WICS Economic regulation for Scotland's water

Strategic Review of Charges 2027-33



Final Determination:
ensuring value in every drop

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 is 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.

The Water Industry Commission

- **Aidan O'Carroll, Chair**
- **David Satti, CEO**
- **Heather Reid, Member**
- **Jo Aston, Member**
- **Morag Sheppard, Member & Deputy Chair**
- **Robin McGill, Member**



Who we are

The Water Industry Commission for Scotland (WICS) is the independent economic regulator for water and wastewater services in Scotland. We protect customers by making sure Scottish Water delivers the services people rely on every day at the lowest reasonable cost, and that customers pay no more than is necessary—now and in the future.

We do this by setting stretching performance targets and capping how much Scottish Water can charge. This helps keep bills fair by ensuring customers pay only for the investment necessary to deliver safe, reliable and improving services.

What is the Strategic Review of Charges?

The Strategic Review of Charges is the process that sets water and wastewater charges in Scotland every six years. As part of each review, WICS asks Scottish Water to produce a detailed business plan for the next regulatory period, setting out what it plans to deliver and how much it expects to spend.

During the review process, Scottish Water carries out extensive, meaningful engagement with customers on its plans. This includes close engagement with environmental and water quality regulators to ensure the plan enables Scottish Water to meet legal requirements.



We protect customers by making sure Scottish Water delivers the services people rely on every day

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Where we are now

In this document, we explain what customers are being asked to pay for, why investment is needed, how we have tested Scottish Water's plans, and what protections we have put in place to make sure charges are no higher than necessary.

Scottish Water provides services that people rely on every day: clean water flowing from taps, treating wastewater, and protecting rivers and coasts. This is becoming more challenging. Infrastructure requires regular maintenance while climate change is increasing the risk of flooding, pollution and disruption.

The main challenges include:

Infrastructure and resilience – Much of Scotland's water and wastewater network was built decades ago and now needs to be replaced or upgraded

Climate change – More frequent extreme weather increases the risk of flooding, pollution and service disruption

Cost pressures – Scottish Water has to manage cost pressures such as additional energy costs in the same way as other companies

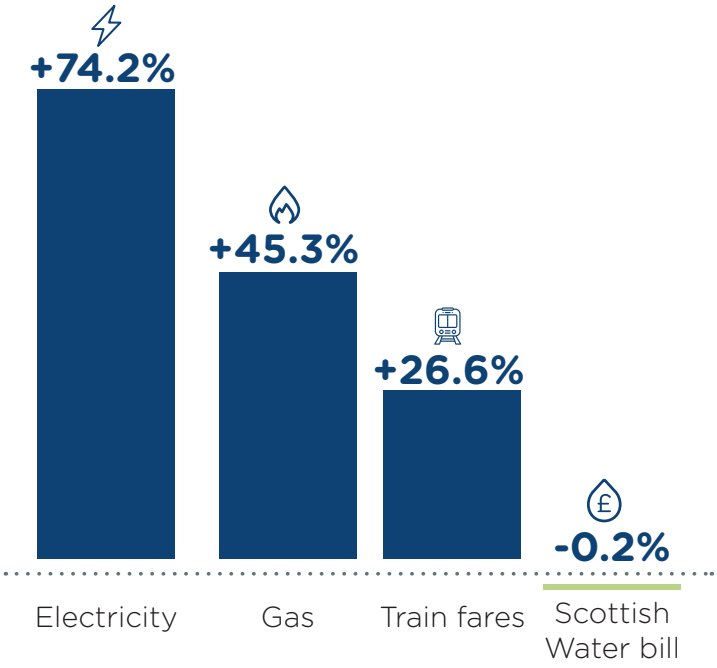
Population change – Changing patterns of where people live and work place new demands on existing systems

Addressing these challenges means investing more in Scotland's water system and an increase in customer charges. No one welcomes higher bills. That is why our role as Scotland's independent economic regulator is to make sure any increase is clearly justified and delivers real benefits for customers.

How this compares to others

Water bills have remained lower and more stable than other household costs such as energy and train fares. Our approach is to continue keeping bills fair and stable for customers throughout 2027-33.

How household costs have changed between 2006 and 2026



Change in household costs between 2006 and 2026 (before inflation)

£↓

Bills £100 lower than the average in England and Wales

How we got here

Since 2002, Scottish Water has invested heavily in Scotland's water and wastewater services. Economic regulation in Scotland has delivered average household bills that are around £120 lower than would otherwise be the case without the efficiencies that we have required. Scottish customers pay some of the lowest water bills in the UK, and because Scottish Water is publicly owned, every pound collected is reinvested in the system.

