



Scottish Government Climate Change and Water Industry Directorate

WATERWATCH SCOTLAND

MANAGEMENT STATEMENT (MS) AND FINANCIAL MEMORANDUM (FM) OCTOBER 2008

PART 1: INTRODUCTION

- 1 This management statement and associated financial memorandum (MS / FM) has been drawn up by the Scottish Government's Climate Change & Water Industry Directorate (the sponsor Directorate) in consultation with Waterwatch Scotland (WWS). The management statement sets out the broad framework within which WWS will operate while the financial memorandum sets out certain aspects of the financial framework in greater detail. The MS / FM does not convey any legal powers or responsibilities.
- 2 The MS / FM shall be reviewed and updated periodically by the sponsor Directorate.
- 3 WWS or the sponsor Directorate may propose amendments to the MS / FM at any time. Any such proposals by WWS shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the track record of WWS itself. The guiding principle shall be that the extent of flexibility and freedom given to WWS shall reflect both the quality of its internal controls and its operational needs. The sponsor Directorate shall determine what changes, if any, are to be incorporated in the MS / FM. Legislative provisions shall take precedence over any part of the MS / FM.
- 4 WWS shall satisfy the conditions and requirements set out in the MS / FM, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers / sponsor Directorate may from time to time impose. Any questions regarding the interpretation of the MS / FM shall be resolved by the sponsor Directorate in consultation with WWS.
- 5 Copies of the MS / FM have been placed in the Scottish Parliament Reference Centre and published on the Scottish Government website. Copies shall also be made available on the WWS website and on request.

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1 FUNCTIONS, DUTIES AND POWERS:

1.1 Founding legislation; status

- 1.1.1 Waterwatch Scotland is the national complaints handling authority for all domestic and non-domestic water customers and the consumer representative body for the water industry in Scotland.
- 1.1.2 Waterwatch Scotland is the joint or operating name of the Convener and / or Water Customer Consultation Panels, incorporated by the Water Industry (Scotland) Act 2002 (the 2002 Act), as amended by the Water Services etc (Scotland) Act 2005 (the 2005 Act). Reference to WWS should be deemed to refer to the Convener and / or Water Customer Consultation Panels, as appropriate. Waterwatch Scotland does not carry out its functions on behalf of the Crown.
- 1.1.3 Waterwatch Scotland Limited is a Company Limited by Guarantee (WWS CLG) incorporated under the Companies Acts and having its Corporate Office at Forrester Lodge, Inglewood, Alloa, Clackmannanshire FK10 2HU. .
- 1.1.4 WWS CLG is the company formed by WWS with Ministerial approval to facilitate fulfilling its statutory roles. Reference in the MS / FM to WWS should also be deemed to include WWS CLG, as appropriate.

1.2 The functions, duties and powers of WWS

- 1.2.1 The 2002 Act and 2005 Act give WWS the following functions:
- i) WWS must investigate any complaint made to it by:-
 - (a) any person whose premises are connected to the public water supply or the public sewerage system (within the meaning of the 2005 Act);
 - (b) any person who has been, or might reasonably become connected to either or both these systems.
 - ii) WWS also has the general function of representing the views and interests of persons who:-
 - (a) are connected to the public water supply system or the public sewerage system (within the meaning of the 2005 Act) or both
 - (b) might reasonably become connected to either or both of these systems.
 - iii) WWS must publish reports on any matter considered relevant to the interests of customers
 - iv) WWS may make statutory recommendations, on any matter it considers relevant to the interests of such persons to:-
 - (a) Scottish Ministers;
 - (b) Scottish Water (or any other water and / or sewerage service providers);
 - (c) Drinking Water Quality Regulator for Scotland (DWQR);
 - (d) Scottish Environment Protection Agency (SEPA); and
 - (e) Water Industry Commission for Scotland (WICS).

- v) WWS must publish a summary of any representations and recommendations it makes in a report.

1.3 Classification

1.3.1 For policy / administrative purposes WWS is classified as a sponsored body;

1.3.2 For national accounts purposes WWS is classified as within the central government sector.

2 AIMS, OBJECTIVES AND TARGETS:

2.1 Overall aims

2.1.1 The Scottish Ministers have defined the broad overall aims of WWS as follows:-

- i) To operate effectively as the national complaints handling authority for all domestic and non-domestic water and sewerage service customers
- ii) To operate effectively as the customer representative body for the water industry in Scotland.

