Supporting self-catering in Scotland

Strategic Review of Charges 2027-33 Draft Determination (SRC27)
Response by the Association of Scotland's Self-Caterers (ASSC)

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Executive Summary

The Association of Scotland's Self-Caterers (ASSC) welcomes the opportunity to respond to the Water Industry Commission for Scotland's (WICS) Draft Determination for the Strategic Review of Charges 2027–33 (SRC27).

This consultation presents WICS with an important opportunity to address an unintended consequence of the 2026 Non-Domestic Rates revaluation.

ASSC fully supports investment in Scotland's water and wastewater infrastructure and recognises the need for Scottish Water to remain financially sustainable. Businesses are prepared to contribute fairly towards that investment.

However, the evidence gathered through this response demonstrates that the current charging methodology is producing increasingly disproportionate outcomes for many self-catering businesses because water and sewerage charges continue to be derived from Rateable Values established through the revised 2026 valuation methodology.

Since the revaluation came into effect, Scottish Government has introduced significant rates relief for self-catering businesses, Scottish Assessors have reduced many Rateable Values by 20%, and Scottish Government has announced both a comprehensive review of Non-Domestic Rates and an Independent Panel to examine reports of inconsistent valuations.

These actions demonstrate a recognition across government that the implementation of the revised valuation methodology has produced consequences requiring further examination and mitigation.

ASSC believes the same principle should now be applied to non-household water charging. This is not simply an opportunity to review water charging. It is an opportunity to ensure that businesses do not continue to bear the unintended consequences of the 2026 Non-Domestic Rates revaluation through a different part of Scotland's regulatory framework.

Introduction

The Association of Scotland's Self-Caterers (ASSC) welcomes the opportunity to respond to the Water Industry Commission for Scotland's (WICS) Draft Determination for the Strategic Review of Charges 2027–33 (SRC27).

Founded in 1978, the ASSC is the national trade body representing Scotland's self-catering and short-term let sector. With more than 1,600 member businesses operating across urban, rural, island and remote communities, the ASSC champions a professional, sustainable and responsible visitor economy that delivers economic, social and cultural benefits throughout Scotland.

The self-catering sector makes a significant contribution to Scotland's visitor economy, supporting employment, local supply chains and community resilience. It is, however, predominantly comprised of micro and small businesses that are particularly vulnerable to cumulative increases in operating costs and regulatory burdens.

The ASSC works at the forefront of policy, regulation and industry development, advocating for evidence-led decision-making, fair and proportionate regulation, and a competitive, sustainable tourism and hospitality sector. Through research, member engagement and constructive collaboration with government, regulators and industry partners, the ASSC seeks to ensure that public policy supports both thriving businesses and thriving communities.

Policy Context

This consultation takes place at a particularly significant point for Scotland's non-household business customers.

The 2026 Non-Domestic Rates revaluation introduced a revised methodology for assessing the Rateable Value of self-catering properties. Since its implementation, Scottish Government has introduced a substantial package of rates relief for the self-catering sector, Scottish Assessors have reduced many Rateable Values by 20%, and Scottish Government has announced both a comprehensive review of the Non-Domestic Rates system and an Independent Panel to examine reports of inconsistent valuations arising from the 2026 revaluation.

Taken together, these actions demonstrate a recognition across government that the implementation of the revised valuation methodology has produced unintended consequences requiring further examination and, where appropriate, correction. The consistency of these findings

across multiple retailers, geographic areas and business types strongly suggests that this is a systemic issue rather than isolated customer hardship.

ASSC recognises that WICS is not responsible for the Non-Domestic Rates valuation methodology itself. However, because non-household water and sewerage charges remain linked to those same Rateable Values, this consultation presents WICS with an important opportunity to ensure that unintended consequences already recognised elsewhere within the rating system are not perpetuated through the water charging framework.

ASSC fully supports investment in Scotland's water and wastewater infrastructure. A resilient water network is fundamental to communities, businesses, environmental protection and Scotland's visitor economy, and businesses recognise the importance of contributing fairly towards that investment.

Our concern is not investment itself. Rather, it is the methodology by which charges are allocated. The evidence gathered through this response demonstrates that many self-catering businesses have experienced substantial increases in water and sewerage charges despite little or no change in actual water consumption. In our view, this represents an unintended consequence of the 2026 revaluation methodology rather than increased demand on Scotland's water infrastructure.

