

Address:  
110 George Street  
Edinburgh  
EH2 4LH

Telephone:  
0131 477 1234  
Fax:  
0131 477 4567

Website:  
[www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)



## Press release

Embargoed until 00.01 Thursday, 13 October 2005

# Scottish Water has made a sound start but its performance can improve

**Scottish Water has made a good start in raising the water industry's performance but can make further improvements, says the Auditor General.**

In a report published today, *Overview of the water industry in Scotland*, the Auditor General for Scotland Robert Black says that since Scottish Water's creation in 2002:

- It has improved the efficiency and performance of the water industry;
- it has cut operating costs significantly;
- water quality is improving;
- the organisation has streamlined the industry, including reducing its workforce by nearly 2,000.

However, the report says Scottish Water can further improve efficiency and performance. It adds that while the body has set a sound base for planning and performance reporting, it can do better there too.

Scottish Water has met most of its customer performance targets. However, in his most recent report, the industry's regulator reported that the organisation fell short of the customer performance of water companies in England and Wales.

The report also points out that Scottish Water faces a challenging timeframe for delivering its capital investment programme, which is essential for future performance and efficiency gains. Its current £1.8bn capital investment programme has a deadline of April 2006 and there will be an estimated £253m worth of work still to be done at that point. Audit Scotland will undertake a separate study of this issue and report in late 2006.

Auditor General Robert Black says: "Scottish Water has made significant improvements in its efficiency and performance but there is scope for more. A robust regulatory regime is appropriate for Scottish Water which is a public sector monopoly.

"It is important that the new Water Industry Commission sets challenging but achievable performance targets that will provide a full picture of Scottish Water's performance in future years."

**For further information contact Simon Ebbett tel: 0131 624 9924 or Leon Thompson tel: 0131 624 9974.**

## Notes to editors

1. Scottish Water was established on 1 April, 2002, from a merger of the three previous water authorities, East of Scotland Water Authority, North of Scotland Water Authority and West of Scotland Water Authority. Its main functions are to provide clean water to 2.2 million households and 133,000 non-domestic, mainly business, properties in Scotland.
2. In November 2002, the Auditor General's report, *Overview of the 2001/02 water authority audits*, identified issues arising from the merger of the three previous water authorities which Scottish Water needed to address. These included matters of financial and general control such as asset maintenance planning, debt collection levels, the role of internal audit, and arrangements for managing risk and how the business is performing.

3. Scottish Water is the fourth largest water services provider in the UK and one of the 20 largest businesses in Scotland. Its annual turnover approaches £1bn, and its capital assets, such as water treatment works and sewer networks, are estimated to be worth £28.2bn at full replacement cost.
4. *Overview of the water industry in Scotland* is the first independent overview of the way the country's water industry works. It examines how the industry is structured and how it is regulated.
5. The Water Industry Commission regulates Scottish Water. It consists of a board comprising a chair, four members and a chief executive. The commission took over from the former Water Industry Commissioner for Scotland, which was abolished on 30 June 2005.
6. All Audit Scotland reports published since 2000 can be found on Audit Scotland's website. [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)
7. The Auditor General is responsible for securing the audit of the Scottish Executive and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Executive or the Scottish Parliament.
8. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act, 2000. It provides services to the Accounts Commission and the Auditor General for Scotland.