

Rules of Procedure for the Water Industry Commission for Scotland

Revision history

Version	Revision date	Summary of Changes
1	07/12/2011	Full document approved by Commission
2	06/05/2014	Audit Committee terms of reference replaced by new version, as agreed by the Commission
3	05/06/2014	Revised Code of Conduct, as advised by the Scottish Government

Approval

This document was approved by:

Name	Signature	Section of document approved	Date of approval
Audit Committee	See minutes of meeting	Full document	14/09/2011
Commission	See minutes of meeting	Full document	07/12/2011
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SG Sponsor team	Approved by e-mail	Code of conduct	03/06/2014
Commission	Approved by e-mail	Code of Conduct	05/06/2014

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Definitions

Member	Means an individual appointed from time to time by Scottish Ministers to hold office as a member of the Commission.
Chairman	Means the person from time to time appointed to the role of Chairman by Scottish Ministers. In the case of all or part of a Commission meeting at which the Chairman is absent or he/she has declared a relevant conflict of interest in relation to any matter, any reference to the Chairman shall be taken to be a reference to the Deputy Chairman.
Deputy Chairman	Means the Member who is appointed in accordance with these rules to chair all or part of a Commission meeting at which the Chairman is absent or he/she has declared a relevant conflict of interest in relation to any matter.
Chief Executive	Means the person appointed under Schedule 1, paragraph 7 of the Act
Commission Secretary	Means the person appointed to the fulfil the role of Commission Secretary
Committee	Means a committee established by the Commission in accordance with schedule 1, para 10 of the Act.
Reserved Matter	Means a matter which is reserved for decision by the Commission (as listed in Annex A).
Act	Means the Water Services etc (Scotland) Act 2005.

Introduction

Founding Legislation and Status

The Water Industry Commission [Commission] for Scotland was established by the Water Industry (Scotland) Act 2002, as amended by the Water Services etc (Scotland) Act 2005 ("the Act"). The Commission is an Executive Non-Departmental Public Body.

The statutory functions, duties and powers of the Commission

The Commission's principal statutory functions as economic regulator are to:

- *promote the interests of water and sewerage customers;*
- *license the provision of retail water and sewerage services to non-household customers; and*
- *determine limits on Scottish Water's charges.*

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

Aims, Objectives and Targets

Overall aims

Consistent with the provisions of the 2002 and 2005 Acts, the overall aim of the Commission is to promote the interests of water and sewerage customers.

Objectives and key targets

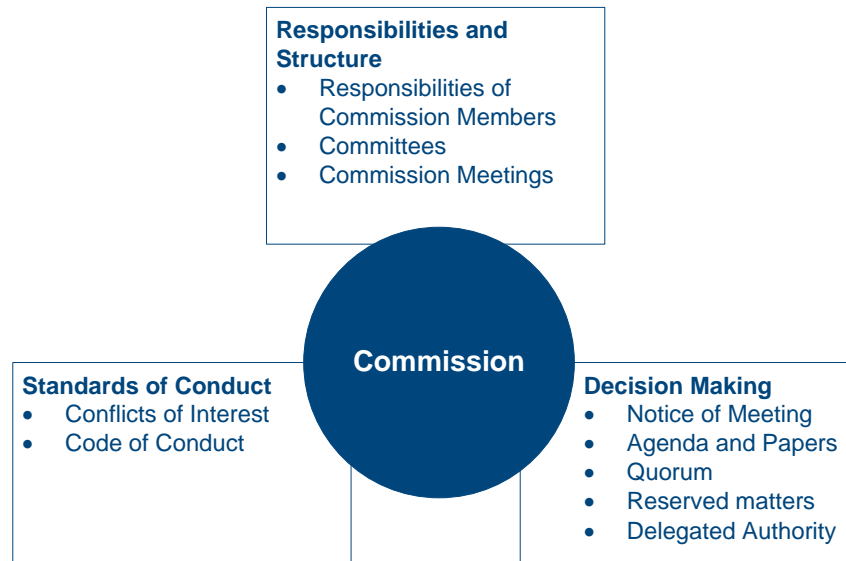
The Commission is funded by a levy on Scottish Water and the licensed providers. The size of this levy is set by Ministers in the light of the objectives and key targets for the Commission agreed with them through the Commission's corporate planning process.

Establishing rules of Procedure

The Act provides for the Commission to determine its own rules of procedure. These Rules have been approved by the Commission and shall be subject to review at least annually. The Rules should be read and interpreted together with the provisions of the Act and other relevant legislation, and any amendment or re-enactment of those provisions.

The Rules of Procedure in broad terms set out:

- the responsibilities and structure of the Commission;
- the decision making processes; and
- the standards of conduct that will be expected.



Supporting the Rules of Procedure are a number of other key governance documents. These are set out within annexes to the document. The Rules of Procedures, the Annexes within this document and the Management Statement and Financial Memorandum (with Scottish Government) set out the entirety of the governance arrangements for the Commission.

Revising the Rules of Procedure

These Rules of Procedure will be reviewed as and when required by the Commission and may be varied, revoked or added to by the Commission as appropriate, with the exception of register of disclosable interests, which will be maintained by the Commission Secretary. No rule of procedure may, however, be suspended, varied, revoked or added to or amended where this would contravene any statutory provision.

Responsibilities and Structure

Responsibilities

The responsibilities of Scottish Ministers, the Scottish Government Portfolio Accountable Officer and Sponsor Team, Chair and members of the Commission and Chief Executive are set out in detail within the Scottish Government Management Statement in Annex G. The broad terms these responsibilities are summarised below, together with references to the relevant section within the Management Statement:

The Scottish Ministers (Management Statement – Paragraph 3.1.1)

- The Scottish Ministers are accountable to the Scottish Parliament for the activities and performance of the Commission.

The Portfolio Accountable Officer (Management Statement – Paragraph 3.2.1 – 3.2.2)

- The Director General Environment is designated by the Principal Accountable Officer for the Scottish Administration as the Portfolio Accountable Officer for parts of the Scottish Government including the sponsor Directorate for the Commission.

The sponsoring team in the sponsor Directorate (Management Statement – Paragraph 3.3.1 – 3.3.3)

- Within the Directorate, the Water Industry Team is the sponsoring team for the Commission. 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 the Commission, and the primary point of contact for the Commission 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 the Commission.

Chair of the Commission (Management Statement – Paragraph 3.4.1 – 3.4.6)

- The Chair is appointed by the Scottish Ministers in line with the Code of Practice issued by the Scottish Commissioner for Public Appointments. The Chair is responsible to the Scottish Ministers for ensuring that the Commission's affairs are conducted with probity and that the Commission complies with any direction given by Ministers in respect of the financial management or administration of the Commission. The Chair shares with other Commission members the corporate responsibilities set out in the Management Statement (paragraph 3.5.2).

Members of the Commission (Management Statement – Paragraph 3.5.1 – 3.5.5)

- Commission members have corporate responsibility for ensuring that the Commission fulfils its statutory duties, any targets agreed with Scottish Ministers and for promoting the efficient and effective use of staff and other resources by the Commission in accordance with the principles of Best Value – see relevant section of the Scottish Public Finance Manual (SPFM).

Chief Executive of the Commission (Management Statement – Paragraph 3.6.1 – 3.6.5)

- The Chief Executive as the senior full time official of the Commission is designated as the Commission's Accountable Officer by the Principal Accountable Officer of the Scottish Administration in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.
- The Accountable Officer of the Commission is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of the Commission) 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 the Commission. 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).
- 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 that make up a Best Value regime is included in the Best Value section of the SPFM.

The Commission

The Commission will operate on the basis of collective responsibility and in accordance with the guidance issued relevant to non departmental public bodies. Decisions will be taken on the basis of consensus and will be recorded within the minutes of each Commission meeting.

The membership of the Commission will consist of not fewer than 3, nor more than 5 ordinary members (including the Chair) and the person holding the post of Chief Executive. The Members are appointed by the Scottish Ministers normally for a period of either 3 or 4 years. The length of appointments may vary to ensure continuity of Commission membership.

Commission Meetings

The Commission shall hold formal meetings at least 4 times each year, with meetings held quarterly where practicable or, at such other frequency as the Commission may determine. Meetings may take place other than at the Commission's usual place of business. Subject to the provisions on notice below, the Chairman may convene a meeting of the Commission. The Commission may invite any person to attend all or part of a Commission meeting.

Other Committees

The Commission may establish such other Committees as it may consider appropriate and may determine the membership, terms of reference and procedures of those Committees. The Commission currently has one standing sub-committee - Audit Committee which consider matters relating to risk management and internal financial control processes of the Commission (see terms of reference within Annex D).

The Commission shall specify the extent, if any, to which any Committee has delegated authority to exercise any function of the Commission (whether a reserved matter or otherwise). Except where expressly excluded, these Rules shall be deemed as applying equally to any Committee meetings or decision taking as they do to the Commission.

Planning, Budgeting, Controls and Accountability

The Commission is responsible for discharging its responsibilities within the Scottish Government Management Statement as they apply to planning, budgeting, controls and accountability.

These requirements include the requirement to:

- submit a corporate plan to the Sponsor Directorate;
- report performance to the Sponsor Directorate;
- comply with the requirements of the financial memorandum as they relate to the approval of financial transactions, delegated authorities and budgeting procedures;
- establish and monitor the effectiveness of an internal audit function;
- publish an annual report on commission activities, together with the audited annual financial accounts; and
- recruit and reward staff in accordance with arrangements approved by Scottish Ministers.

