

From – [redacted]
Water Industry
21 October 2020

Cabinet Secretary for Environment Climate Change and Land Reform
Cabinet Secretary for Finance

SCOTTISH WATER BUSINESS STREAM - Financial Impacts of COVID-19

Purpose

1 This minute seeks the agreement of Ministers to a package of financial support for Scottish Water Business Stream in response to the impacts of COVID-19.

Timing

2 **Routine** – [redacted]

Background

3 [redacted]

4 [redacted]

5 [redacted]

6 [redacted]

7 [redacted]

8 [redacted]

9 [redacted]

The Proposed Support Package

10 [redacted]

11 [redacted]

12 [redacted]

Key Issues for Ministers

13 [redacted]

14 [redacted]

15 [redacted]

16 [redacted]

Risk and the Longer Term

17 [redacted]

18 [redacted]

19 Ministers will therefore wish to support the proposal by SWBSH to undertake a strategic review of options for securing the longer term financial sustainability of BS during 2021. A number of matters will arise in this review, including issues of commercial strategy and governance. It is also likely to raise the question of the appropriateness of the continued public ownership of BS in the highly competitive markets in Scotland and England. Given their strong commitment to public ownership of the water industry, Ministers have not previously wished to explore that issue. However, the nature of the risks associated with BS, as revealed by this year's experience, particularly given the significant part of its business that is now in the English market, may mean that it is timely to assess that position. The timing and form of that review have yet to be determined. We will ensure that Ministers are fully consulted on the terms of reference for any such review prior to it being undertaken and on any recommendations that flow from it.

Action for Ministers

20 [redacted]

Audit Scotland

21 [redacted]

Communications

22 [redacted]

Conclusion

23 This minute has been agreed with Finance, [redacted] and State Aids colleagues.

24 SWBSH's proposal has been subject to extensive examination with appropriate external and expert advice. It is consistent with the criteria we set out on Ministers' behalf earlier in the year. We therefore recommend that Ministers

[redacted]

[redacted]

note the proposal to undertake in the course of 2021 a strategic review of the options to secure the long term sustainable future of BS (para 19)

[REDACTED]@gov.scot>; [REDACTED]@gov.scot>; [REDACTED]
[REDACTED]@gov.scot>; [REDACTED]@gov.scot>

Subject: SCOTTISH WATER BUSINESS STREAM - Financial impacts of COVID

Please find a submission seeking approval of a financial package to support Scottish Water Business Stream.

The package is fully described in Annex 1, a paper received from Scottish Water Business Stream Holdings.

This is supported by a set of papers in the PDF at Annex 2 – please note that this file has over 200 pages.

Annex 3 is the draft order and policy note referred to in the submission.

Happy to discuss any points arising.

■