

Water services: investing in and paying from 2027

January 2026

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1. Foreword



Water is our most precious resource, and Scotland’s publicly owned water industry is a national success story. Since its creation in 2002, Scottish Water has delivered cleaner drinking water, improved wastewater treatment and expanded renewable energy generation. It has done so while protecting our water environment – 86% of Scotland’s surface waters are rated “good” or better and 97% of bathing waters meet required standards – and keeping household charges among the lowest in the UK.

However, the challenges ahead are significant. Climate change is already impacting Scotland, with higher temperatures leading to drier summers and more intense winter rains. This threatens our water security and – together with population growth and movement, and ageing assets – places fresh demands on our water and wastewater systems. We need to make difficult decisions about how much we invest in tomorrow’s infrastructure while maintaining and refurbishing the assets we rely on today.

Since 2019, the sector in Scotland has worked under a shared Water Sector Vision to deliver a culture of excellence and a sustainable future. I welcome this long-term vision, which aligns with the Government’s National Performance Framework, the UN Sustainable Development Goals and Scotland’s world-leading climate change targets set that same year. Scottish Water has worked with a supply-chain of innovators in Scotland to develop a unique model to deliver the water sector vision, which is reducing costs to consumers and the environment alike.

The Scottish Government is determined to build on the progress of the current regulatory period in 2027-33. Scottish Water must lead in meeting climate challenges and ensuring resilient services for a growing and mobile population. To sustain performance and meet future needs, we recognise that investment levels and customer charges might need to rise. The Principles of Charging and Ministerial Objectives we are consulting on set the right foundation for this while continuing to ensure efficiency and value for customers.

Scotland's water industry is publicly owned and high performing. Together, we can secure its future. I look forward to receiving your views on the ambitious vision and real challenges set out in these draft documents.

Gillian Martin

MSP

2. Introduction

2.1 How the water industry in Scotland works and how you have a voice

Scottish Water supplies clean water to 97% of households and businesses in Scotland and provides wastewater services to 93%. Scottish Water is a public corporation accountable to the Scottish Ministers and the Scottish Parliament. It is regulated to ensure services are efficient, meet mandatory standards and operate in an environmentally sustainable way.

Customers pay for these services and ongoing investment through charges, which are collected from households alongside council tax.

Plans for water and wastewater services, and the costs involved, are set out in six-year periods (known as regulatory cycles). This consultation concerns planning for the next regulatory cycle, which will run from 2027 and 2033.

We need to balance several priorities – high-quality water, a safe and reliable water supply and wastewater treatment, and reducing environmental impact – all while keeping services affordable. This consultation on Ministerial Objectives asks for your views on what matters most for spending in the next cycle. Your feedback on the Principles of Charging will also help us understand how you would prefer to pay for those priorities.

2.2 Roles and responsibilities of SG and sector partners

One of the benefits of our publicly owned water model is that our public bodies (sector partners) can work closely together to maximise the quality of water services. This means that the Scottish Government meets regularly with our delivery partner, Scottish Water, together with our regulators¹ and Consumer Scotland to plan and agree changes to the investment programme in the light of new evidence or new priorities. Collaborative planning and monitoring of water services in this way is unique to Scotland and puts value for money at the heart of our water system.

To guide this collaboration, a Vision was developed in 2019, in response to a request (see [Scotland the Hydro Nation: annual report 2019](#)) from the then-Cabinet Secretary for the Environment, Climate Change and Land Reform.

The sector partners have agreed a vision for the water industry to help shape our actions:

The Water Sector Vision

Scotland's water sector will be admired for excellence, secure a sustainable future and promote a responsible Hydro Nation.

¹ These are WICS (the economic regulator), SEPA (the environmental regulator) and DWQR (the drinking water quality regulator). Their functions are explained in more detail below.

Together we will support the health and wellbeing of the nation. We will ensure that all of Scotland gets excellent quality drinking water that people can responsibly enjoy. We will involve and inspire Scotland's people to love their water and only use what they need.

Scotland's waste water will be collected, treated and recycled in ways that generate value and protect people and the environment. We will promote access to the natural environment and encourage communities to enjoy and protect it.

We will enable the economy to prosper.

We will transform how we work to live within our planet's resources, work with the natural environment and maximise our contribution to Scotland achieving net zero emissions and adapting to climate change.

We will be agile and collaborate within the sector and work in partnership with others to be resilient to the challenges that face us.

We will keep services affordable by innovating and delivering the greatest possible value from our resources, helping those who need it most. We will serve all customers and communities in a way that is fair and equitable to present and future generations.

We are a vital part of a flourishing Scotland.

As with any collaborative model, the roles and responsibilities of the partners must be respected. It is essential that risks are managed by the right partner and that the roles of the regulators are fully respected. The following sets out those roles and responsibilities of the partners:

The Scottish Ministers own the policy framework for water services in Scotland. This generally involves setting directions, or creating orders or regulations.

The Scottish Ministers provide the **Ministerial Objectives** for the six-year regulatory period which define the standard of services to be delivered in the regulatory period 2027-33 and set a policy statement outlining the Principles by which customers will be charged (the **Principles of Charging**).

The Scottish Ministers wish to ensure that the policy framework takes full account of the views and concerns of customers and stakeholders. This consultation document therefore seeks views on the drafts of these documents.

Scottish Water is a publicly owned statutory body accountable to Scottish Ministers and the Scottish Parliament. It is funded through customer charges and borrowing from Scottish Government. It has a statutory duty to provide public water, wastewater and sewerage services at the lowest reasonable overall cost. Any surpluses (profits) generated from its operations are fully reinvested in maintaining and improving services for the benefit of charge payers. No money is taken out of the system by shareholders.

Scottish Water is responsible for delivering a business plan that meets the Ministerial Objectives for the regulatory period. It must also provide the information needed for proper review of that plan. This allows the independent economic regulator, the Water Industry Commission for Scotland (WICS), to determine the maximum charges for the period. This cost envelope must be sufficient to achieve the Ministerial Objectives and meet the standards required by the Drinking Water Quality Regulator (DWQR) and the Scottish Environmental Protection Agency (SEPA) at the lowest reasonable overall cost.

The Water Industry Commission for Scotland (WICS) is responsible for ensuring that the interests of those connected, or could reasonably be connected, to the water or sewerage networks are protected. WICS must determine the maximum amounts of charges payable by Scottish Water's customers (household and business) in line with its assessment of the efficient cost of providing water, wastewater and sewerage services and meeting the Ministerial Objectives.

WICS must take into account the views of Scottish Government, DWQR, SEPA and Consumer Scotland in determining charges. WICS must also provide assurance to the Scottish Ministers that Scottish Water are performing adequately.

DWQR, SEPA and Consumer Scotland are concerned with ensuring that outcomes are met.

DWQR's role is to ensure that Scottish Water complies with drinking water quality duties and to supervise enforcement by local authorities. They ensure that drinking water in Scotland is safe to drink, meets strict standards to protect public health, and has the confidence of consumers.

SEPA is Scotland's principal environmental regulator. With respect to water, SEPA's functions include monitoring, reporting and enforcing compliance with legislation relating to the quality of the water environment.

Consumer Scotland's role is to ensure current and future consumer interests are at the heart of a fair, transparent and sustainable water sector. It does this by using its evidence, analysis and consumer expertise to provide challenge and scrutiny to Scottish Government, Scottish Water and regulators to achieve positive consumer outcomes.

3. Responding to this consultation

The Scottish Government is committed to ensuring that Scottish Water continues to provide good quality and affordable water and wastewater services.

Your views will inform the Ministerial Objectives for the next regulatory period which will set out the required standards of service and priority areas for investment.

We are also seeking your views on how those services and investment are paid for through the Principles of Charging.

We have published a [partial Business and Regulatory Impact Assessment \(BRIA\)](#) to support this consultation. The Consumer Duty section considers the impact of the Ministerial Objectives and Principles of Charging on consumers.

We have undertaken a screening exercise to determine what other impact assessments are required. As the Ministerial Objectives and Principles of Charging may have implications for inequalities, a Fairer Scotland Duty Impact Assessment will be required. As demonstrated throughout this paper, we have considered how to address inequalities as we have developed the Ministerial Objectives and Principles of Charging. Further details can be found in the partial BRIA and a Fairer Scotland Duty Impact Assessment will be published alongside the final BRIA by October 2026.

If you would like to comment on the issues raised in this paper please respond via [Citizen Space](#). The closing date for responses is 30 March 2026.

Information gathered from this process will inform Ministers' final decisions on the Ministerial Objectives and Principles of Charging that should apply to the Scottish water industry in the next regulatory period.

We welcome early responses.

4. Process for planning the regulatory cycle – the Strategic Review of Charges

The Strategic Review of Charges is the process undertaken to determine the charges payable by Customers for the next regulatory period.

The current regulatory period runs from 2021-27.

The first step in the statutory process was for Ministers to send a commissioning letter to WICS, in April 2024, confirming that the next regulatory period will run for six-years from 2027-33. A copy of the commissioning letter is provided in Annex A.

WICS then published a methodology outlining how they will determine the maximum charges for the regulatory period and invited Scottish Water to propose how it planned to meet the Ministerial Objectives for the period.

In October 2025 Scottish Water published its [draft business plan](#) setting out how it plans to invest in services and infrastructure to meet customer needs for the regulatory period. The draft business plan also indicated the customer charges that Scottish Water felt would be necessary to deliver the plan.

Also in October 2025, WICS published their [initial response to that draft plan](#) seeking further detailed justification on the extent of the plan and the charges proposed.