2.2 Objectives and key targets

2.2.1 The sponsor Directorate determines WWS' performance framework in the light of the Scottish Ministers' wider strategic aims. Objectives and key targets shall be agreed within the corporate planning process (Section 4 below).

3 RESPONSIBILITIES AND ACCOUNTABILITY:

3.1 The Scottish Ministers

3.1.1 The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of WWS. Their responsibilities include:

- approving WWS' strategic objectives and the policy and performance framework within which WWS will operate (as set out in this management statement and associated financial memorandum (MS / FM));
- keeping the Parliament informed about WWS performance;
- approving the corporate plan and the associated financial resources to be paid to WWS and securing the necessary Parliamentary approval;
- carrying out responsibilities specified in the 2002 and 2005 Acts including appointment of the Convener, approval of terms and conditions of WWS members, approval of terms and conditions of staff, and laying of the annual report and accounts before the Parliament.

3.2 The Portfolio Accountable Officer

3.2.1 The Director General Economy is designated by the Principle Accountable Officer for the Scottish Administration as the Portfolio Accountable Officer for the parts of the SG supporting the Cabinet Secretary for Finance & Sustainable Growth. This includes the sponsor Directorate for WWS. The responsibilities of the Portfolio Accountable Officer are set out in detail in the Memorandum to Accountable Officers from the Principal Accountable Officer – see Annex 1 of the section on Accountability in the Scottish Public Finance Manual (SPFM).

3.2.2 In particular the Portfolio Accountable Officer shall ensure that:

- WWS' strategic aims and objectives support the Scottish Ministers' wider strategic aims;
- the financial and other management controls applied by the sponsor Directorate to WWS are appropriate and sufficient to safeguard public funds and for ensuring that WWS' compliance with those controls is effectively monitored ("public funds" include not only any funds provided to WWS by the Scottish Ministers but also any other funds falling within the stewardship of WWS, including gifts, bequests and donations);
- the internal controls applied by WWS conform to the requirements of regularity, propriety and good financial management;
- any funding provided to WWS is within the scope and the amount authorised by the Budget Act.

3.3 The sponsoring team in the sponsor Directorate

3.3.1 Within the sponsor Directorate, the Water Industry Team is the sponsoring team for WWS. The Team, in consultation as necessary with the Portfolio Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of their responsibilities in respect of WWS, and the primary point of contact for WWS in dealing with the sponsor Directorate. The sponsoring team shall carry out its duties under a senior officer who shall have primary responsibility for overseeing the activities of WWS.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for WWS in the light of the Scottish Ministers' wider strategic aims;
- an appropriate budget for WWS in the light of the Scottish Ministers' overall public expenditure priorities;
- how well WWS is achieving the strategic objectives and whether it is delivering value for money.

3.3.3 In support of the Portfolio Accountable Officer the sponsoring team shall:

on performance and risk management

- ensure that the Convener's appointment to WWS is made timeously;
- monitor WWS' activities on a continuing basis through an adequate and timely flow of information from WWS on performance, budgeting, control and risk management, including early sight of WWS' Statement on Internal Control;
- address in a timely manner any significant problems arising with WWS, whether financial or otherwise, making such interventions in the affairs of WWS as is judged necessary;
- ensure that the activities of WWS and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems;

on communication with WWS

- inform WWS of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to WWS as necessary;
- bring concerns about the activities of WWS to the attention of the Convener and / or Chief Officer, and require explanations and assurances from the Convener and / or Chief Officer that appropriate action has been taken.

3.4 The Convener of WWS

3.4.1 The Convener is appointed by the Scottish Ministers for a period of up to 4 years.

3.4.2 The Convener is responsible to the Scottish Ministers. The Convener shall aim to ensure that WWS' policies and actions support the wider strategic policies of the Scottish Ministers; and that WWS' affairs are conducted with probity.

3.4.3 The Convener has a particular leadership responsibility on the following matters:

- formulating strategy;
- in reaching decisions, taking proper account of guidance provided by the Scottish Ministers;
- appointing panel members to each WWS panel and from these members appointing deputy Conveners to each panel. Whilst these appointments are not regulated by OCPAS, Scottish Ministers will expect the Convener to follow the broad principles of the OCPAS Code in making the appointments;
- promoting the efficient and effective use of staff and other resources;
- encouraging high standards of propriety;
- representing the views of the WWS National Committees and Regional Panels to the general public.