Over time, bills in Scotland have remained broadly stable compared with elsewhere in Great Britain, while levels of investment have increased and service performance has improved.

In our last review of charges six years ago, we recognised that higher investment would be needed. We therefore set a steady, long-term path for charges to rise gradually avoiding sharp increases in bills. We are entering the next phase of investment from a stronger starting point.

Scottish Water customer satisfaction is above average across 13 key sectors in the UK economy such as retail, transport, tourism and other service sectors as measured by UKCSI

£↓

New debt per head is around half the England and Wales average

£

Investment per head 38% higher than England and Wales average*



*Based on average between 2002-03 and 2024-25 (2024-25 prices)

Our decision

- **Saves customers over £80** in total compared to Scottish Water's business plan before inflation by the end of 2027-33
- Average bills will rise by around **£16 per year before inflation, around £4 less than Scottish Water proposed**
- Limits the annual change in charges to **no more than 2.5% above inflation** with **a further 0.3%** available **from 2029 only if uncertain costs arise**

More ambitious performance targets resulting in:

- Saving 47 million litres of water lost through leaks each day by 2032-33, equivalent to 18 Olympic sized swimming pools
- A 43% reduction in serious pollution incidents from Scottish Water's revised forecast of 7 in 2026-27 to no more than 4 in 2032-33
- Reducing sewer flooding in homes from Scottish Water's revised forecast of 393 houses in 2026-27 to no more than 342 in 2032-33, a 13% reduction

What Scottish Water proposed in its final business plan	Our decision
Charges increasing by CPI+21.5% by 2033	**Lower charge path of up to CPI+17.3% by 2033**
£8.1 billion of investment	**£7.9 billion after challenge**
Higher operating costs	**Around a £110 million cost challenge over the period**
Performance targets in key measures	**Enhanced targets for 18 measures, particularly where customers told us it matters most**
Major project costs still uncertain	**Added conditions before customers pay**
Reducing leakage by 9.9%	**Reducing leakage by at least 11%**
99.95% drinking water compliance by the end of SRC27	**Enhanced drinking water quality with a minimum of 99.96% compliance**
24 fewer homes experiencing sewer flooding incidents compared to Scottish Water's forecast position in 2026-27	**At least 51 fewer homes experiencing sewer flooding incidents compared to Scottish Water's forecast position in 2026-27**
150 unsatisfactory sewer discharges removed	**A minimum of 168 unsatisfactory sewer discharges removed**

How customers and stakeholders helped shape our decision

Customer and stakeholder views have played an important role in shaping our final decision. Our ambition was to make this review more open, transparent and accessible than ever before, helping more people understand the choices facing Scotland's water industry and share their views.

We received 51 consultation responses, nearly five times more than at the previous review. More than half of these responses came from individual customers, reflecting a significant increase in public participation and helping ensure a wider range of voices were heard in our decision-making process.



The feedback we received was balanced overall. Customers wanted confidence that any increase in charges would be kept as low as possible, supported by clear evidence and linked to improvements they value. They also wanted reassurance that Scottish Water would be held accountable for delivering on its commitments.

Stakeholder organisations broadly recognised the need for increased investment to maintain and improve Scotland's water and wastewater services. They also supported our proposals for robust oversight to ensure that investment delivers meaningful outcomes for customers and the environment. Some stakeholder organisations considered that further investment would be required and that the Final Determination should allow for this. Others placed greater emphasis on the importance of affordability and value for money.

Scottish Water agreed with aspects of our draft decision, including the need for investment and the opportunity to improve outcomes in some areas. At the same time, it disagreed with other aspects and emphasised that more funding would be needed to deliver the expected outcomes while continuing to provide its core services effectively. This would require higher customer charges than those proposed in the Draft Determination.

The Final Determination responds directly to the key issues raised during consultation. It strengthens protections for customers, reflects new evidence where appropriate and reinforces the principle that customers should only pay for investment and costs that are necessary, efficient and deliverable.



