STRATEGIC REVIEW OF CHARGES 2027-33: FINAL DETERMINATION EXECUTIVE SUMMARY

12 November 2026

WICS Economic regulation for Scotland's water

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Chair Foreword

A Final Determination is ultimately a judgement by the Commission about value. It is about what customers should contribute towards the industry and what they should expect Scottish Water to deliver in return. The decisions set out here will shape Scotland's water industry for the next six years, deliver the Objectives set by Scottish Ministers and support progress towards its vision for 2045.

Scottish Water is publicly owned, commercially run and independently regulated. This distinctive model gives WICS the opportunity to understand the company in depth and set charges based on actual costs and the challenges ahead, while maintaining the independence to challenge, make judgements on behalf of customers and hold the company to account.

There is much to be proud of in this model. Its true strength is the collaborative ethos it has fostered, encouraging organisations to engage openly while respecting their different roles and responsibilities. Throughout this review, we have had constructive and sometimes difficult conversations with Scottish Water, customers, Consumer Scotland, SEPA, DWQR and wider stakeholders about priorities, investment, performance and value. That willingness to engage, challenge and listen is an important strength of Scotland's approach.

We recognise that customers are being asked to contribute more for their water and wastewater services. We have therefore been clear that there must be strong and transparent evidence to support this. Customers paying no more than necessary is the simple principle that guides us. We have challenged Scottish Water to demonstrate that its proposals are efficient, affordable and deliverable, and that every opportunity to manage costs has been fully explored.

We have set challenging but achievable service and efficiency expectations, focused on securing the best possible value for customers, while supporting progress towards the industry's long-term vision. Greater weight has been placed on the areas that customers have made clear they value most.

This Final Determination provides a clear and achievable framework for the years ahead. But it is only the beginning. Its success will ultimately be judged by what customers experience. Scottish Water must now deliver the improvements, performance and value that customers are being asked to fund.

The Commission's judgement and decisions are only possible because of the quality of the analysis and advice provided by colleagues across WICS. We thank them, and everyone who has contributed to this review, for their professionalism, challenge and commitment.

Aidan O'Carroll, Chair

Chief Executive's introduction

This Final Determination marks an important milestone, both for Scotland's water sector and for WICS as a regulator. Throughout SRC27, we have challenged assumptions, tested the evidence and made difficult judgements about how best to serve customers, both now and in the years ahead.

WICS has also changed as an organisation. We have strengthened our structure, clarified responsibilities and reinforced the role of the Executive. These changes help ensure that the Commission has the robust analysis, evidence and assurance it needs to make informed regulatory decisions. Our focus remains on protecting Scottish consumers and supporting our nation's economic development.

A strength of WICS is our understanding of the history of economic regulation. From Professor Stephen Littlechild's work on incentive regulation and Sir Ian Byatt's leadership at Ofwat, to Sir Ian's role as WICS's first Chair and the contribution of my predecessor in establishing Scotland's regulatory framework, we understand how the sector has evolved. The Cunliffe review is the latest chapter in that story. This experience helps us recognise what is worth preserving, learn from the past and identify where regulation needs to change.

We have set out our decisions in detail because it is important that people can see not just what we have decided, but why. The evidence and reasoning behind this determination should be open to scrutiny and challenge. We must be transparent about our judgements and prepared to account for them. That is part of being a credible regulator, and a responsibility we take seriously.

This Final Determination is not the end of the process, rather it is the end of the beginning. What matters now is delivery. This Strategic Review of Charges has given us and Scottish Water a better understanding of the investment required, the costs involved and the outcomes expected. We must use that information to track progress, identify problems early and be clear with customers about what they are getting for their money.

We cannot know exactly what the next six years will bring. Scottish Water will need to respond as circumstances change, and regulation must allow it the flexibility to do so. But flexibility cannot come at the expense of accountability. We will expect Scottish Water to explain its decisions, demonstrate progress and deliver value for customers.

That is the standard I expect of Scottish Water and of WICS. Our responsibility is to protect the interests of current and future customers, and we will remain focused on doing that.

David Satti, Chief Executive Officer

1. Executive Summary

1.1. Our Final Determination at a glance

1.1.1. Scottish Water is a publicly owned, commercially run and independently regulated organisation responsible for providing water services to around 2.6 million households and wastewater services (covering the removal of foul wastewater and surface water drainage) to around 2.5 million households, which covers 98% and 94% of the population in Scotland respectively. Scottish Water also acts as a wholesaler of water and wastewater services to licensed providers in the non-household retail market, which was introduced in 2008.

1.1.2. Every six years, we set caps on the charges that Scottish Water raises from customers through a process known as the Strategic Review of Charges. This process involves WICS requiring Scottish Water to prepare a business plan consistent with the Scottish Government's policy priorities and set in the context of a long-term strategy and the wider water sector vision.[1] We then set charge caps based on our review of the business plan, allowing for efficient investment.

1.1.3. This Final Determination sets out our decision on charge caps and required investment for the 2027-33 regulatory period. This follows a Draft Determination, which we published on 30 June 2026 and was subject to a public consultation that closed on 1 September 2026. The Final Determination takes into account the feedback we received on the Draft Determination and the new information now available to us.

1.1.4. Scotland's water and wastewater services need sustained investment. Scottish Water's business plan sets out an ambitious programme for 2027-33 to maintain and improve services, respond to climate change, meet environmental and drinking water quality requirements, and support future demand.

1.1.5. We accept the need for significant investment and that the need is in line with the final Ministerial Objectives. However, that does not mean that we accept Scottish Water's business plan in full. Our role is to test the evidence in the business plan, challenge where we do not consider the proposals to be well evidenced, and apply judgements to recognise that individual decisions are not made in isolation and that the Final Determination is an overall package. This enables us to set a Final Determination that reflects what we consider the efficient and deliverable cost of meeting the Ministerial Objectives.

1.1.6. Our Final Determination allows £7,922 million of investment over 2027-33. This will support the investment needed to maintain and improve services, while requiring Scottish Water to

[1] As reflected in the Ministerial Objectives and Principles of Charging for the industry.

deliver stronger performance in areas that matter most to customers. We have also strengthened the safeguards around delivery and efficiency, so that customers are protected if costs, risks or performance do not develop as expected.

1.1.7. The Final Determination challenges Scottish Water to deliver an enhanced package of service outcomes for customers while limiting charge increases to CPI+2.5% in the normal course of events, with further increases applying only if uncertain costs materialise. This includes further improvements on 18 outcomes compared to the business plan, while reducing the cumulative increase above inflation to 16.0%, or 17.3% if uncertain and uncontrollable costs arise.

1.1.8. Figure 1 provides a summary of our Final Determination. For reference, figures for investment and expenditure in this document are given in 2024-25 prices unless otherwise stated. Figures for bills and customer savings are given in 2026-27 prices unless otherwise stated.

Figure 1: Our Final Determination at a glance

Limiting bill increases • Limits the annual change in charges to no more than 2.5% above inflation across the period in the normal course of events, or 2.5% followed by 2.8% in the final four years if uncertain and uncontrollable costs arise. • Removing £283 million from Scottish Water's proposed spending plans of £11,710 million for operating and capital expenditure.[2] • Average bills rising by around £16 per year, around £4 less than Scottish Water proposed (before inflation). • £1,020 million borrowing in cash terms, which contributes towards the upfront cost of investment, reducing the immediate impact on customer bills.	**Requiring improved performance levels[3]** We have set more ambitious targets for performance across a range of areas where we consider Scottish Water can go further, resulting in: • Reduction in water lost due to leakage from 452 million litres per day forecast in 2026-27 to a maximum of 405 in 2032-33 – saving 47 million litres of water per day, enough to fill 18 Olympic-sized swimming pools. • Reduction in serious pollution incidents from 7 forecast in 2026-27 to no more than 4 in 2032-33 – a reduction of 43%. • Reduction in sewer flooding in homes from 393 properties forecast in 2026-27 to no more than 342 in 2032-33 – a reduction of 13%.[4]
More investment than current levels at £7,922 million over 2027-33 • £2,961 million to deliver excellent water quality, protect our natural environment and improve the services customers receive. This is a 25% increase compared to the levels envisaged in the SRC21 Final Determination. • £4,960 million to maintain and renew our pipes, water mains and treatment works.[5]	**Greater protections for customers** • Conditional charge cap and provisions for uncertainty so that charges will only reflect uncertain costs where the relevant conditions are met and the costs are evidenced. • Enhanced performance monitoring and reporting of Scottish Water's performance. • Greater representation from customers in decision making.

1.2. Introduction

1.2.1. Water is one of Scotland's most important natural resources. It supports life, health, communities, the economy and the wider environment. Scotland has historically benefited from abundant water resources, but these cannot be taken for granted. Climate change, changing rainfall patterns, population change, and increasing environmental pressures are altering the demands placed on those resources and on the infrastructure that manages them.