3.4.4 The Convener shall also:

- ensure that all members of the National Committees and Regional Panels when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
- advise the Scottish Ministers of the needs of the National Committees and Regional Panels when vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- assess the performance of individual members on an annual basis.

3.4.5 The Convener shall also ensure that members are fully aware of WWS' Code of Conduct approved by the Scottish Ministers.

3.4.6 Communications between the National Committees, Regional Panels and / or members and the Scottish Ministers shall normally be through the Convener. The Convener shall ensure that members are kept informed of such communications.

3.5 WWS Members

3.5.1 Individual members shall act in accordance with their wider responsibility as members of WWS, namely to:

- comply at all times with the Code of Conduct that is adopted by WWS and with the rules relating to the use of public funds, conflicts of interest and confidentiality;
- not misuse information gained in the course of their public service for public gain or for political profit, not seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Code of Conduct;
- act in good faith and in the best interests of WWS.

3.6 The Chief Officer of WWS

3.6.1 The Chief Officer of WWS is designated as WWS' Accountable Officer by the Principal Accountable Officer of the Scottish Administration on a non-statutory basis.

3.6.2 The Accountable Officer of WWS is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of WWS) for which he / she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of WWS. He / she should act in accordance with the terms of the MS / FM and within the terms of relevant guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers – in particular the Memorandum to Accountable Officers of Other Public Bodies (Annex 2 of the section on Accountability in the SPFM).

3.6.3 The Accountable Officer has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and

continuous improvement. Guidance to Accountable Officers on what their organisations should be able to demonstrate in fulfilment of the duties which make up a Best Value regime is included in the Best Value section of the SPFM.

3.6.4 As Accountable Officer, the Chief Officer shall exercise the following specific responsibilities:

on planning, performance management and monitoring

- establish WWS' corporate and business plans in the light of the Scottish Ministers' wider strategic aims;
- establish a robust performance management framework which supports the achievement of WWS' aims and objectives as set out in the corporate and business plans; and which enables full performance reporting to the sponsor Directorate and the wider public;
- inform the sponsor Directorate of WWS' progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate; that the sponsor Directorate is notified promptly if overspends / underspends are likely or if performance targets are at serious risk and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor Directorate in a timely fashion;

on advising WWS

- advise WWS on the discharge of its responsibilities as set out in this document, the founding legislation and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Directorate;
- advise on WWS' performance compared with its aim and objectives;
- ensure that financial considerations are taken fully into account by WWS at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the Green Book are followed as far as this is appropriate and practical;
- take action as set out in section 5 of the Memorandum to Accountable Officers of Other Public Bodies if WWS, or its Convener, is contemplating a course of action involving a transaction which the Chief Officer considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds made available to WWS are used for the purpose intended by the Parliament, and that such moneys, together with WWS' assets, equipment and staff, are used economically, efficiently and effectively;

- ensure that adequate internal management and financial controls are maintained by WWS, including effective measures against fraud and theft;
- maintain an appropriate system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective human resource management policies are maintained and that strategic human resource planning is related to WWS' objectives;

on accounting for WWS activities

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Scottish Ministers;
- sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding WWS' system of internal control, for inclusion in the annual report and accounts;
- ensure that an effective complaints procedure is in place (including where applicable, reference to the Scottish Public Services Ombudsman) and made widely known;
- give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by WWS.

3.6.5 The Chief Officer may delegate the day-to-day administration of his / her Accountable Officer responsibilities to other employees in WWS. However, he / she shall not assign absolutely to any other person any of the responsibilities set out in this document.

3.6.6 The Chief Officer is responsible for informing the Portfolio Accountable Officer about any complaints about WWS accepted by the Scottish Public Services Ombudsman for investigation, and about WWS' proposed response to any subsequent recommendations from the Ombudsman.

4 PLANNING, BUDGETING AND CONTROL:

4.1 The corporate plan

4.1.1 WWS shall submit to the sponsor Directorate a draft corporate plan covering a period that is to be agreed. WWS shall have agreed with the sponsor Directorate the issues to be addressed in the plan and the timetable for its preparation. The plan, or elements thereof, shall be updated as and when considered necessary.

