

## **Water Industry Investment Group**

### **Terms of Reference for the 2021-27 regulatory period**

These terms of reference set out how the Water Industry Investment Group (WIIG) will operate during the 2021-27 regulatory period (SRC21). They clarify the group's remit, membership, and the rules of participation.

#### **Purpose**

The members of WIIG have agreed that the balancing of investment and service delivery is an ongoing process and to allow the investment programme to flex as necessary. Ongoing transparency is therefore required by means of a change control process that shares current progress and risks and proposes adjustments to the balance of the programme to maintain the correct outcomes focus.

That transparency and change control is the purpose of WIIG.

WIIG will provide assurance for Scottish Ministers that the delivery and development of Scottish Water's rolling investment programme will result in the fulfilment of the [Ministerial Objectives](#) (MOs) they have set Scottish Water for SRC21.

#### **Review**

The terms of reference for WIIG will be reviewed by the secretariat, in consultation with members, ahead of the 2027-33 regulatory period (SRC27) to ensure they remain fit for purpose, recognising the changing framework for the new regulatory period.

#### **Remit**

WIIG will:

- Provide sufficient challenge so as to assure Scottish Ministers that the delivery and development of the investment programme will fulfil the MOs they have set Scottish Water for SRC21.
- Seek assurance on the delivery of committed projects and sub-programmes in Scottish Water's investment programme (see Annex A) which are intended to achieve the MOs. This includes any outstanding projects from previous regulatory periods.
- Oversee the development of the rolling investment programme (see Annex B), in line with the [Investment Planning and Prioritisation Framework](#), ensuring it represents a balanced programme that makes progress towards the MOs.
- Provide challenge, comment, and advice on risks in relation to any other aspect of Scottish Water's investment programme, e.g. the updates on Management Approaches and Investment Planning Scenarios presented by Scottish Water.
- Provide challenge, comment, and advice on risks in relation to the levels of service provide by Scottish Water.
- Work with Scottish Water to ensure the evidence they provide WIIG enables them to fulfil this remit.

Annex D provides a list of the decisions WIIG is required to make.

#### **Relationship with other groups**

WIIG will operate at a strategic level.

The Joint Development Groups (JDG) may be asked to report to WIIG to enhance its understanding of risks related to the investment programme and progress towards the MOs.

## **Membership and Secretariat**

WIIG is chaired by the Water Industry Commission for Scotland (WICS), who also provide secretariat. WIIG will meet four times per year.

Membership is by invitation and is comprised of representatives from:

- Consumer Scotland
- Drinking Water Quality Regulator (DWQR)
- Scottish Environment Protection Agency (SEPA)
- Scottish Government
- Scottish Public Services Ombudsman (SPSO)
- Scottish Water
- Water Industry Commission for Scotland (WICS)

All parties will ensure suitable representation at WIIG meetings. Members, or those delegated to attend, are “persons with accountability;” they are expected to participate and engage on behalf of their respective organisations.

WICS will provide papers to members at least two weeks in advance of meetings.

Members are invited to provide comment at the meeting or in advance in writing.

The secretariat will invite each member organisation to nominate its representative(s) at the start of any new regulatory period.

Existing members can choose to change their representative(s) at any time during the period. Changes should be notified to the secretariat, who will update the membership list accordingly.

The SPSO retain a standing invitation and are expected to attend where specific topics require their input, e.g. if there is an agenda item about customer complaints.

## **Roles and Responsibilities**

The role of WIIG is to provide collective challenge from a range of perspectives. However, in reaching a concluded position for Scottish Ministers, each member has its own particular roles and responsibilities and objectives as set out in Table 1. Particular weight should be given to these roles and responsibilities by WIIG when formulating a position.

Regulators may be asked to provide additional assurance within or outwith the meeting to further enhance the understanding of other WIIG members.

The Scottish Government will undertake a final balancing of views when advising Scottish Ministers, taking into account these roles and responsibilities.