To support discussions between Scottish Water and WICS, Ministers are now inviting public comment on draft Principles of Charging and Ministerial Objectives. In particular, the Ministerial Objectives will help determine what the priority investment areas are for the next regulatory period.

Scottish Water will then produce a final business plan which will enable WICS to issue a final determination setting out the maximum charges for the 2027-33 period in time for the start of the new regulatory period on 1 April 2027.

Timeline

Commissioning Letter to WICS – April 2024

Publication of WICS methodology – December 2024

Scottish Water Draft Business Plan shared with stakeholders – June 2025

WICS comments on Scottish Water draft business plan shared with stakeholders – August 2025

Consult on Principles of Charges* – January 2026

Consult on Ministerial Objectives* – January 2026

Scottish Water shares its final business plan with water industry stakeholders – February 2026

WICS Draft Determination – June 2026

Final Principles of Charges – September 2026

Final Ministerial Objectives – October 2026

WICS Final Determination – October 2026

Start of New Regulatory Period – April 2027

* These documents are the subject of the present consultation

4.1 Challenges for the Water Industry that will shape the Ministerial Objectives

The water sector is facing three main challenges:

1. Our infrastructure is ageing, giving rise to increased maintenance and improvement costs, and a greater likelihood of needing replacement.
2. Climate change is driving higher temperatures, which in turn lead to drier summers and more intense rainfall events throughout the year particularly in the winter. Scotland's water and wastewater infrastructure, some of it dating back to the late 1800s was not built to accommodate these extremes.
3. We are using more water – due to population growth and increased demand by households and businesses. This means that without a new approach to water as a country, we will see an increasing risk of water shortages particularly in the east of Scotland.

The Scottish Government consulted on some of these wider issues in the water, wastewater and drainage policy consultation in late 2023. The documents for that consultation give further background which you may also find helpful context:

<https://www.gov.scot/publications/water-wastewater-drainage-policy-consultation>

The consultation showed that, as customers, we have a good understanding of the link between current challenges and areas where we must focus investment. The consultation concluded that

“...there was wide agreement that we should recognise that the water industry provides three services: water, wastewater and drainage and that suitable infrastructure is required to support the delivery of each of these services. Given the growing likelihood of drought and water scarcity, respondents agreed that Scotland needs to plan its water resources to ensure water resilience. Furthermore, Scotland's households need to become more water efficient... This is preferential to building new reservoirs and water treatment works which would be expensive.

In relation to wastewater, there was a recognition that wastewater networks need to be improved to reduce the frequency of sewage spills and to support a circular economy through resource recovery. Given the increasing likelihood of more intense rainfall, respondents agreed that building blue-green infrastructure to handle rainwater was preferable to building ever larger wastewater systems and sewers.

Furthermore, the removal of rainwater from sewers today would lessen the frequency and impacts of current sewage spills. Responses acknowledge that improvements must be funded...”

An analysis of responses to that consultation can be found here:

<https://www.gov.scot/publications/water-wastewater-drainage-consultation-analysis-report/> .

Further information on how the current challenges for our water industry have shaped the draft Ministerial Objectives can be found in Section 5.

4.2 Scottish Water – Performance in the current regulatory cycle

During the current regulatory period Scottish Water has continued to perform well:

- Scottish Water is investing over £1 billion per year to improve services, protect the environment and contribute to the economy.
- Scottish Water has provided connections to more than 70,000 new homes and businesses.
- Scottish Water's service performance continues to improve, exceeding targets set for both its household and non-household customer service measures.
- Its performance against the Outcome Performance Assessment (a basket of measures that look at a range of service aspects, including low pressure, leakage, drinking water quality, sewer flooding and pollution incidents) remains high, and in 2024/25 Scottish Water achieved its highest score ever, exceeding the target range.
- Water lost to leaks reduced in 2024/25 by 8 million litres per day compared with the previous year. However, climate change, drying soils and ageing infrastructure make leaks more likely, so Scottish Water continues to prioritise this area, with ongoing investment in training, detection and repairs.
- Drinking Water compliance continues to be high, with 99.94% of tests complying with strict regulatory standards in 2024.
- While there was a very small increase (1.5%) in pollution incidents since 2023/24, serious pollution incidents (Categories 1 and 2) reduced from 11 to 4. Huge improvements have been made over the years, with totals incidents reducing from 796 in 2010/11 to 199 in 2024/25.
- Average household charges remained £100 lower than the average in England and Wales in 2025/26.
- In 2024/25, Scottish Water delivered over ten thousand tonnes of carbon reductions (10,892 tCO₂e) as part of Year 5 of its Net Zero Routemap, through activities such as peatland restoration and energy projects.
- In view of an overall economic assessment, WICS wrote in its [2024-25 performance report](#) that while there is room for renewed focus on specific areas, Scottish Water continues to provide a high standard of service for customers overall.

Looking to the future, it is important that the Ministerial Objectives continue to support Scottish Water to build on these achievements and improve the standards of service it provides to all customers over the long term.

5. Consultation on Ministerial Objectives

5.1 Background

Scottish Ministers set objectives for Scottish Water as to the standard of services it provides in its core functions.² These are referred to as the Ministerial Objectives. The draft Ministerial Objectives, which are subject to this public consultation, are provided in Annex A.

The Ministerial Objectives establish the standard of services Scottish Water must provide its customers and the type of investment activity it must undertake.

The Ministerial Objectives impact on what we all – as households or business customers – pay for the water and wastewater services provided by Scottish Water.

The services that Scottish Water provide are funded through customer charges and borrowing from the Scottish Government. Scottish Water's independent economic regulator, the Water Industry Commission for Scotland (WICS), will determine the maximum amounts of customer charges for Scottish Water's charges scheme for 2027-33. This maximum amount is based on the lowest overall reasonable cost for it to deliver the Ministerial Objectives.

In 2020 [WICS determined](#) that Scottish Water could increase customer charges by two percentage points above inflation, as measured by the Consumer Prices Index (CPI), on average over each year of the (current) 2021-27 regulatory period (1 April 2021 to 31 March 2027).

Scottish Water plans to invest around £6.2 billion which will contribute to the delivery of the [Ministerial Objectives](#) for the current regulatory period. **Table 1**³ breaks down this planned investment by primary service.

Table 1: Scottish Water's planned investment in 2021-27 (£ billions, outturn prices) by primary service

Category	Water	Wastewater	General	Total
Asset replacement, planned repair, refurbishment and inspections	1.4	0.9	0.3	2.5
Responsive repair, refurbishment and inspections	0.7	0.7	0.0	1.4
Enhancement	0.7	0.6	0.3	1.6
Growth	0.1	0.3	0.0	0.4
Completion Programme	0.2	0.1	0.0	0.3
Total	3.1	2.6	0.5	6.2

² Scottish Ministers give Scottish Water directions as to their general powers under section 25 of the Water Industry (Scotland) Act 2002 and its internal management powers under schedule 3 of that Act, which and also how Scottish Water is managed generally. Those directions may, in particular, set objectives as to the standard of services to be provided in the exercise of Scottish Water's core functions, for the 2027-33 regulatory period (1 April 2027 to 31 March 2033), henceforth called the "Ministerial Objectives".

³ This data has been sourced from a bespoke analysis of the data that Scottish Water was required to provide WICS as part of its Annual Return for 2024/25. The data is rounded to the nearest £0.1 billion.

The [glossary](#) published alongside WICS' final methodology for the Strategic Review of Charges 2027-33 defines the investment categories in **Table 1**.

Scottish Water invests in different types of work to maintain and improve services. Asset maintenance means looking after existing systems by carrying out repairs, refurbishment, or replacement so that they continue to perform as expected. Repairs fix faults, while refurbishment upgrades older equipment to extend its life. Asset replacement involves installing new systems when the old ones are worn out or no longer cost-effective. Capital enhancement focuses on improving services, such as providing higher treatment standards, reducing environmental impact, or improving customer experience. Growth investment expands capacity and builds new connections to meet rising demand from homes and businesses.

Investment in the Completion Programme covers projects from the previous regulatory period (2015-21) that are finishing in 2021-27, including those delayed by factors such as Covid-19 or scope changes, and those originally planned to complete during 2021-27.

Scottish Water plans to invest £2.5 billion in 2021-27 on asset replacement and planned maintenance and a further £1.4 billion on responsive maintenance – a total of £3.9 billion. Furthermore, it plans to invest £1.6 billion and £0.4 billion on enhancement and growth projects, respectively – a total of £2.0 billion. This illustrates that the investment required to maintain existing levels of service is greater than the amount required to improve services or expand capacity to accommodate future customers.

For the next regulatory period, Scottish Water has suggested that an £8.3 billion investment programme (2023-24 prices) will be needed. This would require, in its initial view, customer charges to rise by four percentage points above inflation (CPI) on average in each year of the 2027-33 regulatory period.

Scottish Water set this out in its [draft business plan](#), which explains how it could fulfil the draft Ministerial Objectives from the [Commissioning Letter](#). The Commissioning Letter was issued by Scottish Ministers in April 2024 and initiated the review. The draft Ministerial Objectives set out in the Commissioning Letter were a continuation of the Ministerial Objectives for the current regulatory period.

Scottish Water has received feedback on its draft business plan from [Consumer Scotland](#), [WICS](#) and other industry stakeholders. The Scottish Government, Consumer Scotland, WICS, and Scottish Water's own Independent Customer Group have all raised concerns around the affordability of Scottish Water's draft business plan for its customers. Scottish Water is considering this feedback while preparing its final business plan which it must submit to WICS on 26 February 2026.