4.1.2 The plan shall reflect WWS' statutory duties and, within those duties, the priorities set from time to time by the Scottish Ministers.

4.1.3 The corporate plan shall set out:

- WWS' key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;
- a review of WWS' performance in the preceding financial year (together with comparable outturns for the previous 2-5 years), and an estimate of performance in the current year;

- alternative scenarios to take account of factors which may significantly affect the execution of the plan but which cannot be accurately forecast;
- other matters as agreed between the sponsor Directorate and WWS.

4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the sponsor Directorate and WWS in the light of the sponsor Directorate's decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.

4.2 The business plan

4.2.1 The business plan for the year immediately ahead shall be consistent with the agreed corporate plan. The business plan shall be updated annually by WWS to include key targets and milestones for the forthcoming year and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by the sponsor Directorate. (See also paragraph 1.2 of the financial memorandum.) A copy of the business plan shall be submitted to the sponsor Directorate for information (and comment where considered appropriate) prior to the beginning of the financial year in question.

4.3 Publication of plans

4.3.1 Subject to any commercial considerations the corporate and business plans shall be either published or made available on the internet.

4.4 Reporting performance to the sponsor Directorate

4.4.1 WWS shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.

4.4.2 WWS shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the corporate or business plans.

4.4.3 WWS' performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reported to the sponsor Directorate on a quarterly basis. Performance will be formally reviewed regularly by the sponsor Directorate. The appropriate Cabinet Secretary / Scottish Minister will meet the Convener/Chief Officer each year to discuss WWS' performance, its current and future activities and any policy developments relevant to those activities.

4.4.4 WWS' performance against key targets shall be reported in its annual report and accounts [see Section 5.1 below]. Other forms of reporting performance to the public should also be considered.

4.5 Budgeting procedures

4.5.1 WWS' budgeting procedures are set out in the associated financial memorandum.

4.6 Internal audit

4.6.1 WWS shall establish and maintain arrangements for internal audit and shall consult the sponsor Directorate to ensure that the latter is satisfied with the arrangements.

4.6.2 WWS shall arrange for periodic quality reviews of its internal audit arrangements and the sponsor Directorate shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. However, the sponsor Directorate reserves a right of access to carry out / commission independent reviews of internal audit in WWS.

4.6.3 The Scottish Government's internal audit service shall also have a right of access to all documents prepared by WWS' internal auditor, including where the service is contracted out. Wherever relevant, the audit strategy, periodic audit plans and annual audit report, including WWS' opinion on risk management, control and governance shall be forwarded without delay to the sponsoring team who shall consult the Scottish Government's Head of Internal Audit as appropriate.

4.6.4 In addition, WWS shall forward to the sponsor Directorate an annual report on fraud and theft suffered by WWS; notify any unusual or major incidents as soon as possible; and notify any changes to the internal audit's terms of reference, its audit committee's terms of reference or its Fraud Policy and Fraud Response Plan.

5. EXTERNAL ACCOUNTABILITY:

5.1 The annual report and accounts

5.1.1 After the end of each financial year WWS shall publish an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of the WWS National Committees and Regional Panels.

5.1.2 The report and accounts shall outline WWS' main activities and performance during the previous financial year and set out in summary form WWS' forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit.

5.1.3 The report and accounts shall be submitted in draft to the sponsor Directorate for comment and the final version shall be laid before the Parliament by the Scottish Ministers before 31 December in accordance, where applicable, with statutory requirements. The accounts shall not be laid before they have been formally approved in accordance with WWS' External Audit requirements. WWS shall be responsible for the publication of the report and accounts, including on the WWS website.

5.2 External audit

5.2.1 WWS' accounts are the subject of an Accountant's Report prepared on behalf of WWS by a retained commercial chartered accountant.

6 STAFF MANAGEMENT:

6.1 Within the arrangements approved by Scottish Ministers or set out in the body's legislation, WWS shall have responsibility for recruitment, retention and motivation of its staff. To this end, WWS shall ensure that:

- the recruitment of staff is based on fair and open competition and equal opportunities;
- the level and structure of staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and WWS' performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the WWS' objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistleblowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the document *Model Code for Staff of Executive Non-Directorate Public Bodies*.

