



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Net Zero, Energy and Transport Committee

**Tuesday 1 April 2025**

**Session 6**



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Pàrlamaid na h-Alba

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**Tuesday 1 April 2025**

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**NET ZERO, ENERGY AND TRANSPORT COMMITTEE**  
**13<sup>th</sup> Meeting 2025, Session 6**

**CONVENER**

\*Edward Mountain (Highlands and Islands) (Con)

**DEPUTY CONVENER**

\*Michael Matheson (Falkirk West) (SNP)

**COMMITTEE MEMBERS**

\*Bob Doris (Glasgow Maryhill and Springburn) (SNP)

\*Monica Lennon (Central Scotland) (Lab)

\*Douglas Lumsden (North East Scotland) (Con)

\*Mark Ruskell (Mid Scotland and Fife) (Green)

\*Kevin Stewart (Aberdeen Central) (SNP)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Peter Farrer (Scottish Water)

Deirdre Michie (Scottish Water)

Professor Simon Parsons (Scottish Water)

Alex Plant (Scottish Water)

**CLERK TO THE COMMITTEE**

Peter McGrath

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Net Zero, Energy and Transport Committee

*Tuesday 1 April 2025*

*[The Convener opened the meeting at 09:15]*

### Decision on Taking Business in Private

**The Convener (Edward Mountain):** Good morning, and welcome to the 13th meeting in 2025 of the Net Zero, Energy and Transport Committee.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take in private item 4, which is consideration of the evidence that we will take from Scottish Water, and item 5, which is consideration of the committee's work programme?

**Members indicated agreement.**

## Scottish Water Annual Report and Accounts 2023-24

09:15

**The Convener:** Our second item of business is an evidence-taking session with Scottish Water. We will consider Scottish Water's latest annual report and accounts, and the session also gives us an opportunity to have a much wider-ranging discussion about its main challenges and priorities.

I welcome from Scottish Water Deirdre Michie, chair; Alex Plant, chief executive; Peter Farrer, chief operating officer; and Professor Simon Parsons, director of environment, planning and assurance. Before we move to questions, Deirdre Michie wants to make an opening statement.

**Deirdre Michie (Scottish Water):** Thank you, convener, and good morning, everyone. Thank you for the opportunity to come before the committee to discuss Scottish Water.

I will keep my opening remarks brief, as I know that you are keen on that, convener. There are a couple of areas that are worth highlighting. I also look forward to our conversation and the questions that I know members will have for us.

The first area that I will highlight is the performance of the business, which is strong. As we all know, Scottish Water plays an essential role in everyone's daily life, but it is also a highly complex major business with revenues of approximately £2 billion, more than 4,600 direct employees across the country and a supply chain that supports thousands more jobs across Scotland.

We are making good progress with delivering on our strategic ambitions, and that includes drinking water. Compliance with drinking water quality standards sits at 99.2 per cent—it is truly world class—and 87 per cent of our water bodies are rated good or excellent for water quality by the Scottish Environment Protection Agency. Indeed, they are among the best in Europe.

The customer satisfaction index has also rated Scottish Water as the most trusted utility in the United Kingdom, with consistently excellent customer satisfaction scores, and we have seen those trends extend in our current financial year, the details of which we will publish in July. I should say that our improving performance for our customers—your constituents—reinforces how disappointing Friday's industrial action was for Scottish Water, especially given that our pay offer is both fair and progressive.

When we previously appeared before the committee, we discussed progress to deliver on our commitment to installing 1,000 combined sewer overflow monitors by the end of 2024. That was achieved; indeed, we have gone even further, with a strong focus on the areas where the monitors can make the biggest environmental impact. Moreover, our leakage performance, which was also of interest to the committee, continues to improve.

Those of you with a long memory might recall that our positive delivery today as one of the top-performing utilities is a far cry from our position in 2002, when the business was set up. Of course, that transformation has been possible thanks to the hard work of our teams, but it has also been enabled via our business model of being publicly owned, independently regulated and commercially operated on a not-for-profit basis.

As we continue to deliver our high performance today, we are also looking ahead to the next 25 years in our long-term strategy. Our consultation on that has just concluded, with very positive responses, and as we look forward, we see a period that offers both challenges and opportunities. The challenges include responding to climate change and more extreme weather; population shift; and the replacement of assets as they age, which means that we need to continue to invest sustainably, mindful of the pressures on household finances. The opportunities include working in partnership with a variety of stakeholders to continuously improve Scotland's environment and economy, and a great example of that is what we are doing at Loch Katrine, which some members might have seen reported on last week on the BBC.

In conclusion, we are ambitious for our future. The next regulatory period, which starts in 2027, will be crucial to balancing affordability for our customers with the appropriate investment that is needed to ensure that Scotland's world-class water remains the source of national pride that it is today.

Thank you, convener. I look forward to the committee's questions.

**The Convener:** Douglas Lumsden wants to say something before we go to questions.

**Douglas Lumsden (North East Scotland) (Con):** For transparency I say that, before I was an MSP, I served on the board of Opportunity North East with Deirdre Michie.

**The Convener:** I will start with the easy questions before we go to the difficult ones. You have a captive audience. In Scotland, unless people are on a private water supply, Scottish Water is the only place that they can go. How will you keep customers happy and make sure that

you deliver what they want as prices—perhaps—increase?

**Alex Plant (Scottish Water):** I will start, and I might ask Peter Farrer to pick up the question, too. You are right, of course, that there is a natural monopoly. People cannot shop around for where they get their water from. However, we try, as ever, to work more closely with our customers, so that we recognise the challenges that they face. Household finances are stretched, as you referred to, convener.

We look to continue our delivery of customer service excellence. Some of the stats that Deirdre Michie gave you show how well regarded we are compared with other utilities in the UK. Even through our internal checking of how we are doing on the customer experience, we see a consistently strong and improving story. Being able to take the temperature of how customers feel about us is really important, but I want us to do more—to have more engagement with our customers over time. That is a part of what we have been working on. I ask Peter Farrer to briefly pick up on that point.

**Peter Farrer (Scottish Water):** We have an extensive customer engagement programme as part of our planning for SR27, which is the next regulatory period planning cycle. Through that research programme, we have various approaches to asking customers how happy they are with the service at present and what sort of things they would want to be built into it in the future. That is an extensive engagement programme.

We use another thing to make sure that we keep customers happy. Every customer who contacts us for any piece of work to be carried out—for example, on a burst pipe, a blocked sewer or a pressure problem—is surveyed by the means through which they have contacted us. That is multichannel—it can be by social media, letter or telephone call. Our current customer satisfaction level is 94.2 per cent.

**The Convener:** You are keeping the vast majority happy, but not all. How do you address those who are unhappy?

**Alex Plant:** I ask Peter Farrer to pick up on how we deal with those.

**Peter Farrer:** We have rigorous processes in place that apply when people are unhappy. In the survey process that I talked about, customers score us between one and seven. If any customer scores us at the lowest level, we phone them back and ask them what has gone wrong, in their view, and we put fixes in place. We are continuously learning from any customer issues, and we build in improvements afterwards.

**Alex Plant:** We track formal complaints—as is reported on page 20 of the annual report and accounts—which make clear when things have not gone as well as we would like. What is encouraging from looking at the trend over the years is that the number of formal complaints has dropped significantly, such that, in the year that we are reporting on, we had one of the lowest-ever numbers of formal complaints—and that has continued to be the case as we have gone into the year that we will report on in July.

**The Convener:** Accepting that not everything is always perfect, holding up your hands and going back to the customer to try to resolve the problem after it has occurred is, perhaps, a solution.

I turn to the Water Industry Commission for Scotland—not an organisation that is without its past problems. It has said that there is a deficit of £500 million for investment because of Scottish Water's below-inflation charging decisions—that means that we have lost out on that investment. How will you make up that shortfall? Should customers expect their bills to rise consistently to replace the shortfall that has occurred in the past?

**Deirdre Michie:** Charges are set by the board and, on the charges that we are facing today, the board was very mindful of the multiple pressures on customers. We always try to ensure that we have prudent and sustained investment, so that we can balance that with the pressures that are on our customers, while recognising that we have to keep making prudent and sustained investment so that, as we go on, we are not kicking the can down the road for generations to come and then finding ourselves facing even more issues and increasing costs. That is the balance that we are trying to achieve. When we have had to make a call and pare back investment, we have had to live with the consequences.

**Alex Plant:** Whenever we are making that judgment, if we are not investing as much as we would ideally like to, there are consequences for the service standards that we would like to have delivered during the period. As a result of the investment programme being £500 million smaller than planned, we have done less than we wanted to do in areas such as reducing the risk of flooding for properties that are on the flood register. That is the sort of choice that you are forced to make and will always be forced to make because the envelope of expenditure is never as big as you want it to be.

What we have sought to do with the balance that Deirdre Michie described—this is not just a Scottish Water judgment; it is how the system works in Scotland—has been pretty sensible, because we have tried to have a prudent and stable investment programme, while recognising the pressures of climate change in particular and

the need to adapt to a more severe climate. That means that there has been steady and prudent investment over time. Yes, there are still pressures on household finances, and we are always cognisant of that, but I would rather have the steady increment than more of the rollercoaster that we have seen elsewhere.

**The Convener:** If the commission is the one that agrees the price rises and it has identified the shortfall, surely it will be pushing you to put prices up to make good the shortfall. Do householders need to worry about that?

**Alex Plant:** The Water Industry Commission for Scotland sets the overall price cap for the six-year period. The board then decides what the annual charges are. When we go through the process that Deirdre Michie described, the commission's role is to check that the charges that the board has proposed are in line with the regulatory settlement, so we do not have pressure from the commission in any given year.

**The Convener:** The commission could set a higher cap, in recognition of the fact that you have underinvested, as it were, because of the decision. The temptation would therefore be for you to increase charges if a sudden shortfall was identified or a major investment was suddenly required in a year.

**Alex Plant:** I do not want to pre-empt the properly considered assessment that the Water Industry Commission for Scotland will make for the next six-year period, because we are working hard on our business plan for that period, which will propose what we think is the right level of investment, with the board trying to help us to strike a balance between customer bills and investment. Critically, we are always trying to balance the interests of future generations as well as current interests. That is the process that we will go through.

It is fair to say that, when we look at the long-term strategy that Deirdre Michie mentioned earlier, the pressures that we see coming from population growth and change, the need to adapt to a more severe climate and, indeed, the need to replace our assets, many of which are coming towards the end of their lives, mean that there is an upward pressure on the investment that we make. That is what we set out in the long-term strategy.

We think that it is our duty to leave no stone unturned in trying to reduce those pressures, so we look at how we can help to reduce demand on our systems, how we work with customers and other stakeholders to do that and how we do everything that we can to transform, innovate, be more efficient and collaborate. If we can make some of those changes, it will reduce the pressure

on customer bills, which are the source of our income.