It is this interaction between the current charging methodology and the 2026 Non-Domestic Rates revaluation that principally informs our response.

Evidence Base

To inform this response, ASSC undertook a Water Charges Impact Snap Survey between 9 and 15 July 2026.

The survey received **147 responses** from self-catering businesses operating across Scotland, representing urban, rural, island and remote communities and providing a timely snapshot of the impact of the 2026/27 charging changes.

Of respondents who identified how their water and sewerage charges are calculated:

- **64.34%** are charged on a **Rateable Value** basis.
- **24.48%** are charged on a **metered** basis.
- **2.80%** do not know how their charges are calculated.
- The remainder selected "Not applicable" or did not answer.

Given that almost two-thirds of respondents are charged using Rateable Values, changes to the valuation methodology have significant implications for a substantial proportion of Scotland's self-catering sector.

Among businesses that had received their 2026/27 invoices:

- over **90%** reported increases in water charges;
- around one-third reported annual increases of **£100–£250**;
- around one-third reported increases of **£251–£500**;
- more than one in ten reported increases of **£501–£1,000**;
- several businesses reported increases of **more than £1,000**.

Members also submitted invoices from multiple licensed retailers demonstrating increases ranging from approximately **40% to well over 100%**, despite little or no corresponding increase in water consumption.

Taken together, the survey findings, invoice evidence and member case studies demonstrate a **consistent national pattern rather than isolated customer complaints**.

Qualitative Findings

Alongside the quantitative evidence, respondents provided detailed comments describing the practical impact of increased water and sewerage charges on their businesses. While individual circumstances varied, the responses revealed a remarkable consistency of experience across Scotland.

Taken together, the qualitative evidence reinforces the survey findings. Businesses are not simply reporting higher charges; they are questioning whether the methodology by which those charges are calculated continues to produce fair, proportionate and economically rational outcomes.

Five clear themes emerged.

1. Charges no longer reflect actual water consumption

The most consistent concern was that increases in charges bore little or no relationship to actual water use.

Many respondents reported stable or declining occupancy, reduced visitor numbers or extended periods when properties were unoccupied, yet had experienced substantial increases in charges solely because of changes to their Rateable Value.

Respondents repeatedly questioned whether Rateable Value remains an appropriate proxy for water consumption, particularly for seasonal tourism businesses where demand fluctuates significantly throughout the year.

2. Seasonal businesses are disproportionately affected

Many respondents highlighted that self-catering businesses operate fundamentally differently from permanently occupied commercial premises.

Occupancy varies considerably throughout the year, with many properties lying empty for significant periods. Despite this, businesses felt they were being charged as though demand remained constant.

Respondents consistently questioned whether the current methodology adequately reflects the operational realities of seasonal accommodation businesses.

3. Confidence in the charging methodology has been undermined

A recurring theme was not simply the level of charges, but the perceived lack of transparency and fairness surrounding how they are calculated.

Many respondents found it difficult to understand why increases in Rateable Value should automatically result in significant increases in water and sewerage charges where neither infrastructure demand nor actual water consumption had materially changed.

The survey suggests that confidence in the current charging methodology has been significantly eroded.

4. Businesses support investment but expect fairness

Importantly, respondents did not oppose investment in Scotland's water infrastructure.

Many recognised the importance of maintaining and improving Scotland's water and wastewater networks and accepted that businesses should contribute fairly towards those costs.

However, respondents consistently distinguished between supporting investment and supporting the current methodology used to recover those costs. Many indicated that they would have greater confidence in future investment if charging arrangements more closely reflected actual demand and usage.

5. Cumulative cost pressures are becoming unsustainable

Water and sewerage charges were rarely viewed in isolation.

Respondents consistently described them as one element of a much wider pattern of increasing financial pressures, including:

- the impacts of the 2026 Non-Domestic Rates revaluation;
- short-term let licensing costs;
- rising insurance premiums;
- increased employment costs;
- higher utility costs; and
- continuing pressure on visitor demand and business profitability.

For many predominantly micro-businesses operating in rural and island communities, respondents considered the cumulative impact of these costs to be increasingly unsustainable and questioned the long-term viability of continuing to operate under the current regulatory and cost environment.

The qualitative evidence demonstrates that the issue extends beyond affordability alone. It raises a broader question of regulatory confidence.

Respondents consistently accepted the need to contribute towards essential public infrastructure. Their concern was that the current methodology no longer provides a fair or proportionate basis for allocating those costs.

