

13 December 2024

Dear Convener,

Thank you for your letter of 15 November to Michelle Quinn, seeking further information in relation to the below areas. As policy lead I am replying on her behalf. I have addressed each of the Committee's requests in turn.

The Committee seeks information on how the Scottish Government plans to assess whether WICS's international work to support the Hydro Nation Strategy should resume, including the factors it will take into account and the timescale for a decision to be made.

The Hydro Nation Strategy is now over a decade old and during that time the priorities for the Water Industry as a whole have changed. In 2019, sector partners agreed to an overarching Water Sector Vision to shape our work as set out in Annex A. The Scottish Government is now looking at how we refocus our efforts towards delivering that Vision and setting clear objectives that focus on our primary challenges surrounding: water quality and treatment, net zero, water scarcity and affordability.

The work includes a review of the whole Hydro Nation Strategy to align it more closely with the sector's Water Sector Vision. We are reviewing the role of WICS's international activity against that backdrop, with a final decision to be made in Spring 2025.

We will continue to support knowledge exchange type activity where such activities are supported by a clear business case. These activities may include engagement with international regulators (with the parties substantially bearing their own costs) in order to share best practice and remain at the forefront of water regulation. This would be for WICS to consider in line with its financial governance processes, subject to any delegated expenditure limits and Scottish Public Finance Manual guidance on Best Value.

In the event there continues to be proven value in revenue generating work, we will not recommence any activity until we are satisfied that it: a) is capable of being resourced without detriment to core regulatory duties; and b) is supported by a governance model that sufficiently separates it from core regulatory work and defines the procedures and management of the activity to remain compliant with the SPFM.

The Committee also requests information on what assessment the Scottish Government has made in relation to the effectiveness of, and outcomes arising from WICS's international activities to support the Hydro Nation Strategy. This includes information on any feedback that has been sought from WICS's international partners.

Scottish Government Hydro Nation Reporting

Activities conducted internationally by WICS were reported through the Scottish Government Hydro Nation annual reports (2014 – 2022). They are publicly available [here](#). Each report provides an overview of the work which has been conducted during that year and the impact resulting therefrom. Updates on the work conducted by WICS were also provided through meetings of the Hydro Nation Forum, presented to both Scottish Government and additional stakeholders. The Hydro Nation Forum was paused following the Covid-19 pandemic and will not be reconvened while the review of the Hydro Nation Strategy is underway. A decision regarding the future of the Forum will be made in line with the outcomes of the review.

Specific review of international work, 2018

In 2018, a review of all international activity conducted under the remit of the Hydro Nation Strategy was conducted by Shepherd and Wedderburn.

This review identified a number of considerations including in relation to the need to formalise project procedures relating to international work. As a result, steps were taken to develop an approach to systematically assess, log and circulate proposed international opportunities to stakeholders for a joint decision. Not all of the considerations were taken forward. However, the considerations serve as a valuable tool for the review of the Hydro Nation Strategy and the framework which could be used to govern international work, should it continue to take place in the future.

Feedback was provided directly to WICS, which I am aware has been positive in nature.

The Committee requests confirmation of the author of the Independent Review of the Water Industry Commission for Scotland – Governance Arrangements.

The independent review was split into two parts. The '*Independent Review of the Water Industry Commission for Scotland – Governance Arrangements*' was carried out by the Scottish Government's Internal Audit Team which provides the independent, internal audit service for the Scottish Government. The second part of the review – '*Independent Review of the Water Industry Commission for Scotland – EY Review of Financial Transactions*' was undertaken by EY as the Scottish Government Internal Audit co-source partner.

Yours sincerely,

Kersti Berge,
Director of Energy and Climate Change

Annex A: Water Sector Vision

Scotland's water sector will be admired by customers and communities, recognised for excellence, leading and inspiring the nation towards a sustainable future.

- Together we will support the health and wellbeing of the nation. We will ensure that all of Scotland gets excellent quality drinking water that people can enjoy all of the time. Scotland's waste water will be collected, treated and recycled in ways that generate value and protect the environment. We will enable the economy to prosper.
- We will transform how we work to live within the means of our planet's resources, enhance the natural environment and maximise our positive contribution to Scotland achieving net zero emissions.
- We will involve and inspire Scotland's people to love their water and only use what they need. We will promote access to the natural environment and encourage communities to enjoy and protect it.
- We will be agile and will collaborate within the sector and with others to be resilient to the challenges that will face us. We will keep services affordable by innovating and delivering the greatest possible value from our resources, helping those who need it most. We will serve all customers and communities in a way that is fair and equitable to present and future generations.
- We are a vital part of a flourishing Scotland.