**Deirdre Michie:** To reinforce the point about the bills and the balance, I note that more than 52 per cent of households in Scotland receive financial support with their charges. That helps with the pressures on our customers.

**The Convener:** I am not sure whether that is, in the nicest possible way, a little flag to householders in Scotland that prices are going to go up and probably go up considerably. That is what you are saying, is it not?

**Alex Plant:** The general direction of travel, which is what we flag in the long-term strategy and in our climate change adaptation report, which Simon Parsons and his team worked on and published last year, shows that there will be on-going pressures. So, yes, to that extent, we are flagging that. We are also setting out the ways in which we can mitigate the effect of that increase.

**The Convener:** The deputy convener has some questions.

**Michael Matheson (Falkirk West) (SNP):** Good morning. I wish to follow up on a couple of points on which I would be interested to get a better understanding. What percentage of your annual expenditure is dependent on what you raise through the charges that you apply?

09:30

**Alex Plant:** At the moment, about 90 per cent of the funding that we receive is from charges, and about 10 per cent is from the debt that we have under the auspices of Scottish Government debt. So, the ratio is about 90:10 at the moment.

**Michael Matheson:** So, about 90 per cent of your annual expenditure—revenue and capital—is dependent upon what you raise through charges.

**Alex Plant:** That is correct.

**Michael Matheson:** If we were to go for a year or two, say, with below-inflation increases in water charges, what would the potential impact be on your future spending commitments and investing in infrastructure?

**Alex Plant:** In a sense, the question that you have asked mirrors some of what happened at the beginning of this regulatory period, when the board's decision was to hold increases back. We had at least one or two years of below-inflation increases. That created the £500 million reduction in the investment that we expected to have at the beginning of the period, with some of the consequences that I have talked about.

Simon Parsons might wish to pick up on that. If that were to happen again, it would replicate the

kind of issue that we had at the beginning of this period.

**Professor Simon Parsons (Scottish Water):** Right at the beginning of our regulatory period, which started in 2021, we recognised that there was considerable pressure on the back of Covid, together with other cost of living pressures. We made a decision at that time—which was before Alex Plant joined—to keep charges at or below the level of the consumer prices index. That meant that we had a choice to make: to reduce the overall size of our capital programme. At the time, our capital programme was £4.5 billion or so. That choice meant that we needed to phase projects and investment into later years, in essence, both in this regulatory period and in the future—into our next regulatory period.

The specifics of that involved reducing the investment that we made in addressing flooding, in supporting connections to and from new housing, in net zero and in some maintenance activities. That is a fairly significant impact on us, even from small 1 or 2 per cent changes in the revenue that we generate compared to CPI.

**Michael Matheson:** If I recall correctly, there have been calls in recent years to have no increases in water rates. What would the potential consequences of such a policy be if it were to be implemented?

**Alex Plant:** This follows on from some of what Simon Parsons was saying. If we were in a world in the future where we had no increases in rates, the level of service would begin to fall, given the background pressures that we talked about earlier. One consequence would be that service standards would fall below the levels that we are at today—that being the converse of what we are trying to do, which is to carry on improving the levels of service that everybody receives. The other consequence would be that deferring essential investment will eventually catch up with you, and there will be a consequence for a future generation, who could find themselves facing cliff-edge increases in bills to recover the lost ground.

**Michael Matheson:** So, the increases in future years could be even greater than would be anticipated, if you were to defer investment decisions.

**Alex Plant:** Essentially, yes: a deferral has a consequence later, so that would therefore be the case. Scotland has sought to strike a balance of steady investment to try and avoid such cliff edges. If we look elsewhere, we will see the consequences of such deferral and real cliff-edge increases.

**Michael Matheson:** That is very helpful.



My final question, to Deirdre Michie, relates to the board's cycle of decision making on any increase over the course of the financial year. At what point in the financial year do you have to decide on what the increase will be for the following year?

**Deirdre Michie:** We start to look at that towards the end of the calendar year, in anticipation of the end of the financial year.

**Michael Matheson:** When would the board be looking to make a decision?

**Deirdre Michie:** At the December board meeting.

**The Convener:** The next questions will come from Monica Lennon.

**Monica Lennon (Central Scotland) (Lab):** Good morning, everyone. I refer to my entry in the register of members' interests, as I am a member of Unite the union and the GMB, and I chair the Scottish Labour trade union parliamentary group.

I heard from the opening remarks that we have a strong Scottish Water. In large part, that is thanks to the hard work of your staff. Do you therefore agree that it is important to value the workforce and pay people fairly?

**Deirdre Michie:** Let me set out some context. The answer is yes—that is a very strong focus of Scottish Water and its purpose and ethos. I will pass to Alex Plant and then Peter Farrer on their dealings in relation to recent industrial relations.

**Alex Plant:** Yes, absolutely, is the answer to your question. Our people do a great job. Most of the success that we talked about is down to the people who are out there dealing with difficult issues day in, day out, in all weathers. Our people do a great job, and I am sure that Scottish Water is a good employer that cares for its people. We see that coming back in our employee survey results, which are encouraging. There is always more to do, but they are positive results.

The pay offer that we made for 2024-25 is a good, fair and progressive pay offer. It is above inflation and it is progressive in that those on the lowest salary levels will receive the biggest increase from that pay offer. We are always trying to balance the interests of trying to get the best pay deal that we can with the organisation's long-term sustainability and being mindful of the impact on customers, because ultimately the customer pays for all those things. As I said, it is a good and fair deal, we have improved it several times since the beginning of the negotiations, and I would like the matter to be resolved. I want people to have the money in their pocket that they should have had from July last year. It has now been a long time.

Our door is open. We want to get this resolved. We will meet any time with our union colleagues. It is important that we try to resolve this as quickly as possible, and that is our focus.

**Monica Lennon:** I am glad to hear that your door is open. That is important for a chief executive. When did you last meet the trade unions and talk about those issues?

**Alex Plant:** Peter Farrer and my colleague Lynne Highway, who is our director of people, lead on the issues around the pay deal. I have not met with the unions on the issue, because it is being led by my very able colleagues. I am happy to meet with the unions—in fact, I really want to meet with the unions, because I want to discuss with them the critical issues that are ahead of us, such as the balance of charges in future, the next strategic review and how we deliver on our beyond zero harm ambitions. We have set up an industry collective to try to drive health and safety to the best possible level that works not just within Scottish Water but with all our partners.

There are all sorts of issues that I want to get into conversations with the unions about, but we need to resolve the pay deal first.

**Monica Lennon:** Just so I am clear, because I get mixed up quite easily, when did you last meet with the unions?

**Alex Plant:** I have not met with the unions. I was due to meet with the unions a couple of months ago. I held back on that, because we were still in the midst of the pay negotiations, so it has been a while now since I met the unions one to one, or one to many, because it is a joint trade union arrangement.

**Monica Lennon:** Okay, so not in 2025—was it in 2024?

**Alex Plant:** It was in 2024, yes.

**Monica Lennon:** You sat down with the trade unions then. Your door is open, which is good, but you have not managed to meet with the unions, even though the workers walked out last week. We hear from the trade unions that industrial action is now likely to escalate. Are you aware that emails have been sent to Scottish Water employees that have been described as “union busting” or “anti-union”?

**Alex Plant:** We have been trying to communicate with all our people about the facts around the pay deal. I am aware of the communications that we have sent out, which tried to be clear and transparent about the offer that we have made. One of the things that I think has been disappointing is that the offer that was before everybody has not been put to the union members to consider. A ballot that was taken was on the principle of industrial action, rather than on the

offer being put to union members for their assessment.

**Monica Lennon:** Are you, as chief executive, comfortable that the really important people who do the hard work in your organisation in difficult weather all year round have the impression that you and your senior management team are anti-union and are constantly critical of the trade unions in your internal correspondence?

**Alex Plant:** That is not the way that I feel about our unions. I think that unions are a really critical part of any kind of organisation, and they provide a way in which management and colleagues can find out how to work together on important issues.

I do not recognise that particular description. I understand that emotions can run high when you are in a period of industrial action, but our communications have sought to be measured, factual, clear and focused on trying to find a way through. That is still where we are.

**Monica Lennon:** You are aware that there is a problem because, yet again, the workers are out on strike. You, personally, have not met anyone from the unions in relation to the pay deal, and there is now reputational damage to Scottish Water because, as an employer, you are now being framed as anti-union. When you were previously before the committee, I asked you about fair work principles, and you told the committee that you absolutely honour them; however, you do not meet the unions, and the senior management team sends anti-union emails. You tell us and the unions that you are happy to meet, but you have not managed to meet. Why is that not a priority for you, as chief executive?

**Alex Plant:** Just to pick up on those issues, I would refute that we sent anti-union emails. That is not true. As I have said, we have sent factual information to all our colleagues, because I am also mindful of the fact that a lot—in fact, most—of our colleagues are not unionised. I have a duty of care to all employees, including all unionised employees, and the issues that we have been trying to deal with are to ensure that information is clear and understood by everybody. We do sign up to fair work principles, and our position is to try to resolve the issue.

The choice that I have made as chief executive is to ask my very able colleagues, in the shape of Peter Farrer and Lynne Highway, to lead the work on the annual pay award. That is an appropriate process that one would expect to see in all sorts of scenarios. I am ready to meet the unions to talk about some of the longer-term issues, but it has been sensible to try to ensure that the negotiating committee, in which Peter Farrer is involved, is the body through which we try to resolve those matters.

**Monica Lennon:** You say that you are ready to meet them. Are you talking about this week? Do you have availability this week?

**Alex Plant:** My point about the door being open is that we, as the Scottish Water members of the negotiating forum, are ready to meet at any time.

Peter might want to come in at this point.

**Monica Lennon:** Please hold on just a second, because I am not finished. It is important that I ask you as chief executive about this. As a member of this Parliament and a Central Scotland representative, I would much prefer people to be at their work.

**Alex Plant:** Me too.

**Monica Lennon:** I do not like it when workers have to go out and stand on picket lines—including at the Hamilton waste water treatment works, as they did last week—because of the impact on constituents and because we all want world-class water here in Scotland.

Have you ever been on strike? Have you ever had to withdraw your labour?

**Alex Plant:** I agree with you that it is in no one's interest for there to be on-going industrial action. It does not help customers, and it does not help our people. It is a regrettable position. That is why we stand ready to meet the unions at any point to try to resolve this matter, because the only way of resolving it is through negotiation.

**Monica Lennon:** But what about my question? Have you ever had to withdraw your labour?

**Alex Plant:** I have not taken strike action during my career.

**Monica Lennon:** Do you agree and accept that for workers to withdraw their labour, go on strike and forfeit a day's wage takes courage?

**Alex Plant:** To withdraw their labour is always a difficult choice for anyone who makes it. However, as I said at the beginning, the dispute in question is about the annual pay award. An annual pay award is about whether an organisation is properly reflecting inflationary pressures in the environment; the award that we have made is a comfortably above-inflation offer, and it is progressive, good and fair. However, I accept that it is a difficult choice that people make whenever they choose to withdraw their labour.

