SRC27 longitudinal deliberative research

Key insights report

Ipsos Scotland

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1 Executive Summary

Background

The Strategic Review of Charges 2027–33 (SRC27) is the process through which the Water Industry Commission for Scotland (WICS) determines the maximum charges that Scottish Water can apply to households and businesses. The review seeks to balance affordability for customers with the investment required to maintain and improve water and wastewater services in Scotland.

As the statutory consumer body for Scotland, Consumer Scotland commissioned a longitudinal deliberative research programme to ensure consumers were placed at the centre of the SRC27 process. The research aimed to understand whether Scottish Water's proposed investment plans and associated charges were acceptable and affordable from a customer perspective, and the extent to which consumers supported the Final Business Plan.

Method

Ipsos conducted a longitudinal deliberative research programme on behalf of Consumer Scotland between December 2024 and May 2026. A deliberative approach was adopted to enable participants to learn about a complex issue over time, engage with evidence from different perspectives, and form informed views on Scottish Water's plans and proposed charges.

The research combined a public dialogue with household customers, qualitative engagement with groups whose voices are often under-represented in research, and a Delphi-style programme of in-depth interviews with non-household customers. In total, 105 household customers and 40 non-household customers took part. A Research Advisory Group (RAG), comprising representatives from across the water sector, reviewed the research design and emerging findings throughout the project.

The research was conducted in three phases. Phase one explored customers' understanding of water services and the challenges facing the sector. Phase two focused on reactions to Scottish Water's Draft Business Plan and proposed charges. Phase three enabled participants to review Scottish Water's Final Business Plan and assess the extent to which it commanded their support. Throughout the programme, participants received information, presentations, recordings and supporting materials to aid learning and deliberation.

This report brings together findings from all three phases of the research, tracking how views evolved as participants learned more about the challenges facing Scotland's water sector, considered Scottish Water's Draft and Final Business Plans, and reflected on the trade-offs between investment, service improvements and customer charges.

Key findings

The key findings are summarised in the infographic below.

Starting point

Learning about the sector

- Extent of infrastructure
- Public ownership
- Water usage in Scotland
- Understanding the challenges

Initial perceptions of water:

- Water taken for granted
- Strong pride in the quality of Scotland's water
- Low awareness of services

Early informed position

- Greater **appreciation** for the scale and complexity of water and waste water services
- **Support** for long-term planning and investment
- Highlighted importance of **balancing** investment and affordability for customers

Phase 1

Phase 2

Draft Business Plan

Investment areas and outcomes

- Sensible, forward-looking, ambitious
- Support for maintaining assets and infrastructure, water quality and reliability
- Scrutiny on pollution and sewer outflows, economic and housing growth, and carbon reduction

Charges

- Consumer Price Index (CPI)+4% initially met with surprise and concern
- Accepted when linked to investment needs
- Strong concerns about affordability alongside existing cost of living pressures and uncertainty

Clarifications

- Housing growth – relationship between developers and Scottish Water, but concerns remained about responsibilities
- Carbon reduction – greater support when framed as a holistic approach
- Water quality investment – understanding of regulatory requirements and future standards

Trade-offs and deliberation on the Draft...

- Alternative scenarios (CPI+3% and CPI+5%) less acceptable
- Charges viewed in context of other household and business costs
- Reassurance sought around affordability and efficiency

Phase 2

Phase 3

Investment areas and outcomes

- Balanced, responsive, acceptable
- Changes generally accepted, with most scrutiny over postponing high priority Unsatisfactory Intermittent Discharges (UIDs)

Charges

- CPI+3.3% a sensible compromise
- Affordability feedback heard
- Concerns remained about inflation and delaying investment

Final Business Plan

Finishing point: Broad support for the Final Business Plan – considered balanced and acceptable

Support based on:

- Scottish Water's responsiveness to feedback
- More affordable than the Draft
- Transparency in rationale for changes and trade-offs
- Presumption of accountability

Concerns remained about:

- Delaying some investments (high priority UIDs)
- Reduced ambition on some outcomes
- Future inflation and cumulative costs
- Impact of charges on vulnerable groups

Conclusions and future considerations

The research found broad support for Scottish Water's Final Business Plan. After considering the challenges facing the water sector, followed by the investments and charges proposed by Scottish Water, participants generally viewed the Final Business Plan as balanced, sensible and acceptable. Support was strengthened by a perception that Scottish Water had listened to consumers and made efforts to balance investment needs with affordability. The reduction in proposed charge increases from the Consumer Price Index (CPI)+4% to CPI+3.3%, alongside a clear explanation of the trade-offs involved, reinforced confidence in the process.

Support for the Final Business Plan was driven by several factors. Participants broadly agreed that significant investment is required to address ageing infrastructure, maintain water quality and reliability, and respond to long-term challenges such as climate change and population change. They welcomed investments that were viewed as closely aligned with Scottish Water's core responsibilities and valued transparency around how decisions had been made. Confidence was also underpinned by an expectation that the Water Industry Commission for Scotland (WICS) would scrutinise Scottish Water's plans and hold the organisation accountable for delivering the commitments set out in the Business Plan.

However, support was conditional. The most significant concern related to the postponement of investment in 16 high priority Unsatisfactory Intermittent Discharges (UIDs). While some participants accepted the rationale of addressing a greater number of UIDs overall, others questioned the logic of delaying action on anything considered "high priority" and felt clearer explanations were needed. The findings highlight the importance of clearly explaining the context for investment decisions, the trade-offs involved, and the implications of delaying action.

Affordability also remained a key consideration. Although the revised charge proposal was regarded as a reasonable compromise, concern remained about the cumulative impact of rising household and business costs, uncertainty around future inflation, and the effect of higher charges on those least able to afford them. Views on affordability were shaped not only by personal circumstances but also by concern for wider groups, including lower-income households, older people and single-person households.

The deliberative process demonstrated the value of providing consumers with time, information and opportunities to engage with complex policy decisions, enabling them to develop informed and considered views on long-term investment priorities. The findings suggested that consumers were willing to accept difficult trade-offs when they understood the rationale behind them and were satisfied that affordability and investment had been carefully balanced.

Looking ahead, maintaining public confidence will depend on continued engagement with customers, clear reporting on progress against promised outcomes, and ongoing attention to affordability for those most affected by rising charges.

2 Introduction

Background to the research

The Strategic Review of Charges is a pivotal process determining the pricing framework for water services in Scotland. Conducted by the Water Industry Commission for Scotland (WICS), the review sets the maximum charges Scottish Water can levy on households and businesses to ensure prices are fair, based on the actual cost of service provision, and deliver value for money. The review occurs every six years and involves extensive analysis of Scottish Water's financial needs, investment plans, and operational efficiency. The process is designed to balance the need for affordable water services with the requirement for infrastructure investment so that Scottish Water can meet its service obligations while maintaining financial sustainability. The process involves stakeholder engagement, and consumer feedback plays a critical role in shaping the draft and final determinations.

As the statutory independent body for consumers in Scotland, Consumer Scotland advocates on behalf of consumers and represents their interests across a range of sectors, including water. Consumer Scotland is playing a crucial role in the Strategic Review of Charges process for 2027-33 (SRC27), helping to ensure that water charges are justified and that service improvements reflect consumer priorities and societal values.

