle the liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the statement of comprehensive net expenditure in the period in which they arise.

Past-service costs are recognised immediately in income and expenditure, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(xv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. WICS recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(xvi) Segmental reporting

Operating segments are identified based on internal reports about components of WICS that are regularly reviewed by the chief operating decision makers in order to allocate resources to the segments and assess their performance.

3.5.2 INCOME

Income source	31 March 2025	31 March 2024
	£	£
Scottish Water statutory contribution	2,324,813	2,301,795
Levy on licensed providers	1,718,013	1,718,013
Hydro Nation income	-	379,419
Rental income	78,702	100,657
Other income	12,892	19,357
Total income	**4,134,420**	**4,519,241**

3.5.3 ANALYSIS OF NET EXPENDITURE BY SEGMENT

Activity reporting analyses costs by income stream, allowing for a better understanding of how (and against which activities) resources are being deployed. Below is a summary of the full-year report.

Contribution to overheads by activity	31 March 2025	31 March 2024 Restated
	£	**£**
Network Regulation	1,333,379	997,740
Retail	1,364,539	1,316,890
Hydro Nation	(9,498)	(84,473)
Total contribution to overheads	**2,688,420**	**2,230,157**
Overheads	(1,717,969)	(1,427,050)
Net surplus for the year before interest and taxation	**970,451**	**803,107**

3.5.4 STAFF RELATED COSTS

	31 March 2025	31 March 2024 Restated
	£	**£**
Wages and salaries	1,621,845	1,897,572
Social security costs	192,302	227,790
Pension costs	463,286	589,604
Agency staff	75,726	-
Staff costs per statement of comprehensive net expenditure	**2,353,159**	**2,714,966**

The cash contributions made to the pension scheme are disclosed in note 3.5.14.

3.5.5 OTHER EXPENDITURE

	31 March 2025	31 March 2024 restated
	£	£
Travel and subsistence	22,793	162,015
Office accommodation	18,935	(25,975)
Payment of lease liabilities	104,877	101,244
General operating costs	211,172	231,929
Regulation and licensing costs	298,938	348,726
Recruitment	40,356	35,349
Information technology	100,986	109,388
Finance charges	1,431	24,710
	799,488	**987,386**

The operating costs for the year are stated after charging the external audit fee of £22,963 (2023-24: £22,460). Payment of lease liabilities represents the rent payments made for office space at Moray House in Stirling during the year. For full details of lease disclosures, see note 3.5.7. Other accommodation expenditure relates to the service charge for Moray House. External consultants provide services categorised under regulation and licensing costs.

3.5.6 PROPERTY, PLANT AND EQUIPMENT

	Information technology	Furniture and fittings	Total
Cost	**£**	**£**	**£**
At 31 March 2024	140,080	171,084	311,164
Additions	23,511	-	23,511
Disposals	(106,350)	-	(106,350)
At 31 March 2025	57,241	171,084	228,325
Depreciation			
At 31 March 2024	119,692	171,084	290,776
Charge for the year	11,322	-	11,322
Eliminated on disposals	(103,873)	-	(103,873)
At 31 March 2025	27,141	171,084	198,225
Net book value at 31 March 2025	**30,100**	**-**	**30,100**
Net book value at 31 March 2024	**20,388**	**-**	**20,388**

	Information technology	Furniture and fittings	Total
Cost	**£**	**£**	**£**
At 31 March 2023	131,751	171,084	302,835
Additions	8,328	-	8,328
Disposals	-	-	-
At 31 March 2024	140,080	171,084	311,164
Depreciation			
At 31 March 2023	105,910	171,084	276,994
Charge for the year	13,782	-	13,782
Eliminated on disposals	-	-	-
At 31 March 2024	119,692	171,084	290,776
Net book value at 31 March 2024	**20,388**	**-**	**20,388**
Net book value at 31 March 2023	**25,841**	**-**	**25,841**

3.5.7 LEASES

Right-of-use asset

WICS has one lease for an office building. The lease is recognised on the statement of financial position as a right-of-use asset, valued at the amount payable to the landlord, Stirling Council, until the expiry of the lease on 13 March 2026. Corresponding lease liabilities are recorded on the statement of financial position and are reduced by payments made to the landlord over the lease term.