**Monica Lennon:** Okay. In your opinion, the offer, which is 3.4 per cent—is that right?—or £1,050 for those in the lowest grades over the same nine-month period, is good, fair and progressive, as you have described it. Let us get some context, then. Scottish Water executive members' total pay, including benefits, increased from £585,000 in 2023 to £842,000 in 2024. That

is 43 per cent higher than it was in 2023. Can you say, in just a few words, how that significant increase can be justified when the rest of the Scottish Water workforce has been offered a 3.4 per cent rise in basic pay for 2024-25?

**Deirdre Michie:** As that is a question about executive pay, I am happy to take it.

**Monica Lennon:** I was still speaking to Alex Plant.

**Alex Plant:** I do not set the salary levels—that is a matter for the board.

**Monica Lennon:** But you have an opinion. You have just told us that it is a good and fair deal and that you are disappointed in the unions, which you have not yet bothered to meet.

09:45

**Alex Plant:** There are two different issues. The issue around the annual pay award is whether we are making an appropriate annual uplift to cope with the inflationary pressures that colleagues are facing. The 3.4 per cent award that we have made is comfortably above inflation and, if you look back over longer periods of time, you will see that the awards that we have made have always been above inflation. The award is doing the job that it is supposed to do in ensuring that we are not falling behind the general inflationary environment.

The issues around executive pay relate in particular to the years that you are talking about, when there were quite a lot of changes in executive pay and the executive team. At that point, you are judging whether pay is being set at a level at which you can attract the best talent, but that is a matter for the chair, I think.

**The Convener:** Sorry—I will come in here, because I think that Deirdre Michie needs to answer Monica Lennon's question—

**Monica Lennon:** That is fine—I was happy to bring in Deirdre once Alex had finished, so thank you, convener.

**Deirdre Michie:** The Scottish Water pay structure is designed to deliver good outcomes for the people of Scotland; it is agreed by the Scottish Water board and the Scottish Government. That is transparently set out in our accounts, as the committee will know.

The point is that we are competing against private companies for the talent that we need to lead—as I said at the beginning—a very complex business that is one of the biggest public corporations in Scotland and is performing well. Our benchmarking demonstrates that our executive salaries are actually among the lowest of any comparable company in the UK, so we need to attract the talent with the skills and

experience to continue to ensure that Scottish Water delivers the outcomes that you would expect of us, both daily and for the longer term.

**Monica Lennon:** But surely one of the outcomes should be a happy workforce that does not have to go out on strike every year. Is that a good sign that things are going well? You talked about customer service and internal surveys, but is it a good sign that the workforce is out on strike again, having to give up a day's wage?

**Deirdre Michie:** As I said, it is very disappointing. Our employee satisfaction surveys come back at consistently very high levels and there is a lot of very positive engagement with our staff, who are aligned with the common purpose of Scottish Water to support a flourishing Scotland. There is a lot of consistency in that regard.

The current focus on industrial action is very disappointing, however. Peter Farrer may want to add something on that.

**The Convener:** Sorry, I will bring Peter Farrer in, and then the other members who want to ask questions along this line. I am very conscious—as I know that Monica Lennon is—that we need to get to the bottom of this, but we are not going to solve the pay dispute in the committee room. We are interested in the generalities of it.

I will go to Peter, and then Douglas Lumsden, Mark Ruskell and Bob Doris, and we will see where we get to after that.

**Peter Farrer:** As Deirdre Michie said earlier, last week's industrial action was disappointing as it benefits no one: not customers, employees or Scottish Water. The pay offer for this year, at 3.4 per cent, is good and fair. It is comfortably above inflation and it is progressive in that—as Alex Plant said—the people on the lowest salary grades get the highest percentage increase.

Scottish Water is performing well and Monica Lennon asked whether we value that. Nobody values the contribution of our people more than I do. I have been in the business for 41 years—I spend a lot of time out on the front lines and I truly understand the contribution that our people make to delivering fantastic service to our customers every day.

However, we have to balance customer affordability with the investment that we make in our people and our assets, which Alex Plant talked about. I believe that, over the years, we have made a significant investment in our people, and that can be demonstrated—as Alex mentioned—by pay awards that have, over the past 10 years, been comfortably over inflation. If we add this year's pay offer to the huge investment that we made in our people last year when we implemented a brand-new pay and grading

structure, we see that our pay bill has gone up in those two years alone by 17 per cent. That is a significant investment in our people.

To finish that point, I am an executive on the board of Scottish Water and I lead the pay negotiations for Scottish Water. The offer is a good one. As Alex Plant and Deirdre Michie have said, our door is open, and I encourage the union leaders to put our refreshed offer in front of their members—because they have not done so yet—and get back around the table, so that we can have some meaningful negotiations as soon as possible.

**The Convener:** I want to give everyone their head as much as possible, but you are going to carry on your negotiations outside this room. While the committee will have an interest in the generality of that, we cannot get into calling on unions, or people calling on you, or telling you, to do various things. That is inherently wrong of a parliamentary committee. We can delve into the facts. I know that passions are high, and that you feel strongly about it—

**Peter Farrer:** Sorry, I meant to say—

**The Convener:** —I can see that by the wagging of your pen.

**Peter Farrer:** I meant to say that we have encouraged union leaders to get back; it was not a request from me.

**The Convener:** I am just trying to draw some lines here. I want to get back to other committee members, because there are other questions.

Douglas, do you want to come in now?

**Douglas Lumsden:** I will stay on executive pay, convener.

Deirdre Michie said that executive pay in Scottish Water is actually below the market rate. However, if we do a comparison with ScotRail, for example, which is another state-owned monopoly, we see that its chief executive's salary package is less than half of what you would be paying. Is that not a better comparison?

**Deirdre Michie:** We look to comparable companies in the private sector for our talent. As you said, we are not out of kilter with the package that is being offered in some public companies, such as GB Energy, but we need to be really thoughtful about where we source our talent from.

**Douglas Lumsden:** Is it not the bonus scheme that is putting the package out of kilter with so many others in the public sector?

**Deirdre Michie:** Again, it depends on which company you are looking at. As I said, our package is not out of kilter with the GB Energy bonus offer.

**Douglas Lumsden:** Okay. I move on to the accounts. Under pay and benefits, a commendation allowance of £29,000 was paid to Alex Plant, along with a contribution of £42,000 towards land and buildings transaction tax. Is that benefit available for other employees?

**Deirdre Michie:** No, that benefit is for the executive.

**Douglas Lumsden:** If I was an employee with Scottish Water and I was moving between Aberdeen and Edinburgh, for example, that would not be available to me.

**Deirdre Michie:** We have a relocation policy, the details of which I will ask Alex Plant to comment on.

**Alex Plant:** I do not know the full details of the relocation policy as it applies to everybody. Your question was on the choices that were made around my relocation. I was made an offer that would involve—quite rightly—my needing to come and live and work in Scotland if I was to take up the role. A relocation element was included in the offer that was made to me before I accepted.

**Douglas Lumsden:** So, Deirdre, for executives, is there a policy in place for relocation that that could be tied back to?

**Deirdre Michie:** Yes, there is a policy in place for relocation.

**Douglas Lumsden:** When somebody is buying a private property, would you expect Scottish Water to pay a chunk of the LBTT?

**Deirdre Michie:** We have to recognise that we are trying to attract talent, and that if we are asking somebody to come and work for Scottish Water, we expect them to live in Scotland. We then have to be thoughtful about the type of package that will enable them to do that.

**Douglas Lumsden:** Would you not expect that a salary of £246,000, a pension of £67,000 and a bonus scheme of potentially up to 85 per cent of salary would be enough of a draw, without having to pay relocation costs?

**Deirdre Michie:** We have to look at it in the round. As I said, in the round, the package that we are able to offer, having carried out comprehensive benchmarking, actually means that we are below many similar comparable companies that we would be looking to compare ourselves with and draw talent from.

**Douglas Lumsden:** Okay—thank you.

**The Convener:** There is evidence of other people getting that salary. For example, when Tim Hair was at Ferguson Marine, all his accommodation costs were paid.

I bring in Mark Ruskell, followed by Bob Doris.

**Mark Ruskell (Mid Scotland and Fife) (Green):** The critical difference here is that Scottish Water is a public corporation, not a private utility. You might be fishing in the same pool to attract senior executives to Scottish Water, but you are a public corporation. Can you commit to full disclosure of salary structures, bonuses and targets? Can all of that detail be made public?

**Deirdre Michie:** Absolutely. It is already—it is all set out in our annual accounts in painstaking detail.

I recognise what you are saying. We are publicly owned, independently regulated and commercially run on a not-for-profit basis, and it is a very good model that works. However, if we want to continue to deliver to the expectations that you rightly set for us, we need to ensure that we have the right people with the right skills and experience, who have the ability to lead what is a complex £2 billion company.

**Mark Ruskell:** So all the details of bonus schemes and salary structures are available. Do senior managers get paid a double bonus at the end of a regulatory period?

**Deirdre Michie:** By senior managers, do you mean the executive?

**Mark Ruskell:** I mean senior management. Do they get paid a double bonus at the end of a regulatory period?

**Alex Plant:** I think that you might be referring to the fact that, as well as the annual bonus scheme that is set out in the accounts, there is also a long-term incentive plan, the details of which are in our annual reports and accounts. It is quite a complex thing, because it is there to try to incentivise retention over a longer period of time. There is the period when the long-term incentive plan is open; it closes after a period of time; there is a vesting period; and then the money can be paid. Is that what you are referring to?

**Mark Ruskell:** Is that a yes?

**Alex Plant:** There are two things here. One is the annual performance bonus—and it is worth saying that all employees in Scottish Water qualify for an annual outperformance incentive payment, so that is applicable to everybody. There is also a scheme that applies to the executives, which is set out in the annual report and accounts. That is the annual one.

Separately, there is a long-term incentive plan, which is common in many large organisations, and that applies, too. It is a long-term thing that attempts to retain core talent over a longer period of time, instead of losing them to competitors.

**Mark Ruskell:** So that is effectively a double bonus at the end of the regulatory period—is that right? If I read your annual report, I can get all the details about how it applies.

**Alex Plant:** Yes, the details are in there. I would not describe it as a double bonus. There are two different schemes.

**Deirdre Michie:** I certainly would not describe it as a double bonus. It is a recognition that we award on an annual basis to try to ensure that we retain our executive, so that they deliver in the regulatory period. Again, Mark, it is all set out; we benchmark everything, and when we put all of that benchmarking together, we see that we are still below comparable companies in terms of what we pay our executive.

**Mark Ruskell:** Okay.

Alex, you said to the workforce recently that they should view contractors—that is, people working for outsourced contracting organisations—as colleagues on an equal footing with your employees. Thinking about everybody who works for Scottish Water, can you tell me the percentage split between outsourced contractors and employees of Scottish Water, and is that changing over time?