To do this, consumers were placed at the centre of the SRC27 process as part of an innovative approach to understand whether or not Scottish Water's Final Business Plan commanded their support. This 'Confirmation' pillar was complemented by two other pillars of work: 'Evidence', which involved Scottish Water gathering customer views on the Draft Business Plan through a coordinated programme of customer research and analysis, and evidence-based 'Challenge' from the Independent Customer Group (ICG) to help ensure that Scottish Water put customers' needs and expectations at the heart of its Business Plan. On behalf of the sector, Consumer Scotland commissioned longitudinal deliberative research over an 18-month period between December 2024 - May 2026. The purpose was to enable consumers to inform Scottish Water's Draft and Final Business Plans by providing feedback on its acceptability and affordability, and to gauge consumers' collective support for the Final Business Plan.

Research objectives

Ipsos undertook this research on behalf of Consumer Scotland and the water sector. The primary objectives were to:

- Explore understanding and knowledge of the long-term challenges facing Scotland's water sector and the strategies required to address these;
- Assess the level of consumer support for Scottish Water's draft and final business plans;

- Gauge consumers' collective support for the proposed charging profile and the cumulative impact of price increases on customers' bills; and
- Understand views, expectations and tolerances for different service levels and/or pace of developments that would be associated with different pricing pathways.

Overall methodology

A longitudinal deliberative approach was chosen for this research due to the complex nature of the topic and to ensure that customers could inform the development of Scottish Water's Business Plan as it progressed. Deliberative engagement is about putting people – through informed discussions, involving diverse perspectives, and understanding lived experiences – at the heart of decision making. It differs from other forms of research in that it allows those involved to spend more time learning about an issue. Building on this gradual learning, participants discuss the issues at length and are encouraged to consider issues from different perspectives as well as drawing on their own experiences. Allowing time for this learning and deliberation enables participants to come to an informed and considered view.

The specific methodology used for this research involved a public dialogue with household customers, where participants interacted directly with experts, such as water sector stakeholders, advocates and policy makers. The public dialogue was combined with longitudinal qualitative research with household customers from groups that can be under-represented in research, and in-depth qualitative research with non-household customers using a Delphi-style approach involving multiple rounds of interviewing to gather systematic feedback. Feedback was shared anonymously with the group to inform the next stage, highlighting areas of consensus and/or divergence. This approach aimed to involve customers flexibly and inclusively.

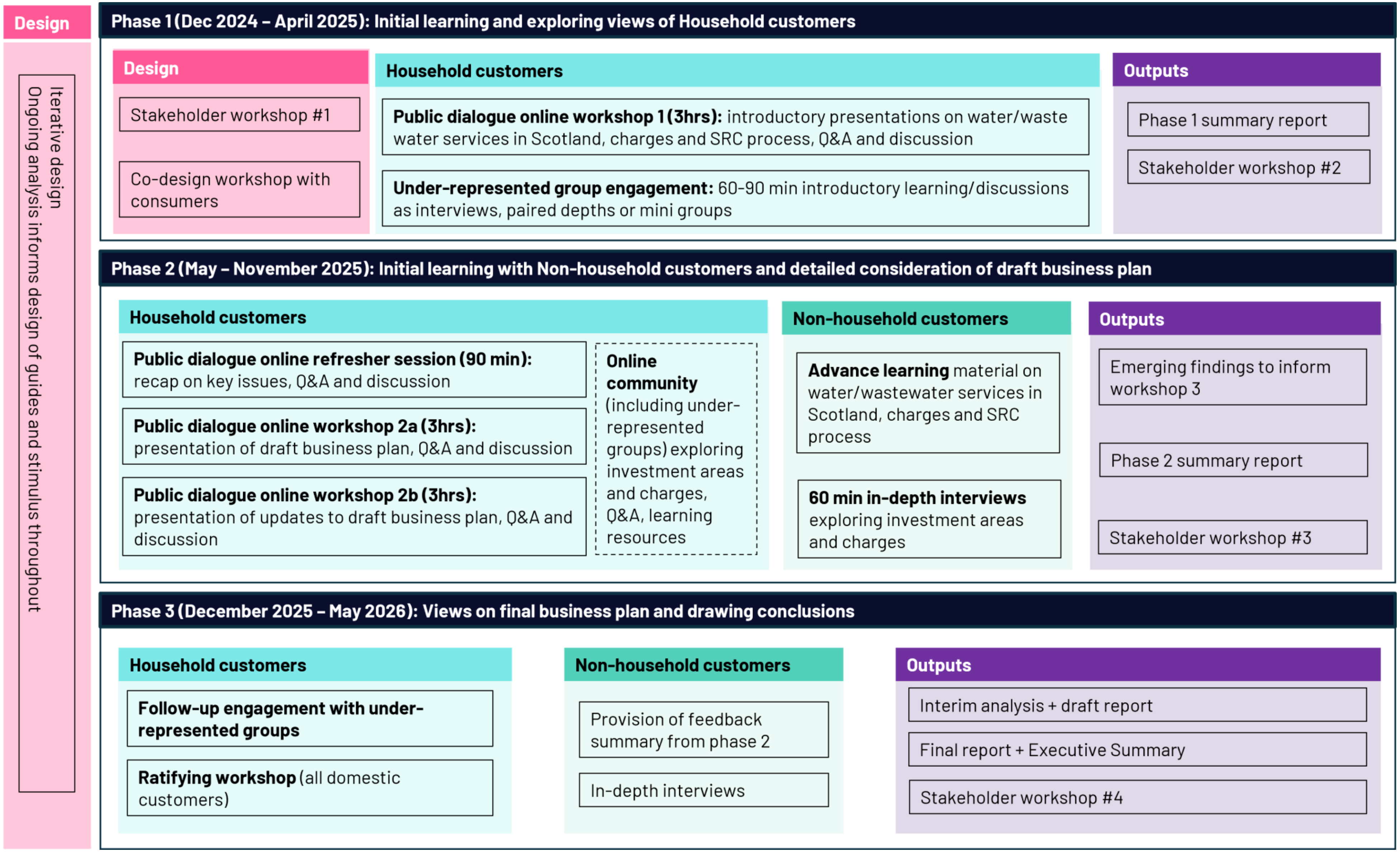
For the longitudinal deliberative research, 105 household customers and 40 non-household customers were recruited to participate over the course of a year (see Figure 2.1). A Research Advisory Group (RAG) comprising stakeholder representatives from across the water sector reviewed the design and emerging findings at each stage through a series of workshops.

Overview of research

The research was conducted across three phases to allow participants sufficient time to engage meaningfully with the content, and to reflect the live SRC27 process as it evolved:

- **Phase one** focused on household customers, exploring initial views and awareness of water and waste water services in Scotland, introduction to the topic, and gathering initial views on the key issues facing Scottish Water for its Draft Business Plan.
- **Phase two** engaged both household and non-household customers, exploring Scottish Water's Draft Business Plan and proposed charges in more detail.
- **Phase three** provided an opportunity for household and non-household customers to review Scottish Water's Final Business Plan and to form conclusions.

Figure 2.1: Overview of the research



Participants received a range of information to support discussions at each phase. This included an overview of key challenges facing the water sector and of Scottish Water's long-term strategy and an overview of Scottish Water's draft and final business plans. The information was delivered in various formats, such as through live presentations and Q&A sessions, recorded presentations, and various stimulus material (e.g. visual summaries and a breakdown of charges by month for household customers or by year for non-household customers). Over the course of the research, participants were also provided with recordings, summary materials and a Q&A document as well as additional content to support learning (e.g. explainers on inflation, video summaries of key water sector organisations and comparative perspectives from price reviews taking place in England and Wales).

