

Net Zero, Energy and Transport Committee

31st Meeting, 2022 (Session 6)

Tuesday 22nd November 2022

Scottish Water Annual Report and Accounts 2021/22

Note by the Clerk

Background

1. In Scotland, drinking water and sewerage services are provided by Scottish Water, which is a publicly owned company. Scottish Water operates within a regulatory framework and is accountable to Scottish Ministers who are in turn accountable to the Scottish Parliament.
2. Scottish Water was established by the [Water Industry \(Scotland\) Act 2002](#). It is responsible for providing water and wastewater (sewerage) services to household customers and wholesale Licensed Providers. Scottish Water exercises statutory water and sewerage functions under the provisions of the [Sewerage \(Scotland\) Act 1968](#) and the [Water \(Scotland\) Act 1980](#). The 2002 Act requires Scottish Ministers to issue directions to Scottish Water on how to exercise its functions.
3. Business Stream is a subsidiary of Scottish Water and provides non-domestic customers with water and waste water services.
4. The Water Industry Commission for Scotland (WICS) is established and governed by the [Water Industry \(Scotland\) Act 2002](#), as amended by the [Water Services etc \(Scotland\) Act 2005](#) and the [Water Resources \(Scotland\) Act 2013](#). WICS is an Executive Non-Departmental Public Body with statutory duties for determining customer charging caps, monitoring Scottish Water's performance, facilitating the entry of retail water and sewerage providers to non-household customers and supporting the Scottish Government's vision of ensuring that Scotland is a Hydro Nation. WICS exercises its functions independently of Scottish Ministers.

Annual Report and Accounts 2021/22

5. On 31 May 2022, Scottish Water published its [Annual Report and Accounts for 2021/22](#) which sets out the company's financial and operational performance for the

previous year. It also looks ahead to the future and identifies key priorities and investment opportunities for Scottish Water in the coming years.

6. In addition, the Annual Report highlights the challenging set of circumstances Scottish Water has faced over recent months, particularly in relation to the continued impact of COVID-19, inflation and rising cost of living, and extreme weather. All of which Scottish Water states has caused significant pressures on its day-to-day operations.

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7. The work of Scottish Water falls within the portfolio of the Cabinet Secretary for Net Zero, Energy and Transport.

8. At its meeting on 19 April 2022, the Committee agreed to hold an evidence session with Scottish Water to discuss its Annual Report. The Committee also agreed for this to be a wider panel session to include representatives from Business Stream and Water Industry Commission for Scotland to hear their views on the report and to look more broadly at issues pertaining to water and sewerage in Scotland.

Evidence session 22 November

9. At its meeting on 22 November, the Committee will discuss the Annual Report with a panel of representatives from the water industry in Scotland. The Committee will hear from—

- Johanna Dow, Chief Executive, Business Stream;
- Peter Farrer, Chief Operating Officer, Scottish Water;
- Douglas Millican, Chief Executive, Scottish Water;
- Dame Susan Rice DBE, Chair, Scottish Water; and
- Alan Sutherland, Chief Executive, Water Industry Commission for Scotland.

10. The focus of this session will be to reflect on Scottish Water's Annual Report and the company's performance over the past year. The Committee also hopes to explore the Scottish Water's investment priorities in the context of net-zero targets and providing affordability for customers during the cost-of-living crisis.

11. Additionally, the Committee may also take this opportunity to assess with panellists the key opportunities and challenges facing the water industry at present and looking to the future, as well as discussing any topical matters within its remit which relate to water and wastewater services and infrastructure in Scotland.

Clerks

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