**Alex Plant:** We have, at the high level, about 4,600 direct employees in Scottish Water, and we work with a supply chain with a similar number—about 4,500. Choosing when it is better to have a full-time employee taking on work or when we need to use the skills of the supply chain is something that we look at quite regularly.

Peter, you have been looking specifically at this issue. Do you want to give a bit more detail?

**Mark Ruskell:** And can you say, Peter, whether it is a changing picture?

**Peter Farrer:** Yes, absolutely.

**Mark Ruskell:** What does it look like now, what has it looked like in the past, and how is it going to change?

**Peter Farrer:** I will cover that. Since Scottish Water was formed back in 2002, all our capital investment projects have been delivered by contractors. We have never carried out that type of work ourselves—it has always been outsourced. That has not changed, and it is not going to change going forward.

In the general day-to-day operations of the business—that is, the business that I run—there has been a trend of bringing work back in-house from contractors. When we restructured the business back in 2010, I made a clear commitment to the field teams at the time that core reactive operational services would be carried out

by our dedicated in-house teams, and that commitment has not changed.

I can give you a few examples of the trend of work coming back in-house. One example is that we have implemented new technology and new processes in our electrical and mechanical maintenance teams, meaning that our internal teams are far more efficient and more productive. That has freed up capacity, so we are bringing work back in from the supply chain for our internal people, ensuring that they are working as productively as possible.

10:00

A second example involves private finance initiative contracts. Of our nine PFI contracts, two of them have come back into Scottish Water already, and we have absorbed them back into the day-to-day operations of our business; when the other seven come back, we will do the same thing.

**Mark Ruskell:** If a contractor is getting paid between £550 and £650 a day—as I understand it—is it better for them to be working as a contractor, rather than being an employee at Scottish Water?

**Peter Farrer:** I do not know whether I can answer that without knowing more detail. That is just the price of a job, and I really do not know how that relates to—

**Mark Ruskell:** If somebody is working for Scottish Water as an employee and they are doing the same job as somebody working for an outsourced contractor, and the outsourced contractor is getting more money, why would they not just work for the contractor rather than for Scottish Water?

**Peter Farrer:** People want to work for Scottish Water. That is one of the key things here. We have a very low churn rate in Scottish Water. I have been here for 41 years. Many people—probably more than 1,500—have more than 25 years' service. People want to work for Scottish Water.

**Mark Ruskell:** You see the difference, though. When we talk about executive pay, the description is that you have to be competitive as you are competing with the private sector, and you therefore have to increase salaries by 40 per cent in order to attract the best. When it comes to other grades within Scottish Water, you understand that there is a private sector that can employ people with a better wage or a better salary. Therefore, if you want to be competitive in attracting talent to a public corporation, do you not need to consider pay, given that pay in the contracted sector is probably better for people?

**The Convener:** I am struggling slightly to understand this. I assume that Scottish Water has pensions, statutory sick pay and other benefits, which contractors might not pay. It might be helpful if somebody could talk to some of those points in answering the question.

**Alex Plant:** That is an important point. When someone is considering the comparative choice that they might make between working for Scottish Water and working for a private contractor, it is the whole package that they consider. At Scottish Water, we have a very generous pension scheme, which would be unlikely to be available in the kind of scenario that you were talking about, Mark. Everybody in Scottish Water receives an annual outperformance payment, depending on the performance of the company. There is very good training, and we provide a really good working environment. That covers some of the reasons for the retention of staff that Peter Farrer talked about.

We also consider what comes back in data from employee surveys, and we have a very high intent to stay. We are always trying to balance that, of course, and to make it work. We try to balance that against how much money we have while trying to keep the interests of customers in mind as well. At the moment, I feel that we are getting that balance about right.

**Deirdre Michie:** From time to time, we see pressures in certain disciplines.

**Alex Plant:** We do.

**Deirdre Michie:** There will be an increase in activity in one sector, and we then see pressures coming to bear. We have to be thoughtful about that, but the package that Alex Plant has just outlined is quite a compelling one.

**Bob Doris (Glasgow Maryhill and Springburn) (SNP):** I thank Monica Lennon for exploring a lot of these issues. I found that incredibly helpful, and it is important to examine the bonus structures. For a bit of context, I note that Welsh Water was paying its chief executive a pay and bonuses package of £892,000 in 2021; in 2023 it was £792,000. It still does not sit comfortably with me that we are talking about having to be competitive to pay the best. It is reported that, in England and Wales, water companies got £9.1 million in 2023—not in salaries; that is bonus-specific.

My question is for Deirdre Michie. I am not at all comfortable with that level of bonus, but is it symptomatic of a market that is broken across the UK, in which Scottish Water feels that it has to be competitive? Is it a race to the top, if you like, whereby others are paying eye-watering amounts of money and Scottish Water is following suit? Would you like there to be reform across the UK, simply so that, in the market more generally, it is

not possible for companies to pay such huge bonuses?

**Deirdre Michie:** The market is what the market is elsewhere, and we look at those companies when we benchmark. However, as I said, our benchmarking shows that we are way below those companies. That shows that we are thoughtful about what we are trying to do and achieve. Although the package has to be appropriate, all the things that Alex Plant outlined mean that, although the people who come to work for Scottish Water need to be paid competitively and fairly, they come to Scottish Water because they are committed to what we are trying to do and achieve.

**Bob Doris:** I appreciate your answer, Deirdre, but I was not giving you a bit of wriggle room over why you have paid those bonuses. My question was more about whether you believe that reform in relation to the water market elsewhere in the UK—including reform of the eye-watering level of bonuses—would give Scottish Water better value when it comes to the recruitment and retention of the best senior executives. I think that the unions that are watching will still feel deeply uncomfortable with such levels of pay and bonuses for senior executives. Would UK-wide reform to cap a lot of that be beneficial?

**Deirdre Michie:** The Cunliffe inquiry is looking at that at the moment. It is for that inquiry to review and conclude on the topic.

The ratio between the salaries of our other employees and our chief executive officer is 11.1:1. That ratio is very good compared with not just water companies but all other companies.

You would expect me to say this, but I think that we are getting a good balance between recognising the challenges that are raised by people such as you and having the talent to deliver to the expectations—which you, too, have set—of a complex £2 billion revenue company.

**Bob Doris:** I appreciate that Scottish Water is trying to strike a balance in responding to what I see as a flawed marketplace. Ofwat has recently been given additional powers, but we will see whether that does what it says on the tin. Perhaps I have a few doubts about that.

I have one final question, convener. Workers and union members will follow this exchange primarily through Monica Lennon's line of questioning. What are the bonuses for ordinary workers on the ground in Scottish Water, who do an exemplary job, separate from whatever the pay increase award is? Do ordinary workers get a suite of packages, measures and bonuses?

**Alex Plant:** Yes. All employees qualify for the annual outperformance incentive payment, which

is paid every year if we hit certain targets. In the year that is covered by the annual report, all employees received a payment of just over £1,000. We have not quite concluded on this year's performance—the year finished yesterday, but the data is still coming through. Performance has been strong, so I expect a similar level of outperformance incentive payment to be available to all colleagues.

**Bob Doris:** Only for clarity, rather than as a follow-up question, is that subject to the on-going pay discussions?

**Alex Plant:** No. The way that we calculate it depends on there being a conclusion to the pay award, but the bonus itself depends on performance. The complexity is that we have to know the baseline from which to calculate it.

**Bob Doris:** Peter Farrer could be going into pay discussions saying, "We will give you more for better performance". That is potentially a—

**The Convener:** That was a final, final, final question, Bob—I iterate that three times. I ask Peter Farrer to answer the point before I go back to Monica Lennon.

**Peter Farrer:** Briefly, the annual bonus payment can be part of the collective bargaining that we negotiate every year. It has not been part of discussions this year, which have been purely about the annual pay offer.

**The Convener:** We go back to Monica Lennon.

**Monica Lennon:** Thank you for the time that you gave me earlier, convener. To go back to Mark Ruskell's question, I reiterate that it is important that Scottish Water follows Fair Work Convention principles and the Scottish Government pay strategy when approaching negotiations under the recognition agreement with the three unions. I have heard a lot about there being open doors and I look forward to hearing that there have been constructive talks.

Some contracts that are awarded are worth billions of pounds—they are obviously for big projects. How do you ensure that those contracts are awarded in an open and transparent manner?

**Alex Plant:** We follow all the expected procurement practices to check that we are conducting all those processes in the right way. We comply with all the relevant legislation. In any contract that we award, we are seeking the best deal for the people of Scotland. In fact, we are in a live process—and I cannot therefore go in to detail about it—that is following those sorts of principles exactly.

The other thing that is worth saying is that we try to look at best value rather than lowest cost, because we are trying to get the right balance of

skills, expertise and ways of working. Increasingly, we are trying to develop models that recognise the long-term nature of our business. We want partners with whom we can work with in partnership, rather than in a client-contractor arrangement, which has limitations.

In any of those procurement processes, we follow all expected procurement law.

**Monica Lennon:** Thank you. Bonuses have been discussed; in the different bonus schemes for the senior management team, is there any link between the bonus and any of the contracts that we have talked about being delivered under budget? Is there a link between the bonus and that outcome?

**Alex Plant:** There is not in that way. The way that the bonus scheme works is set out in the annual report and accounts. It depends on how we are performing against our three core ambitions.

One of those is about service excellence—including some of the issues that Peter Farrer talked about. In both the 2023-24 report and the one that we are finalising for 2024-25, our overall performance is the highest it has ever been in terms of service excellence. That forms part of the bonus. Another part is the progress towards our net zero ambitions. Simon Parsons is leading that work on our behalf and it forms another part of the calculation of how much bonus is awarded. The final part is linked because there is a “great value and financial sustainability” aspect: it is ensuring that, overall, the company is in good financial health. However, there is not a direct link in relation to contract awards.

**Monica Lennon:** Are there any examples of contracts that have been delivered under budget and money has come back in to Scottish Water? Has that happened?

**Alex Plant:** I am sure that there will have been occasions on which the contract position has been outperformed. I do not have particular details.

**Monica Lennon:** Would you be able to give us more details after the meeting? If Simon Parsons can help, that would be great.

**Professor Parsons:** We are investing about £1.1 billion this year across our capital programme. That involves thousands of projects, each individual project of which is delivered by a range of different investment or delivery vehicles—companies or agglomerations of companies. In that £1.1 billion, there is no doubt that there will be projects that are under budget, sometimes significantly. There will also be some projects that are over budget, as you would expect in that kind of range.

One of our corporate measures is whether we are delivering projects below or on our forecast

cost. That forecast cost is 100 per cent: anything over 100 per cent means that it is costing us more and anything below 100 per cent means that it is costing us less. We are at 99-point-something per cent—I cannot remember the exact number. At the end of the year, we are pretty much at the point of being able, in the round across those hundreds or thousands of projects, to deliver as we had forecast.

