

News release

For immediate use

Scottish Water subsidiary may require multi-million pound financial support due to Covid-19

A subsidiary of Scottish Water may need between £47 million and £88 million in financial support due to the impact of Covid-19 on the businesses it serves.

Scottish Water Business Stream (SWBS), set up in 2008, supplies water and waste-water services to businesses throughout Scotland and parts of England.

The Auditor General for Scotland says:

- Covid-19 has so far not significantly affected the household water market. But some of SWBS' customers, in particular retail, hospitality and small and medium sized businesses, have experienced reduced water consumption and delays in payment of bills.
- This exposes SWBS to a greater risk of water bills not being paid by some customers, should they fail to recover from the economic impact of Covid-19.
- Scottish Water's financial modelling suggests SWBS could need financial support of between £47 million and £88 million over the next two years. This would come from borrowing within the Scottish Water group and no additional Scottish Government funding is likely to be required.

The board of Scottish Water, the Scottish Government and the Water Industry Commission for Scotland have agreed the steps needed to provide financial support, if this is required.

In 2018/19, SWBS reported income of £372 million and an operational profit of £0.03 million. In 2019/20 its income increased to £477.5 million, but it recorded an operating loss of £14 million, largely as a result of 'doubtful' debts of £13.3 million arising from Covid-19.

Stephen Boyle, Auditor General for Scotland said:

"Scottish Water Business Stream has operated profitably since its creation. However, the Covid-19 pandemic is affecting its customers and has created financial risks. The potential need to provide ongoing financial support to Business Stream means it will be vitally important for Scottish Water to continue to monitor closely the delivery of its business plans and the performance of its subsidiaries."

ENDS

For further information contact Joanna Mansell Tel: 0131 625 1652 jmansell@audit-scotland.gov.uk

Notes to Editor:

1. Scottish Water was formed in 2002 as a public corporation, answerable to the Scottish Parliament through Scottish Ministers.
2. Scottish Water's principal activities are the supply of water and waste water services to around 2.6 million households and 153,000 businesses across Scotland. During 2019/20, Scottish Water's turnover was £1.6 billion, it reported pre-tax profits of £86 million, incurred capital expenditure of

£513 million and had total net assets of £5.7 billion.

3. Scottish Water operates a group structure comprising four main trading arms: Scottish Water; Scottish Water Business Stream; Scottish Water Horizons and Scottish Water International.
4. Audit Scotland has prepared this report for the Auditor General for Scotland. All Audit Scotland reports published since 2000 are available at www.audit-scotland.gov.uk
 - The Auditor General appoints auditors to Scotland's central government and NHS bodies; examines how public bodies spend public money; helps them to manage their finances to the highest standards; and checks whether they achieve value for money. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament
 - Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission for Scotland.