A more detailed overview of each phase of the research (including what was covered, information provided, and how it was delivered to each participant group), is provided in the summary reports and appendices for each phase.

Sampling and recruitment

During phase one, **105 household customers** were recruited, with some over-recruitment to account for potential cancellations or drop-outs over the course of the engagement. Customers were recruited across two cohorts:

- **Cohort 1** (n=63) represented a group of household customers broadly reflective of the Scottish population. They participated in a public dialogue, comprising a series of online workshops and an online community across the three phases of research. Overall, 63 participants took part in phase one, with 49 completing phase two and 47 completing phase three.
- **Cohort 2** (n=42) represented a group of household customers whose voices are often under-represented in public dialogues due to the format (including young people, those living in Scotland's most deprived areas,[1] those who are financially vulnerable, those with disabilities or long-term health conditions, carers, older people, and those who are digitally disengaged). A flexible approach to engagement was taken, with a mix of small group discussions or in-depth interviews in phase one, followed by 13 weeks of engagement via the online community in phase two, concluding in phase three with another round of small group discussions, in-depth interviews or joining the final online workshop with cohort 1 customers depending on the participants' preference. Overall, 42 participants took part in phase one, with 29 completing phase two and 22 completing phase three.

[1] According to the Scottish Index of Multiple Deprivation (SIMD)

Household customers were recruited by a specialist recruitment organisation via telephone. A screening questionnaire was used to capture demographic information about the participants, designed to ensure the group's profile was broadly reflective of the Scottish population. Participants living in rural or island areas or from an ethnic minority group were boosted to ensure sufficient representation of those voices. A table summarising the demographic profile of both cohorts can be found in the summary reports.

A further **40 non-household customers (i.e. businesses),** representing Cohort 3 for this research, were recruited in phase two by a specialist recruitment organisation via telephone. A screening questionnaire was used to capture information about the organisation to ensure the sample reflected a diverse range of characteristics (including business size, sector, location, and operational use of/reliance on water). Participants were also recruited on the basis that they were responsible for paying water bills and were sufficiently able to represent the organisation as a senior decision maker. Overall, 39 participants took part in phase two, with 29 completing phase three. A table summarising the sample profile of organisations can be found in the summary reports.

To support and enable continued participation, and in line with industry best practice, participants were compensated for each contribution across the three phases of research. Household customers received £100 for participating in each online workshop, small group discussion or in-depth interview and £50 for participating in the online community. Non-household customers received between £100-£150 after each interview, depending on the size of the organisation. Workshops were arranged outside of regular office hours to increase participation and interviews or small group discussions were offered during weekdays and evenings over a period of several weeks to ensure the research team could be flexible around participants' availability.

Design of materials and input

All research materials (such as recruitment materials, information packs and discussion guides) were developed by Ipsos and reviewed by Consumer Scotland and members of the SRC27 RAG, including representatives from Scottish Water, the Independent Customer Group (ICG) and Water Industry Commission for Scotland (WICS). All presentations and stimulus materials were developed by specialists and reviewed by Consumer Scotland and Ipsos to ensure content was relevant and appropriately pitched.

Contents of this summary report

This key insights report draws findings together from across all phases of the research, building on the individual summary reports provided after each phase was complete. Rather than summarising the content covered and the key findings from each phase (already captured in the individual summary reports), it seeks to understand the key drivers behind participants' views, how views evolved over time, and identify the factors in any changes in views. Where responses to stimuli differed between the cohorts or by demographic groups, this is explicitly drawn out in the report, otherwise the findings are presented together given the consistency in content presented to each and the similarity of themes arising. The following chapters summarise key findings from across each phase of the research, as customers engaged with a process of learning about the key issues, engaging with Scottish Water's long-term strategy, and sharing feedback on the draft and final business plans as they were developed. Further details of each phase of the research can be found in summary reports which were published on the Consumer Scotland website as the SRC27 process progressed.

This report synthesises the diverse views of participants to draw out key themes of discussions and to draw attention to the way that they – individually and collectively – made sense of a complex topic, describing what mattered to them and why. The report refers to verbatim assertions by participants based on their understanding of the issues presented to them during a live regulatory process. It should be acknowledged that the information presented was reflective of the SRC27 process at various points in time between March 2025 and April 2026, and the research concluded before the final stages of the process were complete, including the publication of the draft and final determinations by WICS. They are not intended as authoritative statements of fact. Some points raised also fall outside the remit of the SRC27 process. Nevertheless, they tell us something important about how the issues can be perceived and understood by members of the public.

The data, collected across multiple sources, were synthesised and a thematic analysis was undertaken for this report. The data collected were qualitative and therefore analysis did not seek to quantify findings, nor indicate statistical significance from a representative sample.

3 The starting point: understanding water sector challenges and Scottish Water's long-term strategy

At the start of the research, participants shared their initial views on water and waste water services in Scotland. They then received information about the key challenges facing the water sector, Scottish Water's long-term strategy for addressing these challenges, and were introduced to the SRC27 process in preparation for the next stage. Findings in this chapter were drawn from phases one (for household customers) and two (for non-household customers) of the research.

Key findings

Starting point

1. Initial perceptions

- Water taken for granted
- Strong pride in Scotland's water
- Low awareness of services

2. Learning about the sector

- Extent of infrastructure
- Public ownership
- Water usage in Scotland
- Understanding the challenges

3. Early informed position

- Greater appreciation for the scale and complexity of water and waste water services
- Support for long-term planning and investment
- Importance of balancing investment and affordability for customers

Sub-group differences

- Higher awareness of Scottish Water's role and charges among non-household customers
- Greater focus on accountability, transparency and value for money among household customers

Key drivers

- Comparisons with England's water sector
- Learning about water and waste water services
- Recognition of future challenges
- Importance of public ownership and reinvestment

Initial views on Scotland's water

From the outset participants had highly positive views about the quality of Scotland's water, describing it as 'Clean', 'Delicious', 'Fresh', 'Tasty', 'Pure', 'Natural', and 'Quality'. There was also a sense of abundance, with some describing water as 'Unlimited', 'Plentiful', and 'Available'. Participants made spontaneous comparisons between the Scottish and English water industries. They highlighted perceived failures of water and waste water services in England, with frequent references to "bad headlines" about high sewage discharges, high customer charges, poor service and lack of investment. This comparison with England was a primary driver of positive sentiment towards water and waste water services in Scotland which recurred throughout the research.

More negative perceptions of water in Scotland were also raised, with references to 'Chemicals', 'Pollution', 'Waste', and 'Sewage'. These tended to reflect personal experiences of water odour, leaks, or from hearing about water pollution in the news. Non-household customers had a more positive view of water in Scotland, linked to not having encountered issues with their service.

Despite this inherent sense of pride in the quality of Scotland's water, participants generally did not know a great deal about their water and waste water supply. This was due to a perception that water is "always there". Household customers in particular noted that, because their water charges are part of their council tax bill, it was a less visible service.