As part of our procurement, we would have baked in and considered the efficiency opportunities. Those can often add up to very significant amounts: tens or hundreds of millions of pounds over a six-year period. That means that we can reduce customers’ bills and keep costs low.

**Monica Lennon:** Convener, I hope that you agree that it would be helpful if, after today, we could get some correspondence that sets out whether the projects in the capital programme were delivered under budget, on budget or over budget, and a read across to those that were open tenders and those where the contractors were invited in, and whether there has been any impact on bonuses for the senior team. It would be helpful for transparency if we could have a look at that.

10:15

**Alex Plant:** We have a transparent approach to everything we do, including how we look at those issues, so we can look at that in the round. We report regularly to our economic regulator on how the capital programme is performing in the way that Simon Parsons said, so we can, of course, write to the committee on those matters.

The other thing to bear in mind is that, any time that we are doing better than the contract and it creates a benefit, it just gets reinvested for the benefit of the people of Scotland, because, of course, we are a publicly owned entity.

**Monica Lennon:** Thank you very much.

**The Convener:** We are going to leave behind salaries, bonuses and the rest and move on to other matters. Kevin Stewart is going to start us off on that.

**Kevin Stewart (Aberdeen Central) (SNP):** Thank you very much, convener. You have touched upon the £1.1 billion of capital spend. Mr Plant, you said that you look at best value and not just cost. I want to explore that further, because money is tight and sometimes a wee bit of illogicality and a lack of common sense come into play when we are dealing with capital projects.

First, I want to explore the level of co-operation and co-ordination with other utilities and local authorities in order that Scottish Water work can be done at the same time as other utility work is



being done, or before road or pavement resurfacing, which might save you some money. I do not know who is best placed to answer that. I would imagine that it is Mr Farrer.

**Alex Plant:** I will open on that and then pass to Peter Farrer, because the question you raise is a really good one. We make efforts to make sensible alignment, and I will ask Peter Farrer to come in on what we do currently.

However, I wanted to come in first because collectively, utilities and local government should be doing more in that area. Getting more alignment of plans for what we need to do for water and waste water services, what our colleagues in the energy sector and those in telecoms and transport need to do, and, of course, working with local government is an under-realised opportunity. There is more to do on that.

I have recently been in conversations with colleagues in local government about trying to move some of that forward so that we can better align to achieve synergies that are currently not fully realised. The question is a good one and we need to take it away and carry on trying to do our part in helping to deliver. Peter, do you want to talk about what we do currently?

**Peter Farrer:** It has been a big problem for a long time. If you think about it, we have a £1.1 billion capital investment programme and teams of people who are programming the work through contractors and our own programming teams. As well as ourselves, every other utility—telecoms, gas and electricity—has exactly the same thing going on and it is extremely difficult to co-ordinate to do things in the same street at the same time.

It is a local authority roads department issue. We work very closely with those departments, but it is a problem that, quite frankly, has not been cracked yet. It is very difficult to hold back one organisation's investment until another organisation's investment is brought forward. Some of the more progressive local authorities have done things like that, but it is not consistent across Scotland.

**Kevin Stewart:** You say that it is a local authority issue, but I think that it is an everybody issue. It may well be that the local authority roads folk are in charge, but I have often found from bitter experience, both as a councillor and since I have been in Parliament, that the lack of co-operation leads to nonsenses whereby the local authority resurfaces a road or pavement and it is dug up five minutes later because a utility has not responded or has come back later saying, "We've got vital work to do here". That is a waste of money and also a waste of time for folk, given the road or pavement closures. How do we get better at that, rather than just saying, "Ach, that's for the

local authority to deal with"? How can you save money from all of that, Mr Farrer?

**Peter Farrer:** When I said that it is an issue for the local authority, all that I meant was that the local authority has the final decision on whether works are permitted.

We do a huge amount of collaboration with the councils at the moment. I guess that the key thing is that we all need to do more. We have flexibility within our programme. For example, if we have 1,000km of water mains to do, we have the ability to choose when we do them. Through better collaboration and co-ordination, we could do better—there is absolutely no doubt about that. All that we can do is work with the local authority teams and try to improve that.

**Kevin Stewart:** Okay. When something is dug up and a patch goes on where you have put in new piping, repaired piping or whatever, the reinstatement is sometimes not the best. It can lead to potholes very quickly, which is a problem throughout the country at the moment. How do you get better at that?

**Peter Farrer:** I think that we are already extremely good at that. The councils measure it every year by core samples, so they monitor our performance, and we are meeting all the targets that are set out. The Scottish road works commissioner also has an interest in these things. I think that we are pretty good.

The other point is that all the councils are very good at letting us know when things fail, and we have a pretty rapid response to fixing things once we are notified that something has failed. However, the failure rates are very low.

**Alex Plant:** I want to go back to the general point that Kevin Stewart started with. I think that there is more that can be done here, and I agree that it is an everybody issue. I met Convention of Scottish Local Authorities leaders and chief executives a few months back to push for a greater level of alignment between us, other utilities and local authorities. We have some really good examples of work that is being done. Simon Parsons has been leading on some of the partnership work that we do in metropolitan Glasgow, here in Edinburgh and the Lothians and in Dundee, where we are seeing the fruits of some of that collaboration come through. However, that is partial, and we could be better as a nation at doing this. We stand ready to play our part, and I hope that others will join us, because there are unrealised benefits here.

**Kevin Stewart:** Okay. You have picked the wrong cities, but—[Laughter.]

**Alex Plant:** And Aberdeen—sorry.

**Kevin Stewart:** Let us talk about Aberdeen. Over the years, as Mr Farrer is well aware, I have been a bit nippy about various issues, but I am very pleased that Scottish Water has undertaken a surface water and waste water survey in the city of Aberdeen. We know that there will have to be a fair amount of capital investment works, particularly in the system around the harbour area. How will you make sure that the capital spend that you will deploy to resolve the issues, which are long-standing in some cases, is the best that it can be? How will you align that with other spending and other capital projects that are going on?

**Professor Parsons:** Aberdeen is one of the cities where we have worked very closely with others on flooding and surface water management for many years. We, the city and SEPA have developed a master plan that pulls together our investment with investment from the city in order to meet what is needed for flooding not just now but in the future. Obviously, the costs of that master plan are significantly greater than the budgets that we or the city council hold, so we will need to work out the prioritisation and agree the route for funding schemes that benefit not only our customers but the city.

**Kevin Stewart:** Let me expand on the issue of alignment, which is important and gets more bangs for the buck. Aberdeen City Council has embarked on a project to improve Union Street. You and I know that a lot of the work that you will have to do will be around Market Street down to the harbour and beyond. Have you and Aberdeen City Council given any thought to contracting works together, which would benefit all and probably save all of you a bit of money?

**The Convener:** Before anyone answers that question, I will just say that I am very conscious that committees do not deal with local constituency issues. Can you drift wider, Mr Stewart, and ask how this will affect situations across Scotland, rather than Aberdeen—which is very interesting, but nowhere near as interesting as Inverness?

**Kevin Stewart:** This is a strategic issue right across the board, convener. I am just using an example from my own patch. Never let it be said that I am parochial.

I think that Mr Farrer was wanting to come in.

**Peter Farrer:** No, I think that Simon Parsons is going to answer that question.

**Professor Parsons:** First, that is the whole idea behind having a master plan for the city. It allows us to work out what specifically is needed.

Perhaps I can broaden things out by talking about the city that we are in—Edinburgh—and a project that I know very well in Craigleith, which is

an area with historical flooding problems very similar to those in, say, the merchant quarter in Aberdeen. For Craigleith, we have a shared plan with the city, and we are funding it to deliver the actual projects, because it is better placed to do so. We make a contribution to that, and everything is agreed in advance. That is an example of what we are doing. We are not as far down the road with Aberdeen with regard to delivery—we are still at the master plan stage there.

**Kevin Stewart:** Hopefully, that will come.

I want to move on to ask about new development, planning gain and Scottish Water's input—or lack of it, sometimes—into planning applications. I was pleased when, previously, you realigned your teams on the ground in the interests of development, particularly with regard to the Government's affordable housing programme, but what can you do better in order to be in at the very start of the process and say what is and is not possible when it comes to very big development applications?

**Alex Plant:** I will pick up that question, although the development services team sits within Peter Farrer's area, so he might want to comment, too.

First of all, the performance of our development services team has been increasing over time. Indeed, its performance is very strong; if you were to go back some years, you would see that we were not as good in this area as we are today. Real investment has been made in getting it better, and I thank you for recognising some of that work.

We review about 4,000 planning applications each year. I will come to your broader question in a minute, but what that means is that we are supporting large numbers of connections across Scotland. We are seeing some population growth in Scotland and a shift in population, largely from west to east, with significant growth in parts of the country.

There are challenges in all of that, but I am proud that we are delivering really great outcomes, including in new developments such as Winchburgh, not far from here, where we have put in a brand new, state-of-the-art waste water treatment works. It is way lower in carbon and way lower in cost, and it will allow that particular community to almost quadruple in size. Nearer to Aberdeen, our investment in Invercannie is supporting not only significant changes to rural water quality in that part of the world, but on-going growth across Deeside.

However, the point is that, again, we have more to do to ensure that we are playing our full role at the strategic planning level. In other words, when we look ahead at the growth and change that are going to happen in any given geography, how do

we ensure that the water and waste water issues that are present in that geography are fully reflected in the forward plan? We do that sort of thing already, but we could do more of it to try to help any part of the country make the best choices in respect of the future development of its geography.

**Kevin Stewart:** Getting that right would ensure that you get more bang for your buck from that £1.1 billion of capital investment, would it not?

10:30

**Alex Plant:** It would; it would better allow us to tailor our investment to meet the needs of the communities at the lowest cost. It would also help to ensure that the development plans that emerge make the most of the opportunities that are there.

Peter, do you want to add anything?

**Peter Farrer:** The only thing to add is that I have a strategic planning team that liaises with all the city council planners. They are on first-name terms with them. Such relationships allowed us to make sure that we built the new treatment works at Winchburgh in advance of the 3,800 new houses that are being built there. If there is anything that you are hearing that you think could be better, please let me know. We will come out and speak to people about it.

**Kevin Stewart:** Being entirely non-parochial, I am glad to hear that you are in touch with the planners in the city, but the same goes for elsewhere. I know, Mr Farrer, that you are very well aware of the difficulties that there were at Staney Hill in Shetland, which I think have now been resolved. However, those co-operations need to be with much more than just city planners. Do you agree?

**Peter Farrer:** Absolutely, yes.

**The Convener:** I will bring in the deputy convener to ask a very brief question.

**Michael Matheson:** My question picks up on the £1.1 billion of capital investment in 2024-25. What is the gap between your level of capital investment this year against your assessed level of capital investment for 2024-25?

