



Àrd-stiùiriche airson Cothromachadh Carboin

Director-General Net Zero

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Dear Convener,

Thank you for your letter of 21 June seeking further information in relation to the below areas. I have addressed each of the Committee's questions in turn.

Staff training

1. *The Committee asks whether it is common practice for public bodies in Scotland to require senior staff to hold MBAs?*

We are not aware of any other public bodies in Scotland that require senior staff to hold MBAs. It is for each public body to consider any training deemed necessary to assist both staff and Boards to carry out their duties. The public body, including its senior leaders and Board, must determine what skills, education and experience their organisation needs to deliver the mandate Ministers have given it.

2. *The Committee asks if the sponsorship team raised any concerns or challenged the introduction of this policy on 2017?*

As mentioned in my previous letter, our records show the policy of paying for MBAs for senior staff at WICS had been in place since 2006. A revised grading structure was put to the Scottish Government Remuneration Group in 2017 for approval. This set out WICS' overall pay and remuneration policy, with reference to MBAs as a part of that wider policy. The policy of MBAs was not subject to specific scrutiny in 2017. Records show that this policy was originally implemented by WICS to retain staff and overcome recruitment and retention issues in the organisation which had prevailed for many years.

The Scottish Government has asked WICS to develop a specific and evidenced training policy linked to current business need.

3. *The Committee asks what work, if any, the Scottish Government has undertaken to verify whether the correct procurement processes were carried out by WICS in respect of the training courses listed in the response to the FOI request.*

Following the FOI release, the Sponsorship team asked WICS to provide information on the procurement approach for the training courses listed in that release. WICS confirmed that

these were not subject to competitive procurement. As a result, WICS should have sought approval for these courses in line with the governance framework in place and sought approval from the the Sponsorship team for these in advance. . Retrospective approval was only sought for one course at Harvard Business School.

4. *The Committee also seeks your view on whether WICS should have sought approval from the Scottish Government for any of these training courses.*

The WICS Governance Framework sets out WICS' Delegated Authority for expenditure and makes clear that expenditure that is novel or contentious should be approved by the Scottish Government. These training courses were not subject to competitive procurement and as such the then WICS Delegated Authority limit for a direct award would have applied.. Direct awards above these thresholds should have been brought to the attention of the Scottish Government for consideration.

As part of approval requests, the Scottish Government would have expected to receive evidence of the training need, and a clear assessment of alternative options, with the recommended option being clearly evidenced as best value. WICS have now taken action to strengthen internal governance to identify expenditure which requires Scottish Government approval and to engage early with the Sponsorship team on issues.

Departure of former Chief Executive

5. *Can you confirm what advice the Scottish Government sponsorship team provided to WICS on the requirements of the Scottish Public Finance Manual regarding the process for accepting the former Chief Executive's resignation, either during, or following the meeting on 19 December 2023.*

The Sponsorship team was made aware of the CEO's intention to resign on 19 December 2023. At that time, there was a discussion between the Chair and Sponsorship team on a payment to be made to the CEO in lieu of his contractual six month notice period, but WICS did not raise the use of a formal settlement agreement. As the CEO resigned, there was no requirement for WICS to seek Scottish Minister's approval. The Sponsorship team did not provide any further advice to WICS on the process for making a payment which at the point of resignation was understood by them to be in line with contractual obligations.

The Sponsorship team only became aware that the Chair and CEO had signed a legally binding settlement agreement when WICS wrote to them on 12 January requesting approval for the CEO's payment and referring in that email to the settlement agreement. The Sponsorship team immediately consulted relevant Scottish Government colleagues and it became clear that WICS had not complied with the SPFM. At this point the Sponsorship team informed WICS that the SPFM process should have been followed. The team asked for a business case to be retrospectively submitted and, following further engagement with WICS and Scottish Government colleagues, the final business case was received from WICS on 4 March 2024.

The Cabinet Secretary wrote to the Chair of the Board on 15 March 2024 expressing her extreme concerns about the Board's failure to follow the requirements of the SPFM from the outset on this matter.

6. In noting the Cabinet Secretary's concerns that there was insufficient opportunity for the Scottish Government to provide input to this process, the Committee wishes to establish what further input should the Scottish Government have had?

In line with the 'Settlement agreements, severance, early retirement and redundancy terms' chapter of the SPFM, WICS should have submitted a settlement agreement business case to the Scottish Government for scrutiny before entering into a legally binding agreement. At that stage the Sponsorship team would have been able to advise WICS on the appropriateness of using a settlement agreement (or otherwise) and the alignment (or not) with the SPFM.

7. The Committee seeks clarification as to whether you consider any of the expenditures identified in the internal review of financial transactions will require retrospective approval.

The Sponsorship team has reviewed the internal review of financial transactions and the Grant Thornton internal audit report which WICS provided. This process has identified a number of additional cases where WICS did not seek approval from the Scottish Government as required under the Governance Framework. We also note the wider concerns these reviews have highlighted, including a lack of adherence to policy and procedures within WICS and a lack of focus on value for money and compliance with the SPFM.

The focus going forward is to ensure that WICS takes action to address these failings and understands the occasions on which it must seek the Scottish Government's timely approval. The Grant Thornton internal audit outlines the steps WICS has put in place since the s22 report findings, setting out the measures taken to address these issues and the management response plans WICS has developed to address the further recommendations Grant Thornton has made.

In addition, we will expect WICS to take account of the findings of the Scottish Government reviews when conclusions are available later this summer.

Review of governance

8. In light of these recent media reports, can you confirm whether the Scottish Government intends to carry out two separate external reviews of WICS, or whether the original external review you referred to during oral evidence has now been expanded?

The Scottish Government is undertaking two linked but separate reviews to support WICS improvement.

The first is the independent review of WICS, first referred to in the Committee session on 21 March and then again by the Cabinet Secretary on 10 June. This review will consider the internal policies and processes at WICS. Further information on scope is set out in answer to question 9. The scope of this review was expanded following the FOI release to cover broader issues including the culture at WICS.

The second is an internal review that will consider the Scottish Government's own sponsorship oversight and governance controls in relation to WICS to ensure that lessons are learnt from this experience.

We expect both review processes to publish their reports in late summer. The Scottish Government will carefully consider the conclusions of both reviews to inform further improvements in relation to WICS or sponsorship processes more generally.

9. *The Committee also requests further details on the scope and timetable for the planned external review(s) of WICS.*

The independent review of WICS is underway. It will report in late summer 2024 on the following areas:

- The role of WICS Board Chair and Members, the skills development of the Board, the values they espouse and the leadership role modelling they do to foster a culture of openness, transparency and ensuring Best Value.
- Assess the culture and ethos at WICS.
- Review of WICS leadership (Non Exec & Exec level) with regard to integrity, decision making, transparency, risk and control.
- Review of organisation structure at operational and governance levels.
- Review of key finance, training, HR and other standard operating procedures, the policies and processes the organisation and its Board has in place, and their effectiveness to discharge their statutory function.
- How the Board and senior leadership communicate, operate and their effectiveness as a public body responsible for complying with the requirements of SPFM (Scottish Public Finance Manual), including providing best value when operating as a public body in a private sector domain to generating revenue to recognise the fundamental difference between both.
- Assess the approach to the internal review carried out by WICS of their financial transactions for 2022-23 and the first three quarters of 2023-24.
- A review of financial transactions prior to the 2022-23 financial year. The review will: Obtain a full transaction listing from WICS for the 2021-22 financial year and two other years.

I hope this is helpful. As always, my colleagues and I are happy to provide any further information or clarification as required by the Committee.

ROY BRANNEN