How this has shaped our final decision

You said (key themes)		
Affordability and value for money	We maintain our focus on efficiency by continuing to challenge costs where evidence does not support additional funding. At the same time, we recognise that some costs are outside of Scottish Water's direct control and we have made provision for those.	**What this means for customers?** Customers benefit from lower charges than would otherwise be required, while still supporting investment in essential services. Customers only pay for investment and costs that are certain and evidenced.
Desire for stretching outcomes and improving performance	We welcome Scottish Water's acceptance of additional challenge for 8 outcomes. We have set revised targets for the remaining 8 to ensure these remain challenging.	**What this means for customers?** Scottish Water will deliver improved performance across key outcomes that matter most to customers.
Investment in essential services	We reaffirm our commitment to supporting investment in essential infrastructure to protect services.	**What this means for customers?** More reliable services for customers and avoiding passing higher costs onto future generations.
Robust oversight	We confirm how we will monitor performance and hold Scottish Water to account for delivery during the 2027-33 regulatory period.	**What this means for customers?** Customers can have confidence that Scottish Water will be closely monitored and held accountable by WICS for delivering the improvements and commitments funded through their charges.

A decision that commands customers' support

Our Final Determination reflects not only the feedback received through the public consultation, but also the extensive customer engagement undertaken throughout the Strategic Review of Charges. These views have directly shaped both the level of investment we have allowed, and the protections built into our final decision.

Scottish Water tested its business plan through a collaborative programme of customer research, overseen by WICS and industry stakeholders. We carefully reviewed this evidence to make sure investment plans and performance targets reflect customer priorities.

The research found broad support for Scottish Water's final business plan, which was generally viewed as balanced and sensible by participant household and business customers.

Scottish Water therefore demonstrated broad customer support for a package that included an investment programme of £8,093 million and annual charge increases of CPI+3.3%.

As our final decision delivers better outcomes for lower charges, we consider such a package consistent with the basis upon which customers supported the business plan.

The consultation responses received following publication of our Draft Determination reinforced this position. While respondents recognised the need for significant investment, they consistently emphasised affordability, value for money and accountability. This feedback has helped shape a final decision that balances long-term investment needs with strong protection for customers.

The performance measures we have set focus on what matters most to customers, including strengthening targets for the four priority areas identified in customer research:

1. Drinking water quality
2. Reliable water supply
3. Reducing leakage
4. Internal sewer flooding

This customer research has also informed our views on introducing further customer protections:

- Conditional charge cap so that charges will only reflect costs that are certain and evidenced
- Stronger monitoring of Scottish Water's performance and investment programme

We expect Scottish Water to continue learning from customer insights as it plans and prioritises investment over the period. This will ensure the voice of customers and communities is embedded in its decision making.



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What our decision delivers

Our decision enables Scottish Water to deliver services customers rely on every day, while making measurable improvements where they matter most.

Fair bills for customers

Charges are capped and based on what can be delivered efficiently. Customers pay no more than is necessary for high-quality services. Today's average bill of £537 covers the following costs:



£228 Maintaining assets

£214 Operational costs

£47 Upgrading and growing the asset base

£48 Interest on borrowing

Improvements for our environment

£1,271 million of investment to reduce pollution, improve wastewater treatment, and protect rivers, coasts and the wider natural environment.

Protects our water and wastewater system

£4,960 million investment would support the renewal of pipes, mains and treatment works, helping to reduce leaks, prevent sewer flooding in homes and keep services reliable.

Challenges Scottish Water to deliver better performance

We have set challenging, yet achievable, service level measures and efficiency targets for Scottish Water that will improve the organisation's day to day performance where it matters most to customers.

Incentivises great customer service

Sets clear expectations for customer service and holds Scottish Water to account for delivering services customers can depend on every day including:

- Fewer interruptions to water supplies
- Fewer sewer flooding incidents than forecast in Scottish Water's business plan
- Cleaner rivers and beaches

A greener, net zero Scotland

Increased investment to reduce emissions, improve energy efficiency and support the transition to net zero.

Supports Scotland's economy

Reliable water services are not only essential for homes and businesses, but they also underpin economic growth across Scotland.

Our final decision allows Scottish Water funding to deliver growth and resilience services for households and businesses, ensuring services can meet Scotland's future needs.



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How investment will be delivered?

In SRC27 we continue the transition to an increased level of investment compared to previous periods. We have adopted a smooth transition, avoiding sudden material changes in charges.