ASSC therefore believes that the evidence presented through this consultation provides WICS with a compelling basis to review whether continued reliance on Rateable Value remains appropriate for calculating non-household water and sewerage charges for seasonal tourism businesses.

Question 1: Outcomes, investment and charges

Response: Disagree

ASSC considers that the Draft Determination does **not** currently strike the appropriate balance between outcomes, investment and charges because it does not adequately recognise one of the most significant affordability issues currently affecting Scotland's tourism businesses.

The issue is not investment. The issue is methodology.

Our members recognise the importance of investing in Scotland's water and wastewater infrastructure and are prepared to contribute fairly towards that investment. However, the evidence gathered through this consultation demonstrates that the current charging methodology has unintentionally amplified the consequences of the 2026 Non-Domestic Rates revaluation.

Businesses are experiencing substantial increases in water and sewerage charges not because they consume significantly more water or place greater demands on Scotland's water infrastructure, but because those charges continue to be derived from Rateable Values established through the revised 2026 valuation methodology.

Since the revaluation came into effect, Scottish Government has introduced significant rates relief for the self-catering sector, Scottish Assessors have reduced many Rateable Values by 20%, and further reviews have been commissioned to examine the operation of the revised methodology.

The Draft Determination does not acknowledge this wider policy context.

ASSC believes that failing to address this issue risks businesses bearing the consequences of the 2026 revaluation twice: once through the Non-Domestic Rates system and again through water and sewerage charges calculated from the same methodology.

ASSC therefore believes that the Draft Determination should explicitly recognise this unintended consequence and commit to reviewing the continued reliance on Rateable Value as the basis for non-household water charging.

Question 2: Customer protections and safeguards

Response: Disagree

ASSC welcomes WICS' commitment to strengthening customer protections.

However, the proposed safeguards focus primarily on future investment risks and expenditure uncertainty. They do not address the principal affordability issue currently affecting many non-household customers.

Customer protection now requires **intervention as well as monitoring**. The current framework protects customers against future uncertainty but does not adequately address an affordability issue that already exists.

The evidence gathered through this consultation demonstrates a consistent national pattern of businesses experiencing significant increases in water and sewerage charges that are unrelated to

actual consumption but arise from the continued use of Rateable Values established through the revised 2026 valuation methodology.

ASSC therefore recommends that WICS:

- undertake an immediate review of the relationship between Rateable Value and non-household water charging;
- work jointly with Scottish Government, Scottish Assessors and Scottish Water to ensure consistency across the wider regulatory framework;
- consider retrospective adjustments where businesses have demonstrably paid charges derived from Rateable Values that have subsequently required correction; and
- introduce ongoing affordability monitoring for sectors characterised by seasonal demand and highly variable occupancy.

These measures would provide meaningful customer protection while strengthening confidence in the fairness of the charging framework.

Question 4: Capital investment

Response: Agree

ASSC supports the proposed programme of capital investment.

Scotland's tourism businesses depend upon resilient, reliable water and wastewater infrastructure and recognise the importance of long-term investment to support environmental objectives, economic growth and community resilience.

However, support for investment should not be interpreted as support for every mechanism used to recover those costs.

Businesses are significantly more likely to support ambitious investment programmes where they have confidence that costs are allocated fairly, proportionately and transparently.

The evidence submitted through this consultation suggests that the current charging methodology no longer consistently achieves that objective.

Accordingly, ASSC believes that investment decisions and charging methodology should not be separated from consideration of the methodology used to recover those costs.

Question 6: Conditional charge cap

Response: Agree

ASSC supports proposals intended to protect customers from uncertainty associated with major capital projects.

However, the conditional charge cap addresses only one element of affordability.

For many self-catering businesses, the most significant increases in charges have not arisen because of future investment uncertainty but because water and sewerage charges remain linked to Rateable Values established through the revised 2026 valuation methodology.

Accordingly, the principal affordability issue identified by ASSC remains unresolved.

Addressing this issue would provide considerably greater protection for many business customers than the proposed conditional charge cap alone.

The conditional charge cap should therefore be regarded as complementary to, rather than a substitute for, a review of the underlying charging methodology.

Question 7: Monitoring Scottish Water's performance

Response: Agree

ASSC supports robust performance monitoring.

However, effective regulation should extend beyond engineering outputs and operational performance.