[2] Excludes annual fees paid to Private Finance Initiative (PFI) contractors, responsible for operating and maintaining some of Scottish Water's wastewater treatment works and bioresource facilities.

[3] In all instances, we use Scottish Water's forecast performance for 2026-27 as set out in its draft determination consultation response.

[4] This is based on a reduction in internal sewer flooding incidents from 1.46 per 10,000 connections based on Scottish Water's forecast for 2026-27 to 1.27 per 10,000 connections in 2032-33. This is based on 2,690,000 connections in 2024-25.

[5] We have offset the £15 million disallowance for National Insurance contributions against the asset maintenance investment for the purposes of this summary.

1.2.2. Scottish Water has a critical role in managing these resources and providing essential water services to 2.6 million households and 160,000 non-households and wastewater services to 2.5 million households and 130,000 non-households. Our role as economic regulator is to determine the lowest reasonable overall cost of delivering Ministerial Objectives in line with the Principles of Charging. Ultimately, we set charge caps every six years to enable Scottish Water to recover those costs and ensure it delivers the required services and levels of performance for customers.

1.2.3. Our statutory duty to protect the interests of current and future customers is particularly important in the water industry, where decisions on operations and investment can have consequences for generations. It is also why our roles extend beyond setting charge caps. We also determine the investment and services requirements that customers are paying for, and monitor Scottish Water's delivery and performance against them.

1.2.4. Scottish Water's 2027-33 business plan proposes a major programme of investment and operational activity to respond to the climate emergency, population change and the need to continue investing in infrastructure. Scottish Water explained that it sought to achieve an appropriate balance between this need for investment and customers' affordability concerns, recognising the ongoing cost-of-living pressures they face. Scottish Water proposed commitments on 44 outcomes with charges rising by CPI+3.3% each year, equivalent to a cumulative increase of 21.5% above inflation over the six-year period.[6]

1.2.5. We published a Draft Determination on 30 June 2026 which recognised that substantial investment is needed for Scottish Water to address these challenges. However, we also identified areas where the evidence did not support the full costs requested, where stronger performance commitments were required, and where additional safeguards were needed to protect customers.

1.2.6. In practice, our assessment resulted in lower charge caps than those set out in Scottish Water's business plan, further challenges on efficiency, strengthened outcomes in the areas customers value most, and safeguards to manage uncertainty and delivery risk.

1.2.7. Our Draft Determination was subject to a statutory consultation over the period from 30 June to 1 September 2026. We received 51 responses to our consultation. We have considered these responses, as well as taking into account new information now available to us in preparing the Final Determination.

1.2.8. This document provides a summary of our Final Determination for the Strategic Review of Charges 2027 (SRC27), which covers the regulatory period from 2027-28 to 2032-33.

[6] Scottish Water proposed 49 outcomes in total, but 5 of which required further development and did not include commitments.

1.3. Our approach to SRC27

1.3.1. SRC27 is an evolution on the long-term regulatory approach introduced at SRC21, underpinned by Ethical Business Practice and Regulation (EBP&R). In SRC21, we recognised the need to adapt our regulatory approach to ensure that Scottish Water is best placed to address long-term challenges such as maintaining an ageing asset base and adapting to climate change. This approach was underpinned by a sector vision developed by industry stakeholders in response to the Cabinet Secretary's request to develop one.

1.3.2. WICS set charges of CPI+2% in 2021-27 as a first step in a longer-term transition towards increasing asset replacement to maintain services, and achieve net-zero emissions by 2040, in line with the sector vision. This price profile was underpinned by a challenging assumption for efficiency of 1% per annum.

1.3.3. The approach in SRC21 also allowed for £300 million of enhancement and growth investment per year in 2017-18 prices (equivalent to £390 million in 2024-25 prices) to be allocated to projects on an ongoing basis through an investment prioritisation process.[7] This annual allowance for enhancement and growth investment was a long-term average, based on an uplift over previous investment levels. Allowing for a long-term average was one way we sought to demonstrate intergenerational equity by ensuring that customers contribute the same amount each year towards new investments that benefit both them and future customers.

1.3.4. In accepting the Final Determination for SRC21, Scottish Water committed to developing a transformation plan and making improvements to its asset management practices and data, which was then reflected in an asset management transformation routemap. We consider that Scottish Water needs to continue making progress in both transformation and asset management over the 2027-33 regulatory period.

1.3.5. The main lesson learned from regulating Scottish Water within this new model is that flexibility is critical for Scottish Water to continue to adapt and prioritise its investment throughout the regulatory period. However, this must not come at the cost of Scottish Water's regulators and wider stakeholders being able to monitor the organisation and hold it to account for delivery. Both go hand in hand. Legitimacy and accountability are core elements of any regulatory model. As a result, for SRC27, we kept the elements that worked well while evolving the approach to further strengthen elements based on our learnings from the SRC21 period.

1.3.6. We have retained the long-term approach underpinned by a long-term sector vision. Scottish Water prepared a long-term strategy setting out how it would contribute to the water sector

[7] WICS (2020), 'Strategic Review of Charges 2021-27: Draft Determination', 8 October 2020, p.78.

vision, and our methodology required its business plan to be developed in the context of both.

1.3.7. We have strengthened the approach in several areas to ensure we innovate while retaining areas that have served us well historically. We have raised our expectations for the evidence supporting business plan proposals and for specific, measurable outcomes and performance commitments. We have also strengthened our expectations that Scottish Water demonstrates efficiency, affordability and deliverability, including through more formal and transparent Board assurance. Finally, we have strengthened customer engagement by involving customers in developing Scottish Water's draft and final business plans, with Consumer Scotland testing whether the final plan commanded customers' support.

1.4. Scottish Water's draft and final business plan

1.4.1. Scottish Water has put a significant amount of effort over the past three years to develop its business plan. The organisation has markedly improved its assessment of future challenges, development of investment priorities and the way it has built the evidence required to support its proposals.

1.4.2. In June 2025, Scottish Water produced a draft business plan, including proposals for a 4% per annum charge increase and an investment programme of £8,501 million (in 2024-25 prices). WICS, the Drinking Water Quality Regulator (DWQR), the Scottish Environment Protection Agency (SEPA) and Consumer Scotland all provided feedback on this plan, covering several areas, including the need for further evidence on affordability and deliverability.

1.4.3. Scottish Water undertook significant further work to respond to stakeholder feedback and customer research. This included scaling back or deferring some investment proposals, refining the scope of others, and reviewing the outcomes to be delivered through the programme in order to achieve a more affordable overall package.

1.4.4. Scottish Water published its final business plan in February 2026. It proposed charges of 3.3% per annum, £8,093 million of investment, with a strong focus on asset maintenance, environmental compliance, improving resilience to climate change, and progressing towards net zero emissions and £4,056 million of operating and PFI expenditure (see Table 8). The plan provided a strong platform for our review and analysis.

1.5. Customer feedback on the business plan

1.5.1. A new part of SRC27 was working with Scottish Water and Consumer Scotland to test whether the business plan commanded customer support. This was to meet the request from Ministers in the Commissioning letter for the Final Determination to command

customer support.[8] Our approach is built on the approaches followed in the previous Strategic Review of Charges to ensure that customer views are reflected in the decisions that affect them through research and independent challenge.

1.5.2. Through a Memorandum of Understanding (MoU) agreed between Consumer Scotland, Scottish Water and WICS, Scottish Water worked with its partners to identify customer priorities. The plan was then challenged by an Independent Customer Group (ICG), which tested whether the identified priorities were appropriately reflected in the business plan. Finally, the plan was tested to determine whether customers supported it. This latter piece of research was delivered through Consumer Scotland's long-term deliberative research over three phases from December 2024 to May 2026. This involved customers building awareness of water and wastewater issues and providing initial views on key issues (Phase 1), providing feedback on the draft business plan (Phase 2) and reviewing the final business plan and confirming whether they supported it (Phase 3).

1.5.3. This research found broad support for Scottish Water's final business plan. Participants generally viewed the final business plan as balanced, sensible and acceptable. Participants also acknowledged that Scottish Water had listened to consumers and made efforts to balance investment needs with affordability.[9]

1.5.4. However, this support was also conditional on WICS scrutinising the proposed costs in the plan. There was also concern about the cumulative impact of rising household and business costs, the uncertainty about future inflation, and the effect of higher charges on those least able to afford them. Furthermore, participants' confidence in the plan was underpinned by the expectation that WICS would hold Scottish Water to account for delivering the commitments it contained.

1.6. Our Draft Determination

1.6.1. Our Draft Determination accepted a substantial part of Scottish Water's business plan and the basis on which the plan commanded customer support. We accepted that there is a clear need for increased investment and that charges will need to rise above inflation to fund it.

1.6.2. We also accepted Scottish Water's proposed performance on 21 of the 44 outcomes, the full scope of the enhancement and growth investment programme, Scottish Water's evidence on its current level of efficiency, the areas where Scottish Water will incur additional operating expenditure and several of Scottish Water's financial forecasts, including growth in the chargeable customer base.