The draft Ministerial Objectives for 2027-33 are proposed in order to begin addressing the challenges faced by the water industry, e.g. ageing assets, adapting to climate change, and population growth and movements. Addressing these means Scottish Water can continue to deliver high quality and sustainable water and

wastewater services. However, there is a need to balance ambition with the impact on customer charges.

As set out in the Commissioning Letter, the draft Ministerial Objectives for 2027-33 that we are now seeking your views on are an evolution of those currently in place. They cover a number of areas, as summarised below.

Standard of Services: Scottish Water must maintain or improve service levels compared to 2027, set performance targets with stakeholders, and ensure transparent public access to performance data.

Investment Planning: Investment must align with national infrastructure and environmental hierarchies⁴, support long-term asset value, service outcomes, and delivering value across generations.

Asset Maintenance: Scottish Water must prioritise maintaining and enhancing existing assets over building new ones, continue to develop an evidence-based strategy for asset health, and ensure sustainable investment to maintain service levels amid climate change.

Supporting Sustainable Economic Growth: Scottish Water must provide strategic capacity for housing and industry, optimise existing infrastructure before expansion, and support national planning while balancing domestic and non-domestic needs.

Drinking Water Quality: Scottish Water must address risks to water quality through investment and operational improvements, conduct system-wide risk assessments, and support efforts to eliminate lead piping.

Drinking Water Resilience and Demand Management: Scottish Water must improve supply resilience and, by 2028, report on options to close the 2050 supply-demand gap, including demand management and supply expansion, while promoting water-efficient behaviours.

Cyber, Physical and Personnel Security: Scottish Water must enhance security across its systems and infrastructure against malicious threats, guided by government and industry best practices.

Environment: Scottish Water must publish and deliver an Improving Urban Waters Routemap, maintain transparency on unsatisfactory discharges, and invest to improve bathing water quality in collaboration with SEPA.

Wastewater Treatment and Network Performance: Scottish Water must address compliance risks with wastewater regulations through investment and operational changes, provide public access to overflow data, and promote responsible sewer use.

⁴ For example, the Scottish Government's Common Investment Hierarchy (set out in the [Infrastructure Investment Plan](#)) and the Environmental Impact Assessment Mitigation Hierarchy.

Management of Rainwater and Flood Resilience: Scottish Water must collaborate to implement integrated urban catchment management, reduce sewer flooding and pollution, and create flood-resilient, nature-inclusive communities.

Climate Change, Adaptation and Mitigation: Scottish Water must assess climate risks to assets, adapt services to climate impacts, support biodiversity, and maintain progress toward net zero emissions in line with national adaptation plans.

Circular Economy: Scottish Water must align with Scotland's Circular Economy Route Map, exploring resource recovery and sustainable reuse of bioresources and effluent.

5.2 Alignment with the Water Sector Vision

Table 2 sets out how the draft Ministerial Objectives are linked to the Water Sector Vision.

Table 2: Alignment of the draft Ministerial Objectives for Scottish Water for 2027-33 with the Water Sector Vision

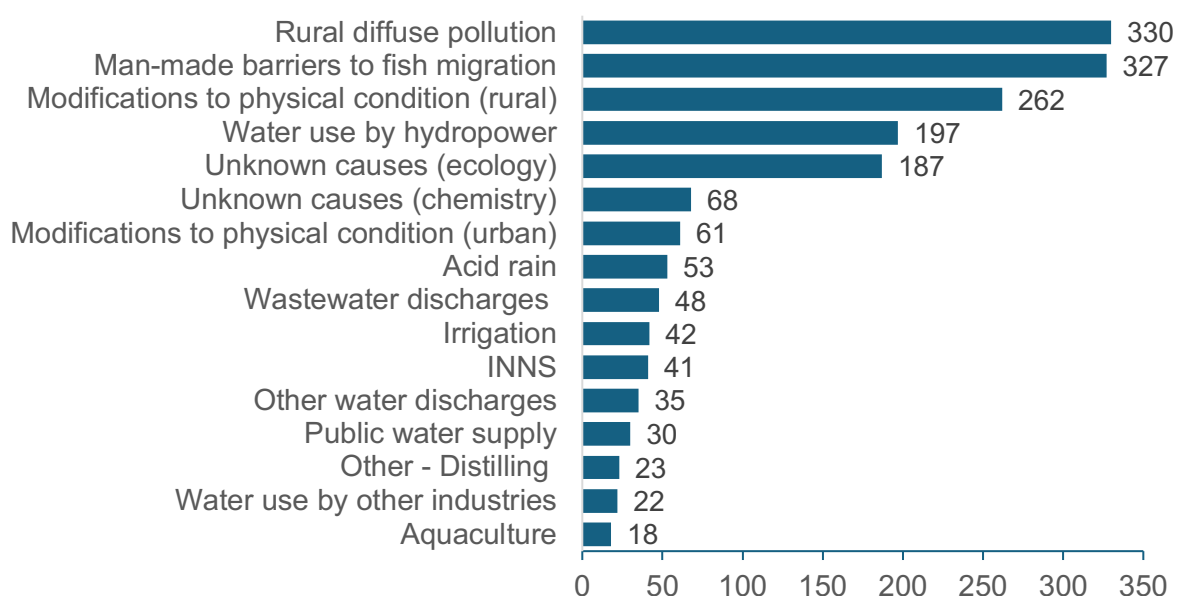
Water Sector Vision	Relevant Ministerial Objectives
We will keep services affordable by innovating and delivering the greatest possible value from our resources, helping those who need it most. We will serve all customers and communities in a way that is fair and equitable to present and future generations.	Standard of Services; Investment Planning; and Asset Maintenance
We will enable the economy to prosper.	Supporting Sustainable Economic Growth
Together we will support the health and wellbeing of the nation. We will ensure that all of Scotland gets excellent quality drinking water that people can responsibly enjoy. We will involve and inspire Scotland's people to love their water and only use what they need.	Drinking Water Quality; Drinking Water Resilience and Demand Management; and Cyber, Physical and Personnel Security
Scotland's wastewater will be collected, treated and recycled in ways that generate value and protect people and the environment. We will promote access to the natural environment and encourage communities to enjoy and protect it.	Environment; and Wastewater Treatment and Network Performance
We will be agile and collaborate within the sector and work in partnership with others to be resilient to the challenges that face us.	Management of Rainwater and Flood Resilience
Scotland's water sector will be admired for excellence, secure a sustainable future and promote a responsible Hydro Nation. We will transform how we work to live within our planet's resources, work with the natural environment and maximise our contribution to Scotland achieving net zero emissions and adapting to climate change. We are a vital part of a flourishing Scotland.	Climate Change, Adaptation and Mitigation; and Circular Economy

5.3 Pressures on the Water System

The wider water system has a number of pressures. Not all of these are due to Scottish Water and the network it operates. However, investment in Scottish Water's network is essential to respond to the pressures in the wider water system and maintain the levels of service customers expect.

For example, **Figure 1** shows the pressures on Scotland's surface water bodies that did not achieve 'Good or better condition' in 2020, at the beginning of the current River Basin Management Planning (RBMP) cycle (2021-2027).⁵ Of the 1,164 surfaces water bodies identified as less than good condition, only 48 had pressures due to wastewater discharges (less than five percent). A further 30 had pressures due to public water supply related to flows and levels, e.g. water abstraction or storage.

Figure 1: Pressures on Scotland's surface water bodies in 2020, at the beginning of the current RBMP cycle (2021-2027), ordered by the number of surface water bodies impacted by each pressure