7 REVIEWING THE ROLE OF WWS:

7.1 The role of WWS shall be reviewed periodically in accordance with the business needs of the Scottish Government and of WWS, normally at least every 5 years.

PART 3: FINANCIAL MEMORANDUM

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- 2.3 Maximising income from other sources
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6 NON-STAFF EXPENDITURE

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- 8.1 Banking arrangements

APPENDIX – Limits of Delegated Authority

1. BUDGETING PROCEDURES:

Setting the annual budget

1.1 Each year, in the light of decisions by the Scottish Ministers on WWS' corporate plan (paragraph 4.1 of the management statement), the sponsor Directorate will send to WWS:

- a formal statement of the annual budgetary provision approved by the Scottish Ministers;
- a statement of any planned change in policies affecting WWS.

1.2 WWS' annual business plan will take account both of its approved budgetary provision and of any forecast income, and will include a budget of estimated payments and receipts together with a profile of expected expenditure / consumption of resources over the year. These elements will form part of the business plan for the year in question (paragraph 4.2.1 of the management statement).

Transfers of budgetary provision

1.3 Transfers between main budget headings may be undertaken without the prior approval of the sponsor Directorate.

Budget Overspends

1.4 The extent to which WWS exceeds agreed total resource and capital budgets shall normally be met by a corresponding reduction in the budget for the following financial year.

End-year flexibility

1.5 WWS may, subject to the approval of the sponsor Directorate, carry forward from one financial year to the next, in part or in full, unused budgetary provision. Any such unused budgetary provision may be offset against the following years approved budget. WWS must at the earliest opportunity submit to the sponsor Directorate any proposals for carrying forward budgetary provision. Any such proposals shall be considered reasonably by the sponsor Directorate.

Authority to spend

1.6 Once WWS' budget has been approved by the sponsor Directorate, WWS shall have authority to incur expenditure / consume resources without further reference to the sponsor Directorate, on the following conditions:

- WWS shall comply with the specific delegations set out in the attached Appendix. These delegations shall not be altered without the prior agreement of the sponsor Directorate;
- WWS shall comply with the conditions set out in this financial memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the Scottish Public Finance Manual (SPFM);
- inclusion of any planned and approved expenditure in WWS' budget shall not remove the need to seek formal sponsor Directorate approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed; and

- WWS shall provide the sponsor Directorate with such information about its operations, performance, individual projects or other expenditure as the sponsor Directorate may reasonably require.

2 WWS' INCOME:

Levy

- 2.1** Under Schedule 1, Part 2, sections 7 and 8 of the 2002 Act as amended, the WICS must pay to WWS such remuneration and allowances, and costs of administrative support, as may be determined by Scottish Ministers. Such resources are part of the Annual Levy paid by Scottish Water. In effect, following approval of WWS' Corporate Plan, the sponsor Directorate informs Scottish Water of the amount required to fund WWS activities in the following financial year. Thereafter Scottish Water will pay over this amount in monthly instalments to the WICS for transmission to WWS.

Borrowing

- 2.2** Borrowing can not be used to increase WWS' spending power. All borrowing by WWS – excluding agreed overdrafts – shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment section of SPFM.

Maximising income from other sources

- 2.3** WWS shall seek to maximise income from other sources provided that this is consistent with WWS' main function and its corporate plan as agreed by the Scottish Ministers. Proposals for new sources of income or methods of fundraising should be cleared with the sponsor Directorate.

Receipts from the EC

- 2.4** WWS should seek funding from the EU as appropriate and ensure that the sponsor Directorate is informed. See the guidance in the EU Funding section of SPFM.

Fees and charges

- 2.5** Fees or charges for any services supplied by WWS shall be determined in accordance with the Fees & Charges section of the SPFM.

Receipts of sale of goods or services

- 2.6** Receipts from the sale of goods and services, rent of land, and dividends may be used to provide additional spending subject to them being included in the approved budget.

Interest earned

- 2.7** Interest earned by WWS on cash balances may be used to provide additional spending power subject to it being included in the approved budget.

Proceeds from disposal of assets

- 2.8** Disposals of land and buildings are dealt with in Section 7 below.