[8] WICS (2024), 'Strategic Review of Charges 2027-33: Commissioning letter', 12 June 2024.
[9] Consumer Scotland (2026), 'SRC27 deliberative research IPSOS key insights report', 11 September 2026, p.3.

1.6.3. However, our Draft Determination considered that Scottish Water must demonstrate that it has identified and taken reasonable steps to ensure its costs are kept as low as possible before asking customers to pay more. This reflected the commitment Scottish Water made as part of its long-term strategy.

1.6.4. Our Draft Determination therefore made targeted interventions in several areas where the evidence did not support the full costs requested, where the link between investment and outcomes needed to be stronger, and where performance expectations should be more stretching. We also considered that Scottish Water could have done more to demonstrate affordability and cost-effectiveness in some investment areas.

1.6.5. We introduced an efficiency challenge of 1% per annum. This reflected our long-term approach established through SRC21, which assumes that Scottish Water should continue to improve its efficiency as it invests in transformation and develops its operating model, ensuring it is well placed to meet future challenges. We also considered that the significant increase in asset maintenance investment should create opportunities for Scottish Water to improve how it manages its assets and reduce the costs of maintaining services over time.

1.6.6. We highlighted in our Draft Determination that our proposed allowance for asset maintenance is around twice the level that would be made available under an econometric approach to setting expenditure allowances, and Scottish Water did not contest this point. We consider that our assumption of efficiency should be assessed alongside broader expenditure allowances, on the basis that these allowances should provide greater scope for Scottish Water to plan and manage its assets proactively and efficiently.

1.6.7. Based on these interventions, our Draft Determination proposed the following package for the 2027-33 regulatory period:

- Charges of CPI+2% per annum over 2027-30, potentially increasing to CPI+2.3% over 2030-33 if uncertain costs arise;
- Stronger targets for 16 of Scottish Water's 44 outcomes, covering those service areas that customers value most highly, such as improving water quality, reducing leakage and reducing sewer flooding incidents;
- Allowed for investment of £7,946 million,[10] comprising:
  - £4,926 million of investment to maintain existing assets to protect service and reduce risk of service failures;

[10] The £7,946 million is net of a cost challenge of £15 million relating to capitalised labour cost arising from an increase in national insurance contributions. Our Draft Determination removed this expenditure on the basis that it is an economy-wide factor that we expect to be reflected in inflation over time. As Scottish Water's revenues are linked to inflation, we consider that there is a risk that this expenditure is recovered twice through revenues.

- £2,867 million of enhancement investment to improve drinking water quality, protect the environment, improve services and meet demand from new growth; and
- £168 million of additional investment to achieve improved outcomes in water quality and continuity, environment and customer levels of service.

- Strengthened safeguards, covering:

  - a conditional charge cap for West Central Bioresources (WCB) project, which, at a cost of £560 million, would be the largest project Scottish Water will deliver since it was established in 2002. Customers would only pay the additional WCB element if the project proceeds and the relevant evidence requirements are met;
  - a mechanism for uncertain and uncontrollable costs to protect customers from paying upfront for costs that may not arise, while allowing Scottish Water to recover efficient costs where these are outside its control and properly evidenced; and
  - enhanced arrangements for monitoring Scottish Water's performance over the 2027-33 regulatory period.

1.6.8. Taken together, we considered that the Draft Determination provided stronger outcomes for customers while requiring lower charges than Scottish Water had proposed. We therefore considered that the package was consistent with the basis on which customers had supported the business plan, subject to our consultation on the proposals.

1.6.9. Our Draft Determination also highlighted specific areas where we requested further information from Scottish Water, including:

- The outcome of Scottish Water and SEPA's engagement on the misalignment on areas such as the number of Unsatisfactory Intermittent Discharges (UIDs) removed and the proposed target for discharge permit compliance over the 2027-33 regulatory period;
- Further assurances from Scottish Water's Board that it has both the internal capacity and supply chain capacity to deliver the proposed investment in the Draft Determination; and
- Further evidence to be provided on the investment programme and specific investment projects, such as West Central Bioresources.

1.7. Feedback received on the Draft Determination and new information

1.7.1. We received 51 responses to our consultation on the Draft Determination, comprising 31 responses from individuals and 20 responses from organisations, which include both the industry stakeholders and wider stakeholders.

1.7.2. Table 1 sets out the consultation question and the number of respondents who answered agree, neither agree nor disagree, disagree or did not provide a direct answer.

Table 1: Consultation questions and responses

Question	Agree[11]	Neither agree nor disagree	Disagree[12]	No direct answer
1. To what extent do you agree that the draft determination strikes the right balance between outcomes, investment and charges?	17	8	19	7
2. To what extent do you agree that our proposals provide sufficient customer protection in SRC27?	17	13	13	8
3. To what extent do you consider that our proposed targets for outcomes are appropriate?	18	12	12	9
4. To what extent do you agree with our proposal for capital investment?	14	14	14	9
5. To what extent do you agree with our proposal for operating expenditure?	15	18	9	9
6. To what extent do you agree with our proposals to introduce a conditional charge cap?	19	11	13	8
7. To what extent do you agree with our proposals for monitoring Scottish Water's performance over SRC27?	26	11	6	8
8. To what extent do you agree with our proposals for monitoring the delivery of Scottish Water's investment programme?	25	12	5	9

1.7.3. The consultation responses reinforced the findings from the long-term deliberative research undertaken as part of the confirmation pillar (see section 1.5). Respondents recognised the need for investment but wanted it to be affordable and deliver value, and they wanted confidence that Scottish Water would be held to account for delivering it.

1.7.4. Scottish Water welcomed areas of the Draft Determination, including the opportunities to deliver improved outcomes for customers and elements of the additional cost challenge. However, Scottish Water considered that additional funding was needed to ensure it could

[11] Includes respondents who answered either 'strongly agree' or 'agree'. Appendix 1 provides the full breakdown.
[12] Includes respondents who answered either 'strongly disagree' or 'disagree'. Appendix 1 provides the full breakdown.

deliver the required outcomes. Scottish Water also proposed expanding the scope of the conditional charge cap for uncertain cost items to cover uncertainty relating to revenue and other cost pressures that might arise during the regulatory period and affect its ability to achieve the required outcomes.

1.7.5. We also welcome that Scottish Water and SEPA resolved the misalignment in the number of UIDs to be removed over the 2027-33 regulatory period (see paragraphs 1.6.9 and 1.10.10). While we consider that resolution on investment needs ahead of the final business plan submission would have been preferred, Scottish Water and SEPA's engagement on this matter is a positive development nonetheless.

1.7.6. Scottish Water's consultation response reflected new information on actual revenues in 2025-26, which was not available when preparing the Draft Determination. Updated revenues for 2025-26 affect the opening revenue for the 2027-33 regulatory period and, therefore, the level of charges required over the period. We also considered new information, including Scottish Water's actual performance against outcomes in 2025-26 and its reported expenditure for 2025-26, which also has an impact on charges.

1.7.7. To ensure that all consultation responses and supporting evidence are fully considered, WICS requested a short extension to the timetable for completing the Final Determination. This recognised that the Commissioning letter from Scottish Ministers requested that the Final Determination should be published by 31 October 2026.[13] The Scottish Government confirmed the extension, which changed the original publication date from 29 October 2026 to 12 November 2026.

1.7.8. We have considered all consultation responses, Scottish Water's representations and new evidence. Taken together, this evidence has informed the changes we have made to the Final Determination, while maintaining the focus on long-term investment, affordability, value for money, and customer protection.

1.8. Final Ministerial Objectives and Principles of Charging

1.8.1. The Scottish Government finalised its Ministerial Objectives and Principles of Charging, following its consultation from January to March 2026 and having reviewed the Draft Determination. The final Ministerial Objectives and Principles of Charging confirm the framework set out in the draft of these documents, both of which formed the basis of our Draft Determination.

1.8.2. The main additions compared to the earlier draft Ministerial Objectives and Principles of Charging include the following areas:

[13] WICS (2024), 'Strategic Review of Charges 2027-33: Commissioning letter', 12 June 2024.

- The Standard of Service objective has been strengthened to clarify that service standards must be maintained or improved across Scottish Water's activities compared to the position at 31 March 2027;
- The Standard of Service objective also now highlights the need for Scottish Water to make improvements in the areas identified as being most important to customers, covering drinking water quality, reliability of water supplies, leakage and protection from internal sewer flooding;
- The Environment objective has been strengthened to make clear that Scottish Water's revised improving urban routemap should include commitments to reduce aesthetic pollution from sewer-related debris;
- The Wastewater Treatment and Network Performance objective has been updated to require Scottish Water to provide public-facing access to data from all intermittent discharges as soon as reasonably practicable; and
- The Principles of Charging confirm the borrowing available for investment at £1,020 million.