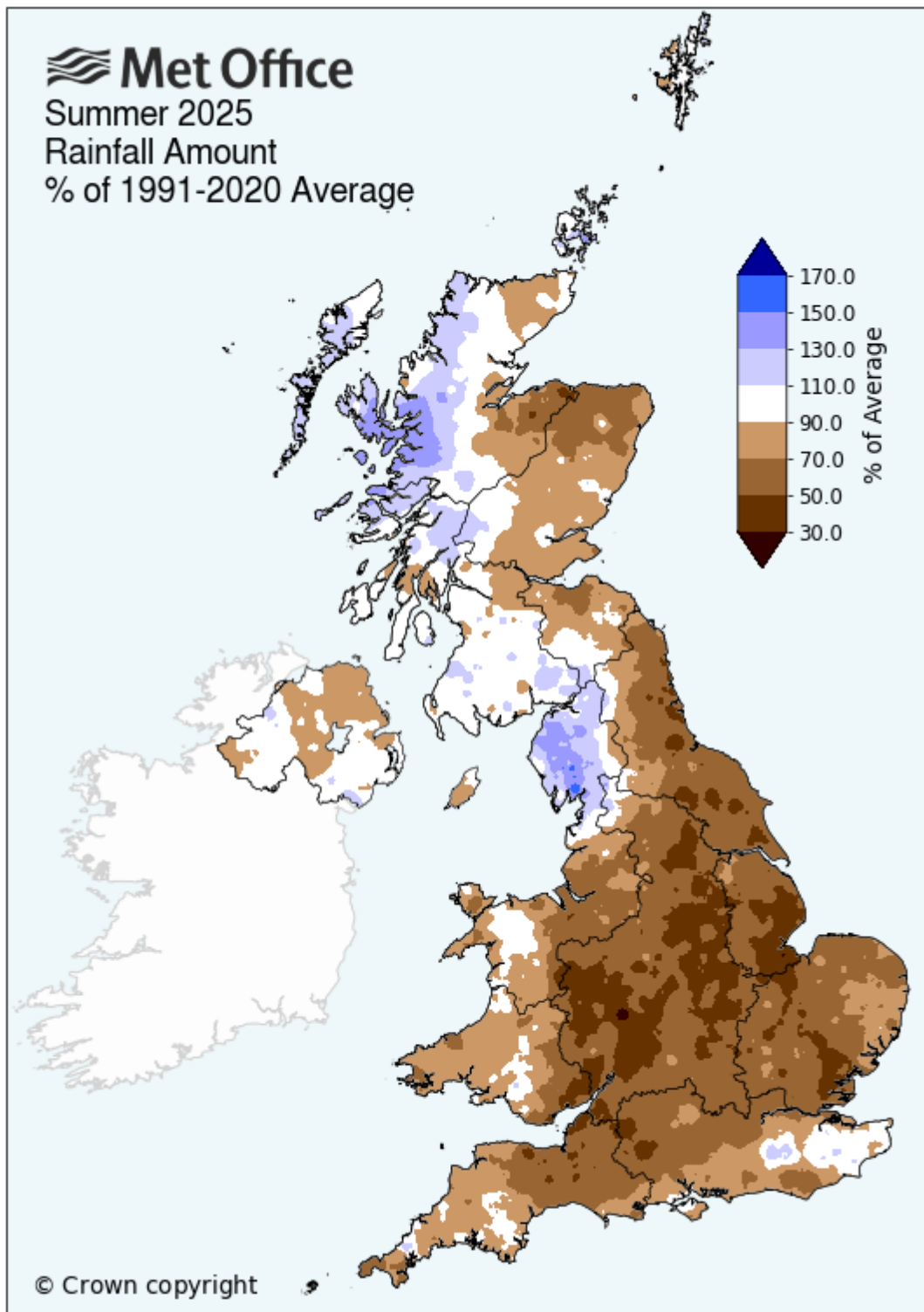


5.3.1 Water challenges

Scotland's weather is changing fast. Summers are getting hotter and drier, while winters are wetter and storms more intense. Summer 2025 was the UK's warmest on record. This was particularly pronounced in parts of the north-east where mean temperatures were between 1.5 to 2°C warmer than the long-term average (1991-2020). **Figure 2** illustrates that rainfall in the east was generally 70 to 90% of the long-term average. In the north-east, rainfall was generally 50 to 70% of the long-term average.

⁵ <https://informatics.sepa.org.uk/RBMP3/>

Figure 2: Rainfall in Summer 2025 compared to the long-term average between 1991 and 2020



These changes mean less water in reservoirs during dry spells and more flooding during storms. For example, as of 31 October 2025 reservoir stocks in the east were lower than normal at 56% compared to an average of 85% at this time of year, with Scottish Water having to take a number of actions to mitigate risks and maintain

public supplies.⁶ Low flows and warmer water encourage algae growth, making water harder and more expensive to treat. These global changes are outside Scotland's control, but we must adapt to protect our water services.

A [quest blog](#) hosted on the Scottish Parliament Information Centre website in October 2025 highlighted that people in Scotland use more water than most other countries – 180 litres per person every day, compared to around 145 litres in England and Wales, 125 litres in Ireland, and 85 litres in Belgium. This high use adds pressure on supplies and increases energy and carbon costs for treatment.

Scottish Water's [Climate Change Adaptation Plan 2024](#) sets out that by 2050, provided water continues to be used at current levels, the demand for water will exceed supply by 240 million litres per day during dry periods. There will be a deficit of 100 million litres per day in key population centres in the east (City of Edinburgh, the wider Lothian region, Dundee and Fife). This risk is made worse by population shifts from west to east and economic growth, which increase demand where water is already under pressure. For example, the National Records of Scotland [projects](#) that the population of Scotland will increase by 6% between mid-2022 and mid-2047. This will vary across council areas with the population in Midlothian projected to increase by 35% whereas the population in Inverclyde is projected to decrease by 16%.

Meeting future demand at current usage levels would require building new reservoirs, water treatment works and pipes. This would be costly and harmful to communities and the environment, so using water wisely to reduce Scotland's need to build more infrastructure is essential.

5.3.2 Wastewater challenges

Scottish Water's [Improving Urban Waters Routemap](#) sets out how it is transforming its wastewater systems to deliver environmental benefits. The Routemap commits up to £500 million of investment to increase monitoring and reporting of sewer overflows, reduce overflows, improve water quality and reduce sewer related debris in the environment.

Customer habits also affect the sewer network. When items like wet wipes, sanitary products, and fats are inappropriately disposed to sewer these cause blockages. It costs Scottish Water, and ultimately its customers, to clear these blockages and they can lead to sewage spills into rivers and beaches. As reported in Scottish Water's [Annual Report and Accounts 2024/25](#), around three-fifths of environmental pollution incidents in the sewer network were caused by items such as wet wipes and sanitary products that had been inappropriately disposed to sewer.

At the same time, new homes, roads, and paved gardens create more hard surfaces, so rain runs off quickly into drains, raising flood risks.

⁶ Scottish Water's Water Update Report dated 31 October 2025.

We all have a part to play in respecting and managing our water resources and environment. Simple changes – like shorter showers, water butts, and putting rubbish in bins – can help protect Scotland’s water and limit the size of future charge increases. Scottish Water’s focus is on managing the pressures on our water and wastewater service networks in order to continue to provide high quality, affordable services for customers.

The Ministerial Objectives focus on the areas we think are most important for managing those pressures, maintaining the delivery of Scottish Water’s services and ensuring Scottish Water is playing its part in achieving the Water Sector Vision.

In setting the Ministerial Objectives we have considered how they work together across the wider water system and will drive investment across Scottish Water’s networks to manage the pressures in the system. For example, the drinking water resilience objective may require Scottish Water to invest to increase the connectivity of its water infrastructure to ensure it can continue to provide a reliable supply of drinking water to its current and future customers. However, investment in Scottish Water’s infrastructure is only one solution to this problem. Another less costly way to solve this problem is through customer behaviour change, which links to the demand management objective around behaviour change.

There is a balance to be struck between increased investment and more efficient use. Decisions we make in this statutory review of charges will not make the challenges facing Scotland’s water sector go away but must put us on the correct course to start addressing them. As such it is essential that we work together – Government, sector, communities – to decide how we strike that balance, to make sure that we protect these services.

We expect Scottish Water and its regulators to ensure that it operates efficiently, targeting action where it maximises impact and value for money.

Question 1: To what extent do you agree that the Ministerial Objectives identify the type of investment activity Scottish Water should undertake in 2027-33? [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree]

Question 2: Which areas should Scottish Water be investing in that are not covered or are there areas that are not required? [free text]

5.4 Standard of Services

The Ministerial Objectives establish the standard of services Scottish Water must provide to its customers in 2027-33.

The draft standard of services Ministerial Objective requires Scottish Water to maintain or improve the standard of services it provides to its customers in 2027-33 compared to the position at the end of the current regulatory period on 31 March 2027.

Information on Scottish Water’s performance is published annually by Scottish Water in its [annual report](#), and on specific areas of its performance by its regulators. For

example, WICS published its [annual report](#) on Scottish Water's performance in 2024-25 in November 2025.

Furthermore, in its [draft business plan](#)⁷ for 2027-33, Scottish Water forecasts its performance against outcome measures proposed by WICS. These forecasts may change when Scottish Water submits its final business plan to WICS on 26 February 2026.

An overview of Scottish Water's performance in the cycle so far can be viewed in the introduction to this consultation.

Question 3: What do you value most about the water and wastewater services provided by Scottish Water? [free text]

Question 4: Do you have any concerns about the water and wastewater services provided by Scottish Water? [free text]

⁷ These forecasts can be found on pages 72 and 73 of the draft business plan with further details in the [data table](#) on outcomes.

6. Consultation on the Principles of Charging

Customer charges provide 90% of the finance that Scottish Water uses to operate, maintain and improve services. This includes delivering a large programme of capital investment across Scotland for the benefit of current and future customers. The remainder is funded through lending from the Scottish Government, currently at £170m per year.

During the Strategic Review of Charges process, the level is set for the maximum amount of water charges for the regulatory period. Within that limit, Scottish Water can set annual charges. As part of the process, Ministers are required to issue their Principles of Charging (PoC), a statement of their policy on how charges should be implemented and distributed amongst customers.

The draft Principles of Charging Statement for 2027-33 is available in Annex B.

6.1 Overall Principles of Charging

The Scottish Government is proposing to carry forward the current Principles of Charging into the next regulatory period (2027-33) without significant changes. The draft Principles of Charging Statement states that charging should continue to reflect the following five core Principles:

- Be stable
- Cover the full costs of providing services to customers
- Be harmonised across Scotland – i.e. charges are not to vary for similar services to similar people
- Be cost-reflective – i.e. the charge for water services is limited to the cost of providing the services
- Be fair, equitable and affordable charges

The Principles of Charging Statement also sets out additional requirements that set policy positions for the manner of implementation.

For households, charges should be set based on Council Tax bands (as at April 2015) and collected with Council Tax by local authorities. For non-households, charges should continue to be based on meters where possible. To date, this approach to charging has served Scotland well, ensuring water charges deliver the right investment according to the above Principles.

However, the Government is consulting on the future of Council Tax, investigating reforms which would change the basis on which the current approach to household water charging relies.⁸ This provides an opportunity for a more fundamental review of charging policy to meet long-term and emerging needs.