Further details of these requirements are set out within the Management Statement and Financial Memorandum within Annex G.

Decision Making

Notice of Meetings

Meeting's convened with a minimum number of 10 working days notice of a meeting shall be given to Members in writing (including by facsimile or electronic mail) and shall specify the time and place of the meeting. The Chairman, or in his absence the Deputy Chairman, shall have discretion in exceptional circumstances to relax or dispense with the requirements of these Rules as to the timing of notices and circulation of agendas and papers for meetings.

During the normal course of business certain matters may arise between scheduled Commission meetings that require urgent Commission approval or discussion and cannot be postponed until the next convened Commission meeting. The procedure for obtaining approval between Commission meetings is set out in Annex C.

Agenda and Papers

The agenda and papers for any meeting of the Commission will be circulated to Members 5 days in advance of a Commission meeting. Papers will normally be distributed using electronic mail. Non-receipt of the agenda or papers by any Member will not invalidate the meeting or any business transacted at that meeting. Failure of a Member to receive notice of a meeting does not invalidate that meeting or any business transacted at it.

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

Quorum

The quorum for a meeting of the Commission shall be three Members present. Members may attend meetings of the Commission by telephone or video conferencing facility. Members so attending shall be considered to be present at that meeting.

If the Chairman is not present at a meeting of the Commission the Deputy Chairman shall act as chairman of that meeting. In the absence of both the Chairman and Deputy Chairman, the Members present shall appoint one of their number to chair the meeting. Only Members present may vote. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

Reserved Matters

The functions of the Commission listed in Annex A to these Rules are reserved to the Commission (the "reserved functions"). The Commission may vary, revoke or add to these reserved matters.

Delegated authority

The Commission delegates to each Committee the discharge of those functions which fall within the terms of reference of that Committee, other than any matter which has not been delegated.

All functions of the Commission that are not reserved functions shall be exercisable by the Chief Executive on behalf of the Commission.

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

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

Standards of Conduct

Conflicts of Interest

Before any Member becomes involved in taking a decision or participating in a discussion on any matter, he or she should ensure that there are no conflicts of interest that, in the opinion of a fair-minded and informed observer, would suggest a real possibility of bias and shall have due regard to any rules on conflict of interest contained within the Code of Conduct.

If a Member has, directly or indirectly, an interest or duty which is material and relevant or may be relevant to any matter being considered by the Commission, he or she shall follow the procedure set out within Annex B.

Code of Conduct

Individual Commission members shall act in accordance with their wider responsibility as Members of the Commission – namely to:

- comply at all times with the Code of Conduct that is adopted by the Commission (Annex E) 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 personal gain or for political profit, nor 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; and
- act in good faith and in the best interests of the Commission.

Individual board members of sponsored bodies appointed by or with the approval of the Scottish Ministers who have acted honestly and in good faith should not have to meet out of their own personal resources any personal civil liability which is incurred in the execution or purported execution of their board functions, save where the person has acted recklessly. Relevant claims established against a board member will therefore be met from funds provided to the sponsored body by the Scottish Ministers.

Members, the Chairman, Committee members and employees shall be subject to a general duty of confidentiality in relation to the conduct of affairs of the Commission, insofar as this is consistent with the terms of the Freedom of Information (Scotland) Act 2002 and any codes of practice issued there under.

The Chairman shall make arrangements for the establishment and maintenance of a Register of Members' Interests in accordance with the Code of Conduct set out in Annex F.

Reviewing the Commission's performance

The Commission will review its own performance and that of its Committees regularly.

Data protection

For the purposes of the Data Protection Act 1998 (as amended), Commission Members give their consent for all purposes to the holding, processing and accessing of personal data about them held by Commission.

Annexes

A – Reserved Matters

Matters reserved for the Commission

Strategic and governance

Reserved Matter
Approval of the Commission's strategy, business or work programme.
Approval of any changes to the Commission's rules of procedure or accompanying schedules and policies/frameworks.
Establishment of any committee of the Commission (and specification of its terms of reference).
Oversight of adherence to the requirements of the Scottish Government Management Statement and Financial Memorandum (Source: 2002 Act, section 1(3)).
Approval of any memorandum establishing arrangements for cooperation between the Commission and Consumer Focus Scotland and Scottish Public Services Ombudsman.
Approval of any other memorandum of understanding or formal agreement that the Commission may enter into with a government department, public authority or other regulatory body in relation to the exercise of its functions.
Exercising the powers, functions and duties expressly conferred and/or imposed upon the Commission by the 2005 Order in relation to a Competition Commission reference (Source 2005 Order).

Financial and Contractual Issues

Reserved Matter
Approval of the Commission's annual report and accounts.
Approval of the Commission's corporate plan (including operating budget).
Approval of the Commission's programme for internal audit and the actions required as a result of external and internal audit reports.
The appointment, removal and remuneration of auditors.
Approval of any significant change in accounting policies and practices.
The undertaking of any major capital projects above £100,000.
The entering into of any material contracts in the ordinary course of business which involve a liability exceeding £100,000 or contracts above £50,000 which were not reflected in the corporate plan.
The oversight of any significant legal or regulatory dispute in which the Commission is, or will potentially be, involved and approval of the commencement of any significant legal or regulatory proceedings by the Commission, the defending of any significant legal or regulatory proceedings or whether to appeal any judgement given against the Commission.

Staff

Reserved Matter

Approval of the appointment and removal of any Chief Executive and the terms and conditions of service including remuneration.

Approval of HR policies, including the remuneration of Commission staff.

Approval and determinations

Reserved Matter

Approval of Scottish Water's customer standards code, together with the issuing of any advice to Scottish Ministers or any requirement to Scottish Water in relation to compliance with such code (Source: 2002 Act, sections 26 and 27).

Approval of Scottish Water's charges scheme (Source 2002 Act, section 29A).

Taking a decision as to whether or not to grant a licence for the provision of water or sewerage services, to consent to the transfer of such a licence, or to revoke such a licence (Source: 2005 Act, section 6; schedule 2, paragraph 4; schedule 2, paragraph 10).

Making of a fees scheme in relation to the exercise of the Commission's licensing functions (Source: 2005 Act, section 9(1)).

Making of a disconnections code (Source 2005 Act, section 19(1)).

Making of any policy statement as to the imposition of financial penalties for contravention of licence conditions (Source: 2005 Act, schedule 2, paragraph 11).

Approval of the Commission's process for the:

- determination of any dispute between Scottish Water and a customer in relation to the reasonable cost of a sewerage or water connection;
- review of any refusal by Scottish Water to provide a supply of water to non-domestic premises following the termination of arrangements for supply of water to those premises by a water supply licensee;
- making any determination as to the maximum amounts charged by Scottish Water or making any revision of those maximum amounts;
- granting of consent to any departure by Scottish Water from its charges scheme;
- determination, amendment or modification of the terms and conditions which apply to licences, including the determination of any standard conditions;
- giving of directions to any licence holder as regards compliance with licence conditions;
- determination of any dispute between Scottish Water and a licensee as to wholesale terms and conditions;
- determination of any dispute between Scottish Water and a licensee as to reasonable costs incurred in effecting a discontinuation of water services;
- authorisation of investigations for the purposes of monitoring compliance with licences, including the grant of powers of entry, inspection etc; and
- taking decisions as to enforcement action against a licensee, including as to the imposition of any financial penalty.

Matters delegated to the Chairman and Chief Executive

Delegated Matter
Approval of press releases containing matters likely to be controversial and of any major external statements or other significant communications including reports or evidence to the Scottish Parliament or any Parliamentary committee.
Approval of the appointment of other Executive Directors.
Approval of major changes to the Commission's management structure.

Matters delegated to the Chief Executive

Financial and Administration

Delegated Matter
Implementation of the Scottish Government Management Statement and Financial Memorandum.
Development and review of Commission financial, administration and HR procedures.
The undertaking of any major capital projects under £100,000.
The entering into of any material contracts in the ordinary course of business which involve a liability not exceeding £100,000.

Operational Matters

Water and Sewerage Acts

Delegated Matter	Reference
Undertake the determination of any dispute between Scottish Water and a customer in relation to the reasonable cost of a sewerage connection.	1968 Act, section 1
Undertake the determination of any dispute between Scottish Water and a customer in relation to the reasonable cost of a water connection.	1980 Act, section 6
Review of any refusal by Scottish Water to provide a supply of water to non-domestic premises following the termination of arrangements for supply of water to those premises by a water supply licensee.	1980 Act, section 9(2C)

Water Industry (Scotland) 2002 Act

Delegated Matter	Reference
Making any determination as to the maximum amounts charged by Scottish Water or making any revision of those maximum amounts.	Sections 29B and 29F
Granting consent to any departure by Scottish Water from its charges scheme, together with establishment of the Commission's procedures for giving such consent.	Section 29E

Delegated Matter	Reference
Determination, amendment or modification of the terms and conditions to apply to any such licence, including the determination of any standard conditions.	Schedule 2, paragraph 2
Giving of directions to any licence holder as regards compliance with licence conditions.	Section 8(2)
Giving of directions to Scottish Water, licensees or others as to orderly participation of licensees etc.	Section 11(2)
Determination of any dispute between Scottish Water and a licensee as to wholesale terms and conditions.	Section 16(7)
Determination of any dispute between Scottish Water and a licensee as to reasonable costs incurred in effecting a discontinuation of water services.	Section 18(9)
Authorisation of investigations for the purposes of monitoring compliance with licences, including the grant of powers of entry, inspection etc.	Schedule 2, paragraphs 5, 6 and 7
Taking decisions as to enforcement action against a licensee, including as to the imposition of any financial penalty.	Schedule 2, paragraphs 8 and 11
Making of any assessment and determination as to the appropriate charges payable under pre-existing special agreements between Scottish Water and non-household customers.	Schedule 3

B – Procedure for Conflicts of Interest

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

Disclosing a conflict of interest (Member)

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

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

Disclosing a conflict of interest (Chairman)

If the Chairman discloses a potential conflict of interest then, subject to any contrary decision of the Commission (excluding the Chairman), the above shall apply as if the Chairman has asked for determination on how to proceed, with the Chief Executive making all decisions that would otherwise be made by the Chairman under those paragraphs.