> "I genuinely don't think about it. I just think you pay your council tax and that's it. And you just turn on the tap and the water's there, you know." (Household customer, cohort 2, phase 1)

> "Fortunately, I can take it for granted that when I want water I can get access to it and it's of good quality." (Non-household customer)

Scottish Water and services in Scotland

Having shared unprompted views on Scotland's water, participants were provided with information about Scottish Water's role, how water and waste water services work in Scotland, and key challenges facing the water sector (via presentations delivered by Scottish Water).

Awareness of Scottish Water's role was mixed at the start of the process. Among household customers, it was understood that Scottish Water was responsible for providing clean drinking water and handling sewage for both homes and businesses across Scotland. There was uncertainty about whether Scottish Water's role extended to the maintenance of infrastructure. There was a general understanding that there is only one water supplier in Scotland and some awareness that Scottish Water is publicly owned. There was less certainty around what public ownership meant in practice. Participants raised questions about Scottish Water's relationship to Scottish Government, who it was accountable to, and whether it could be fined for poor performance. While clarifications were provided by specialists, accountability and performance remained strong themes throughout the process.

> "I know that there are different water companies in different parts of the UK and Scottish Water presumably covers the whole of Scotland. Whether they are any different from the other water companies, I'm not sure." (Household customer, cohort 2, phase 1)

Non-household customers generally had good knowledge of Scottish Water's role, aware that it is a publicly owned water supplier with responsibilities for providing clean water, waste water services, and managing infrastructure.

Learning more about water and waste water services in Scotland prompted a shift among household customers from viewing water as an "always there" resource to understanding the complexity and scale of the current service. What struck participants most was:

- **The scale of infrastructure:** the statistic of over 60,000 miles of water and sewer pipes across the country was particularly impactful in illustrating this.
- **Scottish Water's public ownership and accountability:** the absence of private investors and the fact that profits from water charges are reinvested in the sector was viewed positively. It reinforced the sense of pride in Scotland's water and remained important to participants.
- **How water charges are paid:** there was low awareness of water charges, so the breakdown of charges by council tax band was widely of interest to household customers. There was mixed awareness among non-household customers about the role of licensed providers.
- **How Scottish Water spends money:** a diagram showing the breakdown of expenditure for every £1 was described as a "transparent" summary (see figure 3.1). Participants broadly welcomed that 35p in every £1 is spent on water infrastructure, again comparing this favourably with water companies in England which were perceived to prioritise shareholder profits over maintenance. Concerns were raised about some costs being "hidden", such as the salaries of Scottish Water executives which were felt to be too high for a public body. This concern, raised by household customers in particular, may have been prompted by media coverage of executive pay and worker pay disputes in Scottish Water in the weeks leading up to these initial discussions (March-April 2025).
- **Water usage in Scotland:** it was surprising for some to learn that water usage is higher in Scotland than in other parts of the UK. Reflecting on their initial views on water as an abundant resource, there was a sense that customers may be taking water for granted. It was suggested that the perceived reliability of water supply coupled with the council tax billing model could account for this higher use. Throughout the research, participants emphasised the importance of raising customer awareness to encourage conservation.

Figure 3.1: Breakdown of Scottish Water expenditure presented in phase one

Challenges facing the water sector and Scottish Water's long-term strategy

When introduced to three key challenges facing the water sector, participants were most struck by:

- **Ageing assets:** participants highlighted the fact that some of the pipes and water supply systems were 80-100 years old had helped them comprehend the scale of this challenge.
- **Climate change:** they were surprised by the extent to which droughts impact Scotland, and the strain that either too much or too little rain could place on the system.
- **Population change:** they were concerned about the pressure that a changing and moving population would have on the water supply in certain areas in Scotland.

There was broad acceptance that Scottish Water's challenges are multifaceted and that investment in infrastructure was crucial to meeting these challenges. Participants felt that the scale of these challenges and the level of investment required to address them could be linked to both current bill increases (at the time of research it was announced that water bills in Scotland would increase by 9.9% in 2025/26) and future increases for customers.

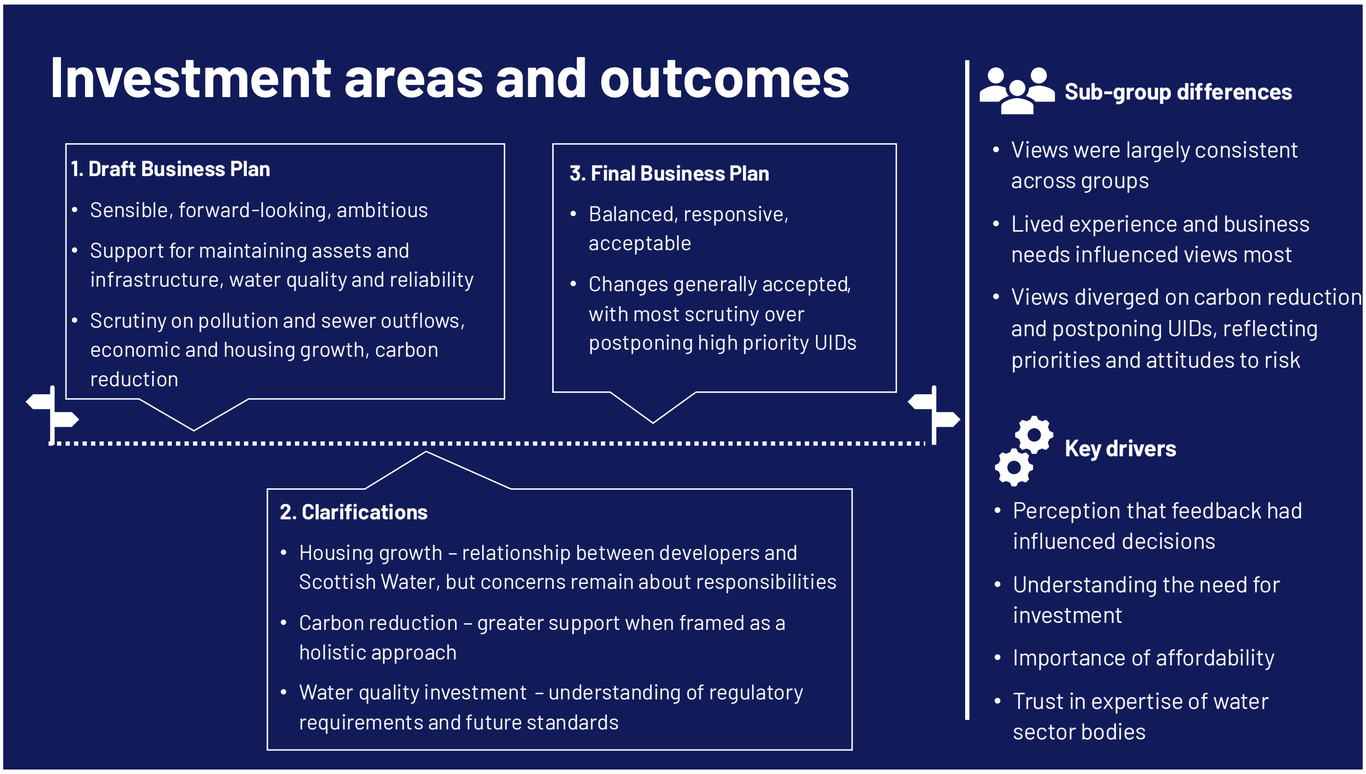
> “They've got some very big themes working against them, such as challenges with population growth and the environment. These are not small challenges. These are big things that you can't control. And that's probably explaining a lot of the price increases and things like that." (Household customer, cohort 1, phase 1)

With an understanding of these challenges, Scottish Water’s 25-year long-term strategy was positively received by participants. It was seen as a forward-thinking and proactive approach, and participants were reassured to see Scottish Water planning for the long-term. However, it was also met with questions and concerns about potential changes to water bills in future. The importance of transparency in communicating the challenges and opportunities facing the water sector was therefore highlighted, as well as the need to balance investment with affordability.