WICS should also monitor:

- affordability;
- customer confidence;
- distributional impacts across different customer groups;
- the effects of charging methodologies on different sectors;
- unintended consequences arising from wider public policy changes; and
- impacts on seasonal tourism businesses and rural economies.
- **the effectiveness of any future methodology changes.**

Publishing this information annually would improve transparency, strengthen accountability and enable emerging affordability issues to be identified and addressed at an earlier stage.

Question 8: Monitoring investment delivery

Response: Agree

ASSC supports transparent monitoring of Scottish Water's investment programme.

Customers contributing towards long-term infrastructure investment should be able to understand:

- what has been delivered;
- whether expected outcomes have been achieved;
- whether expenditure remains within approved budgets;
- how investment has benefited customers; and
- how future investment requirements are reflected within customer charges.

Alongside monitoring investment delivery, WICS should also report publicly on the affordability and distributional impacts of charging decisions.

Doing so would strengthen public confidence that future investment is being delivered efficiently, transparently and fairly.

Transparent reporting on both investment delivery and affordability outcomes would strengthen public confidence that regulation is delivering value as well as resilience.

Conclusion

ASSC supports investment in Scotland's water and wastewater infrastructure and recognises the importance of maintaining resilient public services for communities, businesses and visitors alike.

However, this consultation cannot be viewed in isolation from the 2026 Non-Domestic Rates revaluation.

The evidence submitted with this response demonstrates that many self-catering businesses have experienced substantial increases in water and sewerage charges not because they consume more water, but because those charges are linked to Rateable Values produced through the revised 2026 valuation methodology.

Since that revaluation, both the Scottish Government and the Scottish Assessors Association have taken significant steps to mitigate its impacts.

The Scottish Government introduced an extensive package of reliefs for the self-catering sector, while Assessors have subsequently reduced many Rateable Values by 20% following concerns regarding the operation of the revised methodology.

These interventions recognise that the original outcomes of the 2026 revaluation required correction.

Yet, despite those corrective actions, many businesses continue to pay water and sewerage charges calculated using the higher Rateable Values originally produced by that same methodology.

This creates a clear inconsistency within Scotland's regulatory framework.

Government has already recognised that the implementation of the revised valuation methodology requires further examination and correction within the Non-Domestic Rates system. Yet many businesses continue to pay water and sewerage charges derived from those same Rateable Values.

Businesses should not bear the consequences of the same methodological issue twice.

Businesses should not continue to bear higher water charges derived from valuations that have subsequently required adjustment elsewhere within the rating system.

The cumulative impact is becoming unsustainable.

Self-catering businesses are simultaneously absorbing:

- increases arising from the 2026 revaluation;
- significant increases in water and sewerage charges;
- licensing costs;

- rising insurance premiums;
- increased employment costs;
- higher utility costs; and
- continuing economic uncertainty and pressure on visitor demand.

For many predominantly micro-businesses operating in seasonal rural and island economies, these cumulative pressures are threatening long-term viability.

ASSC therefore urges WICS to act.

Specifically, we recommend that WICS:

- undertake an immediate review of the relationship between Rateable Value and non-household water charging;
- work collaboratively with Scottish Government, Scottish Assessors, Scottish Water and licensed providers to ensure that corrective action is applied consistently across the wider regulatory framework;
- consider applying any resulting adjustments retrospectively where businesses have demonstrably overpaid because of subsequent corrections to Rateable Values;
- strengthen affordability monitoring for seasonal tourism businesses;
- commence a wider review of whether Rateable Value remains an appropriate proxy for water demand in sectors where consumption bears little relationship to property valuation.
- share the evidence gathered through this consultation with the Scottish Government's comprehensive review of Non-Domestic Rates and the Independent Panel examining the outcome of the 2026 revaluation.

The evidence gathered through ASSC's July 2026 Water Charges Impact Snap Survey demonstrates that this is not a series of isolated cases. It reflects a consistent national pattern affecting businesses across Scotland.

We therefore encourage WICS to use SRC27 not simply as an opportunity to support investment in Scotland's water infrastructure, but as an opportunity to correct an unintended consequence of the 2026 Non-Domestic Rates revaluation.

Doing so would strengthen confidence in Scotland's regulatory framework, ensure greater consistency across public policy and demonstrate that fairness, proportionality and evidence-led regulation remain at the heart of economic regulation in Scotland.

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