**Table 1: Roles and responsibilities of WIIG members**

| Member              | Roles and responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer Scotland   | Non-Ministerial Office established by the Consumer Scotland Act (2020). As the statutory advocacy body for the water sector, responsible for ensuring the relevant views, interests and concerns of consumers in the water sector in Scotland are represented in the delivery of Scottish Water's investment plan and the MOs.                                                                                                                                                                           |
| DWQR                | Ensures drinking water quality: monitors, enforces and reports on water quality duties. Upholds the needs of drinking water quality in the delivery of Scottish Water's investment plan and the MOs.                                                                                                                                                                                                                                                                                                     |
| SEPA                | <p>Environmental regulator to protect and improve the environment</p> <ul style="list-style-type: none"> <li>• Authorises engineering works, abstractions from and discharges to environment</li> <li>• Ensures compliance</li> <li>• Assesses the condition of the environment</li> <li>• Lead advisory role to Scottish Government on environmental matters</li> </ul> <p>Assesses and regulates compliance relating to Scottish Water's performance.</p>                                              |
| Scottish Government | <p>To represent the interests of Scottish Ministers and undertake a final balancing of evidence and views in providing advice to Scottish Ministers.</p> <p>To receive assurance on projects falling within the scope of Major Investment Projects under the <a href="#">Scottish Public Finance Manual</a> (SPFM).</p>                                                                                                                                                                                  |
| SPSO                | To provide knowledge, advice and challenge relating to agenda items around complaints handling, or any other relevant topic as needed by the group.                                                                                                                                                                                                                                                                                                                                                      |
| Scottish Water      | <p>Ensuring the delivery and development of the rolling investment programme aligns with the Ministerial Objectives (MOs) set for the 2021-27 regulatory period (SRC21).</p> <p>Providing evidence to WIIG to enable the group to fulfil its remit, which includes seeking assurance on the delivery of committed projects and sub-programmes in their investment programme.</p> <p>Proposing 'Proposed Needs Lists' and 'Adjustments to Needs' to the Scottish Government for Ministerial approval.</p> |
| WICS                | <p>To represent the interests of current and future customers through:</p> <ul style="list-style-type: none"> <li>• ensuring that Scottish Water's investment programme is consistent with the lowest reasonable overall cost of meeting the Objectives of the Scottish Ministers</li> <li>• monitoring Scottish Water's progress against its commitments and targets, to understand progress towards meeting the Objectives of the Scottish Ministers and its wider performance.</li> </ul>             |

Accordingly it is necessary for members to ensure that they reflect their interests either at the meeting or in advance in response to the papers issued.

## **Rules of Participation**

All members commit themselves to embracing [Ethical Business Practices and adopting the principles of Ethical Business Regulation](#).

Members will ensure that all work is undertaken to agreed deadlines and in alignment with the requirements, needs and processes of Scottish Ministers and other stakeholders.

The expectations of participation are that each representative is fully briefed prior to each meeting and is able to wholly represent the key issues affecting the participating member's organisation.

The participation of Scottish Water's regulators, namely DWQR, SEPA and WICS, should have no impact on their role as an independent regulator, or the specific responsibilities of Consumer Scotland or the SPSO. If any member of the group feels their independence is being compromised, they should raise this immediately with the chair. In the event that WICS, as the chair, feel their independence is being compromised they should raise this with the Scottish Government.

## **Transparency**

There will be a minute of all WIIG meetings. Draft minutes will be circulated for comment within two weeks, with one week to provide comments or corrections. The agreed version will then be circulated and published on the WICS website.

The main papers presented to the group, namely the progress reports on 'Performance Against the Committed List' and 'Interventions to meet Needs on the Development List', will be published by Scottish Water on their website.

WICS will prepare a short report for the Scottish Government following each WIIG meeting. This will set out any highlights or concerns they, or other stakeholders, have regarding Scottish Water's delivery of the investment programme and, ultimately, the Ministerial Objectives. A draft will be shared with stakeholders for comment within four weeks, with one week to provide comments or corrections. The agreed version will then be circulated.

WIIG will work with Scottish Water to develop a public facing performance dashboard that will demonstrate progress towards the MOs and performance in relation to the levels of service provided by Scottish Water. This should be launched during SRC27, as close to the start of the period as practicable.