4 Investment areas and outcomes

This chapter summarises participants' views on the key investment areas and outcomes within Scottish Water's Draft Business Plan initially, and then on those outlined in the subsequent Final Business Plan. Findings in this chapter were drawn from phases two and three of the research. The next chapter summarises views on the charges.

Key findings



Views on the Draft Business Plan

Immediate reactions to the investment proposals in the Draft Business Plan were broadly positive. The overall shape of the Plan was described as sensible, ambitious but feasible, and directly addressing the key challenges facing the water sector. As discussions progressed to considering the investment areas in more detail, a hierarchy of priorities emerged around what customers considered to be Scottish Water's core responsibilities and what they were less certain about.

There was general support for investments in maintenance, water quality and reliability of water supply as these were considered vitally important areas for Scottish Water to focus on. The learning in earlier stages of the research about Scotland's ageing infrastructure reinforced the view that investment was required. However, some aspects of these investments were challenged, such as the value of improving drinking water quality, given the percentage of water samples that pass tests every year already (99.93%) and a perception that the gains from additional investment would be marginal. Some non-household customers also placed greater emphasis on water supply reliability, particularly businesses whose operations were reliant on water.

> "I'm not saying it's not a priority because I mean anything can go wrong. But you don't have to improve on what we've got. I'm speaking from my behalf anyway, a business place where we get water and water quality is excellent." (Non-household customer, phase 2)

Later in the process, Scottish Water provided clarification on the rationale for improving water quality. This prompted a greater appreciation among some household customers of the context of tightening of regulations necessitating the investments in drinking water quality despite current high performance in this area.

Reducing pollution and the risk of internal and external sewer flooding was also felt to be important, with recognition that experiencing such issues would be extremely unpleasant. However, this investment area received greater scrutiny. For example, it was noted that plans to reduce the number of Combined Sewer Overflows (CSOs) related only to 'high priority' CSOs and there was also disappointment that the outcomes relating to the number of properties or areas at risk of internal or external sewer flooding per year were expected to remain the same or get worse over the six-year period despite the investment. Acknowledging the reasons for this (i.e. impacts of climate change putting more properties at risk), participants questioned whether these investments represented value for money and sought clarity on how 'high priority' CSOs were being defined.

> "The sewer overflows are the things that are in the news a lot at the minute, particularly down in England, but a wee bit in Scotland as well. We want the serious ones fixed." (Household customer, cohort 1, phase 2)

Investments relating to economic and housing growth presented in the draft business plan were initially challenged, as the rationale for spending in these areas was not clear to all customers and they questioned why household and non-household customers should pay for the cost of connecting new homes and businesses. This was broadly felt to be the responsibility of housing developers and not Scottish Water. With clarifications provided by Scottish Water on housing growth, customers felt they had a better understanding of the division of responsibilities between Scottish Water and developers. Nevertheless, concerns remained for some household and non-household customers over the justifiability of increasing customer bills to cover costs in this area.

Investments relating to reducing Scottish Water's carbon footprint were also met with mixed views initially. For some this was an important area where Scottish Water could go further, while for others this was not felt to be a priority or core responsibility of a water provider. Following clarifications provided by Scottish Water on this investment area, the views of some household customers shifted, with greater understanding of the holistic approach to tree-planting and the multiple purposes it serves beyond carbon reduction (such as improving water quality through preventing run-off). It was suggested that this aspect of the plan should be reframed to highlight the range of benefits.

When reviewing the Draft Business Plan, an overarching theme was the importance of understanding the investments in a wider context. Participants sought clarification on whether proposals for the 2027-33 period would represent a continuation, a step forward, or a step back in terms of investment and performance targets. Relatedly, participants were keen to know how the Draft Business Plan compared with previous plans, and how current and projected performance compared to historic performance.

Views on the Final Business Plan

Consistent with initial views on the Draft Business Plan, participants were broadly positive about the Final Business Plan. A significant factor in shaping this view was a sense that Scottish Water had taken customer feedback on board, and recognition that compromises had been made to try and balance the need for investment with affordability of bills for customers (as discussed in Chapter 5). They also welcomed the transparency with which Scottish Water had set out the rationale for revisions made to the plan. Aspects of the Final Business Plan that generated most discussion were:

- Rebalancing investment around water quality and reliability.
- Postponing 16 complex Unsatisfactory Intermittent Discharges.
- Scaling back on carbon reduction, meaning Scottish Water's carbon footprint will reduce by 38% rather than 67%.

The rebalancing of investments around water quality and reliability, which increased the ambition for reducing instances of discoloured water and shifted the focus on maintaining supply reliability rather than improving it, was generally accepted. Some participants were glad to see greater emphasis on water quality and improvements to discoloured water, particularly among those who had experience of this and had raised it as a priority previously. Those who had not experienced issues with water quality and had previously questioned the cost-benefit of investing in this area did not express support for this change as strongly, but nevertheless considered water quality an important priority for Scottish Water.

> "It's just good to see that they have taken feedback on board and they have implemented some good changes. I think there are some good increases there like around the discoloured water [so] it looks like they've looked at not just whole picture, but they've looked at individual areas of the plan and kind of focused on those and improved them."
> (Household customer, cohort 1, phase 3)

The lack of improvements to supply reliability was met with disappointment but was generally accepted. A sense of pragmatism and a need to make compromises in the interest of affordability drove this view, but the importance of this trade-off was viewed differently. Among non-household customers, views were driven by need; for one manufacturing business using large quantities of water, this change was more disappointing as a reliable supply of water was considered more critical to their operations than how it looks. Another business in the retail industry welcomed the shift in focus towards improving water quality, as the smell and taste of water was an important part of their operations. Views on this change were also shaped by lived experience. Among household and non-household customers, those who had not personally experienced supply interruptions were more likely to find the shift to maintaining rather than improving performance acceptable, while those who had experienced issues were more concerned by it.

The Final Business Plan also contained a shift in priorities in relation to CSOs. Rather than the plans set out in the Draft Plan to address all high priority Unsatisfactory Intermittent Discharges (UIDs), the Final Plan set out to postpone investment to address 16 "very complex and expensive" high priority UIDs so that an additional 60 medium-priority UIDs could be addressed by 2033 (reducing the overall number of UIDs in Scotland from 862 to 712).[2] This was met with mixed views and was the most debated trade-off.

Concerns with this change were grounded in a view that delaying action to address UIDs classified as high priority was counter-intuitive, illogical and alarming. Those more accepting of it were persuaded by the logic of addressing more UIDs overall and maximising the benefit to more people. Scottish Water had explained that these changes were agreed upon with the Scottish Environmental Protection Agency (SEPA) which provided some further reassurance that a balanced decision on this had been reached. A significant driver of acceptance with the proposal to postpone investment to address16 complex UIDs was trust in the judgement of Scottish Water and SEPA on this matter.