Process to be followed when conflict of interest has been determined

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

Recording conflict of interest

All decisions as to whether a potential conflict of interest should be disclosed, whether it amounts to a conflict of interest, and how a Member should proceed in the case of a conflict must be made having regard to the terms, and the spirit and purpose, of the Code of Conduct. In the event that a Member receives a written paper in relation to any matter as to which he/she believes that a conflict of interest may arise, he/she must disclose his/her interest in the matter to the Commission Secretary at the earliest opportunity and return the paper to the Commission Secretary with an indication of the extent to which it has been read.

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

C – Procedure for obtaining approval between Commission meetings

Intimating matters requiring Commission approval between meetings

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

Process for making a decision between meetings by email

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

Process for arranging an additional Commission meeting

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

Agenda and papers for additional meeting

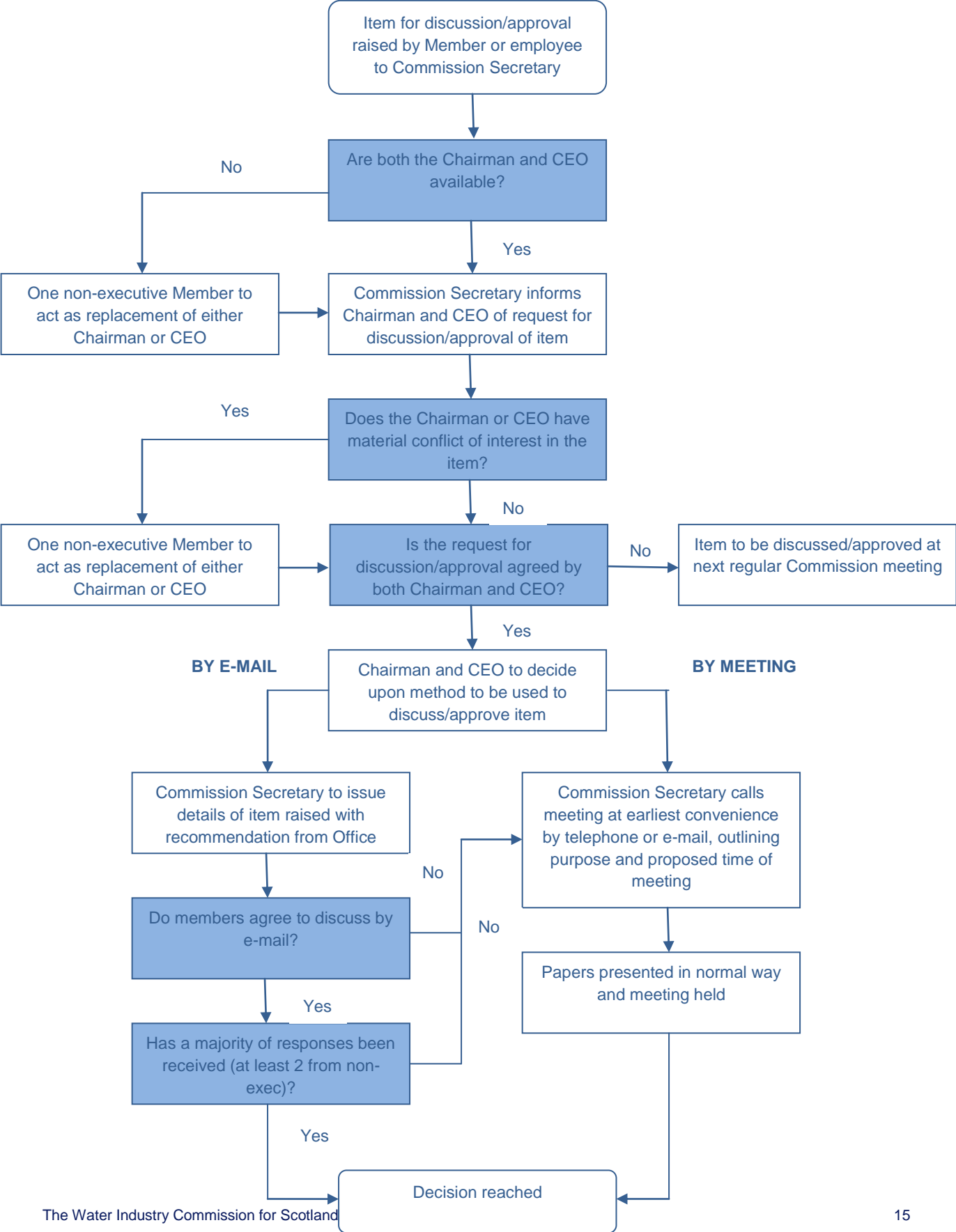
- The Commission Secretary will provide a formal agenda and papers for discussion as soon as practicable before the Commission meeting at short notice.
- In so far as is practicable, all Commission Members (whether attending or not) will be given an opportunity before such a Commission meeting to comment on the items in person or by telephone or email to the Chairman or the Chief Executive.
- Copies of the minutes of such a Commission meeting will be presented for approval in the usual way.

Exceptional circumstances

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

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

Procedure for obtaining approval between Commission meeting



D – Audit Committee – Terms of Reference

The Commission has established an Audit Committee as a Committee of the Commission to support them in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.

MEMBERSHIP

The Audit Committee will be chaired by a Member of the Commission other than the Chairman. The Chairman of the Audit Committee will be appointed by the Commission on the recommendation of the Chairman of the Commission.

The Chairman of the Audit Committee shall appoint the members of the Committee.

The Audit Committee will comprise of three non-executive members, including the Chairman. The members of the Committee will be rotated on an appropriate cycle, usually every four years.

The Audit Committee will have access to secretarial support and to such information as is required to discharge its remit.

REPORTING

The Audit Committee will formally report in writing to the Commission and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

The Audit Committee will provide the Commission and Accountable Officer with an Annual Report, timed to support finalisation of the financial statements and the Governance Statement, summarising its conclusions from the work it has done during the year.

RESPONSIBILITIES

The Audit Committee will advise the Accountable Officer on:

- the accounting policies, the financial statements, and the annual report of the organisation, including the process for review of the financial statements prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- quarterly management accounts and explanatory notes provided by management; and

will advise the Commission and Accountable Officer on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- proposals for tendering internal audit services; and
- anti-fraud policies, whistle-blowing processes, arrangements for special investigations and any specific cases of fraud or whistle-blowing.

The Audit Committee will also periodically review its own effectiveness and report the results of that review to the Commission and Accountable Officer.

RIGHTS

The Audit Committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Commission.

ACCESS

The Head of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee.

MEETINGS

The procedures for meetings are:

- The Audit Committee will normally meet four times a year. The Chair of the Audit Committee may convene additional meetings, as he/she deems necessary;
- A minimum of two members of the Audit Committee will be present for the meeting to be deemed quorate;
- Audit Committee meetings will normally be attended by the Accountable Officer, the Financial Controller, the Head of Internal Audit, and a representative of External Audit;
- The Audit Committee may ask any other employees of the organisation to attend to assist it with its discussions on any particular matter;
- The Audit Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters; and
- The Commission may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

INFORMATION REQUIREMENTS

For each meeting the Audit Committee will be provided with sufficient information to enable it to fulfil the requirements of these terms of reference, including but not limited to:

- reports summarising any significant changes to the Commission's risk register;
- updates on key activities of the Commission;
- annual financial statements, including the accounting policies and Governance Statement;
- quarterly financial results with explanatory notes;
- external audit's work plan for the year and final report for the year, including the audit opinion;
- internal audits annual work plan, final reports of reviews carried out by internal audit and the annual report;
- and any other information as requested specifically by the Committee.

E – Code of Conduct

SECTION 1: INTRODUCTION TO THE CODE OF CONDUCT

1.1 The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties. As a member of the Water Industry Commission for Scotland (Water Industry Commission), you must meet those expectations by ensuring that your conduct is above reproach.

1.2 The Ethical Standards in Public Life etc. (Scotland) Act 2000, “the Act”, provides for Codes of Conduct for local authority councillors and members of relevant public bodies; imposes on councils and relevant public bodies a duty to help their members to comply with the relevant code; and establishes a Standards Commission for Scotland, “The Standards Commission” to oversee the new framework and deal with alleged breaches of the codes.

1.3 The Act requires the Scottish Ministers to lay before Parliament a Code of Conduct for Councillors and a Model Code for Members of Devolved Public Bodies. The Model Code for members was first introduced in 2002 and has now been revised in December 2013 following consultation and the approval of the Scottish Parliament. These revisions will make it consistent with the relevant parts of the Code of Conduct for Councillors, which was revised in 2010 following the approval of the Scottish Parliament.