## **Annex A**

In relation to reviewing/seeking assurance on the delivery of committed projects and sub-programmes in Scottish Water's SRC21 investment programme, WIIG has the following responsibilities.

- Ensure appropriate tools are developed and put in place to provide assurance on the delivery of committed outputs, in terms that are consistent with the requirements of the regulators (DWQR, SEPA and WICS) and take due account of the practical needs of Scottish Water.
- Through the quarterly progress report on 'Performance Against the Committed List' prepared by Scottish Water, review the delivery of projects and sub-programmes included on the 'Committed List' and advise Scottish Ministers of any issues affecting the delivery of their objectives.
- Ensure a well-defined and agreed change mechanism is developed, operated, and maintained to allow any changes to the projects and sub-programmes included on the 'Committed List'.
- Approve the quarterly progress report on 'Performance Against the Committed List' for publication on Scottish Water's website.

Ahead of SRC27, joint work will be led by WICS and Scottish Water to enhance these arrangements.

## **Annex B**

In relation to overseeing the development of Scottish Water's rolling investment programme, WIIG has the following responsibilities.

- Ensure appropriate governance arrangements and processes are in place to report on the transition of projects from the 'Development List' to the 'Committed List'.
- Through the quarterly progress report on 'Interventions to meet Needs on the Development List', advise Scottish Ministers on any specific planning or prioritisation issues.
- Approve the quarterly progress report on 'Interventions to meet Needs on the Development List' for publication on Scottish Water's website.
- Ensure a well-defined and agreed change mechanism is developed, operated, and maintained to allow additions and changes to the 'Development List'.
- Review 'Proposed Needs Lists' (Annex C) brought forward by Scottish Water and provide advice that will allow Scottish Ministers to decide whether the needs and opportunities Scottish Water are proposing should be added to the 'Development List'.
- Note 'Adjustments to Needs' (Annex C) brought forward by Scottish Water.

### **Project Investment Appraisals**

- Review any project or sub-programme appraisals shared by Scottish Water.
- WIIG may, by exception, request Scottish Water share a specific project or sub-programme appraisal with it (or any other relevant stakeholder group), in support of their consideration of progress towards the MOs and as required by the SPFM under the heading of Major Investment Projects.

**Proposed Needs Lists**

‘Proposed Needs Lists’ should be discussed with stakeholders prior to being presented to WIIG. They should include commentary on:

- any specific stakeholder comments or concerns;
- Scottish Water’s evaluation of their impact on the delivery of the MOs.

‘Proposed Needs Lists’ will normally have been to the Scottish Water Board for prior approval. Scottish Water will confirm where this has not been possible.

As owners of the overall programme, Scottish Water are responsible for proposing the lists to the Scottish Government for Ministerial approval. Though this should always be accompanied by a commentary which confirms whether the lists have been endorsed by WIIG and captures any specific stakeholder comments or concerns.

**Adjustments to Needs**

Scottish Water are also responsible for proposing ‘Adjustments to Needs’. These are aggregations, disaggregation, or name changes (for clarity) of existing (approved) needs. The proposed adjustments should not change the scope of needs approved by Scottish Ministers and, therefore, do not require further Ministerial approval. ‘Adjustments to Needs’ should be discussed with relevant stakeholders and noted to WIIG.

**Annex D**

WIIG is expected to make the following decisions:

- Approve publication of the quarterly progress report on ‘Performance Against the Committed List’.
- Approve publication of the quarterly progress report on ‘Interventions to meet Needs on the Development List’.
- Endorse ‘Proposed Needs Lists’ brought forward by Scottish Water. These are then submitted to Scottish Ministers who decide whether to add these to the ‘Development List’.
- Approve changes to projects and sub-programmes included on the ‘Committed List’.
- Approve publication of WIIG minutes.

By approving publication of reports and minutes, it is agreed that WIIG members are content that these accurately summarise the relevant discussions and any conclusions. The Scottish Government will use these as the basis for advice they provide to Ministers.