> "By getting 60 problems out the way, albeit 16 are going to carry on, I think that is the maximum benefit to the maximum number of people."
> (Non-household customer, phase 3)

However, permitting sewage discharge into Scotland's rivers and seas within the Final Business Plan remained a concern, particularly among household customers. This, along with a high degree of uncertainty around the issue, heavily influenced discussion. Participants remained unclear about what the classifications of high, medium or low priority meant in practice, despite seeking clarification on this when discussing the Draft Business Plan in relation to CSOs. To make an

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[2] Scotland has 4,080 Combined Sewer Overflows, which act as safety valves during unusually heavy rain. When they don't work properly, they are classed as Unsatisfactory Intermittent Discharges (UIDs) and rated High, Medium, or Low depending on their environmental impact. Currently, there are about 110 'High' Priority UIDs, 150 'Med Priority UIDs', and about 600 'Low Priority'.

informed decision about whether Scottish Water's plan in this area was sensible, some felt they needed to know how priority levels were defined and how much additional investment Scottish Water would require to resolve all high priority UIDs.

> "For me, if they're high priority, someone has obviously put them high priority. So why on earth would you postpone them? I just think that's wild, absolutely wild to me, how they can postpone high priority ones."
> (Household customer, cohort 1, phase 3)

After detailed deliberation on this issue, participants diverged on this aspect of the Final Business Plan. Some concluded that high priority UIDs should - by definition - be prioritised and remained concerned about any postponement of these. Others concluded that addressing more UIDs overall, while taking the time to consider how best to address the more complex discharges, was sensible. This view was conditional on the postponed UIDs being addressed in the next strategic review period and not forgotten about.

Another change in the Final Business Plan that participants deliberated on was the **scaling back of plans to reduce Scottish Water's carbon emissions,** from a 67% reduction to 38%, with more investment in woodland creation. Despite this area drawing mixed views in the Draft Business Plan, this change was generally considered to be less contentious. In response to earlier feedback on this, Scottish Water had reframed this aspect of the plan; instead of a climate target, the investment was presented in terms of efficiency (focusing on renewable energy projects that pay for themselves) and improvement (planting trees to improve water quality by reducing run-off). Both household and non-household customers responded positively to this reframing and generally considered the investments to be justifiable as providing more holistic benefits than solely reducing carbon. However, some businesses remained of the view that tree-planting was not a core responsibility of Scottish Water. This was driven in part by a pre-existing scepticism towards carbon reduction policies, which they saw as costly and not a core function of a water provider.

Mixed views still remained on these changes. Perspectives ranged from being pleased to see this change to outcomes around carbon reduction, reluctant acceptance of the changes based on the need to balance ambitions with affordability, and disappointment that the outcomes had been moderated based on a view that the severity of the climate crisis warranted more urgent action.

5 Customer charges

This chapter summarises participants' views on the proposals for customer charges within Scottish Water's Draft Business Plan and subsequent Final Business Plan. Findings in this chapter were drawn from phases two and three of the research.

Key findings

Charges

1. Draft Business Plan: CPI+4%

- CPI+4% initially met with surprise and concern
- Accepted when linked to investment needs
- Strong concerns about affordability alongside existing cost of living pressures and inflation uncertainty

2. Trade-offs and deliberation on the Draft Business Plan

- Alternative scenario of CPI+3% widely rejected on basis of poorer outcomes
- Alternative of CPI+5% raised further affordability concerns
- Charges were viewed in context of other household and business costs
- Reassurance sought around affordability and efficiency

3. Final Business Plan: CPI+3.3%

- Sensible compromise
- Affordability feedback heard
- Concerns remained about inflation and delaying investment

Sub-group differences

- Household customers raised issues of fairness in relation to charges through council tax
- Larger businesses more likely to absorb increases
- Smaller/hospitality businesses more concerned about passing costs onto customers

Key drivers

- Understanding the need for investment
- How charges were presented and explained
- Personal financial circumstances and wider economic pressures
- Perceptions of affordability and fairness
- Responsiveness to feedback

Views on the charges in the Draft Business Plan

Participants were first presented with the Draft Business Plan, which contained proposals to increase charges by CPI+4% per year over the six year period. They were also presented with two alternative scenarios contained within the Draft Plan, a slightly lower increase of CPI+3% and a slightly higher increase of CPI+5%. Views on the proposed charge increase of CPI+4% per year over the six year period (and the alternative scenarios were shaped by a range of factors, including how the information was presented, knowledge gained from earlier stages of the research on the need for investment, understanding of how the money would be invested, and on both wider economic and personal financial considerations.

The proposed charge increase of CPI+4% per year was initially met with surprise and concern among some household customers, and was described as too much of an increase. This was in part due to the overall headline charge increase that was presented as an overall figure of 26.5% above inflation over six years. Once customers saw how bills would look as monthly amounts year on year (see figure 5.1), they saw the increase as less "scary" and more "palatable" than they had initially thought, when seen in isolation. The increase of CPI+4% per year was also deemed reasonable when considered in the context of the proposed investments and in recognition of the need for maintaining and improving services.

Figure 5.1: Monthly charges shown to household customers in phase two

Scottish Water

Business Plan (CPI + 4%): Monthly

Bill Amount excluding inflation

Bill amount including inflation (estimated at 2%)

`		Band A		Band B		Band C		Band D		Band E		Band F		Band G		Band H	
	Now	£33		£39		£45		£50		£61		£72		£83		£100	
	2026/27	£35	£36	£41	£42	£47	£48	£53	£54	£64	£66	£76	£78	£88	£90	£105	£108
Business Plan Period	2027/28	£36	£38	£42	£44	£49	£51	£55	£57	£67	£70	£79	£83	£91	£95	£109	£114
	2028/29	£38	£40	£44	£47	£51	£54	£57	£61	£69	£74	£82	£87	£95	£101	£114	£121
	2029/30	£39	£43	£46	£50	£53	£57	£59	£64	£72	£78	£85	£93	£98	£107	£118	£128
	2030/31	£41	£45	£48	£53	£55	£60	£61	£68	£75	£83	£89	£98	£102	£113	£123	£136
	2031/32	£43	£48	£50	£56	£57	£64	£64	£72	£78	£88	£92	£104	£107	£120	£128	£144
	2032/33	£44	£51	£52	£59	£59	£68	£66	£76	£81	£93	£96	£110	£111	£127	£133	£153
	Change between **26/27** and **32/33**	£9	£15	£11	£18	£12	£20	£14	£23	£17	£28	£20	£33	£23	£38	£28	£45

However, participants did not assess the water charges in isolation. They considered the cumulative impact of this along with other bill increases. This prompted significant concern, which was compounded by uncertainty around inflation and how much that would increase bills by. In the context of the cost-of-living crisis, customers highlighted particular concern for the impact on certain groups (including younger people, single-person households, and those dependent on fixed incomes such as pensions). The discounts and exemptions that apply to eligible households were acknowledged and some felt these would cushion the impact of the charges for those groups, making the increase more acceptable. However, despite being outside the remit of the SRC27 process, the fairness of these discounts was questioned (particularly for single-person households). There was a view that such support schemes did not go far enough to shield vulnerable households and that they would still be disproportionately impacted by the increase in charges. Reflecting earlier discussions, the fact that charges are paid through council tax was also perceived by some to be unfair.