1.8.3. We engaged further with Scottish Water to confirm that its investment programme from its business plan reflected the updated requirement to provide public-facing access to data on all intermittent discharges. Scottish Water confirmed that the proposed investment is sufficient to deliver the planned monitoring rollout and data publication required, and that it does not identify any further investment requirement arising from the updated Ministerial Objective.

1.8.4. We consider that our Final Determination is fully consistent with both the final Ministerial Objectives and Principles of Charging.

1.9. Final Determination of charges

1.9.1. Our Final Determination separates the charge cap into three components.

1.9.2. The first is the core charge cap, which allows charges to rise by CPI+2.5% in each of the first three years of the period, and CPI+0.5% in the final three years. This reflects the need to continue the transition towards higher investment while avoiding unnecessary volatility in charges.

1.9.3. The second is a conditional allowance for West Central Bioresources (WCB), which is a significant project with a forecast cost of around £560 million. The conditional allowance of CPI+2% would apply in the final three years of the period and on the basis that Scottish Water provides the evidence required for the project to proceed. Customers would therefore not pay the WCB element unless the project is sufficiently evidenced and taken forward.

1.9.4. The third is an uncertainty mechanism for costs outside Scottish Water's control related to energy costs, capital cost inflation and revenue collection rates. This would allow a further CPI+0.3% in the final four years only if those uncertain costs materialise and are evidenced.

1.9.5. Taken together, these components reduce the cumulative real terms increase from Scottish Water's proposed 21.5% over 2027-33 to 16.0% assuming WCB proceeds, or 17.3% if WCB proceeds and uncertain costs materialise.

1.9.6. Table 2 shows our Final Determination of the allowed charge caps for households and non-households (wholesale services).

Table 2: Allowed for charge caps[14]

	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
Charge cap not subject to conditions	2.5%	2.5%	2.5%	0.5%	0.5%	0.5%
Conditional charge cap for WCB	0%	0%	0%	2%	2%	2%
Conditional charge cap for uncertain costs	0%	0%	0.3%	0.3%	0.3%	0.3%
Maximum allowed for charge cap	**2.5%**	**2.5%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**

1.9.7. This results in the following average household bills before inflation (Table 3) and after inflation (Table 4) assuming that WCB proceeds.[15]

Table 3: Average household bill[16]

Before inflation	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
If uncertain costs do not materialise	£537	£551	£564	£578	£593	£608	£623
If uncertain costs materialise	£537	£551	£564	£580	£596	£613	£630

[14] The table is in real terms.
[15] The average household bill is expressed after the discounts that eligible customers receive.
[16] The table is in £ and in 2026-27 prices.

Table 4: Average household bill[17]

After inflation	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
If uncertain costs do not materialise	£537	£568	£594	£620	£648	£677	£707
If uncertain costs materialise	£537	£568	£594	£622	£652	£683	£716

1.9.8. As a result of Ministers' Principles of Charging, many household customers will pay less than the publicised bill by council tax band. These include discounts through the water charges reduction scheme (WCRS), which provides a maximum discount of 35% to eligible customers and the status discount, which provides discounts of 25% and 50%.[18] Around half of households benefit from some form of discount, representing the most wide-ranging support scheme in Great Britain. These discounts are worth a combined total of over £200 million, with the average discount for an eligible household around one-third of their bill, or £175 per year.

1.9.9. Table 5 provides a breakdown of the number of households receiving discounts, disaggregated by discount type.

Table 5: Households receiving a discount in 2025-26[19]

Customers	Water	Wastewater
Customers in receipt of WCRS discount only	142,103 (5.4%)	140,174 (5.5%)
Customers in receipt of the status discount only	846,204 (32.0%)	817,477 (32.3%)
Customers in receipt of both WCRS and status discount[20]	315,209 (11.9%)	312,276 (12.3%)
Customers in receipt of a discount	**1,303,516 (49.4%)**	**1,269,927 (50.1%)**
Customers not in receipt of a discount	1,337,018 (50.6%)	1,262,384 (49.9%)

1.9.10. In line with our methodology, we apply a price cap to all services, protecting customers from higher charges if actual growth is lower than forecast. However, if this happens, it also means that Scottish Water will not recover as much revenue as envisaged in this Final Determination. We will take this into account in our performance reporting.

[17] The table is in £ and in projected outturn prices.
[18] The status discount includes the single person discount.
[19] Based on Scottish Water's Annual Return submission for 2025-26. The percentages shown in brackets represent the proportion of customers in receipt of the specified discount. The table excludes vacant exemptions.
[20] Customers eligible for both discounts receive the higher of the two.

1.10. Final Determination of outcomes

1.10.1. The Strategic Review of Charges process involves Scottish Water preparing a business plan consistent with the Ministerial Objectives, informed by customer research and engagement with stakeholders. The outcomes in the business plan reflect several factors, including the requirements in the Ministerial Objectives, the investment programme and deliverability and the priorities of customers and Scottish Water's regulators. Our role is to test whether these outcomes provide value for money, given the levels of investment. It is not our role to prioritise across the outcomes.

1.10.2. Our Final Determination sets the outcome measures and annual targets showing the benefits that customers and society will receive from their charges. These are the measures and targets that industry stakeholders will use to hold Scottish Water to account for delivery during the regulatory period.

1.10.3. The Draft Determination set out our proposals based on the 44 outcomes and associated targets from the business plan.[21] Of these 44 outcomes:

- 21 were accepted without further challenge;
- 16 were partially accepted, but with further stretch targets;
- 5 of the carbon outcomes were treated separately; and
- 2 were not adopted.

1.10.4. Consultation question 3 covered the proposed outcome targets (see Table 1). Scottish Water accepted the additional stretch for 8 of the 16 outcomes and proposed alternative targets for the remaining outcomes.[22] Other respondents broadly supported the outcome framework.

1.10.5. For the 8 outcomes where Scottish Water proposed an alternative target, we adopt a tailored approach, using ranges for some of them to define the minimum expected performance and a stretch target.

1.10.6. Our Draft Determination proposed an additional £50 million to achieve the improved performance on the internal and external sewer flooding outcomes. It also proposed a further £118 million in unallocated investment for additional investment priorities that may arise during the regulatory period. Scottish Water welcomed the additional £50 million for sewer flooding and proposed utilising the £118 million to achieve the additional challenge

[21] Scottish Water included 49 outcomes in their business plan. In the Draft Determination we considered that five outcomes were still in development and not included in the determination targets.

[22] Scottish Water accepted: Number of properties on the low pressure register; Unplanned interruptions greater than 6 hours, excluding 3rd party; Average minutes lost due to water supply interruptions (over 3 hours); Number of internal sewer flooding incidents; Number of properties at risk of internal flooding; Number of external sewer flooding; Number of properties at risk of external flooding; and Number of serious pollution incidents.

on some of the outcomes in the Draft Determination, covering water quality (£52 million), unsatisfactory intermittent discharges (UIDs, £33 million), water environment (£21 million) and leakage (£12 million).

1.10.7. We decide to allow an additional £50 million for sewer flooding and accept Scottish Water's proposal to utilise some of the unallocated funding for both UIDs (£33 million) and leakage (£12 million). We therefore include the £95 million of investment in the investment programme for the 2027-33 regulatory period.

1.10.8. We have adopted a tailored approach to the following three outcomes:

- Wastewater treatment work compliance;
- Serious pollution incidents; and
- Unsatisfactory intermittent discharges (UIDs).

1.10.9. On the first two, SEPA's regulatory position is that operators achieve full compliance with their licences. However, we adopt a range for performance on wastewater treatment work compliance and serious pollution incidents in line with Ministerial Objectives.

1.10.10. On the UIDs, we welcome that Scottish Water and SEPA resolved the difference on whether the UIDs remaining from River Basin Management Plan 3 (RBMP3) count towards the 150 UIDs that Scottish Water proposed to remove over the 2027-33 regulatory period. As set out above, Scottish Water proposes to use £33 million of the unallocated funding from the Draft Determination to remove 18 further UIDs, increasing the number of UIDs removed over the 2027-33 regulatory period from a minimum of 150 to 168. We accept this use of the unallocated investment and decide that 168 UIDs will be removed over the 2027-33 regulatory period. While we consider that resolution on investment needs ahead of the final business plan submission would have been preferred, Scottish Water and SEPA's engagement on this matter is a positive development nonetheless.

1.10.11. Scottish Water also provided updated forecasts of carbon outcomes following its response to the Draft Determination, reflecting changes to assumptions regarding the volume of nitrous oxide emitted during wastewater treatment. This has the effect of materially increasing Scottish Water's emissions. We decide to adopt Scottish Water's updated forecast in the Final Determination, subject to minor changes.

1.10.12. Overall, compared with the 44 outcomes and targets in the final business plan, our Final Determination sets enhanced targets for 18 of them.[23] This will ensure that customers continue to receive high-quality services from Scottish Water.