1.4 As a member of the Water Industry Commission, it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct which has now been made by the Board.

Appointments to the Boards of Public Bodies

1.5 Public bodies in Scotland are required to deliver effective services to meet the needs of an increasingly diverse population. In addition, the Scottish Government’s equality outcome on public appointments is to ensure that Ministerial appointments are more diverse than at present. In order to meet both of these aims, a board should ideally be drawn from varied backgrounds with a wide spectrum of characteristics, knowledge and experience. It is crucial to the success of public bodies that they attract the best people for the job and therefore it is essential that a board’s appointments process should encourage as many suitable people to apply for positions and be free from unnecessary barriers. You should therefore be aware of the varied roles and functions of the Water Industry Commission on which you serve and of wider diversity and equality issues. You should also take steps to familiarise yourself with the appointment process that the Water Industry Commission will have agreed with the Scottish Government’s Public Appointment Centre of Expertise.

1.6 You should also familiarise yourself with how the Water Industry Commission’s policy operates in relation to succession planning, which should ensure they have a strategy to make sure they have the staff in place with the skills, knowledge and experience necessary to fulfil their role economically, efficiently and effectively.

Guidance on the Code of Conduct

1.7 You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to the Code of Conduct.

1.8 The Code has been developed in line with the key principles listed in Section 2 and provides additional information on how the principles should be interpreted and applied in practice. The Standards Commission may also issue guidance. No Code can provide for all circumstances and if you are

uncertain about how the rules apply, you should seek advice from the Water Industry Commission. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.

1.9 You should familiarise yourself with the Scottish Government publication “On Board – a guide for board members of public bodies in Scotland”. This publication will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

Enforcement

1.10 Part 2 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 sets out the provisions for dealing with alleged breaches of this Code of Conduct and where appropriate the sanctions that will be applied if the Standards Commission finds that there has been a breach of the Code. Those sanctions are outlined in **Annex A**.

SECTION 2: KEY PRINCIPLES OF THE CODE OF CONDUCT

2.1 The general principles upon which this Code is based should be used for guidance and interpretation only. These general principles are:

Duty

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

Selflessness

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

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

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

Accountability and Stewardship

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

Openness

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

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

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

Respect

You must respect fellow members of your public body and employees of the body and the role they play, treating them with courtesy at all times. Similarly you must respect members of the public when performing duties as a member of your public body.

2.2 You should apply the principles of this Code to your dealings with fellow members of the Water Industry Commission, its employees and other stakeholders. Similarly you should also observe the principles of this Code in dealings with the public when performing duties as a member of the Water Industry Commission.

SECTION 3: GENERAL CONDUCT

3.1 The rules of good conduct in this section must be observed in all situations where you act as a member of the Water Industry Commission.

Conduct at Meetings

3.2 You must respect the chair, your colleagues and employees of the Water Industry Commission in meetings. You must comply with rulings from the chair in the conduct of the business of these meetings.

Relationship with Members and Employees of the Water Industry Commission (including those employed by contractors providing services)

3.3 You will treat your fellow Commission members and any staff employed by the Water Industry Commission with courtesy and respect. It is expected that fellow Commission members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a Commission member you should be familiar with the policies of the Water Industry Commission in relation to bullying and harassment in the workplace and also lead by exemplar behaviour.

Remuneration, Allowances and Expenses

3.4 You must comply with any rules of the Water Industry Commission regarding remuneration, allowances and expenses.

Gifts and Hospitality

3.5 You must not accept any offer by way of gift or hospitality which could give rise to real or substantive personal gain or a reasonable suspicion of influence on your part to show favour, or disadvantage, to any individual or organisation. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term "gift" includes benefits such as relief from indebtedness, loan concessions or provision of services at a cost below that generally charged to members of the public.

3.6 You must never ask for gifts or hospitality.

3.7 You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in the Water Industry Commission. As a general guide, it is usually appropriate to refuse offers except:

- (a) isolated gifts of a trivial character, the value of which must not exceed £50;
- (b) normal hospitality associated with your duties and which would reasonably be regarded as appropriate; or
- (c) gifts received on behalf of the Water Industry Commission.

3.8 You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision your body may be involved in determining, or who is seeking to do business with your organisation, and which a person might reasonably consider could have a bearing on your judgement. If you are making a visit in your capacity as a member of the Water Industry Commission then, as a general rule, you should ensure that your body pays for the cost of the visit.

3.9 You must not accept repeated hospitality or repeated gifts from the same source.

3.10 Members of devolved public bodies should familiarise themselves with the terms of the Bribery Act 2010 which provides for offences of bribing another person and offences relating to being bribed.

Confidentiality Requirements

3.11 There may be times when you will be required to treat discussions, documents or other information relating to the work of the Water Industry Commission in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. You must always respect the confidential nature of such information and comply with the requirement to keep such information private.

3.12 It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purposes of personal or financial gain, or for political purposes or used in such a way as to bring the Water Industry Commission into disrepute.

Use of the Water Industry Commission Facilities

3.13 Members of Water Industry Commission must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services etc. must be in accordance with the Water Industry Commission's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of the Water Industry Commission.

Appointment to Partner Organisations

3.14 You may be appointed, or nominated by the Water Industry Commission, as a member of another body or organisation. If so, you are bound by the rules of conduct of these organisations and should observe the rules of this Code in carrying out the duties of that body.

3.15 Members who become directors of companies as nominees of the Water Industry Commission will assume personal responsibilities under the Companies Acts. It is possible that conflicts of interest can arise for such members between the company and the Water Industry Commission. It is your responsibility to take advice on your responsibilities to the Water Industry Commission and to the company. This will include questions of declarations of interest.

SECTION 4: REGISTRATION OF INTERESTS

4.1 The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called “Registerable Interests”. You must, at all times, ensure that these interests are registered, when you are appointed and whenever your circumstances change in such a way as to require change or an addition to your entry in the Water Industry Commission’s Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing.

4.2 The Regulations¹ as amended describe the detail and timescale for registering interests. It is your personal responsibility to comply with these regulations and you should review regularly and at least once a year your personal circumstances. **Annex B** contains key definitions and explanatory notes to help you decide what is required when registering your interests under any particular category. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

Category One: Remuneration

4.3 You have a Registerable Interest where you receive remuneration by virtue of being:

- employed;
- self-employed;
- the holder of an office;
- a director of an undertaking;
- a partner in a firm; or
- undertaking a trade, profession or vocation or any other work.

4.4 In relation to 4.3 above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.

4.5 If a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under category two, “Related Undertakings”.

4.6 If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.

4.7 When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.

4.8 When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.

4.9 Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication, and the frequency of articles for which you are paid.

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

4.11 Registration of a pension is not required as this falls outside the scope of the category.

Category Two: Related Undertakings

4.12 You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.

¹ SSI - The Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003 Number 135, as amended.

4.13 You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.

4.14 The situations to which the above paragraphs apply are as follows:

- you are a director of a board of an undertaking and receive remuneration declared under category one – and
- you are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

Category Three: Contracts

4.15 You have a registerable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in paragraph 4.19 below) have made a contract with the Water Industry Commission of which you are a member:

(i) under which goods or services are to be provided, or works are to be executed; and

(ii) which has not been fully discharged.

4.16 You must register a description of the contract, including its duration, but excluding the consideration.

Category Four: Houses, Land and Buildings

4.17 You have a registerable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of the Water Industry Commission to which you are appointed.

4.18 The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the Water Industry Commission to which you are appointed and to the public, or could influence your actions, speeches or decision making.

Category Five: Interest in Shares and Securities

4.19 You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) the Water Industry Commission to which you are appointed and (b) the **nominal value** of the shares is:

(i) greater than 1% of the issued share capital of the company or other body; or

(ii) greater than £25,000.

Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

Category Six: Gifts and Hospitality

4.20 You must register the details of any gifts or hospitality received within your current term of office. This record will be available for public inspection. It is not however necessary to record any gifts or hospitality as described in paragraph 3.7 (a) to (c) of this Model Code.

Category Seven: Non-Financial Interests

4.21 You may also have a registerable interest if you have non-financial interests which may be

significant to, of relevance to, or bear upon, the work and operation of the Water Industry Commission to which you are appointed. It is important that relevant interests such as membership or holding office in other public bodies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.

4.22 In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the Water Industry Commission and to the public, or could influence your actions, speeches or decision-making.

SECTION 5: DECLARATION OF INTERESTS

General

5.1 The key principles of the Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of the Water Industry Commission. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions.

5.2 Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in the Water Industry Commission and its members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.

5.3 In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the **objective test** which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of a public body.

5.4 If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.

5.5 As a member of a public body you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, societies and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between your public body and another body. Keep particularly in mind the advice in paragraph 3.15 of this Model Code about your legal responsibilities to any limited company of which you are a director.

Interests which Require Declaration

5.6 Interests which require to be declared if known to you may be financial or non-financial. They may or may not cover interests which are registerable under the terms of this Code. Most of the interests to be declared will be your personal interests but, on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The paragraphs which follow deal with (a) your financial interests (b) your non-financial interests and (c) the interests, financial and non-financial, of other persons.

5.7 You will also have other private and personal interests and may serve, or be associated with, bodies, societies and organisations as a result of your private and personal interests and not because of your role as a member of the Water Industry Commission. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of a public body as opposed to the interest of an ordinary member of the public.

