



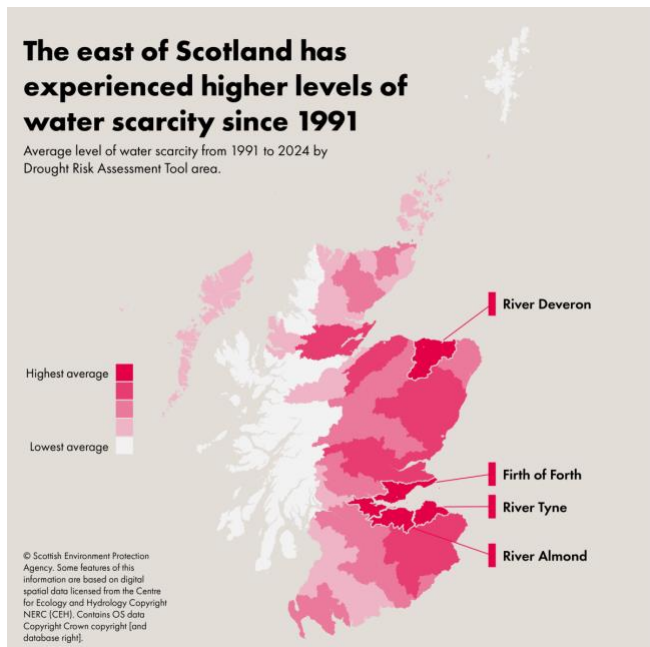
# Scottish Water – The Case for Change

## Introduction

Water and sewage systems often operate unnoticed in Scotland because of the belief that we don't face the main problems confronting the industry in England – water scarcity and privatisation. However, this belief is mistaken. In this briefing, we explore the challenges the sector in Scotland faces and argue for change.

## Water scarcity

While we are in a better position regarding water use than many countries (2 million people worldwide die annually from water-related causes), water scarcity remains a [growing problem](#), particularly in eastern Scotland. The chart below indicates that half the population will face water scarcity by 2050, with drought conditions happening every 3 years instead of every 20. The population is growing, we have large rural areas that often depend on poor private supplies, and there is increasing demand caused by badly planned housing developments and large data centres.

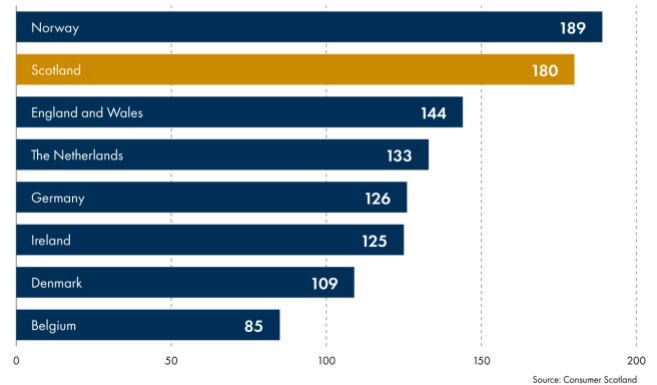


Water consumption in Scotland exceeds that of other European countries, partly due to cultural assumptions about plentiful water and very limited household metering. Scottish Water is undertaking a significant [investment programme](#) (£886m last year) to upgrade the ageing water and wastewater infrastructure. However, this is only 40 per cent of

the need, so they prioritise. We also have the cost legacy of PFI.

Water consumption in **Scotland** is higher than other European countries with similar climates.

Average daily water consumption - litres



We need to use water more efficiently, including reusing water as recommended by a World Bank [report](#). This could save 50-80 litres of water per day in a typical household. We also need to invest in green infrastructure (green roofs, permeable pavements, and retaining gardens) and mandate some of these through the planning system. Modern data and computer models make this more achievable. All of this requires replacing the outdated legislation, as [the EU](#) is currently doing. The Scottish Government has [consulted](#) on this, but progress has been glacial.

## Privatisation

Although we have avoided the worst [excesses](#) of the privatised water companies in England, Scottish Water operates under a similar economic [regulatory system](#) and is privatising services at an alarming rate.