[23] The 44 does not include 5 outcome measures that remain in development.

1.10.13. Table 6 compares performance targets with proposals in the draft and final business plans for a subset of outcome measures aligned with customers' priority areas. We consider that these outcomes strike an appropriate balance between being challenging but deliverable, given the scope for improvement and the investment programme.

Table 6: Outcome performance targets in 2032-33[24]

Outcome measure	Draft business plan	Final business plan	Draft Determination	Final Determination
Leakage in megalitres per day (Ml/d)[25] (Percentage reduction of three-year average leakage from 2024-25 of 456 Ml/d)[26]	411 Ml/d (9.9%)	411 Ml/d (9.9%)	385 Ml/d (15.7%)	405 Ml/d (11.3%)
Leakage in areas with supply-demand balance deficit (Percentage reduction in areas with supply-demand balance deficit from 2024-25 of 233 Ml/d)	203 Ml/d (12.9%)	203 Ml/d (12.9%)	186 Ml/d (20.4%)	203-201 Ml/d (12.9%-13.5%)
Number of internal sewer flooding incidents (per 10,000 sewer connections)	397 (1.48)	397 (1.48)	342 (1.27)	342 (1.27)
Number of properties at risk of internal sewer flooding (per 10,000 sewer connections)	406 (1.51)	395 (1.47)	314 (1.17)	314 (1.17)
Number of external sewer flooding incidents (per 10,000 sewer connections)	3,023 (11.24)	3,002 (11.16)	2,562 (9.52)	2,562 (9.52)
Number of areas at risk of external sewer flooding (per 10,000 sewer connections)	3,196 (11.88)	3,196 (11.88)	2,912 (10.83)	2,912 (10.83)
Unplanned interruptions greater than 6 hours, excluding 3rd party	6,750	7,000	5,000	5,000
Average minutes lost due to water supply interruptions (over 3 hours)	15.0	15.0	10.4	10.0
Repeat interruptions to water supply (number of postcodes)	200	240	170	210-200
Taste and odour contacts (per 1,000 population)	2,880 (0.53)	2,776 (0.51)	2,494 (0.46)	2,504 (0.46)
Discolouration and aeration contacts (per 1,000 population)	11,323 (2.08)	10,343 (1.90)	7,247 (1.33)	9,799 (1.80)

1.11. Final Determination of investment

1.11.1. The Draft Determination made some interventions where we considered the investment was not well evidenced or where there was scope for further efficiency. We also increased the

[24] The absolute values shown for the sewer flooding outcomes and the water quality contact outcomes for 2032-33 are based on the number of sewer connections in 2024-25 and population served in 2024-25, respectively.
[25] A megalitre is 1 million litres.
[26] 15.7% reduction from Scottish Water's last reported outturn performance in 2024-25 for comparison to Scottish Water's business plan proposals. Our proposed reduction is 14.6% when compared to Scottish Water's 2026-27 forecast.

assumption for productivity improvements from 0.8% per annum to 1% per annum, based on a broad evidence base. This resulted in an investment programme of £7,946 million, including unallocated investment.

1.11.2. Consultation question 4 covered the proposals for capital investment (see Table 1). Scottish Water accepted some elements of the cost challenge and proposed further scope challenge in other areas, such as maintenance arising from the return of former PFI sites. The other consultation responses also broadly supported the need for investment, although some had concerns over the impact of a larger programme on charges and on affordability. Other respondents, including SEPA, suggested that further funding should be made available for investment.

1.11.3. On productivity improvements, Scottish Water disagreed with the increase in the efficiency challenge from 0.8% to 1.0%. Scottish Water considered that the UK Competition and Market Authority's (CMA's) assumption of a 0.7% efficiency challenge for water companies in the Price Review 2024 appeals in England should be given significant weight in the Scottish context. Other respondents supported the additional efficiency challenge, recognising the impact on offsetting increases in charges and broader affordability concerns.

1.11.4. Our Final Determination accepts some of the additional evidence provided by Scottish Water. It also makes further adjustments to the proposed allowance in the Draft Determination, including a net reduction of £31 million for five of the projects reviewed for the Draft Determination based on updated project investment appraisals that we received outside of the Strategic Review of Charges process. The project investment appraisals were key pieces of evidence that Scottish Water provided as part of its investment cases and informed our assessment in the Draft Determination. We therefore decide to revise the investment programme to reflect more up-to-date appraisals and information.

1.11.5. We also phase the assumption for productivity improvements starting at 0.8% in 2027-28 and increasing to 1.0% by 2032-33. This recognises the recent reduction in forecasts for economy-wide productivity in the period to 2030. However, we maintain that the 1% assumption is appropriate for the end of the 2027-33 regulatory period, recognising longer-term productivity forecasts, Scottish Water's continued significant investment in transformation, and its new operating and capital delivery models, which should increase efficiency.

1.11.6. We considered SEPA's request for additional investment allocations that may emerge from studies. We note that the enhancement and growth investment is 25% higher than the long-term average of £390 million (2024-25 prices) set out in SRC21. This recognises that the industry is making further progress towards improving water quality and the environment over the 2027-33 regulatory period, in line with the Ministerial Objectives. We consider that making further provisions is not in the customer's interests, given that Scottish Water noted

it could not provide credible estimates due to uncertainties. We also consider this a departure from the formal process of 'study first, invest later' that has protected customers from paying upfront for uncertain investments in previous regulatory periods.

1.11.7. Our Final Determination decision is to set an allowance for investment of £7,827 million (excluding additional allowances for enhancement investment), which compares to the Draft Determination proposal of £7,778 million. We also include £95 million of the £168 million of unallocated investment from the Draft Determination (see paragraph 1.10.6). We therefore decide to allow for £7,922 million of investment.

1.11.8. Table 7 shows Scottish Water's proposed investment from the draft and final business plan, our Draft Determination position and our Final Determination decision for the allowed investment.

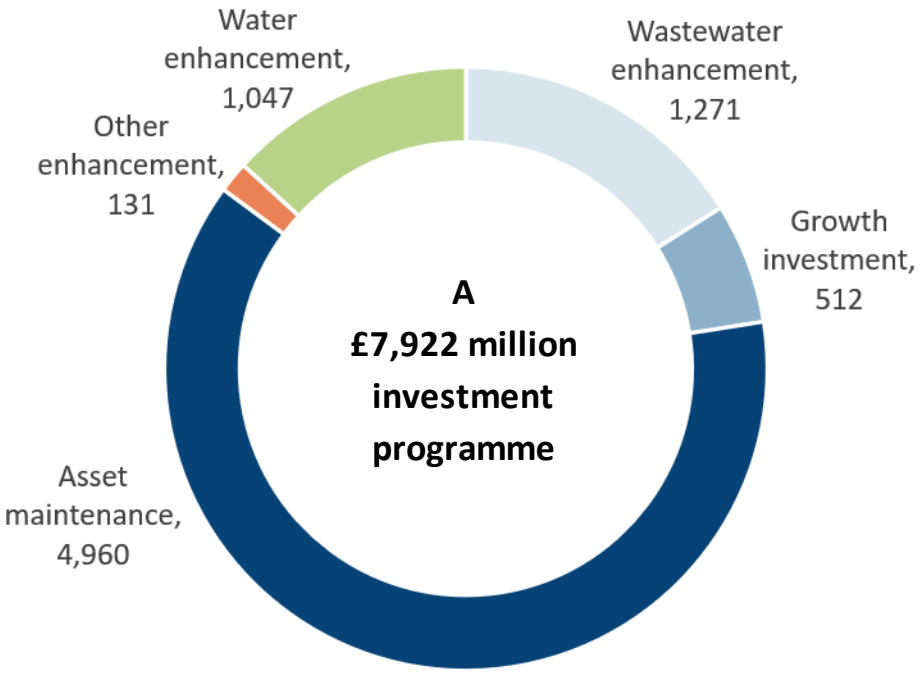
Table 7: Allowed for investment[27]

Investment	Draft business plan	Final business plan	Draft Determination allowed for	Final Determination allowed for	Difference between final business plan and Final Determination
Asset maintenance	5,078	5,076	4,926	4,975	-100
Enhancement and Growth	3,423	2,957	2,867	2,866	-91
Labour cost inflation and national insurance[28]	0	60	-15	-15	-75
Sub-total	**8,501**	**8,093**	**7,778**	**7,827**	**-266**
Additional allowance for enhancement	0	0	168	95	95
Total investment	**8,501**	**8,093**	**7,946**	**7,922**	**-171**

1.11.9. Figure 2 shows the disaggregation of allowed for investment over the 2027-33 period.

[27] The table is in £ million and in 2024-25 prices.
[28] In its response to the Draft Determination, Scottish Water considered that real price effects should be considered as part of an uncertainty mechanism.