The Government notes that the approach of charging households based on their Council Tax band has remained largely unchanged since before the creation of the three former water and sewerage authorities in 1996, later transferred to Scottish

⁸ [Consultation: The Future of Council Tax in Scotland](#)

Water in 2002. This was considered progressive when water charges were separated from local taxes more than 30 years ago. However, this approach may not meet the emerging policy needs of the 21st century, such as water scarcity.

Incremental changes have been made to charging policy over successive regulatory periods, in particular to provide more support for vulnerable households and to charge vacant properties. The resulting charging landscape is complex with various discounts resulting in untransparent charges and fewer than half of households paying the published rate. The scope for making further incremental improvements is limited, therefore we do not propose any changes in the near term whilst we consider long term changes.

Question 5a: To what extent do you agree or disagree that the charging approach set out in the draft Principles of Charging remains appropriate for the next 6 year regulatory period 2027-2033? [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree]

Question 5b: Please explain your answer to question 5a. [free text]

6.2 Affordability Support for Customers

The Government recognises that a number of customers face difficulty in paying their water bills. A range of support measures for customers has been part of the charging framework for many years and currently amounts to around £254m a year. This is paid for by all customers, increasing their bills by an average of £98 per annum. The measures include:

- **25% Single Person Discount** for 1 million households, costing £140m⁹
- **Up to 35% Water Charges Reduction Scheme** for a further 200,000 low-income households, passported on and proportionate to their Council Tax Reduction, costing £30m¹⁰;
- **50% discount** for 3,000 homes that remain vacant for the second half or a year and student nurses, long-term hospitalised, prisoners, etc; and
- **100% exemption** for 155,000 disregarded households occupied by students or those with severe disabilities, costing £80m.

These measures provide support to over 52% of households in Scotland. In total, they cost £254m per annum, which is roughly the same amount as discounts provided by water companies in England despite its larger population. This means that the average Scottish household's contribution towards affordability measures is eight times that of the average customer in England. We recognise that any above-

⁹ This includes single parent households, and those where there is only one student. Of these 1 million households receiving the SPD, 310,000 are also eligible for WCRS and the higher of the two measures applies, not the sum. So, a household eligible for 15% WCRS will not get any further reduction on top of the Single Person Discount, whereas a household receiving 35% WCRS will get 10% on top of SPD.

¹⁰ Note these are households that **only** receive WCRS, and do not also receive the Single Person Discount, because there are two or more adults liable for council tax). The households eligible for both discounts are accounted for in the Single Person Discount category – a further 310,000 households. However, the discounts do not stack, so that if they are eligible for only 25% or less under the WCRS, it will not increase their total discount beyond the 25% they already receive from the Single Person Discount.

inflation charge increases will impact vulnerable households and that there are limitations within the existing affordability measures:

- they do not perfectly target the households in water poverty – this is because the eligibility criteria of the Council Tax Reduction, and therefore also the Water Charge Reduction Scheme, uses a different definition of income, as they were designed for different purposes.
- those households receiving 100% Council Tax Reduction and therefore with no Council Tax liability, are still liable for 65% of the water charges which reflects the provision of a service rather than a tax.

In December Consumer Scotland published an update to its October 2024 report¹¹ on the affordability of water charges, with new modelling of the impact of water charges over 2027-33¹². It finds that above-inflation increases over 2027-33 could increase water poverty from 10% to 15% and that current affordability measures are not well targeted. It recognises that there is limited scope to improve these measures in the short-term, and fundamental reform is needed in the longer-term. In the meantime, Consumer Scotland recommends that the Scottish Government:

- increases the Water Charges Reduction Scheme to 50%;
- establishes a new hardship fund to support households ineligible for the Water Charges Reduction Scheme.

The fundamental design of affordability measures is constrained by a charging policy based on Council Tax and its associated benefits. The Government has carefully considered whether these affordability measures could be improved, including Consumer Scotland's recommendations, to support households in water poverty. It notes that at the start of the current regulatory period in April 2021, the Water Charges Reduction Scheme was increased from 25% to 35% to provide further support to low-income households. However, increasing the discount further to 50% could cost an additional £24m, which would be redistributed across all bills thus negatively affecting other households. This could have the unintended consequence of pushing households who do not receive discounts into water poverty. Furthermore, in its report, Consumer Scotland calculates that three quarters of households in water poverty are not eligible for any reduction.

We consider that maintaining the current discounts is the best way to minimise the charge increases for all customers. We recognise that more fundamental reform is needed in future to ensure a charging policy approach that is responsive to emerging needs. Therefore, in the meantime **we are not proposing any further incremental changes to the affordability measures in the Principles of Charging for 2027-33.**

Question 6a: To what extent do you agree or disagree that continuing to provide households with support for charges at the current level over the next regulatory period 2027-2033 will minimise the charge increases for all households? [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree]

¹¹ [consumer-scotland-report-on-affordability-of-water-and-sewerage-charges-oct-24.pdf](#)

¹² [Scotland facing significant rise in water poverty as bills set to increase | Consumer Scotland](#)

Question 6b: Please explain your answer to question 6a. [free text]

6.3 Support for charities

The water and sewerage exemption scheme for charities and community amateur sports clubs is set out in the Principles of Charging and provides reductions in charges where their verified annual income is less than £200,000 (100%) or £300,000 (50%)¹³. There is no comparable support provided in the rest of the UK.

It aims to strike a balance between charities needing support, the costs this imposes on all other non-household customers and fair competition with small and medium sized enterprises (SMEs) where charities operate profit making activities (e.g. cafes). The number of recipients of this scheme has remained broadly similar over the current regulatory period since 2021.

We are not proposing to make any changes to the scheme, as the current eligibility criteria and level of exemption continue to support the intended population of charities and sports clubs without significantly distorting the market. This position relies on the following factors:

- **income thresholds have remained steady**, with the proportion of charities and clubs eligible for scheme has remained the same despite inflation;
- the **cost of the scheme is low**, with costs spread across all non-household customers, and remaining level at around 1.5% of bills;
- the **exclusion of charities and clubs operating commercial activities is justified**, as average SMEs' income has only increased by around £50,000 since 2016¹⁴;
- the **annual verification of eligibility remains necessary** to maintain the integrity of the scheme and enable recipients who become ineligible due to a restricted funds to regularly reassess eligibility if their circumstances change;
- the **administrative efficiencies** from using verified annual accounts submitted to the Office of the Scottish Charity Regulator (OSCR) has reduced the administrative costs.

Question 7a: To what extent do you agree or disagree that the current eligibility criteria for the charity exemption scheme remain appropriate? [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree]

Question 7b: Please explain your answer to question 7a. [free text]

6.4 Other changes to charges outwith the Principles of Charging

During the 2027-2033 regulatory period, we will continue to work with stakeholders on arrangements to implement specific aspects of the Principles of Charging. In

¹³ Further detail on the scheme available here: <https://www.gov.scot/policies/water/water-charges-and-exemptions/>

¹⁴ <https://www.gov.uk/government/statistics/business-population-estimates-2024>

particular, we will ensure the Household Billing and Collection arrangements (as set out in SSI 2023/52), under which Local Authorities collect household water charges for Scottish Water, continue beyond their March 2028 expiry. Other specific areas of charging that could be investigated within the policy set out in the Principles of Charging include simplifying the wholesale tariff structure and resulting default retail tariff.

Whilst using the Council Tax system as a mechanism for water charges and associated discounts has served consumers well, it no longer addresses emerging policy needs adequately. It does not provide the policy levers for tackling water scarcity or targeting affordability at the most vulnerable households. Charges based on Council Tax do not provide any incentive for water efficiency, or reflect the fact that the cost to serve any household is largely the same due to the infrastructure costs.

At present, water charges are linked to Council Tax and do not take account of the amount of water used or the nature of the property. Water charges will be affected by any changes to Council Tax policy which also constrains the ability to design policy levers appropriate for water charges. For example, Council Tax affordability measures, upon which water measures are dependent, do not adequately target households in water poverty.

6.5 Review of future charging policy

The 2027-2033 regulatory period will occur against the backdrop of significant ongoing changes:

- potential Council Tax reform following the current consultation, with any change impacting water charges¹⁵;
- increasing water deficits in the public water supply system and growing awareness of the need for water efficiency (see paragraphs on page 16 about water deficits);
- ongoing cost of living challenges and focus on tackling systemic poverty;
- industry wide reforms in England recommended by the Independent Water Commission; and
- changing attitudes amongst the Scottish public towards water use, sewage and flooding in the context of climate change, including paying for services¹⁶.

Household charging policy has remained fundamentally unchanged since before the establishment of Scottish Water in 2002 and its predecessor water and sewerage authorities in 1996. Back then, linking charges to Council Tax bands was considered progressive, as a proxy for low-income to support affordability. It also meant that water charges and affordability measures could be administered efficiently alongside Council Tax and its corresponding discounts. Over the past 20 years there have

¹⁵ As per footnote in section 4.1 currently on p14

¹⁶ [Water, wastewater and drainage: consultation analysis - gov.scot](#) – analysis of consultation response including on whether using Council Tax as a basis for water charges is fair, and how to incentivise water efficiency.

been minor incremental changes within this approach to household charging, for example increasing the level of some affordability mechanisms.

Water charges will be affected by any changes to Council Tax policy. Therefore, the Government will review water charging and associated affordability measures in light of changes to Council Tax policy over the course of the upcoming regulatory period 2027-33.