Your Financial Interests

5.8 You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in Section 4 of this Code).

There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

Your Non-Financial Interests

5.9 You must declare, if it is known to you, any non-financial interest if:

- (i) that interest has been registered under category seven (Non-Financial Interests) of Section 4 of the Code; or
- (ii) that interest would fall within the terms of the objective test.

There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

The Financial Interests of Other Persons

5.10 The Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.

You must declare if it is known to you any financial interest of:-

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality; or
- (vi) a person from whom you have received registerable expenses.

There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

5.11 This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of the Water Industry Commission and, as such, would be covered by the objective test.

The Non-Financial Interests of Other Persons

5.12 You must declare if it is known to you any non-financial interest of:-

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality; or
- (vi) a person from whom you have received registerable election expenses.

There is no need to declare the interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a Declaration

5.13 You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.

5.14 The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words "I declare an interest". The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give a detailed description of the interest.

Frequent Declarations of Interest

5.15 Public confidence in a public body is damaged by perception that decisions taken by that body are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

Dispensations

5.16 In some very limited circumstances dispensations can be granted by the Standards Commission in relation to the existence of financial and non-financial interests which would otherwise prohibit you from taking part and voting on matters coming before the Water Industry Commission and its committees.

5.17 Applications for dispensations will be considered by the Standards Commission and should be made as soon as possible in order to allow proper consideration of the application in advance of meetings where dispensation is sought. You should not take part in the consideration of the matter in question until the application has been granted.

SECTION 6: LOBBYING AND ACCESS TO MEMBERS OF PUBLIC BODIES

Introduction

6.1 In order for the Water Industry Commission to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which the Water Industry Commission conducts its business.

6.2 You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.

Rules and Guidance

6.3 You must not, in relation to contact with any person or organisation that lobbies do anything which contravenes this Code or any other relevant rule of the Water Industry Commission or any statutory provision.

6.4 You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon the Water Industry Commission.

6.5 The public must be assured that no person or organisation will gain better access to or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of the Water Industry Commission.

6.6 Before taking any action as a result of being lobbied, you should seek to satisfy yourself about the identity of the person or organisation that is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.

6.7 You should not accept any paid work:-

- (a) which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation.
- (b) to provide services as a strategist, adviser or consultant, for example, advising on how to influence the Water Industry Commission and its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of the Water Industry Commission, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.

6.8 If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of the Water Industry Commission.

ANNEX A

SANCTIONS AVAILABLE TO THE STANDARDS COMMISSION FOR BREACH OF THE CODE

- (a) Censure – the Commission may reprimand the member but otherwise take no action against them;
- (b) Suspension – of the member for a maximum period of one year from attending one or more, but not all, of the following:
 - i) all meetings of the Water Industry Commission;
 - ii) all meetings of one or more committees or sub-committees of the Water Industry Commission; or
 - (iii) all meetings of any other public body on which that member is a representative or nominee of the Water Industry Commission of which they are a member.
- (c) Suspension – for a period not exceeding one year, of the member’s entitlement to attend all of the meetings referred to in (b) above;
- (d) Disqualification – removing the member from membership of the Water Industry Commission for a period of no more than five years.

Where a member has been suspended, the Standards Commission may direct that any remuneration or allowance received from membership of the Water Industry Commission be reduced, or not paid.

Where the Standards Commission disqualifies a member of the Water Industry Commission, it may go on to impose the following further sanctions:

- (a) Where the member of the Water Industry Commission is also a councillor, the Standards Commission may disqualify that member (for a period of no more than five years) from being nominated for election as, or from being elected, a councillor. Disqualification of a councillor has the effect of disqualifying that member from the Water Industry Commission and terminating membership of any committee, sub-committee, joint committee, joint board or any other body on which that member sits as a representative of their local authority.
- (b) Direct that the member be removed from membership, and disqualified in respect of membership, of any other devolved public body (provided the members’ code applicable to that body is then in force) and may disqualify that person from office as a member of the Water Industry Commission.

In some cases the Standards Commission do not have the legislative powers to deal with sanctions, for example if the respondent is an executive member of the board or appointed by the Queen. Sections 23 and 24 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 refer.

Full details of the sanctions are set out in Section 19 of the Act.

ANNEX B

DEFINITIONS

“Chair” includes Board Convener or any person discharging similar functions under alternative decision making structures.

“Code” code of conduct for members of devolved public bodies

“Cohabitee” includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.

“Group of companies” has the same meaning as “group” in section 262(1) of the Companies Act 1985. A “group”, within s262 (1) of the Companies Act 1985, means a parent undertaking and its subsidiary undertakings.

“Parent Undertaking” is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of the rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of the rights in the undertaking.

“A person” means a single individual or legal person and includes a group of companies.

“Any person” includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.

“Public body” means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000, as amended.

“Related Undertaking” is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.

“Remuneration” includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.

“Spouse” does not include a former spouse or a spouse who is living separately and apart from you.

“Undertaking” means:

- a) a body corporate or partnership; or
- b) an unincorporated association carrying on a trade or business, with or without a view to a profit.

F – Gifts and Hospitality Guidance

1. Meaning of gifts and hospitality

The expressions 'gifts' and 'hospitality' have wide meanings and no conclusive definition is possible. Gifts and hospitality include:

- the gift of any goods or services;
- the opportunity to acquire any goods or services freely or at a discount or at terms not available to the general public; and
- the offer of food, drink, accommodation or entertainment or the opportunity to attend any cultural or sporting event on terms not available to the general public.

Common gifts include business stationery, books, flowers and promotional items. The term "gift" also includes benefits such as relief from indebtedness, loan concessions, or provision of services at a cost below that generally charged to members of the public.

2. General caution

The fundamental principle must always be that any offer of a gift or hospitality should be treated with great care. The prime duty of each individual in the organisation is to ensure that there is no conflict of interest in the performance of your duties. Treat with caution any gift or hospitality that is made to you personally. Your personal reputation and that of the Commission can be seriously jeopardised by the inappropriate acceptance by you of a gift or hospitality.

You should consider carefully all the circumstances surrounding the offer of a gift or hospitality. The scale, amount of the offer, the potential frequency and source are relevant factors. You may have to estimate the value of the gift or hospitality. Also be sensitive to the timing of the offer in relation to decisions which the Commission may be taking.

The decision for you in every case is whether or not it is appropriate to accept any gift or hospitality that might be offered to you, having regard to how it might be perceived by any ordinary member of the public. No hard and fast rules can be laid down to cover every circumstance as to what is appropriate or inappropriate.

As a general guide, it is however usually appropriate to refuse offers except:

- isolated gifts of a trivial character or inexpensive seasonal gifts such as a calendar or diary, or other simple items of office equipment of modest value;
- normal hospitality associated with your duties and which would reasonably be regarded as inappropriate to refuse; or
- gifts received on behalf of the Water Industry Commission.

3. Code of conduct requirements

3.1 Gifts

General principles for the acceptance of gifts are set out below.

- The gift must be of a nominal or notional value.
- The gift must be given for an appropriate reason.
- The gift must be given at an appropriate time (e.g. not in advance of the award of a contract).
- The gift must be of a 'one-off' or irregular nature.

3.2 Hospitality

Staff should not encourage business contacts to provide hospitality to them, or indirectly to other colleagues, friends or relatives. Some examples of hospitality which should be refused are payments for lunch or dinner, tickets to sporting or leisure events.

3.3 Working lunches and dinners

In the following circumstances it may be considered appropriate to accept a working lunch or dinner, if it is:

- offered in the course of an official visit;
- not lavish in nature;
- not a regular occurrence; and
- there is not suspicion of a conflict of interest.

3.4 Treatment for acceptance

It is required that you complete a 'declaration of gifts and hospitality' form for any gifts or hospitality with an estimated value of £25 or more, which are received and accepted by you, in the conduct of the business of the Commission.

You must register the gift or hospitality within 28 days of its receipt/acceptance and given to the Finance team who will hold a central record of gifts and hospitality received.

Where any gift (no matter what the value) is accepted, the donor should always be advised that acceptance will not confer any advantage for that donor in his/her dealings with the Commission.

4. Series of gifts or hospitality adding up to £25 or more in value

The registration requirement is limited to gifts or hospitality worth £25 or more. If you receive a series of gifts or hospitality from the same source that add up to £25 or more, then this must be registered as an accumulation. You may have to estimate the values of the gifts or hospitality.

5. What to avoid

In deciding whether it is appropriate to accept any gift or hospitality, you must apply the following principles.

- Do not accept a gift or hospitality as an incentive or reward for anything you do as an employee of WICS. If you have any suspicion that the motive behind the gift or hospitality is an incentive or reward, you must decline it. 'Reward' includes remuneration, reimbursement and fee.
- Do not accept a gift or hospitality of significant value or whose value is excessive in the circumstances.
- Do not accept a gift or hospitality if you believe it will put you under any obligation to the provider as a consequence.
- Do not solicit any gift or hospitality and avoid giving any perception of doing so.
- Do not accept a gift or hospitality, if acceptance might be open to misinterpretation.

Cash or monetary gifts should always be refused without exception.

6. Gifts and hospitality which need not be registered

There are some circumstances where you may accept gifts and hospitality without the need to register the gift or hospitality. Some situations will require the exercise of your personal judgement. However, always register a gift or hospitality if it could be perceived as something given to you because of your position. The following provide some examples of cases which do not required to be registered.