Gifts, bequests and donations

- 2.9** WWS is free to retain any gifts, bequests or similar donations. These shall be treated as receipts that, where appropriate, can be used to increase spending power. (NOTE: Donated assets do not attract a cost of capital charges, and a release from the donated assets reserve should offset depreciation in the operating cost statement.)
- 2.10** Before proceeding in this way, WWS shall consider if there are any associated costs in doing so or any conflicts of interests arising. WWS shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

Unforecast changes in in-year income used to provide additional spending power

- 2.11** If income realised or expected to be realised in-year is **less** than estimated, WWS shall, unless otherwise agreed with the sponsor Directorate, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.
- 2.12** If income realised or expected to be realised in-year is **more** than estimated, WWS may apply to the sponsor Directorate to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. The sponsor Directorate shall consider such applications, taking account of competing demands for resources. If an application is refused grant in aid shall be correspondingly reduced.

3 WWS' EXPENDITURE: GENERAL PRINCIPLES:

Delegated authority

- 3.1** WWS shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure, which falls outside the specific limits on WWS' delegated authority as set out in the attached Appendix.

Appraisal and Evaluation

- 3.2** All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation section of the SPFM.

Procurement

- 3.3** WWS' procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving WWS' objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. WWS shall also ensure compliance with any relevant EU or other international procurement rules.

Competition

- 3.4** Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or

restricted contracts above the relevant delegated limit in the attached Appendix must be submitted to the sponsor Directorate for approval.

Value for money

- 3.5** Procurement by WWS of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

Timeliness in paying bills

- 3.6** WWS shall pay all matured and properly authorised invoices in accordance with the terms of contracts or within 30 days, as provided for in the Payments section of the SPFM.

Novel, contentious or repercussive proposals

- 3.7** WWS shall obtain the approval of the sponsor Directorate before:
- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
 - making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate;
 - making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

Risk management

- 3.8** WWS shall ensure that all risks are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management section of the SPFM.
- 3.9** WWS shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.
- 3.10** WWS shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant in aid.

4 EXPENDITURE ON WWS MEMBERS:

Member costs

- 4.1** Remuneration, allowances and expenses paid to WWS members must comply with specific guidance on such matters issued by the Scottish Ministers.

5 EXPENDITURE ON STAFF:

Staff costs

- 5.1** WWS is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the sponsor Directorate.

Pay and conditions of service

- 5.2** WWS shall submit to the sponsor Directorate for approval (normally annually unless a multi-year deal has been agreed) a pay remit within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance and negotiate a pay settlement within the terms of the subsequently agreed remit. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. WWS shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)".

Pensions, redundancy / compensation

- 5.3** Superannuation arrangements for staff are subject to the approval of the sponsor Directorate. WWS staff shall normally be eligible for a pension provided by admittance to the Local Government Pension Scheme (LGPS).
- 5.4** Staff may opt out of the occupational pension scheme provided by WWS. However, the employer's contribution to any personal pension arrangement, including stakeholder pension, shall be limited to the national insurance rebate level.
- 5.5** Any proposal by WWS to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Directorate. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6 NON-STAFF EXPENDITURE:

Capital expenditure

- 6.1** Subject to being above the Scottish Government's capitalisation threshold, all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; and (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels.
- 6.2** Proposals for large-scale individual capital projects or acquisitions will normally be considered within WWS' corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment section of the SPFM and, where appropriate, the Construction Procurement Manual published by the Scottish Government's Construction Advice and Policy Division. Individual capital projects or acquisitions are subject to specific delegated limit[s] as indicated in the attached Appendix.

Lending, guarantees, indemnities; contingent liabilities; letters of comfort

- 6.3** WWS shall not, without the sponsor Directorate's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM), whether or not in a legally binding form.

Grant or loan schemes

- 6.4** Unless covered by a delegated authority, all proposals to make a grant or loan to a third party, whether one-off or under a scheme, shall be subject to prior approval by the sponsor Directorate, together with the terms and conditions under which such grant or loan is made. Guidance on a framework for the control of third party grants is included in the Grant & Grant in Aid section of the SPFM. See also below under the heading "Recovery of grant-financed assets".

Gifts made, write offs, losses and special payments

- 6.5** Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix must have the prior approval of the sponsor Directorate. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards section of the SPFM.

Leasing

- 6.6** Prior sponsor Directorate approval must be secured for all property and finance leases. The office property at Forrester Lodge, Inglewood, Alloa, FK10 2HU occupied by WWS and its support staff has been leased on WWS' behalf by arrangement between the landlord CETERIS (SCOTLAND) Ltd and the Scottish Ministers. Before entering into any lease (including operating lease) WWS must demonstrate that the lease offers better value for money than purchase.