Question 8a: To what extent do you agree or disagree that a fundamental review of charging policy is needed, to ensure it meets emerging policy needs and to inform the approach for the next regulatory period starting in 2033? [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree]

Question 8b: Please explain your answer to question 8a. [free text]

7. Annex A – Draft Ministerial Objectives

7.1 Context and Scottish Ministers expectations

These objectives are being set under sections 56 and 56A of the Water Industry (Scotland) Act 2002, which enables Scottish Ministers to set objectives for Scottish Water in relation to:

- the standard of the services to be provided in the exercise of Scottish Water's core functions; and
- the time by which:
 - a particular standard of any of those services is to be attained; and
 - any particular work required for or in connection with the provision of those services is (in part or whole) to be commenced or completed.

The Ministerial Objectives build on the range of statutory obligations that Scottish Water must deliver.

As set out in the [Commissioning Letter](#), Ministers expect this regulatory period (1 April 2027 to 31 March 2033) to build upon the successes of previous regulatory reviews, which have ensured a financial and regulatory environment within which Scottish Water has significantly improved levels of efficiency and service delivery.

Ministers' general expectations are that:

- Scottish Water should build on the current good performance to make further progress with particular focus on the areas that Ministers identify in the proposed objectives for 2027-33.
- Scottish Water must demonstrate to the Scottish Ministers, the relevant regulator and customers that they are meeting these objectives.
- As set out in the Commissioning Letter, Ministers expect that the outputs necessary to achieve the objectives reflect the best possible value for money in terms of the improvement in outcome achieved for the investment made.
- Ministers' policy with respect to customer charging is set out in the draft Principles of Charging. Ministers expect that Scottish Water develops a balanced investment programme, in consultation with the water industry stakeholders, namely Consumer Scotland, DWQR, SEPA, and WICS, that ensures it is able to deliver on its statutory duties and these objectives, mindful of the charges requires from customers to fund this.

These Objectives establish specific outcomes Scottish Water must deliver in the period 2027-33 and the type of investment activity Scottish Water should be undertaking to enable it to play its part in achieving the long-term [Water Sector Vision](#).

These Objectives have been informed by other Scottish Government policies and strategies and also by the views of Scottish Water, Consumer Scotland, DWQR, SEPA and WICS.

7.2 Standard of Services, Investment Planning, and Asset Maintenance

The Water Sector Vision states:

“We will keep services affordable by innovating and delivering the greatest possible value from our resources, helping those who need it most. We will serve all customers and communities in a way that is fair and equitable to present and future generations.”

Objectives 1 to 3 are intended to enable Scottish Water to play its part in achieving this.

Objective 1: Standard of Services

Scottish Water must, in general, maintain or improve levels of service in the 2027-33 period compared to the position at 31 March 2027.

Scottish Water’s performance will be monitored via the levels of service measures in WICS’ methodology.

Scottish Water must:

- engage with its customers and stakeholders (in particular Consumer Scotland, DWQR, SEPA, and WICS) to establish appropriate targets for its performance against these measures for the 2027-33 period, consistent with [WICS’ methodology](#); and
- deliver on these, subject to any revisions in a Delivery Plan approved by Scottish Ministers.

Furthermore, Scottish Water must:

- work with WICS to maintain public-facing access to data on its performance against these targets in each year of the 2027-33 period, showing how this has evolved over time; and
- improve public access to data on its performance more generally.

Objective 2: Investment Planning

Scottish Water must:

- align with the Scottish Government’s definition of infrastructure and its Infrastructure Vision set out in the [Infrastructure Investment Plan](#) (IIP) (as may be amended or replaced from time to time);
- undertake an approach to investment that aligns with the Scottish Government’s Common Investment Hierarchy (set out in the IIP) and the Environmental Impact Assessment Mitigation Hierarchy;
- produce investment plans that show how it will invest in its assets to spread the cost of necessary investment fairly across generations, using borrowing to

spread the costs of enhancement and growth projects, in order to contribute to the achievement of the long-term Water Sector Vision;

- demonstrate how investment activity is contributing to the whole life of the asset, ongoing levels of service, the resolution of known service issues and good environmental outcomes; and
- provide WICS with any information they require to enable them to provide assurance to Scottish Ministers that this objective is being fulfilled.

Objective 3: Asset Maintenance

In line with the Scottish Government's Infrastructure Investment Plan, Scottish Water must maximise the useful life of its existing assets by prioritising enhancing and maintaining them over building new ones, while ensuring its assets have the appropriate capability and resilience. This means that Scottish Water must:

- promote sufficient asset maintenance to deliver the required levels of service while having due regard to the condition of the infrastructure passed on to future customers; and
- demonstrate how investment, or lack thereof, in asset maintenance is contributing to a change in the condition of its assets and thus levels of risk, levels of service, and environmental outcomes.

Furthermore, Scottish Water must continue to evolve its evidence-based strategy to inform the long-term asset maintenance needs of the industry. This strategy must:

- set out the asset health, including condition, of its assets insofar as current evidence can support for each water and wastewater system;
- set out a programme to be undertaken (to be agreed with WICS) to address gaps in its asset knowledge and advance its understanding of the condition of its assets in each water and wastewater system, in particular those of a critical nature for maintaining service delivery;
- outline the long-term sustainable level of investment to maintain the overall condition of its infrastructure such that it can deliver the required levels of service in the face of a changing climate; and
- be subject to consultation with, and have the broad support of, its regulators.

7.3 Supporting Sustainable Economic Growth

The Water Sector Vision states:

"We will enable the economy to prosper."

Objective 4 is intended to enable Scottish Water to play its part in achieving this.

Objective 4: Supporting Sustainable Economic Growth

Scottish Water must:

- identify and provide new strategic capacity that will meet the demand of all new housing development and the domestic requirements of commercial and industrial development, and provide connections to its assets at a [reasonable cost](#);

- work with stakeholders to influence strategic development in areas where there is already capacity, and to consider all possible measures to release capacity in existing assets before requiring enhancement of water and wastewater infrastructure;
- ensure that such strategic capacity is delivered in support of committed investment so as to minimise the likelihood of redundant capacity; and
- support the delivery of [National Planning Framework 4](#) while fulfilling its role as a statutory consultee in the planning process, as set out in planning legislation, acting in the best interests of its current and future customers.

Scottish Water must work with the industrial sector to facilitate the provision of capacity that will meet the non-domestic needs of new and expanding industry. However, it is not obliged to provide capacity to meet non-domestic needs if doing so would endanger its obligations to supply water for domestic use to current or future customers without having to provide new strategic capacity at an unreasonable cost.

7.4 Drinking Water Quality, Resilience and Demand Management, and Cyber, Physical and Personnel Security

The Water Sector Vision states:

“Together we will support the health and wellbeing of the nation. We will ensure that all of Scotland gets excellent quality drinking water that people can responsibly enjoy. We will involve and inspire Scotland's people to love their water and only use what they need.”

Objectives 5 to 7 are intended to enable Scottish Water to play its part in achieving this.

Objective 5: Drinking Water quality

When failures or the risk of failures to comply with its [drinking water quality duties](#) (as amended or replaced from time to time) are identified, Scottish Water must prepare and deliver investment plans or improvements in its operational practices to address these by dates to be agreed with the DWQR.

Scottish Water must undertake risk assessments of its drinking water supply systems, from source to the point of supply, that identify where there are risks of it supplying unwholesome water.

Scottish Water must collaborate with the DWQR, Scottish Government, and other stakeholders to play its part in delivering a lead-free Scotland. This includes advising customers how to identify lead piping in private ownership.

Objective 6: Drinking Water Resilience and Demand Management

Scottish Water must review and update its existing plans to address the resilience of supplies (including raw water), and take steps to secure further improvements to resilience.

By 31 March 2028, Scottish Water must provide to Scottish Ministers a report setting out the range of options to address the forecasted gap between supply and demand in 2050 (due to changing climate and demographics). The options explored should include:

- demand management – the role of monitoring, price signals through customer charging, widespread public awareness campaigns and behaviour change, water efficient appliances, location of new economic growth etc.; and
- increasing (e.g. new reservoirs) and redistributing supply.

This report should set out the considerations of each option: contribution towards reducing the gap, cost (capital and operational), delivery timescales, deliverability within Scottish Water’s current legislative powers, impact on customers etc.

The information will be necessary to inform the development of Scottish Ministers’ future policy for the subsequent regulatory periods. This policy development will be informed by stakeholders, in particular Consumer Scotland and WICS.

Furthermore, Scottish Water must work with its customers to encourage, and subsequently monitor and evaluate, behaviour changes that promote water efficiency.

Objective 7: Cyber, Physical and Personnel Security

To ensure continuity of service, Scottish Water must prepare and implement plans to improve the cyber, physical and personnel security of its network and systems to protect them from malicious attack. Such plans must be prepared in line with advice from the Scottish Government, DWQR, and be informed by industry best practice.

7.5 Environment, Wastewater Treatment, and Network Performance

The Water Sector Vision states:

“Scotland’s waste water will be collected, treated and recycled in ways that generate value and protect people and the environment. We will promote access to the natural environment and encourage communities to enjoy and protect it.”

Objectives 8 and 9 are intended to enable Scottish Water to play its part in achieving this.

Objective 8: Environment

Scottish Water must:

- publish an Improving Urban Waters Routemap (IUWR) covering the period 1 January 2028 to 31 December 2033 which sets out how improvements to its infrastructure are expected to contribute effectively to river basin management planning (RBMP) objectives;
- agree any commitments in this IUWR with SEPA; and
- publish annual updates setting out its progress in delivering them.