- i. Refreshments in connection with any meeting in the course of your work as an employee of WICS (e.g. tea, coffee and other normal beverages and refreshments).
- ii. Meals or refreshments provided as part of a ceremony or event to promote/launch a project or initiative.
- iii. Meals or refreshments provided at meetings, by a consultant, contractor or advisor who is already appointed by the Commission for that project.
- iv. Small, low value gifts such as pens, calendars, diaries, flowers and other mementos and tokens.
- v. Gifts and hospitality not related or connected with your employment with WICS, i.e. received by you outside the performance of your functions as an employee.
- vi. Gifts given to the Commission that you accept formally on the Commission's behalf and are retained by the Commission and not by you personally.
- vii. Hospitality ancillary to attendance at functions where you represent the Commission.

7. Gifts and hospitality declined

There is no requirement to register gifts and hospitality offered but declined. However, as a matter of good practice, it would be advisable to inform Finance of such occurrences.

G – Scottish Government Management Statement and Financial memorandum

Water Industry Commission for Scotland (the Commission): Management Statement & Financial Memorandum

INTRODUCTION

1. The attached management statement and associated financial memorandum (MS/FM) has been drawn up by the Scottish Government's Climate Change and Water Industry Directorate in consultation with the Water Industry Commission for Scotland, Ochil House, Springkerse Business Park, Stirling FK7 7XE.
2. Subject to the legislation noted, the management statement sets out the broad framework within which the Commission will operate. In particular it describes:
 - The Commission's overall aims, objectives and targets as the independent economic regulator of the water industry in Scotland
 - The rules and guidelines relevant to the exercise of the Commission's statutory functions, duties and powers;
 - The conditions under which any public funds are paid to the Commission; and
 - How the Commission is to be held to account for its performance.
3. The associated financial memorandum sets out in greater detail certain aspects of the financial framework within which the Commission is required to operate.
4. The MS/FM shall be reviewed and updated periodically by the sponsor Directorate, normally at the start of every regulatory period.
5. The Commission, or the sponsor Directorate, may propose amendments to the MS/FM at any time. Any such proposals by the Commission shall be considered in the light of the Scottish Ministers' policy aims, operational factors and the Commission's experience of applying the MS/FM. The guiding principle shall be that the extent of flexibility and freedom given to the Commission 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.
6. The Commission 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 question regarding the interpretation of the MS/FM shall be resolved by the sponsor Directorate after consultation with the Commission.
7. Copies of the MS/FM shall be placed in the Scottish Parliament Reference Centre and published on the Scottish Government website. Copies shall also be made available on the Commission's website and on request.

THE WATER INDUSTRY COMMISSION FOR SCOTLAND

MANAGEMENT STATEMENT: FEBRUARY 2007

1. STATUTORY FUNCTIONS, DUTIES AND POWERS

- 1.1 Founding legislation; status
- 1.2 The statutory functions, duties and powers of the Water Industry Commission for Scotland (the Commission)
- 1.3 Classification

2. AIMS, OBJECTIVES AND TARGETS

- 2.1 Overall aims
- 2.2 Objectives and key targets

3. RESPONSIBILITIES AND ACCOUNTABILITY

- 3.1 The Scottish Ministers
- 3.2 The Portfolio Accountable Officer
- 3.3 The sponsoring team in the sponsor Directorate
- 3.4 The Chairman of the Commission
- 3.5 The Membership of the Commission
- 3.6 The Chief Executive Of The Commission

4. PLANNING, BUDGETING AND CONTROL

- 4.1 The Corporate Plan (and Business Plan)
- 4.2 Reporting performance to the sponsor Directorate
- 4.3 Budgeting procedures
- 4.4 Internal Audit

5. EXTERNAL ACCOUNTABILITY

- 5.1 The annual report and accounts
- 5.2 External audit
- 5.3 VFM / 3E examinations

6. STAFF MANAGEMENT

7. REVIEWING THE ROLE OF THE COMMISSION

FINANCIAL MEMORANDUM

APPENDIX A: SPECIFIC LIMITS ON DELEGATED AUTHORITY

1. STATUTORY FUNCTIONS, DUTIES AND POWERS

1.1 Founding legislation; status

1.1.1 The Commission was established by the Water Industry (Scotland) Act 2002 (the 2002 Act), as amended by the Water Services etc. (Scotland) Act 2005 (the 2005 Act), to exercise functions conferred on it by these acts. The Commission is an Executive Non Departmental Public Body and does not carry out its functions on behalf of the Crown.

1.2 The statutory functions, duties and powers of the Commission

1.2.1 The Commission's principal statutory functions as economic regulator are to:

- *Promote the interests of water and sewerage customers*
- *License the provision of retail water and sewerage services to non-household customers.*
- *Determine limits on Scottish Water's charges.*

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

In addition to these functions, the Commission is also required to ensure arrangements are in place that the Water Customer Consultation Panels and the Convener of those panels with the property, staff and services that they require to perform their statutory functions.

1.3 Classification

1.3.1 For policy/administrative purposes the Commission is classified as an executive non-departmental public body.

1.3.2 For national accounts purposes the Commission is classified to the central government sector.

2. AIMS, OBJECTIVES AND TARGETS

2.1 Overall aims

2.1.1. Consistent with the provisions of the 2002 and 2005 Acts, the overall aim of the Commission is to promote the interests of water and sewerage customers.

2.2 Objectives and key targets

2.2.1 The Commission is funded by a levy on Scottish Water. The size of this levy is set by Ministers in the light of the objectives and key targets for the Commission agreed with them through the Commission's corporate planning process (Section 4 below).

3. RESPONSIBILITIES AND ACCOUNTABILITY

3.1 The Scottish Ministers

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

- Approving the resource budget and any associated grant requirement to be paid to the Commission, and securing the necessary Parliamentary approval;
- Carrying out responsibilities specified in the 2002 Act including appointment of the Members of the Commission, approval of the 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 Environment is designated by the Principal Accountable Officer for the Scottish Administration as the Portfolio Accountable Officer for parts of the Scottish Government including the sponsor Directorate for the Commission. The responsibilities of a 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:

- The financial and other management controls applied by the sponsor Directorate to the Commission are appropriate and sufficient to safeguard public funds and for ensuring that the Commission's compliance with those controls is effectively monitored ("public funds" include not only any funds provided to the Commission by the Scottish Ministers but also any other funds falling within the stewardship of the Commission, including gifts, bequests and donations);
- The internal controls applied by the Commission conform to the requirements of regularity, propriety and good financial management;
- Any funding provided to the Commission 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 Directorate, the Water Industry Team is the sponsoring team for the Commission. 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 the Commission, and the primary point of contact for the Commission 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 the Commission.

3.3.2 The sponsoring team shall advise the Scottish Ministers on:

- An appropriate framework of objectives and targets for the Commission in the light of the Scottish Minister's wider strategic aims;
- An appropriate budget for the Commission in the light of the Scottish Ministers' overall public expenditure priorities;
- How well the Commission is achieving its strategic objectives.

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

on performance and risk management –

- Monitor the Commission's activities on a continuing basis through an adequate and timely flow of information from the Commission on performance, budgeting, control and risk management, including early sight of the Commission's Statement on Internal Control;
- Address in a timely manner any significant problems arising in the Commission;
- Ensure that the activities of the Commission and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems;
- Ensure that appointments to the Commission are made timeously and in accordance with the Commissioner for Public Appointments' Code of Conduct;

on communication with the Commission –

- Inform the Commission of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Commission as necessary;
- Bring concerns about the activities of the Commission to the attention of the Commission and require explanations and assurances from the Commission that appropriate action has been taken.

3.4 The Chair of the Commission

3.4.1 The Chair is appointed by the Scottish Ministers in line with the Code of Practice issued by the Scottish Commissioner for Public Appointments.

3.4.2 The Chair is responsible to the Scottish Ministers for ensuring that that the Commission's affairs are conducted with probity and that the Commission complies with any direction given by Ministers in respect of the financial management or administration of the Commission. . The Chair shares with other Commission members the corporate responsibilities set out in paragraph

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

- Formulating the Commission's strategy;
- Ensuring that the Commission, in reaching decisions, takes proper account of guidance provided by the Scottish Ministers;
- Promoting the efficient and effective use of staff and other resources;
- Encouraging high standards of propriety and regularity;
- Representing the views of the Commission to the general public.

3.4.4 The Chair shall also:

- Ensure that all members of the Commission, 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 Commission when Membership vacancies arise, with a view to ensuring a proper balance of professional and financial expertise;
- Assess the performance of Commission individual members on an annual basis.

3.4.5 The Chair shall also ensure that Commission Members are fully aware of the Commission's Code of Conduct which falls within the provisions of the Ethical Standards In Public Life etc (Scotland) Act 2000.

3.4.6 Communications between the Members and the Scottish Ministers shall normally be through the Chair. The Chair shall ensure that the other members are kept informed of such communications.

3.5 The Commission

3.5.1 The membership of the Commission will consist of not fewer than 3, nor more than 5 ordinary members (including the Chair) and the person holding the post of Chief Executive. The Members are appointed by the Scottish Ministers normally for a period of either 3 or 4 years. The length of appointments may vary to ensure continuity of Commission membership.