**Alex Plant:** It is pretty close. Simon, what was the number that you referred to earlier? I cannot remember precisely, but was it around 99 per cent?

**Professor Parsons:** It was £25 million higher than our original forecast.

**Michael Matheson:** So your assessed level of capital investment that was needed for this financial year was around £1.1 billion.

**Professor Parsons:** The word “needed” is probably the issue. Our profile of investment is generally increasing by £60 million or £70 million a year over this period. Our expectation and our original forecast was that we would invest around £1.1 billion, and we are at £1.125 billion at the end of the year, which is slightly higher. However, demand is significantly higher than that. We are investing at a significantly lower rate than is needed based on the demand for maintaining and replacing our assets, hence the challenges that we will face in the future.

**Michael Matheson:** Let me reframe the question. What is the gap between your capital investment this year against demand?

**Professor Parsons:** On our future demand, we are planning for our next regulatory period—

**Michael Matheson:** I am asking about 2024-25.

**Professor Parsons:** We had originally taken out £500 million over the period. That was our original estimation of our demand. In reality, that is £100 million less per year than we planned to invest over the period.

**Michael Matheson:** I want to ensure that I am understanding you correctly. You mentioned £500 million. Is that over the six-year regulatory period?

**Professor Parsons:** Yes.

**Michael Matheson:** On average, you are £90 million to £100 million a year short of where you think the capital demand is.

**Professor Parsons:** On the demand for capital, our future demands in terms of growth, water quality or flooding—

**Michael Matheson:** All that I am trying to understand is the gap between the demand for capital expenditure and what you are spending. You have said in answer that it is £500 million over the six-year regulatory period. Is that correct?

**Alex Plant:** Sort of. Can I come in?

**Professor Parsons:** Yes.

**Alex Plant:** What Simon Parsons is trying to convey is that there was a regulatory period final determination that set the amount of money that we were allowed to spend for that period, which is an approximation of the demand, but is not the actual demand—it is always less than that. Even with that increase in investment compared with the previous period that was allowed in the strategic review in 2021, it was some way short of being the proper replacement rate for our assets. We were at around 40 per cent of where we should have been.

The settlement that we have at the moment is improving the situation, but it does not catch us

up. Some of the live issues that we have today, particularly on repairs, are running hot. Our assets are failing, as we would expect them to, because they are at the end of their lives and the weather conditions that they have to cope with are more severe. Some of that means that we are not keeping pace with demand, which I think is what Simon Parsons was trying to convey. The picture is complex, deputy convener. Sorry—I hope that that has made it a bit clearer.

**Michael Matheson:** It has, sort of.

**Alex Plant:** I did my best.

**The Convener:** So much for that being a brief question. Mark Ruskell is next.

**Mark Ruskell:** I think that you are about halfway towards net zero and you have 10 years to get there. Can you say a bit more about what the key challenges will be for the next 10 years?

**Alex Plant:** The good news is that, at a high level, we are on track. I ask Simon Parsons to come in.

**Professor Parsons:** I remind the committee that we will achieve net zero through our operational activities—as you would imagine, we are a big electricity user and we have a big fleet—as well as our investment activities. Every £1 million of the £1.1 billion of capital investment generates carbon at the top of it. We have set an ambition to reach net zero by 2040, which is five years ahead of the Scottish Government's ambition, and we are making great progress across a range of areas. This year, we will have reduced our operational carbon footprint by about 10,000 tonnes of carbon dioxide through a mixture of renewable energy, energy efficiency and new fleets, and we have had record years for peatland restoration and woodland creation. If things go well, we should be hitting operational net zero at some time during the mid-2030s, although we are very dependent on the greening of the grid.

We have planned to reach that ahead of our 2040 target, because we always knew that the biggest challenge would be around investment. For every £1 million that we invest, we generate an average of 100 tonnes of CO<sub>2</sub> across our programme. We are investing in low-carbon concrete and steel and alternatives to plastic as part of that work. That will always need to be balanced, which we will do through carbon capture on estates, peatland restoration and woodland creation. Alex Plant mentioned the work that we are doing at Loch Katrine. Once that project is completed, it will be Scotland's biggest new forest that has been created for about 100 years. We are working with Forestry and Land Scotland on our plans to create about 4,500 hectares of new woodland, which will be fantastic for capturing

carbon, for biodiversity and for the wellbeing of people who use the area.

**Mark Ruskell:** Would you say that your approach is, in effect, about insetting? You have land assets such as the site at Loch Katrine where you can invest in order to capture carbon, but it is quite sticky to reduce the emissions from the industrial aspects of your work. Operationally, where do you strike the balance? You could go really hard on investing in industrial processes in order to squeeze every last gram of carbon out of that, or you could lean more into insetting and using your other assets. Everyone will rely increasingly on Scotland's land in order to lock up carbon, but only a certain amount of land is available to those who are not fortunate enough to have a catchment such as the one at Loch Katrine in their asset base.

**Professor Parsons:** As you said, we will have a mixture of approaches. We think that we can reach a 75 per cent reduction in our investment emissions, which would put us well ahead of any other organisation. Operationally, we have two specific emissions that are what would be called process emissions: nitrogen dioxide, or N<sub>2</sub>O, and methane, which are released as part of the natural breakdown of waste water. We are testing some approaches, but we know that there is no technology solution for those emissions at the moment, so we need to offset them.

The basis of our plan is ambitious work on investment emissions and a realistic reduction in process emissions. We also need to recognise that there are multiple benefits to carbon capture and that peatland creation has multiple benefits for water quality, flooding reduction and other things.

**Mark Ruskell:** It will be quite incredible to have the great Trossachs forest extending all the way to Loch Lomond and up to Tyndrum.

Is there anything that you would like to see in the forthcoming climate change plan?

**Professor Parsons:** Last year, we published our climate change adaptation plan, which is aligned with the Climate Change Committee's plan. It sets out our challenges, which relate to there being too much or too little water and the multiple impacts on the global supply chain that we rely on. The areas that we can deal with, which Kevin Stewart talked about, include how we can adapt our cities to avoid flooding and how we can reduce water usage, including by developing new housing that uses less water. We can think about how we push those two areas and support them being in the plan.

**Mark Ruskell:** So Scottish Water's focus will be on adaptation rather purely on mitigation, because that is inherent.

**Professor Parsons:** Yes. Our mitigation activities are well under way and great progress is being made, but the harder part is adaptation. How do we adapt cities? How do we adapt housing across Scotland to make our services more resilient to future challenges? We have had the wettest years and the driest years on record during the past four or five years, so the challenges are already with us.

As we talked about earlier, we need partnerships to do that. We need to work very closely with local authorities, SEPA and other organisations such as the national parks to allow us to adapt our services and therefore Scotland.

**Alex Plant:** That is at the heart of the long-term strategy work that Deirdre Michie mentioned earlier. When we set an ambition of that sort, we cannot do the work on our own. It has to be one for everybody to pick up, as per Mr Stewart's point.

**The Convener:** I will bring the deputy convener in next, but first I note that I was delighted to hear that you are reducing the use of plastics across your business. It is a pity that your vans are all wrapped in plastic when you get them and you then discard it, but maybe there is a good reason for that.

**Michael Matheson:** You mentioned that you are making good progress on your carbon footprint and that you expect to reach net zero by the mid-2030s. My understanding of what Peter Farrer said earlier is that quite a large part of your operational work is undertaken by subcontractors; it is outsourced. How do you ensure that they are also working towards achieving net zero? Do you use your procurement process to drive bidders—the contractors—to ensure that they are reducing their carbon footprint in how they operate? I am thinking not necessarily about the materials that they use—I heard what you said about using low-carbon concrete, et cetera—but about how the businesses operate to reduce their carbon footprint.

**Alex Plant:** The short answer is yes, but Simon Parsons might want to give a bit more detail.

**Professor Parsons:** I would like to celebrate the work that some of our those in our supply chain are doing. They have taken on the ambition of net zero. In Scotland, we see a lot of organisations taking that on and thinking about how they can become net zero, and that is driven by our expectation of them. Net zero is a core part of all our procurement processes. We want to know how suppliers can contribute to us getting our investment emissions down by 75 per cent. We are in the middle of our procurement for some of our big alliances, and that is a core part of it. There is an expectation that they will reduce the

carbon contributions from their activities, and we now measure that project by project. We have the knowledge and the information to do that when we procure new steel or other new materials, for example.

**Alex Plant:** The great thing is that, when we save carbon, we also save costs. There is an alignment between doing the right thing to meet our net zero objectives and driving better value.

**Michael Matheson:** Okay. Some of that is debatable—

**Alex Plant:** We could have a longer conversation about it, but that is true in the round.

**Michael Matheson:** I will not go down that particular rabbit hole just now, convener.

10:45

**The Convener:** Yes—we cannot go down any more rabbit holes.

Mark Ruskell has a question before the deputy convener asks a series of questions on water quality.

**Mark Ruskell:** I have a further question about the objectives and our alignment with the European Union, particularly with its drinking water directive and urban waste water treatment directive. What are your views on that? I recognise that there can be a tension between the objectives of those directives and how they land. I am interested in hearing your views on that. Are there any particular stances that you are encouraging the Scottish Government to take?

**Alex Plant:** We recognise the principle of dynamic alignment with the EU, which is Scottish Government policy. We respond to what comes to us from the Government and our regulators, and then we act accordingly. For example, under Simon Parsons's leadership, we have been dealing with some significant changes in relation to drinking water that have involved looking at chlorates and haloacetic acids. Those are new metrics that we are taking forward. It is not our decision whether such changes come to us; they come from the process that I described, and we then seek to respond rapidly to them.

Simon Parsons might want to talk about those metrics or others.

**Professor Parsons:** The revised drinking water directive came in two or three years ago and it included new parameters for us to measure and new contaminants to remove. Our role is, as much as anything else, to make sure that the Scottish Government is informed about the likely costs and impact of those. Our main ask in relation to that is for time, because doing some of these things is relatively new to us. We want to have time to react

and to find solutions in order to remove things such as haloacetic acids or PFAS—perfluoroalkyl and polyfluoroalkyl substances—and to adjust to the new types of parameters.

**Mark Ruskell:** Okay. In relation to the overall objectives of the directives and the policies that arise from them, you do not have a concern about the direction of travel or the limits. It is more about having time for implementation. Is that correct?

**Professor Parsons:** I am not sure. If we consider as an example the new, revised urban waste water treatment directive, which has been brought in by the EU and is due to go live in 2035, we will support the Scottish Government in looking at the costs and implications of bringing that in. Overall, it is about circular economy approaches and getting value from waste water, and moving in that direction is a positive thing for society.

The key thing is that our job is to support decisions that are made elsewhere. I do not think that we should necessarily say whether things are yeses or nos.