Scottish Water must maintain public-facing access to a list of all of its intermittent discharges that are unsatisfactory, providing information on location, priority for investment, and when it expects to deliver upgrades. This information must be agreed with SEPA and publicly available by 31 December 2027.

Scottish Water must:

- continue to implement measures to protect designated bathing waters achieving 'sufficient' or better classifications from its assets, avoiding deterioration; and
- prepare and implement investment plans that address known impacts of its assets on designated bathing waters classified as 'poor', to increase the status to 'sufficient' or better classification, by dates to be agreed with SEPA.

Objective 9: Wastewater Treatment and Network Performance

When Scottish Water fails to comply with the [Urban Waste Water Treatment \(Scotland\) Regulations 1994](#) (as amended or replaced from time to time), or there is a risk of it failing to comply, it must prepare and deliver investment plans or improvements in its operational practices to address these by dates to be agreed with SEPA.

Scottish Water must provide public-facing access to data on overflows from all intermittent discharges in its network by 31 March 2033. This may include data from hydraulic models where they indicate intermittent discharges are unlikely to overflow or the cost to install a monitor is unreasonable.

Furthermore, Scottish Water must work with its customers to encourage, and subsequently monitor and evaluate, behaviour changes that ensure only appropriate items are disposed to sewer.

7.6 Management of Rainwater and Flood Resilience

The Water Sector Vision states:

“We will be agile and collaborate within the sector and work in partnership with others to be resilient to the challenges that face us.”

Objective 10 is intended to enable Scottish Water to play its part in achieving this.

Objective 10: Management of Rainwater and Flood Resilience

Scottish Water must identify and pursue opportunities to work with stakeholders to clarify roles and responsibilities and respond to opportunities proposed by stakeholders, to transform how rainwater is managed in new and existing communities.

In particular, Scottish Water must, in collaboration with other parties as appropriate, adopt and encourage an integrated urban catchment management approach to sustainably drain rainwater wherever practical, to define governance, reduce the risks and impacts of sewer flooding, reduce pollution from sewer overflows, enable

growth and create flood resilient places that include natural spaces for customers and communities to enjoy.

7.7 Climate Change Adaptation, Mitigation, and Circular Economy

The Water Sector Vision states:

“Scotland's water sector will be admired for excellence, secure a sustainable future and promote a responsible Hydro Nation.

“We will transform how we work to live within our planet’s resources, work with the natural environment and maximise our contribution to Scotland achieving net zero emissions and adapting to climate change.

“We are a vital part of a flourishing Scotland.”

Objectives 11 and 12 are intended to enable Scottish Water to play its part in achieving this.

Objective 11: Climate Change, Adaptation and Mitigation

In support of the Scottish Government’s vision for a Scotland that is resilient, inclusive and well-adapted to climate change, as set out in the [Scottish National Adaptation Plan](#), Scottish Water must:

- identify the impacts of climate change on its assets and assess the risk and likelihood, having regard to the UK Climate Change Risk Assessment and advice from the Climate Change Committee;
- continue to implement and evolve plans for measures necessary to adapt its assets and services to the impacts of climate change, while building resilience, and protecting and enhancing nature and biodiversity; and
- help to deliver the Scottish National Adaptation Plan, including the objective (PS3) on managing Scotland’s water resources.

To support the transition to a net zero emissions Scotland, Scottish Water must ensure it maintains its trajectory towards achieving net zero emissions.

Objective 12: Circular Economy

Scottish Water must:

- have regard to [Scotland’s Circular Economy and Waste Route Map to 2030](#) in its provision of water and wastewater services; and
- assess the potential for resource recovery from its sewage systems and the sustainable reuse of bioresource and effluent.

8. Annex B – Principles of Charging

Draft Principles of Charging for regulatory period 2027-33

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Water services – charging principles: 2027 to 2033

Scottish Ministers make the following statement of policy regarding charges, for the period from 1 April 2027 to 31 March 2033 (the “regulatory period”), under section 29D of the Water Industry (Scotland) Act 2002 (the “2002 Act”). This statement of policy includes high level principles and supporting mechanisms, and is intended to allow Scottish Water to achieve the Objectives set by Ministers (*Ministerial Objectives*) for the period, to play its significant part in delivering the long-term Water Sector Vision.

This statement of policy has been prepared in consultation with the industry regulators: Drinking Water Quality Regulator (DWQR), the Scottish Environment Protection Agency (SEPA) and the Water Industry Commission for Scotland (*the Commission*), and the statutory consultees: Scottish Water, the Consumer Scotland (CS) and licenced water and sewerage services providers.

Ministers welcome the industry wide commitment to embrace Ethical Business Practices. Ministers are committed to achieving the right balance of quality of services and value for money.

This statement of policy supports the delivery of the Government's Policy Prospectus of focussing government and public services on:

- eradicating child poverty,
- growing the economy,
- tackling the climate emergency,
- ensuring high quality and sustainable public services.

Under section 29C of the 2002 Act, the Commission and Scottish Water must (so far as consistent with other specified duties) give effect to this statement of policy when exercising certain charging functions under the Act. In particular, it will guide the Commission when determining, under section 29B of the 2002 Act, the maximum charges with which Scottish Water must comply during the regulatory period.

Principles

Scottish Water and the Commission should apply the following principles of charging when setting and approving annual charges. In applying the principles, Ministers expect the Commission and Scottish Water to take account of the prevailing economic circumstances facing customers whilst also ensuring the industry can continue to make progress to address the long-term challenges it faces.

Principle 1 – Stable charges

1. Ministers recognise the importance that customers attach to stability and certainty in charging. Ministers require that the Commission, when determining the maximum amounts of charges, have regard to the level of inflation, as measured by the Consumer Prices Index (CPI).

Principle 2 – Full cost recovery

2. Charges should cover the full costs of providing services to customers.

Principle 3 – Harmonised charges

3. Ministers require that charges should, for similar services provided to customers of a similar category, be the same for each customer in that category regardless of location in Scotland.

Principle 4 – Cost-reflective charges

4. Charges should remain broadly cost-reflective. In particular charges for given services (for example drinking water) to particular customer groups (for example households) should be set to recover the cost to Scottish Water nationally of providing that service to that group as a whole.

Principle 5 – Fair, equitable and affordable charges

5. In determining the maximum amounts of charges, the Commission should ensure Scottish Water is sustainably funded to fulfil its statutory role and play its significant part in delivering the Water Sector Vision over successive regulatory periods.
6. The Commission and Scottish Water must also take into account that charges should be affordable and set at a level that is fair and equitable to present and future generations.
7. Scottish Ministers expect Scottish Water to set its charges taking into account the affordability measures contained within this statement.

Additional Requirements

Household charges

8. Ministers confirm that the collection arrangements and tariff structure applying to unmetered household charges in 2021-27 should continue for the 2027-33 period. That is:
 - a. Local Authorities will continue to bill and collect unmeasured household water and sewerage charges – Ministers will ensure that an order under section 37 of the Water Industry (Scotland) Act 2002 is in place to secure this.
 - b. The bandings for household water and sewerage charges should replicate the council tax bandings that were in place in April 2015 and apply the discounts and reductions that apply to council tax, subject to the provision set out at paragraph 7.
 - c. No discounts or reductions in water, sewage or drainage charges should be applied for second homes.

Affordability support

9. Ministers confirm the Water Charges Reduction Scheme (WCRS) should remain the means by which the water industry supports those customers least able to pay water and sewerage charges. Detailed provisions are set out at Annex 1.

Household drainage charges

10. Metered and unmetered household charges should continue to include appropriate elements to recover the cost to Scottish Water of dealing with rainwater that drains to its sewers from:
 - roofs and other impermeable surfaces from household premises; and
 - public roads.

Wholesale charges

11. Ministers confirm that non-household customers should be charged for water and sewerage services based on meters, where possible.
12. Ministers request that by 2029 Scottish Water reviews the wholesale tariff to encourage water efficiency, for implementation over the remainder of SRC27. And that accordingly WICS reviews the directions for the Default Retail Tariff.

Wholesale drainage charges

13. Ministers confirm that, in relation to wholesale charges, Scottish Water should continue to include appropriate elements to recover the cost to Scottish Water of dealing with rainwater that drains to its sewers from roofs and other impermeable surfaces from business premises and from public roads.
14. Wholesale charges related to rainwater drainage from roofs and other impermeable surfaces from business premises should generally be calculated by reference to Rateable Value, as shown in the current valuation roll.

Financing

15. Ministers confirm that, in relation to the financing of Scottish Water, the following considerations should apply:
- a. **Financial Strength** – Scottish Water should be sustainably and prudently financed, consistent with the governance framework within which it operates.
 - b. **Dividend** – The Government will not take a dividend from its ownership of Scottish Water. However the Scottish Ministers may direct Scottish Water to fund activity that Ministers consider necessary for the successful implementation of the water sector vision and/or delivery of the Ministerial Objectives.
 - c. **Lending** – The Government will continue to make finance available through lending to Scottish Water in the 2027-33 period in support of its investment programme. The Government wishes to ensure that this lending is at the lowest practicable level, consistent with the principle of stable charges.
 - d. **Financial Performance** – Financial performance in relation to on-going operating and broadly recurring costs should be considered in line with the financial ranges set out by the Commission. This will ensure that customers will only be asked to meet additional costs beyond those allowed for in a charges determination where these arise as the result of external factors beyond the influence of Scottish Water. This arrangement protects the position of customers and ensures that they do not compensate Scottish Water for inefficiency or poor management. Any financial outperformance will be deployed in line with Ministers' approval. Scottish Water should provide stakeholders with separate reporting relating to expected and delivered capital expenditure.

