



Àrd-stiùiriche airson Cothromachadh Carboin

Director-General Net Zero

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Dear Convenor

I am writing regarding the further information requested by the Public Audit Committee during the evidence session on the Water Industry Commission for Scotland (WICS) on 21 March. I am replying with the information requested of Scottish Government, and I understand that the Chair of WICS is replying separately with further information requested of them.

1. Public Bodies' approach to giving gift vouchers to staff

I sponsor and am appointed as Portfolio Accountable Officer for 26 public bodies within the Director General Net Zero portfolio, these are listed for reference at Annex A. During the evidence session I noted this as 28 public bodies, but that includes Caledonian Sleeper and Scotrail which are entities within the Scottish Rail Holdings public body. It is a matter for each individual public body to determine its own policies towards gift vouchers within the rules set out in the SPFM ([Scottish Public Finance Manual - gov.scot \(www.gov.scot\)](http://www.gov.scot)) and the relevant Delegated Authorisation agreed with Scottish Government, as set out in the Governance Framework.

As a rule, public bodies within the DG remit do not give out gift vouchers. I have received assurance, via Scottish Government sponsor teams, that 24 of the bodies have not given out any vouchers to staff in the past 12 months. Through the sponsor team for CES, I have been informed that Crown Estate Scotland (CES) has a policy in place for gifts and gift vouchers. CES has confirmed that, over the past year (April 2023 to March 2024), under this policy £900 was spent on vouchers for a total of 18 members of staff. These were paid throughout the year and not all at one time. CES has confirmed it treats these payments as taxable and CES pays the relevant amount to HMRC as part of their HMRC/PAYE annual return. The sponsor team has asked CES to review its relevant policies in line with the considerations within the Non-Salary Rewards section of the SPFM.

A gifts policy is not a requirement as set out in the Framework Document, however we do recognise it to be a matter of good practice to have a specific policy in place and a number of public bodies in the portfolio have confirmed they are reviewing and implementing a policy.

The Scottish Government does not offer its staff (of any grade) gift vouchers, or any other type of non-consolidated performance payment (i.e. bonuses). The suspension of paying

non-consolidated performance-related payments is in line with the 2023-2024 public sector pay strategy for the Scottish public sector.

2. Scottish Government's employee benefits policies, including taxable benefits

Scottish Government HR policies do not apply to WICS staff, as WICS is an executive non-departmental public body, therefore the following information is provided for comparison only. The Scottish Government has a contract with an external provider Edenred to provide a number of non-contractual voluntary benefits to its employees. These include salary sacrifice arrangements for childcare vouchers (scheme closed to new applicants), and cycle to work (approved by the Treasury). Staff can also make voluntary charitable donations directly via their salary (payroll giving, before tax but after NI deductions). In addition, a discount scheme offers discounts across a range of high street outlets. For eye tests and glasses specifically, Scottish Government advise staff that if they go for an eye test and their optician advises that they need glasses for their work using display screen equipment (DSE), the SG may help with the cost of glasses. Costs may be covered for the cheapest frame plus single vision lenses available from the optician.

3. Possible outcome had the Scottish Government not given retrospective approval to the expenditures occurred by WICS

During the evidence session, Jon Rathjen, the sponsor of WICS explained that on this occasion, when the expenditure came to light in November 2023, SG granted retrospective approval. This was because the costs could not realistically have been recouped: the Harvard training course had concluded in May 2023 and the gift vouchers had been given to staff in December 2022. With the benefit of hindsight, it is accepted that it would have been better to simply note the payments as irregular rather than to give retrospective approval. I will request that the Scottish Government's Public Bodies Support Unit (PBSU) updates the relevant guidance. The SPFM states that it is the Accountable Officer of WICS (the departed CEO) who is ultimately accountable for incurring these two items of novel and contentious expenditure, which ultimately lead to his departure.

4. RAG ratings document for public bodies

The Scottish Government's public body Red, Amber, Green (RAG) is an assurance tool which is embedded within the government's governance architecture. It was produced as part of the implementation of Strategic Sponsorship, following the [review of the Scottish Government relationships with public bodies](#). I understand this was first presented to the committee in August at an informal session held with the Scottish Government's Public Bodies Support Unit (PBSU).

I have engaged with both the Permanent Secretary and the PBSU on the request from the committee. We have agreed that it would be prudent for PBSU to engage directly with the committee on this matter. I understand that officials have sought to engage with the committee Clerk in the first instance and I have asked to be kept abreast of the developments.

5. Scottish Government's approach to training for Senior Civil Servants

The Scottish Government provides learning and development support to all staff in the SG, including Senior Civil Servants (SCS). SCS learning incorporates a number of central HR, professional, functional and externally delivered offers. Applicable costs for formal leadership learning is covered through central funding within existing contract limits or funded directly through individual directorate budgets adhering to procurement guidance.

I hope that this answers the questions raised by the Committee during the evidence session on the 21 March. I reiterate the point I made during the session, that the Scottish Government fully accepts and recognises the seriousness of Audit Scotland's findings. We are working to ensure that each recommendation is fully addressed through strengthening the sponsorship relationship with WICS to ensure closer oversight.

The issues raised by Audit Scotland are specific to WICS and the culture that prevailed at the time – they are not I believe symptomatic of the wider public sector landscape. Steps are being taken by WICS and the sponsorship team to change the culture in WICS, following the departure of the CEO in December. In the near term the Director with responsibility for WICS sponsorship and I will continue to meet with the Chair of WICS on a monthly basis, to seek assurance that WICS has made the necessary improvements including improving its management reporting to its Executive Team and Board.

I look forward to receiving the Committee's report on WICS and will continue to work to ensure that WICS regains the confidence of MSPs to perform effectively as the economic regulator of Scottish Water.

Regards

ROY BRANNEN

ANNEX A: LIST OF DG NET ZERO PUBLIC BODIES

Public Body	Classification
Cairngorms National Park Authority	Executive NDPB
Caledonian Maritime Assets Ltd	Public Corporations
Consumer Scotland	Non Ministerial Office
Crofting Commission	Executive NDPB
Crown Estate Scotland	Public Corporations
David MacBrayne Ltd	Executive NDPB
Drinking Water Quality Regulator	Other Significant Public Bodies
Environmental Standards Scotland	Non Ministerial Office
Forestry and Land Scotland	Executive Agency
Highlands and Islands Airports Ltd	Executive NDPB
Loch Lomond and The Trossachs National Park Authority	Executive NDPB
Mobility and Access Committee for Scotland	Advisory NDPB
NatureScot	Executive NDPB
Quality Meat Scotland	Executive NDPB
Royal Botanic Garden Edinburgh	Executive NDPB
Scottish Agricultural Wages Board	Executive NDPB
Scottish Canals	Executive NDPB
Scottish Environment Protection Agency (SEPA)	Executive NDPB
Scottish Forestry	Executive Agency
Scottish Land Commission	Executive NDPB
Scottish Rail Holdings Ltd	Executive NDPB
Scottish Road Works Commissioner	Executive NDPB
Scottish Water	Public Corporations
Transport Scotland	Executive Agency
Water Industry Commission for Scotland	Executive NDPB
Zero Waste Scotland	Private company limited by guarantee. Will become an Executive NDPB in 2024.