



**Scottish
Water**
Trusted to serve Scotland

30 November 2022

Mr Euan McCulloch
Committee Assistant
Net Zero, Energy and Transport Committee

Scottish Water
Buchanan Gate Business Park
Cumbernauld Road, Stepps,
Glasgow, G33 6FB

W: www.scottishwater.co.uk

Via email to:

netzero.committee@parliament.scot

Dear Euan,

Re: Scottish Water evidence session

Thank you for the opportunity for Scottish Water to attend and give evidence on our Annual Report and Accounts to members of The Net Zero, Energy and Transport Committee on Tuesday 22nd November 2022.

There were a couple of questions asked by the Convener and one by Mark Ruskell MSP, which we agreed to provide further information about to the Committee.

The first two related to financial points raised by the Convener within our report:

1. Cause for the reduction of administrative expenses (p. 153)

Response – The £16.1m reduction is the consolidated position for all the Scottish Water group of companies. The main driver of the reduction in administration costs was the c £26m reduction within Business Stream which reflected considerable movement in bad debt provisioning reflecting additional charges in 2020/21 associated with the Covid-19 pandemic of c £17m, with a release in 2021/22 of c£11m. This was partially offset by c £10m increase in consolidated pension costs caused by the application of International Accounting Standard (IAS)19.

The application of IAS19 drove an increase in total costs of £18.1m (£8.4m in the cost of sales and £9.7m in administrative costs) topping-up actual pension contributions charged during the year. The IAS19 valuation of pension liabilities is based on a snapshot in time and the associated accounting adjustments are non-cash adjustments. The group pension costs charge, prior to adjustment for IAS 19, in 2022 was £32.5m (2021: £38m) as highlighted in note 5 to the financial statements.

2. Cause for an increase in Scottish Water's operating surplus (p. 164)

Response - The increase was primarily driven by a £19.1m increase in revenue reflecting the increase to household charges of 2.5%, effective from 1 April 2021 and new properties being connected to the network. In addition, operating costs were £3m lower.

3. Mark Ruskell MSP indicated the Committee would be interested to receive more information on the work programme and scheduling of investment in Combined Sewer Overflows (CSO's) and monitoring.

Response - Our Improving Urban Waters Route Map (Urban Waters Improvements - Scottish Water) sets out our commitment about how we will target investment in CSO's and increase our monitoring capabilities – the main points to highlight are:

- [By 2024] We will instal monitoring on our network and treatment works CSO's discharging to the highest priority waters (including all designated shellfish and bathing waters), representing approximately 1,000 CSO's. This will improve our understanding of how these are operating and will provide transparent information on their performance. The improved monitoring activities are currently estimated to cost around £50m - £70m to deliver.
- Examine the costs and benefits of extending our monitor coverage to lower priority/lower amenity locations, where spills are not predicted to be occurring and there is an absence of evidenced environmental impacts. The purpose of this approach is to determine whether more monitoring investment would be of benefit.
- We have also consulted SEPA on this direction of travel and they are confident our approach is robust. We plan to publish both the prioritisation approach and the list of 1,000 locations before the anniversary of the route map in late December.
- We invested in a comprehensive environmental study programme between 2015-21 to review every waterbody (with SW point source discharges) not meeting Good status. This study identified that only 24 CSO's required improvement in River Basin Management Planning 3 (RBMP3). We are prioritising and developing the necessary solutions to deliver improvements by December 2027 in line with the plan commitments.

I hope the above information is helpful and should the Committee or individual members like further information on any specific topics, we would be pleased to provide this as required.

Yours sincerely

Alan R. Thomson
Head of Corporate Relations