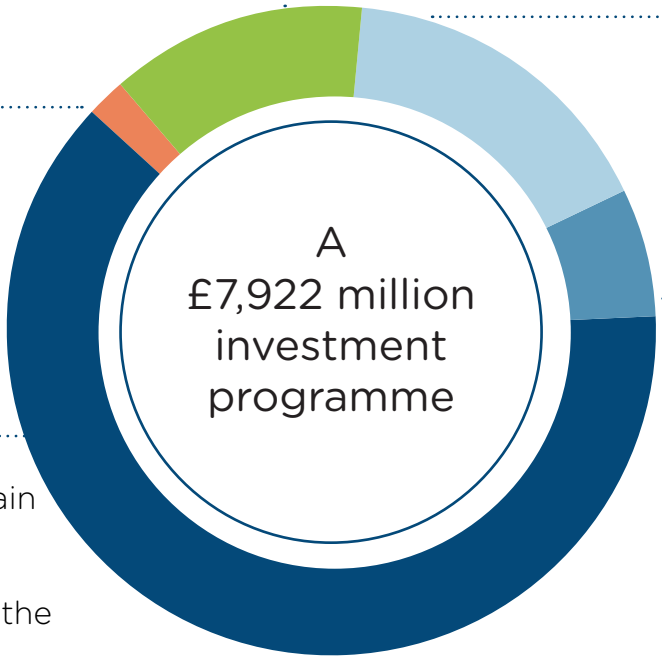
£1,047 million to deliver excellent water quality and ensure resilient water supplies

£1,271 million to protect our natural environment and manage flooding

£512 million to adapt to a growing and moving population

£4,960 million to maintain and renew our sewers, water mains and treatment works (net of the labour cost adjustment)

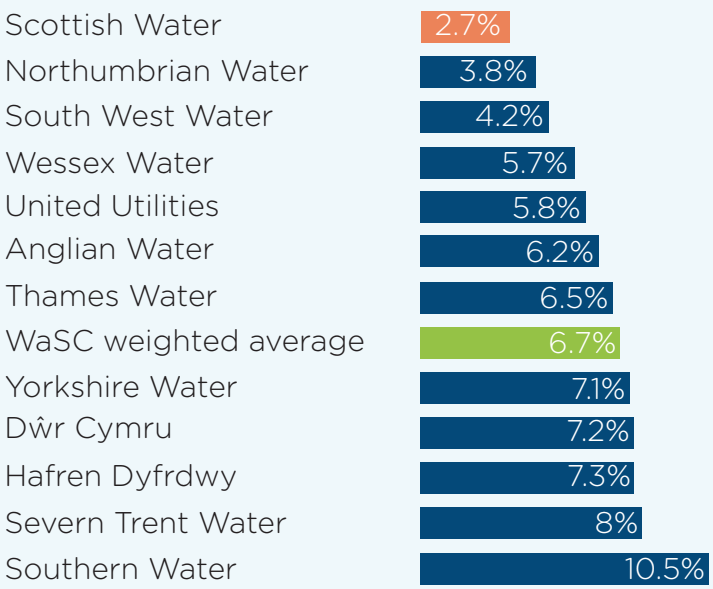
£131 million to support services, adapt and mitigate against climate change, and other areas



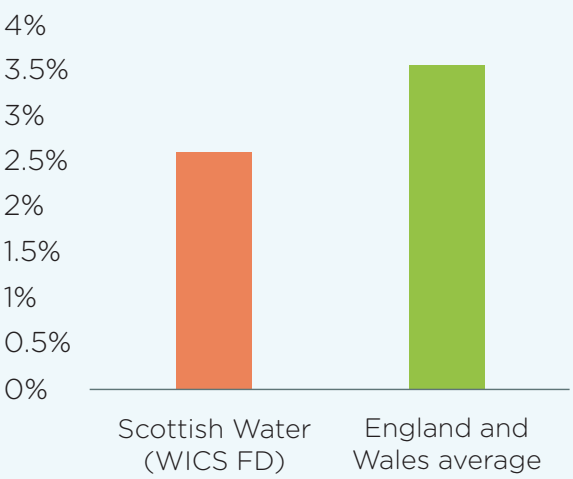


How our decision on charges compares

Average annual real price increase comparison: PR24 versus SRC27



Average annual real price increase comparison between 2027-28 to 2029-30



What you will pay

The Scottish Government decides how water and wastewater charges are collected and which discounts apply. These decisions are set out in its Principles of Charging.