Sub-lease and shared use of right-of-use asset

Since 1 July 2021, WICS has sublet the office premises to Zero Waste Scotland (ZWS) under an agreement running to 30 September 2025, with an option to extend to 13 March 2026. This sublease arrangement reduced the right-of-use asset on the statement of financial position by the value of rent payable by ZWS over the life of the sublease, reflecting the transfer of economic benefits. A lease debtor was recognised for the value of lease payments due from ZWS, which has been reducing as payments are made.

From October 2024, WICS began using the premises alongside ZWS under a shared space arrangement. This was on an informal trial basis and did not alter the underlying financial terms of the sub-lease. The arrangement allowed WICS to host meetings and provide staff with a more stable base, reducing reliance on external venues.

With effect from 1 January 2025, WICS and ZWS began a space-sharing arrangement. Under this arrangement, WICS continued to share occupancy of the premises and no longer charged rent and service charges to ZWS. ZWS remained responsible for the ongoing management of facilities and associated costs. This arrangement will remain in effect until the end of the head lease.

Starting on 1 September 2025, marking the end of the original sub-lease agreement, WICS will begin to be recharged by ZWS for its share of facility costs.

Following the change in arrangement from 1 January 2025, no further lease debtor is recognised in respect of ZWS.

Depreciation of right-of-use asset

Depreciation was not charged on the right-of-use asset during the term of the sub-lease, as the economic benefits had been transferred to ZWS and reflected accordingly.

From 1 January 2025, following the introduction of the shared occupancy arrangement and the change in financial responsibility, depreciation is resumed. The lease payments made by WICS are used as a proxy for the economic benefits derived from the right-of-use asset over the remainder of the lease term.

Right-of-use asset	Note	Property £
Cost at 1 April 2024		50,629
Movement in lease value and payments (made)/received		(33,225)
Recognition of asset upon renunciation of lease by ZWS		85,839
Cost at 31 March 2025		103,243
Depreciation at 1 April 2024		-
Depreciation at 31 March 2025		-
Carrying amount at 31 March 2025		**103,243**
Carrying amount at 1 April 2024		50,629

The table below outlines the total future lease payments due under the office building.

Payments due by WICS, as lessee	**Year ended 31 March 2025**	**Year ended 31 March 2024**
	£	**£**
Not later than one year	103,243	109,333
Later than one year and not later than five	-	109,577
Total	**103,243**	**218,910**

Total future lease payments receivable from ZWS are outlined in the table below.

Payments receivable by WICS, from lessor	**Year ended 31 March 2024**	**Year ended 31 March 2024**
	£	**£**
Not later than one year	-	109,333
Later than one year and not later than five	-	58,948
Total	**-**	**168,281**

3.5.8 OTHER RECEIVABLES

Current receivables	31 March 2025	31 March 2024
By category:	**£**	**£**
Prepayments	50,285	27,092
Lease payments due < 1 year	-	109,333
Other receivables	14,477	41,938
Total other receivables	**64,762**	**178,363**

Lease payments due < 1 year in 2023-24 related to payments from ZWS for the sub-lease on Moray House. As the sub-lease was renounced on 31 December 2024, no further payments are due.