A new [academic report](#) commissioned by the UNISON Scottish Water Branch warns that the service is being hollowed out from within and transformed into a market-driven utility, increasingly indistinguishable from the privatised firms operating in England. Although Scottish Water remains publicly owned, most workers delivering infrastructure projects are now employed by private companies.

Approximately 92% of major projects are now delivered by third-party contractors, with Scottish Water as the main client, known as the 'Enterprise Model'. Externalising parts of the SW workforce by

integrating them into teams managed by private firms reduces in-house delivery capacity. It increases and prolongs reliance on contractors, undermining workforce conditions, skills, and capabilities.

A procurement process valued between £5bn and £9bn is moving forward ahead of the upcoming Scottish Parliament election and risks committing successive administrations without thorough parliamentary scrutiny. The report warns that decisions made now could influence Scotland's water infrastructure model for over a decade.

As of 31 March 2024, Scottish Water had accumulated a £4.3bn debt to the Scottish government. Interest payments on this debt are used to offset wider government expenditure, raising concerns that customer charges may be set above what is strictly necessary, allowing revenue to be used to plug gaps rather than being reinvested in the water network. Scottish Water's cash reserves peaked at £657.1 million in 2021-22 before declining by 59% to £270 million by 2024-25. A funding crunch is inevitable if they are to sustain current capital investment levels, to meet replacement and environmental targets.

Year	Group Cash (£m)	Company Cash (£m)
2019-20	531.6	391.4
2020-21	570.4	428.7
<b>2021-22</b>	<b>657.1</b>	<b>515.9</b>
2022-23	487.0	390.0
2023-24	362.0	280.0
2024-25	270.0	136.0

## Governance

Industrial relations, once promoted as a model of partnership working, have gradually eroded, and collective bargaining has been hollowed out. This is not compatible with the Scottish Government's Fair Work principles. At the same time, Scottish Water executives have received over £2.5 million in [bonuses](#), despite public sector pay rules intended to prevent such payments. In a single year, bonuses soared by over a third, amounting to £330,000 in 2023-24 for three executives alone.

Economic regulation is the responsibility of the Water Industry Commission for Scotland (WICS). The 2023 governance scandal exposed [catastrophic failures](#) in regulatory oversight and accountability by both the Commission and the sponsoring Scottish Government department.

The Scottish Water Board is largely composed of private-sector appointees with infrastructure experience, so it is no surprise that they, along with

senior managers, are driving a privatisation strategy. There ought to be an Employee Interest Director. This was a flaw in the original legislation, as other public bodies have a worker director. The current non-executive director has extensive business and trade union experience but was appointed without union consultation. The director has not contacted the recognised unions nor responded to repeated requests for dialogue.

## Reform

The case for reform was set out in a [paper](#) for the STUC, based on research commissioned from the University of Strathclyde. This essentially involves abolishing the costly and unnecessary regulatory model, which is identical to the failed English model.

Scottish Water should operate as a public service, with accountable democratic oversight. Infrastructure funding should come from public investment, focusing on rebuilding public-sector skills and capabilities rather than relying more on external contractors. The career progression of senior managers into private contractors should be fully transparent, and executive remuneration should align with public service standards.

The UNISON commissioned report recommends that there should be an urgent independent enquiry to investigate:

- Scottish Water's internal governance;
- Mechanisms between Scottish Water and the Scottish Government;
- The effectiveness, culture and accountability of Scottish Water's management;
- Scottish Water's 'Enterprise' model and its reliance on external contractors;
- The current state of employee relations inside Scottish Water.

## Conclusion

Scottish Water is being privatised by the back door, and the consequences of climate change are not being properly addressed. As UNISON rightly concludes, "Everyone will pay the price if the water industry continues to operate without proper democratic scrutiny."

### Jimmy Reid Foundation

The Jimmy Reid Foundation is a think tank which brings together different voices from across Scotland to make the case for economic, environmental, political and social equity and justice in Scotland and further afield.

<https://reidfoundation.scot>

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