**Mark Ruskell:** Right. Recently, you influenced the Environmental Authorisations (Scotland) Amendment Regulations 2025—which the committee discussed last week—in relation to the spreading of sewage sludge and cadmium levels. You are a public corporation, so you have a role to work with the Government and ministers and their objectives. However, there is a feedback role as well.

I am interested in whether there are areas in which you think that the Government needs to hold back or change deadlines. You seem to be saying that it is for you to accept the view of the Government and to implement it, but sludge disposal is clearly an area in which you called for a change and, as a result, the Government changed the regulations.

**Professor Parsons:** That is a good example. Because of the natural cadmium levels in the soil in the Western Isles, those regulations would have impacted on one of our procedures about land application of bioresources there. We set out the impact of that in a response to this committee. I am pleased that that information was taken on board and the regulations were amended in that way.

In relation to some of the revised urban waste water treatment directive rules, if there are certain things that we cannot measure—for example, there are not currently methods that allow us to measure microplastics or PFAS in waste water sludge—we will suggest that we need to be able to measure those things and get a better understanding of the level of risk that Scotland faces before the Scottish Government, or another body, decides on a final level.

**Mark Ruskell:** Okay. Thank you.

**The Convener:** Next, Michael Matheson has quite a detailed line of questioning. I remind everyone that we are running short of time, so short answers to Michael's very short questions will be very much appreciated. That is a tip to both sides, by the way.

**Michael Matheson:** When your organisation appeared before the committee in October 2023, you disputed allegations in the media that Scottish Water had been discharging combined sewer overflows in periods of dry weather. Since then, we have had Environmental Standards Scotland's report, which was published in September 2024. Do you still dispute those allegations?

**Alex Plant:** This is an area that we have spent a lot of time investing in. As you know—and as we mentioned earlier—we have more information available to us as a result of the monitoring that is now in place. I will ask Simon Parsons to pick up your specific question, but we work very closely with SEPA and ESS on the issue, as you would imagine.

**Professor Parsons:** I will try to be as quick as possible. Across Scotland, we have 4,500 combined sewer overflows, as they are called, which are in the networks to protect houses and businesses when significant rainfall lands in our catchments and drains into our sewers. The sewers just do not have the capacity to deal with the rainfall at certain times.

Every year, we provide what is called a flow return to SEPA for a certain number of those overflows that are under licence. Under those licences, we are required to report on them; in fact, the flow return for last year was published yesterday, and it will tell you the number of overflows from the limited number that are operating, whether the overflow was for a certain duration, and the volume that was discharged. It is a varied set of data.

As Deirdre Michie mentioned earlier, part of our improving urban waters route map was a commitment to put in 1,000 new monitors by the end of last December. That was achieved, and in fact about 1,400 monitors have now been installed. We have also launched a website that any customer or community in Scotland can have a look at and which tells you whether, today or any other day, the 1,100 or so overflows that are listed at the moment are active and operating. We have looked in detail at the monitors on our overflow map to see how many are operating, and how many are operating on a dry day. Of course, the point is that they should not be operating on a dry day.

Just to give you some idea, I point out that, over the month of February, we had about 4,000 or so

overflow operations. About 198 were not expected, and when we investigated them, we found that fewer than 1 per cent of the original number had been operating and active on a dry day. In other words, we think that, in February, nine out of that 4,000 or so overflow operations were on a dry day.

That does not mean that the overflows are polluting. The key question is not whether an overflow is due to operate, but whether it is polluting, and in February, we had, I think, three pollution incidents out of all of those operations. As we get better information, we will no doubt learn that some of those overflows are operating when they should not be, and we will investigate them and find out whether there is an operational solution to the problem. If not, we will agree with SEPA as to whether an actual capital project needs to be put in place to solve it.

**Michael Matheson:** Okay. It sounds to me that, in October 2023, when you disputed the allegations, you did not in fact know whether what you were saying was accurate. For example: ESS, in its analysis, has highlighted a pumping station in Dunoon that spilled 207 times in 2023, for a total of 187 days over a 277-day period. Thirty-one of those spills occurred during days that were classed as dry. That was in 2023. When those allegations were put to you at this committee in 2023, you disputed them. However, the reality is that you did not know exactly what was going on at that particular point.

**Professor Parsons:** First, we welcome the ESS report. You will be aware that we have responded to that report, along with SEPA and the Scottish Government, so we have responded to those questions. The key point is whether those incidents were causing pollution. We publish the data—the data that you have is our own, and we have been transparent with the data that we have.

The key point with all the CSOs is that they operate when we expect them to operate. If they are operating when they should not be, we now investigate, and we will report that. If there is a pollution incident, it will be reported to SEPA.

**Michael Matheson:** My question was not about whether or not those incidents are causing pollution. The issue is where CSOs are being discharged during dry periods. Is the reality that when you, as an organisation, disputed those allegations in committee, you in fact did not know the answer?

**Peter Farrer:** I will come in on that. I was at that meeting—I do not know the context in which the information was relayed, so I will need to look back over the notes to get the exact context. I do not think that any of us would have said that there were never any dry spills. As I said, I have been

40 years in this organisation, and I know that any time that a blockage occurs in a sewer, it can lead to an overflow, which is a dry spill on a dry day. That happens all the time.

The solution to that is that my team goes out there and fixes those blockages as quickly as we can so that they do not cause any pollution incidents. We deal with 38,000 blockages a year—that is the context. I would certainly not say that we never have a dry spill, because we have dry spills any time that there is a blockage from anything that goes down a sewer. I just want to make that clear.

**The Deputy Convener:** Okay. The assessment from ESS is that you have probably underestimated the number of dry spills that are taking place. Is that an accurate reflection of your understanding of the situation?

**Professor Parsons:** First, not all of our 4,500 combined sewer overflows across Scotland are monitored. By the end of this year, about 45 per cent of them will be monitored. They are the ones that we believe operate, or have operated in the past, and the ones that we have previously agreed with SEPA lead to sewer-related debris—wet wipes, for example—getting out into the environment.

The key point—as Peter Farrer said—is that the vast majority of times that anything comes out of the sewer network, it is caused by blockages from wet wipes and other material that has been put down the sewer. That is the biggest cause. We will have dry-day spills. The information that we are now collecting from our new monitors and the use of our intelligent control centre will tell us that, and we will go out and investigate and, where possible, remedy the issue.

**Michael Matheson:** Is ESS correct in its assessment that you have underestimated the issue?

**Professor Parsons:** In terms of—

**Michael Matheson:** If it makes it easier, you can answer with a yes or no.

**Professor Parsons:** In that case, the answer is a yes, because until we have all the information available to us, our estimates are based on our forecast. Until we have the full set of information, the answer will be yes.

**Michael Matheson:** Okay. Of course, increased monitoring will give you more accurate data with which to address the issues, which brings me to my next point. When can we expect a plan from Scottish Water on addressing this particular problem?

11:00

**Professor Parsons:** We have already published the plan. We published our improving urban waters route map in 2021, which set out our commitments around improving our monitoring and improving the issues.

Combined sewer overflows are having an impact; there are 900 or so across Scotland, of which 20 have an impact on water quality, so we already have a huge amount of information on the issue. As part of that, we have set out a multiyear plan for what we will do to address those issues, working with SEPA and the Scottish Government.

**Michael Matheson:** To clarify, is that a clear plan about when storm overflows will not spill during dry periods?

**Professor Parsons:** We have set out that, once we have the monitoring information, if we find that a combined sewer overflow is spilling during dry days, we will investigate that. There could be many reasons for that happening, and blockages are, as we know today, the most significant part of that. Where we can, we will put in an operational fix to allow that to be remedied. If that is not a possible solution at the time, we will agree with SEPA the investment that we need to remedy the issue in future.

**Michael Matheson:** ESS said to the committee that it would like to see a clear plan from Scottish Water to address spilling during dry weather. Has ESS missed that plan, or has it misunderstood your plan?

**Professor Parsons:** First of all, ESS is very aware of the improving urban waters route map. I think that it mentioned it in its report. The route map is our commitment to improve our monitoring, improve those combined sewer overflows that we already know have issues and improve our response when we get more information.

**Michael Matheson:** I am not entirely sure that that adds up to the plan that I am actually asking for, but I suspect that your problem in developing that plan is that you do not have enough data to inform it.

**The Convener:** Alex Plant is very patiently waiting to come in.

**Alex Plant:** As Simon set out, we put the £500 million improving urban waters plan out there, and ESS was aware of it. As the more granular information comes in, we can translate that into operationalising the general themes that sit within the improving urban waters plan.

I want to come back to the point that we are trying to use finite money to deliver the best possible environmental outcomes. We start from a position where 87 per cent of our water bodies are

in good or better condition for water quality. That is a great starting point, but we all want that to be even better. We want it to be 100 per cent, right? Of course we do.

Acting on our own, we can nudge that to around 88 or 88.5 per cent, but we need others to come to the party—a common refrain during the course of this morning's meeting. However, critically, blanket monitoring everywhere would be a bad use of money, because we are trying to use the money available to target the areas where there is a risk of environmental harm and then intervene accordingly. The plan that you are after, deputy convener, emerges as we get more of that information and we work out where to deploy the resources that are available to us. It is important to keep hold of the principle of trying to maximise finite money for best environmental outcomes.

**Michael Matheson:** I understand that, and I appreciate the challenge. However, it would be reasonable to expect that, over the course of the coming years, your organisation will have a clear understanding of the timeframe for ending the issue.

**Alex Plant:** Agreed.

**Michael Matheson:** If we agree on that point, what is the timeframe?

**Alex Plant:** We are doing stuff now in line with the improving urban waters route map, which is what Simon was talking about, and we will crystallise the particular interventions that it becomes apparent are needed through the greater information that we have. Then, as we form our business plan for the 2027 to 2033 period, what is left would be what we will target as our part of the work that needs to happen in the next six years as part of that regulatory settlement.

**Michael Matheson:** So you expect it to be ended within the next regulatory period.

**Alex Plant:** I do not know at this stage, because some of the issues are complex. Again, it is important to remember that a CSO operating when it should be is not a problem. I know that that is not what you are asking about—you are asking about when it is a problem.

I want us to get better and better at ensuring that when there is an issue, we can intervene before it becomes a problem environmentally. That is part of why we are putting monitors on our sewers as part of our intelligent wastewater network, and working to try to reduce blockages, which Peter Farrer talked about.

If we could get some change in the Parliament, such as a ban on wet wipes that contain plastic, that would help massively—it would be really good if that could happen. It would have to happen at Westminster first, but I hope that there would be



continued support from this committee to get that ban in place, because it would make a huge difference to blockages, 80 per cent of which are caused by wet wipes containing plastic.

**Michael Matheson:** Okay—thank you.

**The Convener:** There are other committee members who want to ask questions. I say that because we are out of time—you can each have literally two questions, and they have to be quick-fire, because I want one at the end. *[Laughter.]* I have been very quiet all the way through the meeting, if the truth be known.