Intra-government receivables	31 March 2025	31 March 2024
	£	**£**
Central government	5,561	6,001
Local authorities	17,450	-
Bodies external to government	41,751	172,362
Total other receivables	**64,762**	**178,363**

3.5.9 CURRENT LIABILITIES

Current payables	31 March 2025	31 March 2024 restated
By category	**£**	**£**
Trade payables	22,920	10,636
Taxation and Social Security	44,253	121,032
Accruals	93,453	154,973
Lease payments due < 1 year	103,243	109,333
Pension	36,322	47,747
Total current liabilities	**300,191**	**443,721**

Intra-government payables	31 March 2025	31 March 2024
	£	**£**
Local Authorities	144,875	146,831
Central Government	86,990	158,303
Bodies external to government	68,326	138,587
Total current liabilities	**300,191**	**443,721**

3.5.10 PROVISIONS FOR LIABILITIES AND CHARGES

	2024-25	2023-24
	£	**£**
Opening balance	67,000	114,793
Provided in the year	-	(47,793)
Closing balance	**67,000**	**67,000**

The dilapidation costs provision relates to WICS' contractual duty to repair leasehold property upon termination of the lease. It is made for the estimated costs of fully repairing leasehold properties at the end of the financial year. A professional assessment of the expected dilapidation costs was undertaken in 2023-24 to determine the value of this provision. Management has reviewed this assessment during the current financial year and considers it to remain a reasonable and accurate estimate of the costs required to meet WICS' obligations under the lease.

3.5.11 NOTE TO STATEMENT OF CHANGE IN EQUITY

	Note	General reserve	Pension Reserve	Total reserve
		£	£	£
Balance at 1 April 2023		3,626,251	(34,000)	3,592,251
Net surplus for the year (restated)		999,813	1,000	1,000,813
Balance as at 31 March 2024		4,626,064	(33,000)	4,593,064
Net surplus for the year		1,161,159	4,000	1,165,159
Balance as at 31 March 2025		**5,787,223**	**(29,000)**	**5,758,223**

3.5.12 PRIOR YEAR ADJUSTMENTS

Pension accounting (IAS19)
WICS completed a review of the accounting treatment applied to employee pension contributions under IAS 19 *Employee Benefits*. In previous periods, employer pension contributions were reversed in the Statement of Comprehensive Net Expenditure. Under IAS 19, employee contributions that are linked to service should instead be recognised as a reduction in the current service cost. This treatment was therefore not consistent with the requirements of IAS 19.

In accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, the comparative figures for 2023–24 have been restated to correct this prior-period error. The cumulative adjustment as at 1 April 2023 has been recognised directly in reserves.

The impact of this adjustment is an increase in staff costs and a corresponding reduction in net income for the comparative period, together with a reversal of the previously recognised actuarial loss. The adjustment does not affect cash balances, the net pension asset or liability recognised on the Statement of Financial Position, nor does it affect the employer's funding obligations to the Scheme. There is no impact on key performance indicators disclosed in this report.

Impacted area	Originally stated (£)	Adjustment (£)	Restated 2023-24 (£)
Staff costs	2,378,966	336,000	2,714,966
Actuarial gain/(loss)	(208,002)	336,000	127,998

Travel cost accrual adjustment

During 2024–25, a payment was identified as relating to activity undertaken in the previous financial year. As the cost should have been recognised in 2023–24, an adjusting journal has been made to accrue the expense in the correct period, with the entry reversing in 2024–25 when the payment was made. The table below sets out the accounts affected by this adjustment.

Impacted area	Originally stated (£)	Adjustment (£)	Restated 2023-24 (£)
Travel and subsistence	159,555	2,460	162,015
Accruals	152,513	2,460	154,973

3.5.13 COMMITMENTS AND CONTINGENT LIABILITIES

(i) Capital commitments

There were no capital commitments at 31 March 2025 (2023-24: £nil).

(ii) Contingent liabilities

Subsequent to the balance sheet date, a legal claim was lodged against WICS and continues to be subject to ongoing legal proceedings. At this stage in the process, it is not possible to determine the likelihood of an outflow of economic benefit, nor to quantify any potential financial impact.

3.5.14 PENSION

(i) Background

Most of WICS' and some former employees are members of the Local Government Superannuation Scheme administered by Falkirk Council. This scheme is a defined benefit scheme.

In the period, WICS paid contributions totalling £498k (2023-24: £462k) into the Fund. Under the Superannuation Regulations, contributions are set to meet 100% of the Fund's overall liabilities. WICS has been advised that specific (minimum) rates for employer contributions in 2025-26 will be 24.5% (2024-25: 24.5%).