Figure 2: Disaggregation of allowed for investment[29]



1.11.10. The investment allowed for in Table 7 includes the West Central Bioresources at a cost of around £560 million. However, recognising that such a project of this size and complexity carries a risk of cost escalation and potential delivery delays, our Final Determination includes a conditional charge cap as set out in Table 2.

1.11.11. We also examined the deliverability of the programme, taking account of Scottish Water's internal capacity and that of the supply chain. We have built on our assessment from the Draft Determination by considering two further pieces of information that we requested from Scottish Water:

- an internal capacity and supply chain readiness assessment; and
- a further assurance statement from Scottish Water's Board.

1.11.12. The readiness assessment concluded that Scottish Water's internal capability and supply chain readiness compared favourably with the proposed scale of SRC27 investment, supported by Scottish Water's substantial preparatory work since the final business plan to strengthen its operating model, delivery approach, governance, assurance and programme management. Scottish Water's Board considered that the remaining risks around delivery

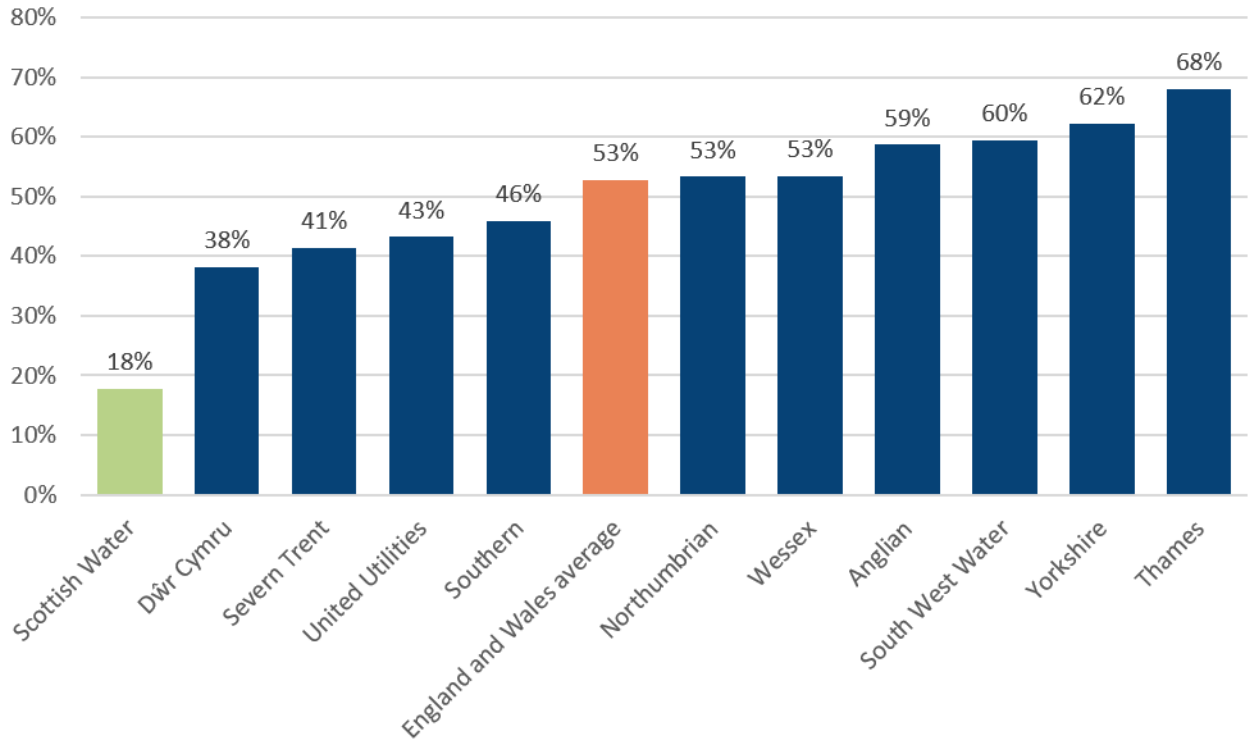
[29] The asset maintenance investment is net of the labour cost adjustment of £15 million. The figure is in £ million and in 2024-25 prices.

maturity, resources, programme phasing, data, and future growth capacity are well understood and subject to reasonable mitigation measures.

1.11.13. We are satisfied with Scottish Water's assessment; however, as noted in the readiness assessment, we still consider that some delivery risks remain. As such, we will monitor programme delivery closely throughout the 2027-33 regulatory period.

1.11.14. Borrowing is used to finance part of this investment. Borrowing contributes towards the cost of investment and plays a critical role in spreading the cost of long-lived infrastructure fairly between current and future customers who benefit from those assets. It is therefore central in balancing intergenerational equity and affordability. Figure 3 shows the percentage of investment financed through debt from 2002-03 to 2024-25.

Figure 3: Percentage of investment financed through debt from 2002-03 to 2024-25



1.11.15. Our Final Determination assumes £1,020 million of net new borrowing over 2027-33 (in cash terms), in line with the final Principles of Charging. We consider that this level of borrowing represents the lowest practicable level of borrowing over 2027-33, recognising that:

- The scale of investment over the 2027-33 regulatory period is significantly higher;
- Scottish Water's net new borrowing as a percentage of investment is lower than that of other prudently financed utility companies (see Figure 3); and

- Scottish Water maintains financial strength that is stronger than that of other prudently financed utility companies.

1.11.16. Scottish Water should assign this borrowing to long-lived, high-value investments that deliver benefits across both current and future customers based on the following investment hierarchy:

- Investments in increasing capacity at water resources, water treatment works and wastewater treatment works (known as Part 4 assets);
- High-value one-off investments, such as investment at former PFI sites that have recently returned to Scottish Water and require significant investment (e.g., West Central Bioresources); and
- Enhancement and resilience investment that delivers benefits across current and future customers (e.g., investment in water treatment works to meet higher standards of treatment, or investment in blue-green infrastructure to improve resilience to the changing climate).

1.11.17. The Final Determination assigns this borrowing to support specific elements of the investment programme, growth-related investment, West Central Bioresources and defined water quality and environmental enhancements. These are long-term investments where borrowing helps spread costs more fairly across current and future customers.

1.11.18. If this borrowing were reduced or unavailable, the investment programme would need to be revisited. The consequences would not disappear. They would need to be managed through a combination of higher charges, reduced or deferred investment, or increased risk to delivery, resilience and Ministerial Objectives.

1.11.19. Overall, our Final Determination for the 2027-33 regulatory period continues this transition towards increased investment, avoiding the volatile changes in charges observed in other jurisdictions and sectors, and ensuring Scottish Water has sufficient funding for efficient levels of investment, both now and in the future.

1.12. Final Determination of expenditure

1.12.1. Scottish Water incurs day-to-day running costs associated with providing water and wastewater services. We call this operating expenditure, which includes employment costs, electricity, and chemicals required to treat water and wastewater to the required standards. Scottish Water also makes regular payments to third-party organisations that provide wastewater services on its behalf under private finance initiative (PFI) arrangements.

1.12.2. Consultation question 5 covered the proposals for operating expenditure (see Table 1). Scottish Water provided further evidence on operating expenditure from the return of PFI sites. It agreed with the benchmarking results. However, Scottish Water considered that it

could only achieve the annual cost savings identified in the Draft Determination in 2031, implying that the £100 million of savings from the Draft Determination would be realised by 2037-38. It also requested additional operating expenditure compared to the Draft Determination. Most other respondents supported the proposals for operating expenditure.

1.12.3. We reviewed Scottish Water's additional evidence, most of which we accepted. We also made some offsetting adjustments, including updating the starting level of PFI fees, based on the actual PFI fees reported in 2025-26. This is consistent with Scottish Water's approach of updating revenues based on actual reported revenues in 2025-26.