Paying for additional capacity

16. Ministers confirm the costs associated with meeting the needs of new housing developments and the domestic requirements of new and expanding commercial and industrial developments should be funded as follows:

- Extending Local Infrastructure – the costs of providing and installing new local infrastructure associated with developments up to the connection with existing Scottish Water Network assets will be funded by Scottish Water through reasonable cost arrangements up to a maximum limit under the Provision of Water and Sewerage Services (Reasonable Cost) (Scotland) Regulations 2015. The limit applies cumulatively to the costs of extending local infrastructure and the costs of enhancing existing assets associated with the development. Individual developers will be required to meet additional costs above this limit.
- Enhancing Existing Network Assets – the costs associated with increasing the capacity of existing network assets where they are not readily attributable to a particular developer will be financed by all developers through infrastructure charges and the enhancements will be delivered by Scottish Water. Where the costs of increasing the capacity of existing network assets associated with development up to the connection with existing Scottish Water Network assets are readily attributable to a particular developer, they will be funded by Scottish Water through reasonable cost arrangements, up to a maximum limit under the Provision of Water and Sewerage Services (Reasonable Cost) (Scotland) Regulations 2015. The limit applies cumulatively to the costs of extending local infrastructure and the costs of enhancing existing assets associated with the development. Individual developers will be required to meet additional costs above this limit.
- To support these arrangements, the Commission should provide for Scottish Water to levy infrastructure charges which will increase in line with the cap for:
 - Household Development – for each dwelling to be connected to Scottish Water's water services and for each dwelling to be connected to Scottish Water's sewerage services;
 - Non-Household Development – for the domestic requirement of each premises to be connected to Scottish Water's water services and for each premises to be connected to Scottish Water's sewerage services.
- Upgrading Strategic Infrastructure¹⁷ – Scottish Water will be required to meet the costs of upgrading strategic infrastructure.

¹⁷ Assets such as raw water intakes, water impounding reservoirs, raw water pumping stations and aqueducts, and treatment works.

Assistance for charitable organisations

17. Ministers recognise the contribution that charities make to Scotland's well-being and prosperity and confirm that the scheme implemented for the 2021-27 period will continue in the 2027-33 regulatory period. This Scheme will provide an exemption or a reduction on water and sewerage charges payable by charities or Community Amateur Sports Clubs, subject to the conditions set out in Annex 2. This scheme is to be funded by the generality of non-household customers.

Paying for regulation and customer representation

18. Ministers confirm that the cost of Scottish Water's economic regulation, water quality regulation and customer representation (WICS, DWQR and CS respectively) should continue to be covered by annual levies on Scottish Water funded out of charge income.
19. Ministers note that the costs of SEPA in regulating Scottish Water are funded from charges levied by SEPA in accordance with its charging regime.

Preparing for Future Regulatory Periods

20. Ministers request work be undertaken to prepare for the period beyond 31 March 2033. This should take account of the impacts of changing economic and social circumstances, and the future investment that will be required to address the long-term challenges facing the water industry.
21. The charging policies contained within this document will be reviewed by the Scottish Government, in consultation with water industry stakeholders, to ensure that they continue to meet the Government's overall policy priorities and to inform water industry policy for the period beyond 31 March 2033.
22. This work should inform the next Strategic Review of Charges, which will be commissioned by Ministers within the 2027-33 period.

Annex 1

Reductions to apply to water and sewerage charges at unmetered Households

1. Ministers confirm that during the 2027-33 period the following provisions will apply to ensure that a maximum of 35% discount may be applied to water and sewerage charges under the Water Charges Reduction Scheme either directly or in combination with other discounts.

The Water Charges Reduction Scheme (WCRS)

2. Reductions to water and sewerage charges at unmetered dwellings should apply in relation to dwellings (where "dwelling" has the same meaning as in part II of the Local Government Finance Act 1992) where all the following circumstances apply:
 - a. A person is liable to pay water and/or sewerage charges under a charges scheme;
 - b. Council Tax Reduction (CTR) applies; and
 - c. The dwelling in respect of which the charges are payable is not one to which the Council Tax (Discount for Unoccupied Dwellings) (Scotland) Regulations 2005 apply.
3. The following formula should be used to calculate the level of reduction for which that dwelling is eligible:

$$R = (35 \times (A / B)) - D$$

Where:

Unless $R < 0$, R is the percentage WCRS reduction to be applied to W (defined below) in addition to Council Tax discounts that are also applied to water and sewerage charges.

A is the amount of CTR (£s) which a person receives in respect to that dwelling in that period.

B is the net council tax prior to the application of CTR (£s) for which that person is liable in respect to that dwelling in that period (i.e. after discounts and disabled relief but before the application of CTR).

D is the level of discount (expressed as a number) awarded against the Council Tax liability for the dwelling for which that person is liable in respect to that dwelling in that period.

W is the water and sewerage charge, prior to the application of discounts and reductions, in respect of that dwelling in that period for which the person would be liable if there were no discounts or reductions.

Annex 2

Assistance for Charitable organisations

Ministers confirm there will continue to be a scheme to assist charities with the payment of water and sewerage charges for the period 2027-33, subject to the detailed arrangements outlined below.

Qualification Criteria

1. To be eligible to apply for the scheme, an organisation must annually:
 - a. meet the financial criteria associated with its gross annual income, as disclosed in its most recent set of accounts submitted to the relevant regulator;
 - b. apply directly to its Licensed Provider; and
 - c. renew its request for exemption annually.
 - d. be registered with and provide verified annual accounts to:
 - i. the Office of the Scottish Charity Regulator (OSCR) as a charity; or
 - ii. HMRC as a Community Amateur Sports Club (CASC), operating in Scotland.

Exceptions

2. A charity or CASC is not eligible for support if:
 - a. it is in possession of a permanent alcohol licence.
 - b. it operates a full-time retail outlet.
 - c. it operates a café which is open to the public and is operated on a regular basis to generate income.
 - d. it is a local council or Arms-Length External Organisation (ALEO).

Financial Criteria

3. Ministers confirm the financial criteria associated with the 2021-27 scheme should be extended for the period 2027-33, as follows:
 - a. Where an eligible organisation has a gross annual income of less than £200,000, as disclosed in its most recent set of accounts submitted to the relevant regulatory body, it will be exempt from the payment of water and sewerage charges.
 - b. Where an eligible organisation has a gross annual income of £200,000 or more, but less than £300,000, as disclosed in its most recent set of accounts submitted to the relevant regulatory body, it will be eligible for a 50% reduction in wholesale water and sewerage charges. Water and sewerage retail charges will be subject to a cap to be determined by the Water Industry Commission for Scotland.
 - c. An organisation with a gross annual income of £300,000 or more will not be eligible to apply for support.

Other Criteria

4. An exemption or a reduction will only be awarded where the records held by OSCR or HMRC on the organisation are up to date and in line with those bodies' requirements.
5. Where organisations are awarded an exemption or reduction through the scheme, it will be granted from the beginning of the financial year in which the award is made.

9. Annex C – Responding to this Consultation

Please respond to this consultation using the Scottish Government’s consultation hub, Citizen Space. Access and respond to this consultation online at <https://consult.gov.scot/energy-and-climate-change-directorate/water-services-investing-paying-2027/>. You can save and return to your responses while the consultation is still open. Please ensure that consultation responses are submitted before the closing date.

If you are unable to respond using our consultation hub, please complete and send the Respondent Information Form to:

Water Industry Team
Scottish Government
3F South
Victoria Quay
Edinburgh, EH6 6QQ

Handling your response

If you respond using the consultation hub, you will be directed to the About You page before submitting your response. Please indicate how you wish your response to be handled and, in particular, whether you are content for your response to be published. If you ask for your response not to be published, we will regard it as confidential, and we will treat it accordingly.

All respondents should be aware that the Scottish Government is subject to the provisions of the Freedom of Information (Scotland) Act 2002 and would therefore have to consider any request made to it under the Act for information relating to responses made to this consultation exercise.

To find out how we handle your personal data you can view the privacy policy here: [Privacy - gov.scot \(www.gov.scot\)](https://www.gov.scot/privacy)

Next steps in the process

Where respondents have given permission for their response to be made public, and after we have checked that they contain no potentially defamatory material, responses will be made available to the public at [Citizen Space](#). If you use the consultation hub to respond, you will receive a copy of your response via email.

Following the closing date, all responses will be analysed and considered along with any other available evidence to help us. Responses will be published where we have been given permission to do so. An analysis report will also be made available.

Comments and complaints

If you have any comments about how this consultation exercise has been conducted, please send them to the contact address above or email above.

Scottish Government consultation process

Consultation is an essential part of the policymaking process. It gives us the opportunity to consider your opinion and expertise on a proposed area of work.

You can find all our consultations online: [Citizen Space](#). Each consultation details the issues under consideration, as well as a way for you to give us your views, either online, by email or by post.

Responses will be analysed and used as part of the decision-making process, along with a range of other available information and evidence. We will publish a report of this analysis for every consultation. Depending on the nature of the consultation exercise the responses received may:

- indicate the need for policy development or review
- inform the development of a particular policy
- help decisions to be made between alternative policy proposals
- be used to finalise legislation before it is implemented

While details of particular circumstances described in a response to a consultation exercise may usefully inform the policy process, consultation exercises cannot address individual concerns and comments, which should be directed to the relevant public body.



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