In accordance with IAS 19 WICS commissioned the Fund's actuaries to undertake a valuation as at 31 March 2025. This calculation was based on rolling forward valuation data at 31 March 2023 (the last formal valuation) to 31 March 2025 based on several financial assumptions. The main financial assumptions used included:

Financial assumptions	31 March 2025 % p.a.	31 March 2024 % p.a.
Pension Increase Rate (CPI)	2.75	2.75
Salary Increase Rate	3.25	3.25
Discount rate	5.80	4.85

The average future life expectancies at age 65 are summarised below.

Financial assumptions	Males	Females
Current pensioners (years)	21.3	21.1
Future pensioners (years)	23.2	25.1

(ii) Change in the fair value of plan assets, defined benefit obligation and net liability for the year ended 31 March 2025 (continued on next page)

	Assets	Obligations	Impact of asset ceiling adjustment	Net (liability)/ asset
	£(000)	**£(000)**	**£(000)**	**£(000)**
Fair value of employer assets	12,837	-	-	12,837
Present value of funded liabilities	-	9,712	-	(9,712)
Present value of unfunded liabilities	-	33	-	(33)
Effect of the asset ceiling	-	-	(3,125)	(3,125)
Opening position as at 31 March 2024	**12,837**	**9,745**	**(3,125)**	**(33)**
Current service cost	-	223	-	(223)
Total service cost	**-**	**223**	**-**	**(223)**
Net interest				
Interest income on plan assets	629	-	-	629
Interest cost on defined benefit obligation	-	476		(476)
Interest on the effect of the asset ceiling	-	-	(152)	(152)
Total net interest	**629**	**476**	**(152)**	**1**
Total defined benefit cost recognised in profit	**629**	**699**	**(152)**	**(222)**
Cashflows				
Participants' contributions	125	125	-	-
Employer contributions	370	-	-	370
Estimated benefits paid	(199)	(199)	-	-
Estimated unfunded benefits paid	(3)	(3)	-	-
Estimated contributions in respect of unfunded benefits paid	3	-	-	3
Expected closing position	**13,762**	**10,367**	**(3,277)**	**118**
Re-measurements				
Changes in financial assumptions	-	(1,784)	-	1,784

	Assets	Obligations	Impact of asset ceiling adjustment	Net (liability)/ asset
Changes in demographic assumptions	-	(14)	-	14
Other experience	-	(98)	-	98
Return on assets, excluding amounts included in net interest	(427)	-	-	(427)
Changes in the effect of the asset ceiling	-	-	(1,616)	(1,616)
Total re-measurements recognised in Other Comprehensive Income (OCI)	**(427)**	**(1,896)**	**(1,616)**	**(147)**
Fair value of employer assets	**13,335**	-	-	**13,335**
Present value of funded liabilities	-	8,442	-	(8,442)
Present value of unfunded liabilities	-	29	-	(29)
Effect of the asset ceiling	-	-	-	
Closing position as at 31 March 2025	**13,335**	**8,471**	**(4,893)**	**(29)**

Pension assets and liabilities recognised in the statement of financial position

The amount included in the statement of financial position arising from WICS' obligation with respect to the pension scheme is usually the net liability represented by the present value of the defined benefit obligation and the fair value of the plan assets. Similarly, to the position for the previous two financial years, the actuarial gains arising from changes in the financial assumptions have resulted in a net asset position.

IAS 19 requires that the net defined benefit asset recognised in the statement of financial position is measured at the lower of the net asset position in the defined benefit fund and the asset ceiling. The asset ceiling is defined as “the present value of any economic benefits available in the form of refunds from the plan, or reductions in future contributions to the plan”. As a result, the net pension asset to be recognised in the statement of financial position has been revised to reflect the asset ceiling adjustment advised by our actuaries, Hyman Robertson.