The vast majority, over 99%, of household customers pay their water and wastewater charges based on their council tax band, with annual charges ranging from £435 for a Band A customer to £1,305 for a Band H customer in 2026-27. Under our final decision, this will increase to £510 for a Band A customer and £1,531 for a Band H customer by 2032-33 before inflation (excluding discounts for those eligible).

We know households and businesses are under financial pressure. Keeping water charges fair and no higher than necessary is central to our role as Scotland's independent economic regulator. We only allow increases where they are clearly justified and supported by strong evidence.

Holding Scottish Water to account for its performance

Our decision sets out clearly what Scottish Water must deliver in return for the charges customers pay. We will closely monitor Scottish Water's performance on an ongoing basis to ensure it delivers on its commitments.

Throughout the 2027–33 period, we will:

- Track delivery against clear service, environmental and customer service targets
- Publish information on how Scottish Water is performing
- Use regulatory tools where commitments are not met

These checks and safeguards are designed to make sure that investment delivers real improvements and best value for customers, rather than simply higher spending.

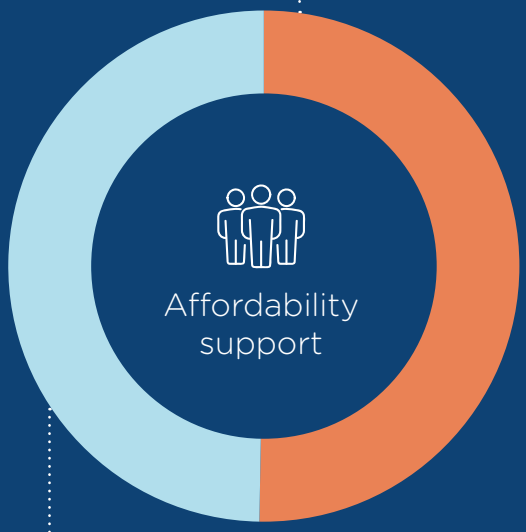
Support for those who need it

We recognise that any increase in bills will be difficult for some households. In Scotland, there are protections in place to support customers who need help, including discounts and reductions set through the Scottish Government's Principles of Charging.

Around half of Scottish Water's household customers qualify for a discount or exemption, such as the single-person discount and the Water Charges Reduction Scheme (WCRS).

These discounts are worth a combined total of over £200 million, with the average discount for an eligible household reducing their bill by a third or around £175 per year.





The Strategic Review of Charges Process and next steps

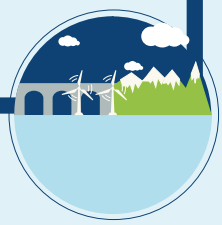
Scottish Water must now decide by 11 January 2027 whether or not it will accept our final decision. It will prepare its Scheme of Charges for 2027-28 before the end of February 2027. The timeline for the remaining stages of the Strategic Review of Charges is set out below:

June 2024
Commissioning letter
Scottish Ministers write to WICS to launch the SRC process. Sets out key dates and principles

24 June 2024
Draft methodology published for consultation
WICS sets out a final approach to setting charge caps

12 December 2024
Final methodology published
WICS sets out a final approach to setting charge caps

12 June 2025
Scottish Water's draft business plan underpinned by customer research submitted to WICS
Scottish Water's proposals for charge caps and investment required to meet the MOs and PoCs



6 January 2026
Draft Ministerial Objectives (MOs) and Principles of Charging (PoCs)
Scottish Ministers consult on draft policy objectives, covering investment priorities and charging

26 February 2026
Scottish Water's final business plan underpinned by customer research submitted to WICS
Scottish Water's updated proposals for charge caps and investment required to meet the MOs and PoCs

30 June 2026
Draft Determination published for consultation
WICS draft decision on charge caps consistent with the lowest reasonable overall cost of meeting draft MOs and PoCs

October 2026
Final MOs and PoCs
Ministers confirm their policy objectives following the consultation on MOs and PoCs and the Draft Determination



12 November 2026
Final Determination published
WICS publishes final decision on charge caps consistent with the lowest reasonable overall cost of meeting final MOs and PoCs

11 January 2027
Scottish Water decides whether to accept the Final Determination
Scottish Water has 60 days to accept the Final Determination

February 2027
2027 Delivery Plan
Scottish Water prepares its 2027 Delivery Plan, setting out how it will meet the requirements of the Final Determination

1 April 2027
New charges take effect
Scottish Water's charges for 2027-28

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.

WICS Economic regulation for Scotland's water

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