Public / Private Partnerships

- 6.7** WWS shall seek opportunities to enter in Public/Private Partnerships where this would be more affordable and offer better value for money than conventional procurement. Where cash flow projections may result in delegated authority being breached, WWS shall consult the sponsor Directorate. Any partnership controlled by WWS shall be treated as part of WWS in accordance with UK GAAP and consolidated with it. See also the guidance in the Public/Private Partnerships section of the SPFM.

Subsidiary companies and joint ventures

- 6.8** WWS shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Directorate. In judging such proposals the sponsor Directorate will have regard to the Scottish Ministers' wider strategic aims and objectives.
- 6.9** Any subsidiary company or joint venture controlled or owned by WWS shall be consolidated with it in accordance with UK GAAP for public expenditure accounts purposes. Unless specifically agreed with the sponsor Directorate such subsidiary

companies or joint ventures shall be subject to the controls and requirements set out in the MS/FM.

Financial investments

- 6.10** WWS shall not make any financial investment without the prior approval of the sponsor Directorate, nor shall it aim to build up cash balances or net assets in excess of what is required for operational purposes. Equity shares in ventures, which further the objectives of WWS, shall equally be subject to sponsor Directorate approval unless covered by a specific delegation. WWS shall not invest in any venture of a speculative nature.

Unconventional financing

- 6.11** Unless otherwise agreed with the sponsor Directorate, WWS shall not enter into any unconventional financing arrangement.

Commercial insurance

- 6.12** WWS may only take out commercial insurance, without the prior approval of the sponsor Directorate, in accordance with the guidance in the Insurance section of the SPFM e.g. third party insurance required by the Road Traffic Acts. In the event of losses arising under the Scottish Government's policy of self-insurance the sponsor Directorate shall consider, on a case by case basis, whether or not it should make any additional resources available to WWS and/or agree adjustments to the targets in the corporate plan.

7 MANAGEMENT AND DISPOSAL OF FIXED ASSETS:

Register of assets

- 7.1** WWS shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

- 7.2** WWS shall dispose of assets which are surplus to its requirements and in accordance with its long-term estate strategy. Assets shall be sold for the best price, taking into account any costs of sale and in accordance with the guidance in the Disposal of Tangible Fixed Assets section of the SPFM. The Scottish Government's Property Advice Division should be notified of relevant proposed disposals of property at the earliest opportunity and at least 3 months prior to them being advertised on the open market. Proceeds from the disposal of assets may be retained by WWS subject to them being included in the approved budget.

Recovery of grant-financed assets

- 7.3** Where WWS has financed expenditure on capital assets by a third party, WWS shall make appropriate arrangements to ensure that any such assets above an agreed value are not disposed of by the third party without WWS' prior consent. WWS shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds – or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

7.4 WWS shall also ensure that if the assets created by grants made by WWS cease to be used by the recipient of the grant for the intended purpose an appropriate proportion of the value of the asset shall be repaid to WWS.

8 BANKING:

Banking arrangements

8.1 WWS' Accountable Officer is responsible for ensuring that WWS' banking arrangements are consistent with the guidance in the Banking section of the SPFM. In particular he / she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

**FINANCIAL MEMORANDUM: APPENDIX
SPECIFIC LIMITS ON DELEGATED AUTHORITY**

Single-tender contracts		£10,000
Acquisition of assets		£10,000
All losses to be reported to the sponsoring team - only occurrences over the prescribed rates requiring prior agreement :-		
Write-off of losses		£2,000
Losses of cash due to theft, fraud, overpayment of salaries, wages, fees, allowances, other causes		£2,000
Loss of equipment and property due to theft, fraud, arson, fire, flood, motor vehicle accidents or damage to vehicles		£2,000
Trade bad debts written off		£2,000
Special Payments		£2,000
Compensation payments (made under legal obligation at a court or tribunal)		£500 up to an aggregate of £5,000 in any financial year
Ex-gratia payments		£1,000
Gifts		£100
Borrowing – bank overdraft		Up to £20,000 in the event of a short term requirement not exceeding 15 days
Leases		£10,000 over the lifetime of the lease