	2024-25	2023-24
	£(000)	**£(000)**
Present value of the defined benefit obligation	(8,471)	(9,745)
Fair value of plan assets	13,335	12,837
Closing position at 31 March	4,864	3,092
Asset ceiling adjustment	(4,893)	(3,125)
Net liability arising from defined benefit obligation	**(29)**	**(33)**

The liability of £29,000 represents the present value of unfunded pension liabilities as at 31 March 2025.

Asset ceiling adjustment

In accordance with IAS 19 and the guidance issued under the International Financial Reporting Interpretations Commission – Interpretation 14 (IFRIC 14), the asset ceiling has been determined as follows:

	2024-25	2023-24
	£(000)	**£(000)**
Net present value of estimated future service costs	5,751	15,408
Net present value of future contributions	(16,216)	(27,718)
	(10,465)	**(12,310)**

As the present value of future contributions is greater than the present value of future service costs, the net asset is restricted to zero on 31 March 2025. However, the present value of unfunded pension liabilities is required to be disclosed at the end of the financial year, totalling £29k, as disclosed above.

(iii) Change in the fair value of plan assets, defined benefit obligation and net liability for the year ended 31 March 2024 (continued on next page)

	Assets	Obligations	Impact of asset ceiling adjustment	Net (liability)/ asset
	£(000)	**£(000)**	**£(000)**	**£(000)**
Fair value of employer assets	11,785	-	-	11,785
Present value of funded liabilities	-	8,983	-	(8,983)
Present value of unfunded liabilities	-	34	-	(34)
Effect of the asset ceiling	-	-	(2,802)	(2,802)
Opening position as at 31 March 2023	**11,785**	**9,017**	**(2,802)**	**(34)**
Current service cost	-	256	-	(256)
Total service cost	**-**	**256**	**-**	**(256)**
Net interest				
Interest income on plan assets	570	-	-	570
Interest cost on defined benefit obligation	-	434		(434)
Interest on the effect of the asset ceiling	-	-	(133)	(133)
Total net interest	**570**	**434**	**(133)**	**(3)**
Total defined benefit cost recognised in profit	**570**	**690**	**(133)**	**(253)**
Cashflows				
Participants' contributions	126	126	-	-
Employer contributions	459	-	-	459
Estimated benefits paid	(193)	(193)	-	-
Estimated unfunded benefits paid	(3)	(3)	-	-
Estimated contributions in respect of unfunded benefits paid	3	-	-	3
Expected closing position	**12,747**	**9,637**	**(2,935)**	**175**
Re-measurements				

	Assets	Obligations	Impact of asset ceiling adjustment	Net (liability)/ asset
Changes in financial assumptions	-	(638)	-	638
Changes in demographic assumptions	-	(403)	-	403
Other experience	(261)	1,149	-	(1,410)
Return on assets excluding amounts included in net interest	351	-	-	351
Changes in the effect of the asset ceiling	-	-	(190)	(190)
Total re-measurements recognised in Other Comprehensive Income (OCI)	**90**	**108**	**(190)**	**(208)**
Fair value of employer assets	**12,837**	-	-	12,837
Present value of funded liabilities	-	9,712	-	(9,712)
Present value of unfunded liabilities	-	33	-	(33)
Effect of the asset ceiling	-	-	(3,125)	(3,125)
Closing position as at 31 March 2024	**12,837**	**9,745**	**(3,125)**	**(33)**

(iv) Fair value of plan assets for the period ended 31 March 2025

The asset values below are at bid value as required under IAS 19

Asset category	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of total assets
Equity securities:				
Consumer	1,183.4	-	1,183.4	9%
Manufacturing	1,059.7	-	1,059.7	8%
Energy and utilities	532.0	-	532.0	4%
Financial institutions	921.8	-	921.8	7%
Health and care	455.2	-	455.2	3%
Information technology	720.9	-	720.9	5%
Other	110.3	-	110.3	1%
Debt securities:				
UK Government	1,683.8	-	1,683.8	13%
Other	170.7	-	170.7	1%
Private equity:				
All	-	60.0	60.0	0%
Real estate:				
UK property	-	724.5	724.5	5%
Investment funds and unit trusts:				
Equities	2,114.1	-	2,114.1	16%
Bonds	602.4	-	602.4	5%
Infrastructure	-	1,972.1	1,972.1	15%
Other	-	251.1	251.1	2%
Cash and cash equivalents:				
All	773.0	-	773.0	6%
Totals	**10,327.3**	**3,007.7**	**13,335.0**	**100%**

The table below outlines the asset value, at bid value, for the period ended 31 March 2024.