Monica Lennon can go first, followed by Douglas Lumsden and then Mark Ruskell.

**Monica Lennon:** I always worry when the convener is quiet—but thank you, convener.

I will follow on from the deputy convener's questions about the evidence that Scottish Water gave the committee in October 2023 about CSOs and dry spills, and pollution impacts. At that time, when I put questions to you, Alex, you said that media coverage around the issue was "misleading" and that there were a number of inaccuracies. I asked whether Scottish Water was

"planning to take any legal action in that regard",

because it is obviously very serious if people are making wrong allegations about Scottish Water. In response, you told the committee:

"We are not planning to take legal action, at this stage."—*[Official Report, Net Zero, Energy and Transport Committee, 31 October 2023; c 18.]*

Can you give an update on that? Did you take any legal action?

**Alex Plant:** No, we have not taken legal action.

**Monica Lennon:** And what is the reason for that?

**Alex Plant:** I think that it is better to try to inform, rather than to take legal cases.

**Monica Lennon:** Did you have legal advice to that effect?

**Alex Plant:** I do not think that we took legal advice on the matter. We just considered that it was better to try to explain the information.

**Monica Lennon:** Okay—it is good to get an update. Thank you, convener.

**The Convener:** That was three questions, Monica—I can count, just in case you thought that I could not.

**Monica Lennon:** But I was very brief. *[Laughter.]*

**The Convener:** I will bring in Douglas Lumsden.

**Douglas Lumsden:** I will be quick, convener.

Looking online just now, I see that there are three areas that have been in overflow for 48 hours: Dunoon, Largs and Aberdour. Would that be causing pollution at this time?

Simon, you seemed to suggest that just because there has been an overflow situation for the past 48 hours, that does not mean that it is causing pollution. Is that right?

**Professor Parsons:** Yes, that is correct. The vast majority of overflows—those that you are looking at there—will be operating because of heavy rain or rainfall over a period of time. It can take multiple days for that to flow through. Very few of those overflows lead to pollution.

**Douglas Lumsden:** Looking at the Aberdour overflow, I see that it has been in that state for about a week now, but I do not think that there has been heavy rain in that time.

**Professor Parsons:** Perhaps I can explain what happens once one of those monitors goes off. If one of the overflows is operating over time, first, that raises an alert in our intelligent control centre. They will investigate—it may be due to an issue with the monitor itself. If the overflow is operating and there is rainfall, they will monitor it. If it is operating when there is no rainfall, we send out a team of people to investigate to try to understand why that specific overflow is operating at that time.

**Douglas Lumsden:** Is there a way that the public can see whether that is actually causing pollution at this time, or not?

**Professor Parsons:** At present, there is no link between the specifics on the overflow map and pollution. SEPA, as part of its role, monitors the water quality, and it will look at whether there is any impact on the water environment. As Alex Plant mentioned, Scotland's water environment is currently at its best-ever level. nonetheless, we would investigate each of those.

**Douglas Lumsden:** Thank you, convener.

**The Convener:** That was three questions, as well. I call Mark Ruskell—Mark, perhaps you can do two questions for me.

**Mark Ruskell:** We will see. *[Laughter.]*

**The Convener:** Okay—there we go.

**Mark Ruskell:** It is like a parlour game.

We have a number of bathing water quality areas in Scotland that are not safe, to be honest. Kinghorn harbour is one of those, and that is despite substantial investment from Scottish Water and a very long process with SEPA.

I am interested in your thoughts on whether CSOs are the primary issue in those situations, or

are there wider issues relating to diffuse pollution and agriculture, for example? Although those areas are not in your remit, we will not be able to tackle those problems without changes in land management further upstream.

**Alex Plant:** As you know, the issues with Kinghorn are complex. Simon Parsons has been looking at the issues for many years with SEPA. Do you want to quickly summarise where we are, Simon?

**Professor Parsons:** We have been working with SEPA for many years to try to understand the causes of pollution at Kinghorn, which has impacted its bathing water status. There are occasional spikes in pollutants, which are obviously more difficult to address. We have removed the combined sewer overflow so that that does not have an impact. At the moment, it is thought that the pollutants may be coming from groundwater ingress into the sewerage system. We will work with SEPA to investigate the problem and will look to provide a remedy if there is an impact from our assets, or to provide support if there is an impact on others in the harbour.

**Mark Ruskell:** When are you going to fix it?

**Professor Parsons:** We are not sure at the moment. First, we do not necessarily understand the cause of the pollution. As you will be aware, we successfully appealed the enforcement notice that SEPA issued to us for Kinghorn harbour beach, because we were unclear as to what we were being asked to do. However, we are committed to working with and supporting SEPA to understand the issues. If our assets are having an impact and are causing the pollution, we will work with SEPA to agree on a set of improvement works.

**The Convener:** Congratulations, Mark, the prize is yours. *[Laughter.]*

I think that we have gone through all the questions. I have a simple final question. Alex Plant, before you started working for Scottish Water in 2022, I submitted a freedom of information request about the water mains across Scotland. At that stage, I think that there were about 50,000km of water mains around Scotland—I have rounded the figures up, if you will excuse me—and Scottish Water estimated that about 12 per cent of its pipes were manufactured using asbestos, which meant that there were about 6,000 km of small-diameter asbestos pipes. You were allowing £40 million a year to replace them. With that investment, we would eventually be rid of asbestos in our water pipes by 2072. Are you still investing at that rate, or are you speeding up the process? Should the public expect you to be speeding it up?

**Alex Plant:** I will ask Simon Parsons to come in. Asbestos cement mains are problematic for all sorts of reasons, including that they are coming towards the end of their life and their failure rates are increasing. Some of the numbers that I talked about for repairs link to the fact that we have asbestos cement mains in our system. However, I am very clear that there is no risk to public health as a result. Simon Parsons can pick up where we are with the replacement plans.

**Professor Parsons:** As part of our next SR27 business plan, we have a proposal to significantly increase the replacement rate of the asbestos cement mains, because they are coming to the end of their life. For the customer, that means that there is an increased risk of burst pipes or supply interruptions. It is a UK-wide issue. Mr Doris mentioned Welsh Water. Wales and Scotland have very similar soils and rural communities, and they face the same challenges.

**The Convener:** I accept that, when the pipe is wet, there is no risk to public health from asbestos, but the fact that you have suggested that the pipes are failing means that the asbestos will dry out, fracture and splinter, which could cause greater risk. Scottish Water went through a phase of replacing the pipes by bursting them into the soil and threading a pipe through them, which was found to be unhelpful and polluting in its own right. I understand what you have said to me, but I am concerned. Will we replace all the pipes before 2072?

**Professor Parsons:** We are putting forward a proposal to accelerate the replacement rate. In our view, depending on the rate of replacement, as there is still quite a lot of work to do, we can accelerate the replacement of stock by 15 or 20 years.

**The Convener:** The good news is that I will not be around then to ask you questions. Do you not think that people in Scotland would expect you to be replacing them faster than that? I have worked with those pipes and understand them, but I am gravely concerned that the pipes could be fracturing and coming to the end of their life, because, in my opinion, that is when they would become the most dangerous. If a pipe fractures, it dries and bits drop off, and it becomes very difficult for you to clear that out of the system. I am asking you to reflect on that and to say a little to the public about why you want that programme of work to be accelerated. In my opinion, it is not enough to bring it forward by 15 years—that would mean that the work would be completed by 2050. Should it not be done by 2030?

**Professor Parsons:** It is a balance, convener. Some of those pipes are operating very well at the moment and they are not in the condition that you have described, although some are bursting more

regularly. We need to consider how we maintain the burst rates so that conditions for customers are not worsened and how we can replace the stock of pipes at the same time. We have 5,000 km to replace, which will require significant investment and a significant workforce.

**The Convener:** My concern would be that, if a pipe burst, that would indicate that the whole pipe was dubious and you would need to replace large sections of it, rather than repairing small bursts.

**Professor Parsons:** That is correct.

**Alex Plant:** That is how we prioritise.

**The Convener:** I do not think that there are any other questions. The session was slightly longer than normal. Thank you very much for giving evidence to the committee. There are a few things that you have offered to follow up on, and the committee will also ask you to follow up on other aspects.

I suspend the meeting for five minutes before we deal with our final item of business.

11:16

*Meeting suspended.*

11:23

*On resuming—*

## Petition

### Air Quality Standards (PE2123)

**The Convener:** Welcome back to the Net Zero, Energy and Transport Committee. Our third item of business is consideration of petition PE2123, which was submitted by Asthma and Lung UK Scotland. The petition asks the Scottish Parliament to urge the Scottish Government to amend the Air Quality Standards (Scotland) Regulations 2010 by setting new limits for nitrogen dioxide and fine particulate matter in order to align with the World Health Organization's 2021 air quality guidelines.

We are dealing with the petition for the first time, but we have conducted wider work on air quality in this parliamentary session, including on the issue of alignment with the 2021 guidelines. We also touched on the issue in recent evidence sessions with SEPA and ESS.

I draw members' attention to the meeting papers, and specifically to paper 3, which sets out some options for further scrutiny. We have the option of closing the petition if we consider it appropriate to do so. Does any member wish to express any views?

**Mark Ruskell:** I think that we should hold an evidence session, to which we should invite the petitioner and other relevant stakeholders. We should also write to the Government and stakeholders to get written views.

**Monica Lennon:** I agree with Mark Ruskell on that. It is important that we get further evidence on the petition. There is a whole range of relevant stakeholders.

**Michael Matheson:** For transparency, I am a charity ambassador for the Asthma and Allergy Foundation, which is not directly involved in the petition but which has an interest in it. My view is that, first, we should write to the Scottish Government to get an updated position from it. Then we can make an informed decision about what our next steps should be, including on the potential for having a round table, but I would like to get the update first of all.

**Bob Doris:** Before we come to an informed view on this, would the deputy convener's suggestion preclude an oral evidence session at a later date, depending on the Scottish Government's reply?

**The Convener:** I think that the deputy convener's suggestion was to find out what the Government is doing first, and then consider the

best way to respond to that, for example, through having an evidence session, as Mark Ruskell and Monica Lennon suggested. All of that is slightly dependent on our work programme discussion, which comes later on in our agenda.

Douglas is looking at me as though he would like to say something.

**Douglas Lumsden:** I was going to agree with the deputy convener. It would be good to hear what the Government is doing before we go to the next steps, so I am fully supportive of his view.

**The Convener:** I suggest that, at this stage, we write to the Scottish Government to ask what action it is taking to align the standards. Based on the evidence that we receive, we can then consider the option of holding a round table or evidence session to work out how best to proceed. Do members agree?

**Members** *indicated agreement.*

**The Convener:** The clerks will make sure that the petitioner knows what we are doing and we will send the appropriate letter to the Scottish Government.

That concludes our business in public, so we now move into private session.

11:26

*Meeting continued in private until 12:33.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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