3.5.2 Commission members have corporate responsibility for ensuring that the Commission fulfils its statutory duties, any targets agreed with Scottish Ministers and for promoting the efficient and effective use of staff and other resources by the Commission in accordance with the principles of Best Value – see relevant section of the SPFM. To this end, and in pursuit of its wider corporate responsibilities, the Commission shall:

- Establish the overall strategic direction of the Commission within the resources framework determined by the Scottish Ministers;
- Ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of the Commission or on the attainability of its targets, and determine the steps needed to deal with such changes;
- Ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of the Commission) are complied with; that the Commission operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Commission takes into account relevant guidance issued by the Scottish Ministers;
- Ensure that the Commission receives and reviews regular financial information concerning the management of the Commission; is informed in a timely manner about any concerns about the activities of the Commission; and provides positive assurance to the sponsor Directorate that appropriate action has been taken on such concerns;
- Demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee with the role of monitoring the Chief Executive's stewardship of the Commission's resources - in accordance with the guidance on Audit Committees in the SPFM - and to help the Commission to address the key financial and other risks facing it;
- Provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;

3.5.3 Under Schedule A1, section 7 (2) of the 2002 Act as amended by the 2005 Act the first Chief Executive of the Commission was appointed by Scottish Ministers. The Commission may, with the approval of the Scottish Ministers, make subsequent appointments to the post of chief executive and subject to approval by the Scottish, set remuneration terms for the Chief Executive. The Commission shall set objectives for the Chief Executive linked to these remuneration terms which give due weight both to the proper management and use of public monies and to the delivery of outcomes in line with the Commission's corporate plan.

3.5.4 Individual Commission members shall act in accordance with their wider responsibility as Members of the Commission – namely to:

- Comply at all times with the Code of Conduct (paragraph 3.4.5 above) that is adopted by the Commission 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 personal gain or for political profit, nor 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 the Commission.

3.5.5 Individual board members of sponsored bodies appointed by or with the approval of the Scottish Ministers who have acted honestly and in good faith should not have to meet out of their own personal resources any personal civil liability which is incurred in the execution or purported execution of their board functions, save where the person has acted recklessly. Relevant claims established against a board member will therefore be met from funds provided to the sponsored body by the Scottish Ministers. Additions to grant or grant in aid and/or adjustments to targets may be considered by the sponsor Directorate on a case-by-case basis.

3.6 The Chief Executive of the Commission

3.6.1 The Chief Executive as the senior full time official of the Commission is designated as the Commission's Accountable Officer by the Principal Accountable Officer of the Scottish Administration in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

3.6.2 The Accountable Officer of the Commission is personally responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of the Commission) 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 the Commission. 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 that make up a Best Value regime is included in the Best Value section of the SPFM.

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

on planning, performance management and monitoring –

- Establish the Commission's corporate and business plan;
- Establish a robust performance management framework which supports the achievement of the Commission's aims and objectives as set out in the corporate and business plans; and which enables full performance reporting to the Commission, the sponsor Directorate and the wider public;
- Inform the sponsor Directorate of the Commission's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- Ensure that, within each regulatory period, 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 the Commission –

- Advise the Commission on the discharge of its statutory functions as set out in the founding legislation and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Directorate, and in this document;
- Advise the Commission on its performance compared with its aims and objectives;
- Ensure that financial considerations are taken fully into account by the Commission at all stages in reaching and executing its decisions, and that standard financial appraisal techniques as set out in the HM Treasury 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 the Commission, or its Chairman, is contemplating a course of action involving a transaction that the Chief Executive 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 the Commission (including any approved income or other receipts) are used for the purpose intended by the Parliament, and that such monies, together with the Commission's assets, equipment and staff, are used economically, efficiently and effectively;
- Ensure that adequate internal management and financial controls are maintained by the Commission, including effective measures against fraud and theft;
- Maintain a comprehensive 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 policies are maintained;

on accounting for the Commission's activities –

1. 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;
2. Sign a Statement of Accountable Officer's responsibilities, for inclusion in the annual report and accounts;
3. Sign a Statement on Internal Control regarding the Commission's system of internal control, for inclusion in the annual report and accounts;
4. Sign a Certificate of Assurance on the maintenance and review of the Commission's internal control systems, for submission to the sponsor Directorate;
5. Ensure that an effective complaints procedure is in place, including, where applicable, reference to the Scottish Public Services Ombudsman, and made widely known;
6. Give evidence when summoned before Committees of the Scottish Parliament on the use and stewardship of public funds by the Commission.

on receipt of complaints about the Commission –

- 3.6.5 The Chief Executive is responsible for informing the Portfolio Accountable Officer about any complaints about the Commission accepted by the Scottish Public Services Ombudsman for investigation, and about the Commission's proposed response to any subsequent recommendations from the Ombudsman.
- 3.6.6 The Chief Executive may delegate the day-to-day administration of his/her Accountable Officer responsibilities to other employees in the Commission. However, he/she shall not assign

absolutely to any other person any of the responsibilities set out in this document.

4. PLANNING, BUDGETING AND CONTROL

4.1 The corporate plan

- 4.1.1 Consistent with the timetable for Strategic Reviews of Charges, the Commission shall submit to the sponsor Directorate a draft corporate plan covering the Strategic Review period. The Commission 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 between Strategic Reviews as and when considered necessary.
- 4.1.2 The plan shall reflect the Commission's 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:
- A review of performance against the previous corporate plan
 - The Commission's key objectives and associated key performance targets for the forward years, and its strategy for achieving those objectives;
 - Other matters as agreed between the sponsor Directorate and the Commission.
- 4.1.4 The main elements of the plan - including the key performance targets - shall be agreed between the sponsor Directorate and the Commission in the light of the decisions on policy and resources taken in the context of the Scottish Ministers' wider public expenditure plans and decisions.
- 4.1.5 Subject to any commercial considerations, the corporate plan shall be published. A summary version shall be made available to staff.

4.2 Reporting performance to the sponsor Directorate

- 4.2.1 The Commission shall operate management information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its corporate plan.
- 4.2.2 The Commission 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 plan.
- 4.2.3 The Commission's performance shall be reported to the sponsor Directorate on a regular basis. Performance will be reviewed regularly by the sponsor Directorate. The appropriate Scottish Minister shall meet the Commission regularly to discuss the Commission's performance, its current and future activities and any policy developments relevant to those activities.
- 4.2.4 The Chair of the Commission will be responsible for an annual assessment of the performance of the Chief Executive and Members and for feeding back performance assessments to the individuals concerned. The Chair will be subject to an annual appraisal by, and receive feedback from the Portfolio Accountable Officer.
- 4.2.5 The Commission's performance against key targets shall be reported in the Commission's annual report and accounts (see Section 5.1 below). Other forms of reporting performance to the public should also be considered.

4.3 Budgeting procedures

- 4.3.1 The Commission's budgeting procedures are set out in the associated financial memorandum.

4.4 Internal audit

- 4.4.1 The Commission shall establish and maintain arrangements for internal audit in accordance with the HM Treasury's Government Internal Audit Standards (GIAS). The Commission shall consult the sponsor Directorate to ensure that the latter is satisfied with Commission's arrangements for Internal Audit.
- 4.4.2 The Commission shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. 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 the Commission.
- 4.4.3 The Scottish Government's internal audit service shall also have a right of access to all documents prepared by the Commission's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Commission's Internal Auditor's 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.
- 4.4.4 In addition, the Commission shall forward to the sponsor Directorate an annual report on any fraud and theft suffered by the Commission; notify any unusual or major incidents as soon as possible; and notify any changes to its 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 the Commission shall publish an annual report of its activities and its audited annual accounts either together or separately.
- 5.1.2 The report and accounts shall comply, so far as appropriate, with the *Government Financial Reporting Manual*. The accounts shall be prepared in accordance with the relevant statutes, specific accounts direction and other relevant guidance issued by the Scottish Ministers.
- 5.1.3 The report and accounts shall outline the Commission's main activities and performance during the previous financial year and set out in summary form the Commission's 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.
- 5.1.4 The report and accounts shall be submitted in draft to the sponsor Directorate for comment and the final versions shall be laid before the Parliament by the Scottish Ministers before 31 December. The final accounts must not be laid before they have been formally sent by the Auditor General to the Scottish Ministers and must not be published before they have been laid. The Commission shall be responsible for the publication of the report and accounts, including on the Commission's website.

5.2 External audit

- 5.2.1 The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, the Commission's annual accounts and passes them to the Scottish Ministers who shall lay them before the Parliament. The Commission's annual report must also be laid before the Parliament either together with, or separately from, the Annual Accounts. For the purpose of audit the AGS has a statutory right of access to documents and information held by relevant persons specified by an Order under section 24 of the Public Finance and Accountability (Scotland) Act 2000.

5.2.2 The Commission shall instruct its auditors to send copies of all management letters (and correspondence relating to those letters) and responses to the sponsor Directorate.

5.3 Value For Money (VFM) / Economy, Efficiency and Effectiveness (3E) examinations

5.3.1 The Public Finance and Accountability (Scotland) Act 2000 provides that the AGS may carry out examinations into the economy, efficiency and effectiveness with which the Commission has used its resources in discharging its functions. For the purpose of these examinations the AGS has statutory access to documents and information held by relevant persons.

6. STAFF MANAGEMENT

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

- The recruitment of its staff is based on fair and open competition and equal opportunities;
- The level and structure of its staffing, including gradings and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- The performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and the Commission's 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 Commission's objectives;
- Its staff are treated equitably irrespective of age, race, religion, gender or disability;
- Proper consultation with staff takes place on key issues affecting them;
- Adequate grievance and disciplinary procedures are in place;
- Whistle blowing 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-Departmental Public *Bodies*.