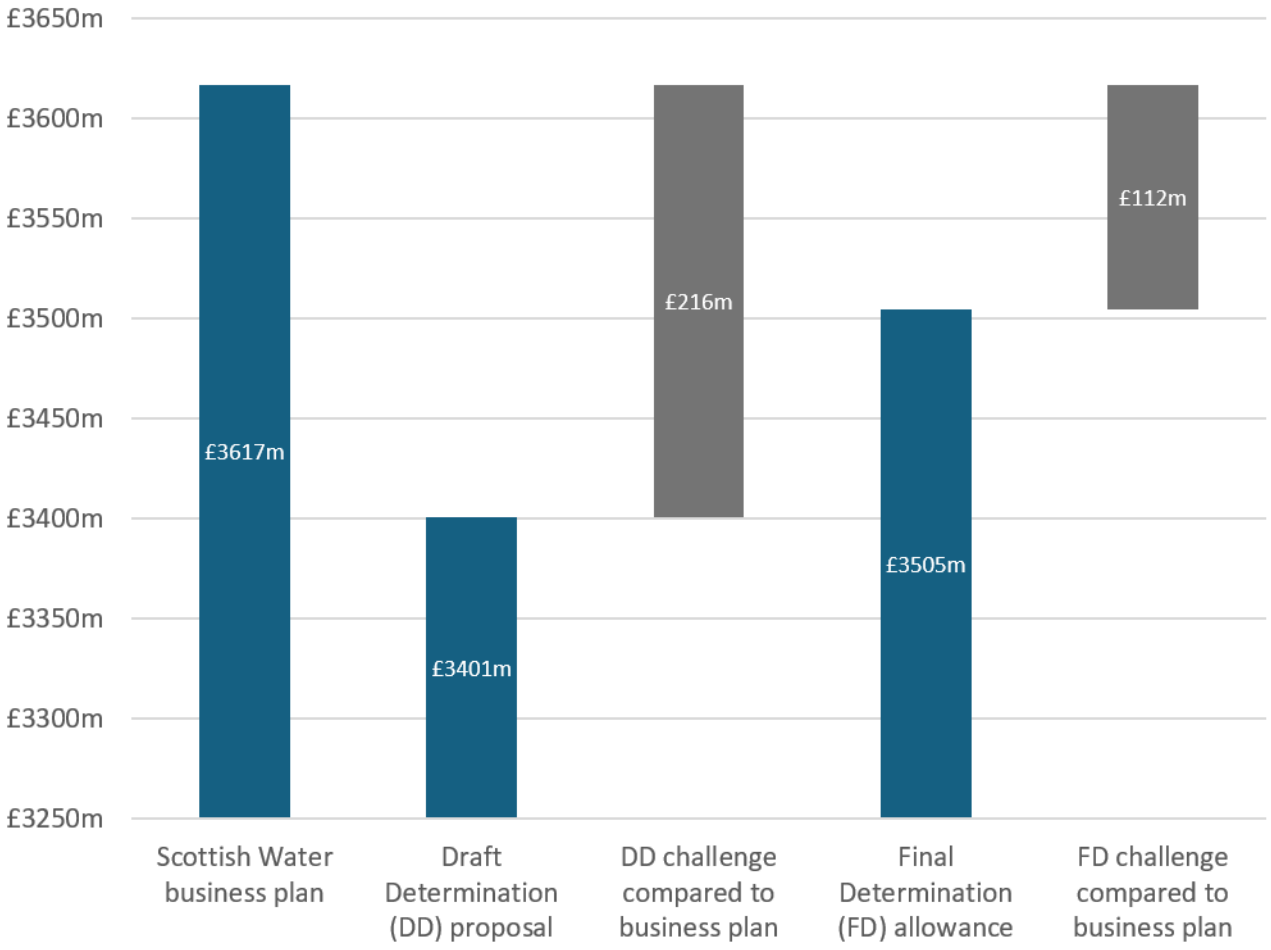
1.12.4. Our Final Determination decision is to set an allowance of £3,505 million for operating expenditure and £421 million for PFI fees. This compares with the Draft Determination proposal of £3,401 million and £435 million respectively.

1.12.5. If West Central Bioresources does not proceed as planned and Scottish Water does not access the conditional charge cap, we recognise that Scottish Water may need to revise its operating expenditure forecasts in its delivery plan. The additional operating expenditure could be funded by Scottish Water using the borrowing provisionally allocated to West Central Bioresources for other projects, thereby freeing up revenue to cover this operating expenditure.

1.12.6. In line with paragraph 1.11.5, we phase the assumption for efficiency from 0.8% per annum in 2027-28, increasing to 1.0% per annum in 2032-33.

1.12.7. Figure 4 shows our decision on the allowed operating expenditure.

Figure 4: Allowed for operating expenditure[30]



1.13. Safeguards

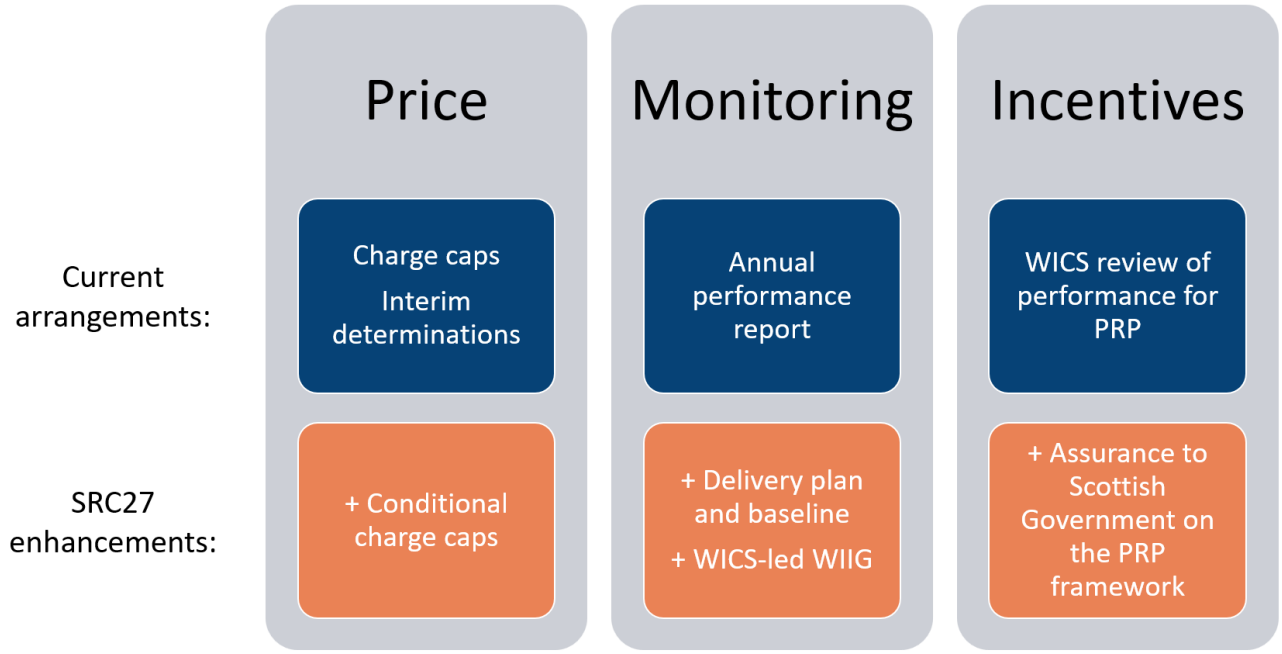
1.13.1. We are also enhancing our safeguards in SRC27, recognising:

- The size of the investment programme;
- Uncertainty over West Central Bioresources; and
- Uncertain cost items.

1.13.2. The conditional price caps set out in paragraphs 1.9.3 and 1.9.4 form part of a suite of safeguards. We consider that there are three broad categories of safeguards, as set out in Figure 5.

[30] The figure is in £ million in 2024-25 prices.

Figure 5: Safeguards



1.13.3. Our Draft Determination proposed requiring Scottish Water to prepare a delivery plan detailing how it will meet the requirements of the Final Determination. Scottish Water will update the delivery plan annually to reflect changes to the baseline resulting from the change control process. WICS will review the delivery plan for consistency with the Final Determination.

1.13.4. Consultation questions 7 and 8 covered our proposals for monitoring Scottish Water's performance and delivery of the investment programme (see Table 1). Scottish Water agreed with the principles of the monitoring, provided it remained proportionate and did not create duplication. Other respondents showed clear support for our proposals to monitor both overall performance and the delivery of the investment programme. This fully aligns with the feedback from the long-term deliberative research, which found that support for the plan is conditional on WICS holding Scottish Water to account for the delivery of commitments in the business plan.

1.13.5. Our Final Determination confirms our proposals from our Draft Determination and provides detailed tables for the delivery plan, which reflect our engagement with Scottish Water over the previous year.

1.13.6. Furthermore, WICS has now taken responsibility for chairing the stakeholder group, the Water Industry Investment Group (WIIG), focusing on ensuring Scottish Water is:

- Delivering investment in line with WICS' Final Determination and delivery plan;
- Delivering the outcomes and outputs for customers it has committed to deliver; and
- Ultimately, delivering on the Ministerial Objectives.

1.13.7. Following the group meetings, WICS will produce a short report summarising the outcomes and setting out any significant factors regarding the delivery of the investment programme and, ultimately, Ministerial Objectives. This will ensure that Scottish Water is held to account for delivery over the 2027-33 regulatory period.