Asset category	Quoted prices in active markets £(000)	Quoted prices not in active markets £(000)	Total £(000)	Percentage of total assets
Equity securities:				
Consumer	884.9	-	884.9	7%
Manufacturing	1,038.9	-	1,038.9	8%
Energy and utilities	513.0	-	513.0	4%
Financial institutions	945.0	-	945.0	7%
Health and care	472.8	-	472.8	4%
Information technology	961.1	-	961.1	7%
Other	111.2	-	111.2	1%
Debt securities:				
UK Government	1,307.2	-	1,307.2	10%
Other	179.5	-	179.5	1%
Private equity:				
All	-	82.7	82.7	1%
Real estate:				
UK property	-	732.10	732.10	6%
Overseas property	-	0.2	0.2	0%
Investment funds and unit trusts:				
Equities	2,299.3	-	2,299.3	18%
Bonds	607.3	-	607.3	5%
Infrastructure	-	1,969.4	1,969.4	15%
Other	-	316.2	316.2	2%
Cash and cash equivalents:				
All	416.0	-	416.0	3%
Totals	**9,736**	**3,101**	**12,837**	**100%**

(v) Projected defined benefit cost for the period to 31 March 2025

The table below provides an analysis of the projected amount to be charged to operating profit for the period to 31 March 2026.

	Assets £(000)	Obligations £(000)	Net (liability)/ asset £(000)	% of pay
Projected current service cost	-	142	(142)	(9.4%)
Total service cost	**-**	142	**(142)**	
Interest income on plan assets	782	-	782	
Interest cost on defined benefit obligation	-	493	(493)	
Total net interest cost	782	**493**	**289**	
Total included in income statement	**782**	**635**	**147**	

Employer's contributions for the period to 31 March 2026 will be approximately £370,000.

(vi) Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Change in assumptions at 31 March 2025	**Approximate % increase to employer**	**Approximate monetary amount £(000)**
0.1% decrease in real discount rate	2%	166
0.1% increase in the salary increase rate	0%	1
0.1% increase in the pension increase rate (CPI)	2%	170
1 year increase in member life expectancy	4%	339

3.5.15 RELATED PARTY TRANSACTIONS

As WICS is a non-departmental public body sponsored by the Scottish Government, the Scottish Government is regarded as a related party. There have been no transactions between WICS and the Scottish Government.

During the year, WICS has had transactions with other central and local government bodies, including Scottish Water, Falkirk Council, Stirling Council, and Audit Scotland.

All board members and directors complete and update a register of interests annually. During the year, no board member, director or other related party has undertaken any material transactions with WICS.

4. Accounts Direction

WATER INDUSTRY COMMISSION FOR SCOTLAND
DIRECTIONS BY THE SCOTTISH MINISTERS

1. The Scottish Ministers give the following directions to the Water Industry Commission for Scotland ("WICS") in exercise of powers conferred by section 1(3) of the Water Industry (Scotland) Act 2002 (the "2002 Act"), as amended by section 1(1) of the Water Services etc. (Scotland) Act 2005. In accordance with section 1(3) of the 2002 Act, the Scottish Ministers have consulted WICS.

2. The statement of accounts for the financial year ended 31 March 2018, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

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

4. These directions shall be reproduced as an appendix to the statement of accounts.

5. The direction given by the Scottish Ministers to WICS, in relation to statements of accounts, dated 3 October 2006 is revoked.

Signed by the authority of the Scottish Ministers
Dated: 31 July 2018

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WICS Economic regulation for Scotland's water