> "I understand that there needs to be an increase, but 4% on top of inflation does sound too expensive [...] On a personal level mortgages have gone up, and salaries have not. I couldn't afford a big hike."
> (Household customer, cohort 2, phase 2)

Views among non-household customers were more mixed, driven by how much of an impact the annual increase would have on their business (see figure 5.2). Larger businesses in particular felt the increase of CPI+4% could be easily absorbed, while smaller businesses expressed strong concerns about having to pass on costs to customers and the risks of doing so.

Figure 5.2: Annual charges shown to non-household customers in phase two

Scottish Water
Trusted to serve Scotland

Business Plan (CPI + 4%): Annual

Bill Amount excluding inflation
Bill amount including inflation (estimated at 2%)

	Now	£500		£750		£1,000		£1,250		£1,500		£1,750		£2,000		£3,000	
	2026/27	£525	£539	£788	£808	£1,050	£1,077	£1,313	£1,346	£1,575	£1,616	£1,838	£1,885	£2,100	£2,154	£3,150	£3,231
Business Plan Period	2027/28	£546	£571	£819	£856	£1,092	£1,142	£1,365	£1,427	£1,638	£1,712	£1,911	£1,998	£2,184	£2,283	£3,276	£3,425
	2028/29	£568	£605	£852	£908	£1,136	£1,210	£1,420	£1,513	£1,704	£1,815	£1,987	£2,118	£2,271	£2,420	£3,407	£3,630
	2029/30	£591	£641	£886	£962	£1,181	£1,283	£1,476	£1,603	£1,772	£1,924	£2,067	£2,245	£2,362	£2,565	£3,543	£3,848
	2030/31	£614	£680	£921	£1,020	£1,228	£1,360	£1,535	£1,700	£1,843	£2,040	£2,150	£2,379	£2,457	£2,719	£3,685	£4,079
	2031/32	£639	£721	£958	£1,081	£1,277	£1,441	£1,597	£1,802	£1,916	£2,162	£2,236	£2,522	£2,555	£2,883	£3,832	£4,324
	2032/33	£664	£764	£996	£1,146	£1,329	£1,528	£1,661	£1,910	£1,993	£2,292	£2,325	£2,674	£2,657	£3,055	£3,986	£4,583
	Change between **26/27** and **32/33**	£139	£225	£209	£338	£279	£451	£348	£563	£418	£676	£488	£789	£557	£901	£836	£1,352
	Average annual change 26/27 to 32/33	£23	£38	£35	£56	£46	£75	£58	£94	£70	£113	£81	£131	£93	£150	£139	£225

Participants also considered alternative charging scenarios of CPI+3% and CPI+5% and discussed the trade-offs. The CPI+3% increase was widely rejected by both household and non-household customers. Understanding the scale of the challenges facing the water sector, this lower increase was viewed as risking poorer outcomes. However, some household customers challenged how this alternative had been presented. The language and use of red colouring in the presentation of CPI+3% was perceived as a "big stick" to make the proposed CPI+4% increase appear more reasonable. The higher alternative of CPI+5% drew more mixed views; while the benefits of further future-proofing Scotland's water and waste water system were recognised, concerns about affordability were heightened.

Having reviewed the proposed increase of CPI+4% in the Draft Business Plan, participants sought further clarity in the Final Business Plan, particularly around the cost-effectiveness of the plan, how customer affordability was being understood and defined, and what (if any) contingency was being built into the plan in case of economic shocks like those experienced in the previous period (e.g. pandemic, global conflict) to minimise the burden on customers.

Views on the charges in the Final Business Plan

The Final Business Plan contained a revised proposal of a CPI+3.3% increase in charges per year. This was broadly welcomed by participants and consolidated a sense that affordability concerns had been genuinely listened to and acted upon. This was felt to have validated the process.

The CPI+3.3% increase was broadly viewed as "sensible" and a "reasonable compromise" by household and non-household customers. It was seen as a more manageable, "steadier" path to increasing charges than the CPI+4% proposed in the Draft Plan. Some support was also based on a view that the investment trade-offs had been clearly and transparently explained.

Two key concerns remained in relation to the proposed CPI+3.3% increase:

- **The uncertainty of inflation:** participants reiterated concerns about the impact of higher rates of inflation in addition to the 3.3% annual increase. Household customers in particular sought reassurance around what safeguards would be in place to protect customers if inflation rose sharply. Businesses in the hospitality sector also raised particular concerns about inflation, noting that it would erode their bottom line as they would struggle to pass costs onto customers (albeit not as much as CPI+4%).
- **"Kicking the can down the road":** reflecting earlier discussions, household and non-household customers who had been content with the CPI+4% increase remained concerned that key investments would be deferred, risking poorer outcomes and higher charges later.

On balance, the charge increase of CPI+3.3% was generally felt to be acceptable and affordable, with concerns remaining about the impact on those least able to afford higher bills. However, the importance of investing in Scotland's water and waste water infrastructure was broadly recognised, and higher costs in the short term were considered necessary to prevent future issues.

> "I think it's better to sort something now and pay [for it], rather than wait six, seven years down the line and pass it on to another generation of kids where it is going to be more expensive to them." (Household customer, cohort 1, phase 3)

6 The finishing point: conclusions on Scottish Water's Final Business Plan

Key findings

Finishing point

Broad support for the Final Business Plan: considered balanced and acceptable.

Support based on...

- Perception that Scottish Water had listened and responded to feedback
- More affordable than the proposals in the Draft
- Transparency around the rationale for changes and trade-offs
- Assumption that WICS would scrutinise and hold Scottish Water to account on delivery

Concerns remained about...

- Delaying some investments, particularly high-priority UIDs
- Reduced ambition on some outcomes
- Future inflation and cumulative cost pressures
- Impact of charges on vulnerable groups

Overall support for the Final Business Plan

Overall, there was broad support for the Final Business Plan. Taking everything into consideration, the Final Business Plan was described by participants as a balanced, sensible and acceptable approach. Participants' support for the Final Business Plan was based on:

- **A view that Scottish Water's investments were well aligned with customer priorities**. For example, participants welcomed the renewed focus on high water quality levels and changes to some of the carbon reduction measures.
- **An overall perception that CPI+3.3% was more affordable than the CPI+4% charges outlined in the Draft Business Plan.** While some participants still felt that Scottish Water could have gone further with investments (with a higher charge) and others remained concerned about the affordability of the charges, on balance the Final Business Plan charge was seen to be a reasonable compromise.

" I definitely [support the Final Business Plan]. I think the step from 4% to 3.3% on top of the CPI is a very smart move that really improves acceptability of the whole thing." (Household customer, cohort 1, phase 3)

- **Support for the deliberative engagement process.** Participants felt Scottish Water had been open and transparent and demonstrated how their views – and those of other customers and stakeholders – had been listened to and responded to.

"I'm quite supportive. Yeah, I think it's a reasonably good plan. Not 100%, but I don't think anyone would expect us to be. But from what we've seen, to me it's been a well thought out plan. It's been tweaked and adjusted accordingly as this project has proceeded and I'm pretty pleased with what [they have shown] us now." (Household customer, cohort 1, phase 3)

- **An assumption that the outcomes in the Final Business Plan would be met and that WICS would hold Scottish Water to account.** Having heard presentations from WICS in both phase two and phase three, participants had felt reassured about the role of the regulator and that there was a system in place to hold Scottish Water to account for performance against the Final Business Plan. At the end of phase three, participants' support for the Final Business Plan was often seen as contingent on WICS ensuring that the ambition and outcomes of the plan were achieved (see more below).