7. REVIEWING THE ROLE OF THE COMMISSION

7.1 The role of the Commission shall be reviewed periodically in accordance with the business needs of the Scottish Government and of the Commission.

FINANCIAL MEMORANDUM: FEBRUARY 2007

1. Budgeting procedures
2. The Commission's income
3. The Commission's expenditure: general principles
4. Expenditure on staff and members
5. Non-staff expenditure
6. Management and disposal of fixed assets
7. Banking

Appendix A: Specific limits on delegated authority

1. BUDGETING PROCEDURES

- 1.1 Any grant or grant in aid paid to the Commission form part of the Scottish Government's Resource DEL and Capital DEL as appropriate.

Setting the annual budget

- 1.2 For each regulatory period, in the light of decisions by the Scottish Ministers on the Commission's corporate plan (paragraph 4.1 of the management statement), the sponsor Directorate will send to the Commission:
- A formal statement of the annual budgetary provision approved by the Scottish Ministers.
 - A statement of any planned change in policies affecting the Commission.
- 1.3 The Commission's corporate 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 and of draw-down of grant or grant in aid and other income over the year.
- 1.4 Any Grant or Grant in aid provided by the Scottish Ministers for the year in question will be included in the annual Budget Act and will be subject to approval by the Parliament.

Transfers of budgetary provision

- 1.5 All transfers of budgetary provision between resource and capital budgets and between 'cash' and 'non-cash' headings require the prior approval of the sponsor Directorate. Other transfers between main budget headings may be undertaken without the prior approval of the sponsor Directorate.

End-year flexibility

- 1.6 In accordance with Ministers agreement to the Corporate Plan & Budget for 2006-10, the Commission has full EYF in respect of its running costs funded by the Levy on Scottish Water. In relation to grant funding, under the Scottish Government's end-year flexibility (EYF) arrangements the Commission may, subject to the approval of the sponsor Directorate, carry forward from one financial year to the next, in part or in full, any unused budgetary provision. It is the Commission's underspending in terms of DEL budgetary provision rather than the use of grant or grant in aid that will determine the level of EYF available to be carried forward. The Commission must at the earliest opportunity submit to the sponsor Directorate any proposals for carrying forward budgetary provision. Any such proposals shall be considered by the sponsor Directorate in the light of competing priorities.

Authority to spend

- 1.7 Once the Commission's budget has been approved by the sponsor Directorate, the Commission shall have authority to incur expenditure / consume resources without further reference to the sponsor Directorate, on the following conditions:
- the Commission shall only incur expenditure on the discharge of its statutory functions and duties;
 - the Commission 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;
 - the Commission 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 the Commission's 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;
 - the Commission shall provide the sponsor Directorate with such information about its expenditure as the sponsor Directorate may reasonably require.

2. THE COMMISSION'S INCOME

Levy paid by Scottish Water

- 2.1 Under the 2002 Act as amended by the 2005 Act, the Commission will be funded by a Levy paid by Scottish Water. Following approval by Ministers of the Commission's Corporate Plan, the Sponsor Directorate instructs Scottish Water to pay the amount determined to the Commission on a monthly basis. In addition Ministers may approve specific grants and grant in aid to the Commission.

Grant in aid

- 2.2 Grant in aid will be paid to the Commission in instalments, on the basis of a written application from the Commission showing evidence of need. The application shall provide the sponsor Directorate with, as a minimum, information which will enable the satisfactory monitoring by the sponsor Directorate of:
- The Commission's cash management
 - Actual and forecast outturn of expenditure of grant in aid
 - Actual and forecast expenditure/consumption of DEL budgetary provision by main budget headings

Grant in aid will not be paid out in advance of need. Cash balances accumulated during the course of the year from grant in aid shall therefore be kept at the minimum level consistent with the efficient operation of the Commission. No grant in aid shall be paid into any reserve held by the Commission.

Borrowing

- 2.3 Borrowing cannot be used to increase the Commission's spending power.

Fees relating to licenses

2.4 Under Part 1, section 9 (1) of the 2005 Act the Commission may make a Fees scheme which specifies –

- a) The matters relating to water services and sewerage services licences in respect of which fees are payable; and
- b) The amounts of fees payable (and, as appropriate, the persons by whom they are payable) in respect of each of these matters.

Any fees scheme made by the Commission will secure that the fees payable in accordance with the scheme are sufficient to meet the costs incurred by the Commission in exercising its functions relating to water services and sewerage services licences. As set out in legislation, any fees scheme must be approved by the Scottish Ministers.

Receipts from sale of goods or services

2.5 Receipts from the sale of goods or services may be used to provide additional spending power subject to them being included in the approved budget.

Interest earned

2.6 Interest earned by the Commission 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

2.7 Disposals of land and buildings are dealt with in Section 6 below.

Gifts, bequests and donations

2.8 The Commission is free to retain any gifts, bequests or similar donations subject to the approval of the sponsor Directorate. These shall be treated as receipts that, where appropriate, can be used to increase spending power.

2.9 Before proceeding in this way the Commission shall consider if there are any associated costs in doing so or any conflicts of interests arising. The Commission shall keep a written record in its annual accounts 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

2.10 If income realised or expected to be realised in-year is less than estimated, the Commission shall, unless otherwise agreed with the sponsor Directorate, ensure a corresponding reduction in its gross expenditure so that the authorised budget is not exceeded.

2.11 If income realised or expected to be realised in-year is more than estimated, the Commission 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 the Levy or grant or grant in aid. The sponsor Directorate shall consider any such application.

3. THE COMMISSION'S EXPENDITURE: GENERAL PRINCIPLES

Delegated authority

- 3.1 The Commission shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure, which falls outside the specific limits on the Commission's 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 The Commission's procurement policies shall reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving the Commission's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. The Commission shall also ensure that it complies 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 A must be submitted to the sponsor Directorate for approval.

Value for money

- 3.5 Procurement by the Commission 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 The Commission shall pay all matured and properly authorised invoices in accordance with the guidance in the SPFM on Expenditure and Payments. The Commission is subject to the Scottish Government target for the payment of invoices within 10 working days of their receipt.

Novel, contentious or repercussive proposals

- 3.7 The Commission 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 The Commission shall ensure that the risks that it faces 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 The Commission 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 The Commission 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.

4. EXPENDITURE ON MEMBERS AND STAFF

Member costs

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

Staff costs

- 4.2 The Commission 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

- 4.3 The Commission shall submit to the sponsor Directorate for approval (normally annually unless a multi-year deal has been agreed) a staff 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. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. The Commission shall comply with the EU directive on contract workers "Fixed Term Employees Regulations (Prevention of Less Favourable Treatment)". The terms and conditions of the Chief Executive are subject to a separate approval exercise.

Pensions, redundancy/compensation

- 4.4 Superannuation arrangements for staff are subject to the approval of the sponsor Directorate. The Commission's staff shall normally be eligible for a pension provided by admittance to the Local Government Pension Scheme (LGPS);
- 4.5 Any proposal by the Commission to move from the 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.
- 4.6 Remuneration, allowances and expenses paid to Members of the Commission (including pension arrangements for the Chair) must comply with specific guidance on such matters issued by the Scottish Ministers.

5. NON-STAFF EXPENDITURE

Capital expenditure

- 5.1 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.
- 5.2 Proposals for large-scale individual capital projects or acquisitions will normally be considered within the Commission's 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 limits as indicated in the attached Appendix.

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

- 5.3 The Commission 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.

Gifts made, write-offs, losses and special payments

- 5.4 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

- 5.5 Prior sponsor Directorate approval must be secured for all property and finance leases. The Commission must have the sponsor Directorate's prior consent for finance leases and other transactions, which are in substance borrowing. Before entering into any lease (including an operating lease) the Commission must demonstrate that the lease offers better value for money than purchase.

Financial investments

- 5.6 The Commission shall not make any investments 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 the Commission shall equally be subject to sponsor Directorate approval unless covered by a specific delegation. The Commission shall not invest in any venture of a speculative nature.

Unconventional financing

- 5.7 Unless otherwise agreed with the sponsor Directorate, the Commission shall not enter into any unconventional financing arrangement.

Commercial Insurance

- 5.8 The Commission 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 as 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 the Commission and/or agree to adjustments to the targets in the corporate plan.

6. MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Register of assets

- 6.1 The Commission shall maintain an accurate and up-to-date register of its fixed assets.

Disposal of assets

- 6.2 The Commission shall dispose of assets that 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 the Commission subject to them being included in the approved budget.

7. BANKING

- 7.1 The Commission's Accountable Officer is responsible for ensuring that the Commission's 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. These arrangements shall be suitably structured and represent value-for-money, and be reviewed regularly.

APPENDIX - SPECIFIC LIMITS ON DELEGATED AUTHORITY

Single-tender contracts	£10,000 (£20,000 where contractor has already been awarded contracts by competitive tender)
Project Appraisal	
(a) Consultancy projects (b) Projects other than consultancies	£100,000 £1,000,000 (Projects estimated to cost between £150,000 and £1,000,000 to be referred initially in outline to the sponsor Directorate)
Write-off of losses	
Arising from: (i) Theft or damage etc to vehicles	£5,000
(ii) other causes	£1,000
Special Payments (other than gifts)	£1,000
Gifts	£75