1.13.8. Our Final Determination also defines the role we will perform in supporting both the Scottish Water Board's and the Scottish Government's oversight of performance-related pay (PRP), including:

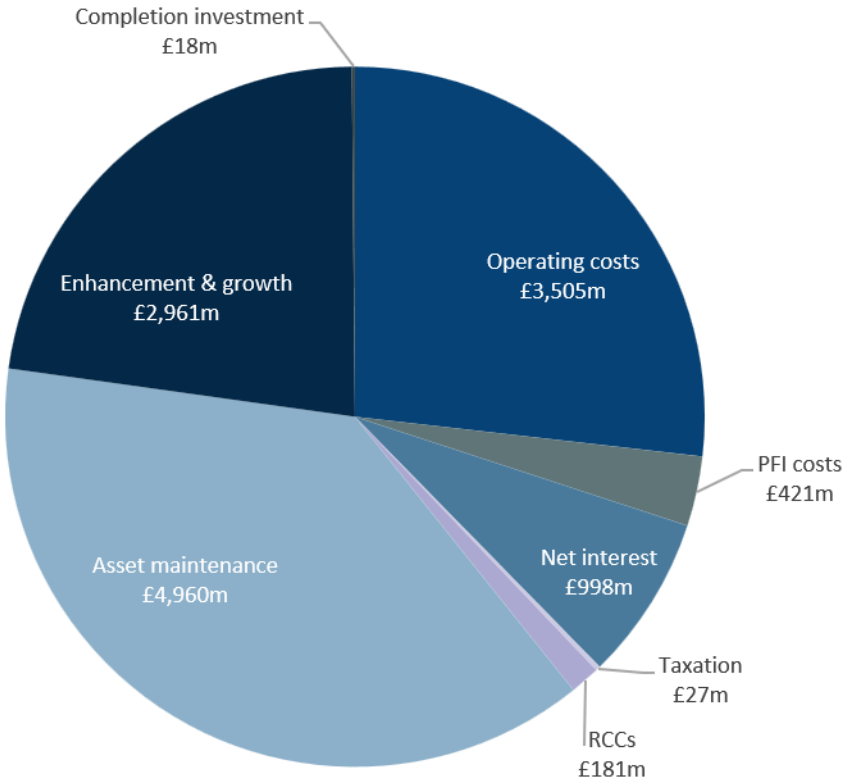
- WICS providing advice to the Scottish Government, if requested, to support its review of Scottish Water's PRP framework; and
- WICS reviewing performance and confirming whether targets are met as part of the WICS Annual Return and performance reporting cycle.

1.13.9. We consider that this approach retains the clear roles and responsibilities of Scottish Water, WICS, and the Scottish Government. Ultimately, the Scottish Water Board and the Remuneration Committee are responsible for setting targets and approving payments. However, if we do not consider that Scottish Water has taken our feedback on board, we would comment on this in our performance report.

1.14. Summary of decisions in our Final Determination

1.14.1. Figure 6 provides an overview of total expenditure over the 2027-33 regulatory period.

Figure 6: Total expenditure over the 2027-33 regulatory period[31]



1.14.2. A summary of Scottish Water's draft business plan from June 2025, the final business plan from February 2026 and our Final Determination is provided in Table 8. This shows the results of the engagement and our challenge over the SRC27 process.

Table 8: Summary of Scottish Water's business plan and WICS Final Determination

What's included	Scottish Water's draft business plan (June 2025)	Scottish Water's final business plan (February 2026)	Our Final Determination	What it means for customers
Charges	Charges increasing in line with CPI+4% per annum (equivalent to 26.5% above inflation over 2027-33).	Charges increasing in line with CPI+3.3% per annum (equivalent to 21.5% above inflation over 2027-33).	Charges increasing in line with CPI+2.5% per annum in the normal course of events, rising to 2.8% in 2029-33, only if uncertain and uncontrollable costs arise.	Bills would rise each year by inflation plus an additional 2.5% over 2027-28 to 2028-29, potentially increasing to 2.8% in the final four years of the period. Over the whole period, this is a total rise of

[31] The asset maintenance investment is net of the labour cost adjustment of £15 million. The figure is in £ million in 2024-25 prices.

What's included	Scottish Water's draft business plan (June 2025)	Scottish Water's final business plan (February 2026)	Our Final Determination	What it means for customers
				16.0% above inflation or 17.3% if uncertain and uncontrollable costs arise.
Borrowing	Net new borrowing of £170 million per annum in outturn prices (equivalent to £1,020 million over 2027-33).	Same as draft plan.	Net new borrowing of £170 million per annum in outturn prices (equivalent to £1,020 million over 2027-33 as confirmed in the final Principles of Charging).	£1,020 million of borrowing, linked to specific investment requirements including growth, West Central Bioresources and defined water quality and environmental enhancements. Borrowing helps fund the upfront costs of these investments and reduces the immediate impact on customer bills.
Total investment programme	£8,501 million, a 41% increase compared to the planned 2021-27 programme.	£8,093 million, a 35% increase compared to the planned 2021-27 programme.	£7,922 million, based on: • a cost challenge of around £239 million relating to specific projects and programmes and other costs; • a further efficiency challenge of £27 million to account for general productivity improvements; • An additional £95 million for improving environmental, leakage and sewer flooding outcomes.	More investment is proposed than in the previous period to maintain services and meet new requirements. A reduction of around £171 million from Scottish Water's proposal, but more investment than the previous period, aimed at improving water quality and the quality of the water environment.

What's included	Scottish Water's draft business plan (June 2025)	Scottish Water's final business plan (February 2026)	Our Final Determination	What it means for customers
Maintaining existing assets	£5,078 million for asset maintenance (27% increase compared to 2021-27).	£5,076 million for asset maintenance.	£4,960 million for asset maintenance.[32]	More spending towards repairing, renewing and replacing pipes, treatment works and other assets to keep services reliable. Scottish Water will need to improve its asset information to demonstrate where this investment is needed most, what risks it reduces and what the consequences would be of deferring work.
Improving and expanding services	£3,423 million for enhancement and growth (70% increase compared to 2021-27).	£2,957 million for enhancement and growth (c.45% increase compared to 2021-27).	£2,961 million for enhancement and growth, including an additional £95 million for environmental, leakage and sewer flooding outcomes. This is around £490 million per annum on average, which is a 25% increase compared to the level assumed in SRC21.	Additional spending to support upgrades, environmental improvements and capacity for growth (for example, new development and changing standards).
Service and environmental outcomes	A focus on outcomes, including improvements in customer experience, a proposed 10% reduction in leakage, and progress towards	Further improvements on outcome measures, including water quality contacts and sewer flooding, but lower performance on water	Further improvements in outcomes, including: • 11% reduction in leakage from current levels,[33] saving 47 million litres of water per day; • 43% reduction in serious pollution	Targets include fewer service failures that cause disruption and distress for customers, a better natural environment, an improved customer experience and less water lost to leakage.

[32] We have offset the £15 million disallowance for National Insurance contributions against the asset maintenance investment for the purposes of this summary.
[33] 11.3% reduction from Scottish Water's 3-year average in 2024-25 for comparing to Scottish Water's business plan proposals. Our proposed reduction is 10.4% when compared to Scottish Water's 2026-27 forecast.

What's included	Scottish Water's draft business plan (June 2025)	Scottish Water's final business plan (February 2026)	Our Final Determination	What it means for customers
	net zero emissions by 2040.	interruptions compared to the draft business plan.	incidents, reducing the overall number by 3;[34] • 13% reduction in internal sewer flooding in homes, reducing the total number of incidents by around 50.[35]	
Operating costs (day-to-day running)	Operating expenditure of £3,544 million in total over 2027-33, reflecting returning PFI works, higher energy costs and other changes.	Operating expenditure of £3,617 million in total over 2027-33, reflecting a further increase from the draft business plan.	Operating expenditure of £3,505 million, reflecting: • a cost challenge of around £78 million on increases to operating expenditure; • a cost challenge of £29 million on operating returning PFI works; and • a further efficiency challenge of over £5 million to account for general productivity improvements in the economy.	Some day-to-day costs are expected to rise over time, particularly where energy and chemicals are more expensive.
Efficiency challenge	0.8% per annum applied to both operating and capital expenditure.	Same as the draft business plan.	0.8% per annum in 2027-28, increasing to 1% by 2032-33 for both operating and capital expenditure.	The plans and Final Determination assumes year-on-year efficiencies, meaning Scottish Water would need to find savings and work more efficiently while delivering the programme.

[34] Expressed as a reduction from Scottish Water's forecast position in 2026-27.
[35] Expressed as a reduction from Scottish Water's forecast position in 2026-27.

1.15. Next steps

1.15.1. Scottish Water has until 11 January 2027 to review the Final Determination and decide whether to accept it.

1.15.2. A central feature of the regulatory framework is the requirement for Scottish Water to publish a delivery plan for the six-year regulatory period and update it annually if required. The delivery plan will establish the detailed baseline for the regulatory period, demonstrating how Scottish Water intends to meet the requirements of the Final Determination. Scottish Water can refresh its delivery plan annually, if required, reflecting progress against commitments and any changes to the baseline. The delivery plan will provide a transparent record of what Scottish Water has committed to deliver and how delivery is expected to evolve over time.

1.15.3. We will continue engaging with Scottish Water on the delivery plan. Scottish Water will then submit its draft delivery plan for the 2027-33 period to WICS in February 2026.

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