Although there was overall support for the Final Business Plan, some key concerns remained. These prevented some participants from saying that they fully supported the plan:

- **The perceived risks associated with postponing certain investments** was one of the most commonly raised concerns. Participants felt that these postponements (e.g. delaying the investment in 16 high priority UIDs) posed the risk of assets failing, and the likelihood of customer charges increasing later when these investments are needed. There was also some disappointment with lower investment in carbon reduction and maintaining water supply performance, and a perception that some investments could have been more ambitious. This was particularly expressed among those who had been content with the CPI+4% increase proposed in the Draft Business Plan.

- **Uncertainty about impact of inflation on customer charges, and the cumulative impact of rising household and business bills.** While participants accepted that these factors were not within Scottish Water's control, concerns remained about the financial impacts of the increased costs for households and businesses in the context of wider increases to the costs of living and of doing business.

- **The need for more reassurance that Scottish Water has explored all possible cost savings and income streams**. These participants wanted to be clear that customer charges were justified, which was partly linked to questions previously raised by participants around the acceptability of executive pay and bonuses.

Finally, when asked about what participants would most like WICS to consider as it sets its draft and final determinations, two main roles for WICS were emphasised:

- **Carrying out a thorough review of the investments and outcomes of the business plan** to ensure Scottish Water is being as efficient as possible, that it has set realistic targets, that the ambition and outcomes are achievable, and that there is sufficient detail underpinning the plan that demonstrates how the outcomes will be achieved. Among those participants that were content with the originally proposed CPI+4% charges in the Draft Business Plan, some were keen to see more scrutiny around the rationale for delaying investments, particularly the 16 high priority UIDs, and consideration of whether or not that decision could be revisited.

- **Holding Scottish Water to account for delivery of the investments and outcomes** in the Final Business Plan over the next six years. Participants stressed that the role of check and scrutiny should happen throughout the SRC27 period and not just at the end.

7 Future considerations

This research has provided rich insights into how household and non-household customers perceive, evaluate and respond to decisions about the future of water and waste water services in Scotland. Participants engaged with and shared their views on a complex set of issues: the challenges facing the water sector, Scottish Water's long-term strategy, the Draft and Final Business Plans, proposed customer charges, and the trade-offs involved in balancing investment, affordability and outcomes.

This concluding chapter highlights some of the key insights from the research and what these mean for future engagement and communication with customers. It then sets out some methodological learnings from this deliberative engagement process, before highlighting some areas that were outside the remit of this research but that warrant further exploration.

Key insights and implications

Understanding the context for the investments, outcomes and customer charges in the Business Plan was important for customers. When asked to comment on the Draft Business Plan, often participants felt unable to fully grasp its implications without being able to place it in the context of what had come before. They needed to understand whether it represented a step forward, a step back, or the status quo in terms of performance and targets. This highlights the value of framing future Strategic Review of Charges processes in relative terms, enabling customers to understand how plans and proposals compare with what has come before.

Customers engaged meaningfully with issues when they were given information about the context, reasons for and implications of the investment decisions. Participants' views developed throughout the deliberative engagement and were influenced, not only by their own personal views and priorities, but also by how well they understood the challenges facing the sector, the extent to which they considered the outcomes to be worth the additional investment, and how clearly the benefits and trade-offs were explained. While the longitudinal deliberative approach used here will not always be feasible to replicate, it nonetheless provides insights into the types of messages that can help customers understand and engage with the issues. For example, participants responded well to explanations of and clarifications on:

- Scottish Water's public ownership, its accountability, and the role of regulators.
- The scale of infrastructure, the age of assets and the risks associated with failing to invest in them.
- Macro-level factors such as population change and climate change.
- Reasoning behind specific investments such as the need for water quality improvement, the division of responsibilities between Scottish Water and housing developers, and the rationale behind activities linked to carbon reduction.

Beyond these specific topics, the overall process suggests that future communications about customer charges will be more effective if they explain why action and investment are needed, how investment is being used, what risks are being managed or mitigated, and what could happen if investment is delayed.

The framing of investments had an impact on how they were perceived, with participants being more readily accepting of the areas that they saw as central to Scottish Water's role. Participants were largely supportive of the need to maintain infrastructure, protect water quality and ensure reliability of supply. They were more questioning of the need for investment in economic and housing growth, carbon reduction and some environmental investments. On these areas, participants felt that the link to Scottish Water's role was less immediately obvious. In future, it will be important to be clear about how these types of investment connect to Scottish Water's overall responsibilities, long-term sustainability, and its ability to deliver water and waste water services that meet customer expectations**.**

Customers challenged the reasons for investment in areas that they did not feel were well-evidenced or explained. The main example of this was in relation to the postponement of investment to address 16 high-priority UIDs. Some participants found it counter-intuitive that anything described as "high priority" could be delayed and challenged the logic behind this decision. They also sought clarification on how priority level was defined and felt that this had not been provided. This further emphasises the importance of language and the need for clear explanations of decisions, particularly if the terminology being used may otherwise appear contradictory.

Customers' views were driven both by their own lived experience and by their concern for others. When discussing the acceptability of the proposed charges in the Draft Business Plan and Final Business Plan, participants talked about their own circumstances and the extent to which their household or their business would be impacted. They also talked about other groups that they felt might be affected, for example sharing concerns about the affordability of the charges on lower income, elderly and single-person households. In future customer engagement, there is value in providing space and opportunity for customers to consider impacts from both a personal and a societal lens, as both perspectives can highlight factors that impact on customers' levels of support.

Participants' views on affordability were framed within the wider context of cost of living and economic uncertainty. The reduction of a charge increase from CPI+4% in the Draft Business Plan to CPI+3.3% in the Final Business Plan was welcomed because it was seen as a more manageable increase on customer bills. However, concerns remained about the cumulative impact of rising costs, the uncertainty of future inflation, and the risk that lower charges now could defer investment and prompt higher costs later. For decision-makers, this means that the impacts of increases need to be understood in relation to broader household circumstances, inflation, cumulative bills, perceptions of fairness and confidence that costs are justified.

Customers welcomed the role of regulation in the sector and were reassured that Scottish Water was being held accountable. Some participants' support for the Final Business Plan was contingent on WICS scrutinising Scottish Water's proposals and holding Scottish Water to account for delivery over the six-year period. Having welcomed the information they had received about the role of WICS, participants wanted assurance that the regulator would review the investments and outcomes outlined in the Final Business Plan and that progress would be monitored throughout the SRC27 period. In future, customer confidence may be strengthened by making regulation and scrutiny of decisions more visible, including through reporting on progress, costs and outcomes that clearly links back to the investments set out in the Final Business Plan.

Customers highlighted the need for ongoing and regular communication with the public. Participants repeatedly indicated that greater public awareness of water services, water usage and the challenges facing the sector would be valuable. This included interest in water conservation – highlighting how consumers themselves can play a role through their behaviours - understanding how the money raised from customer charges is used, and clearer information about Scottish Water's responsibilities. Building customer awareness over time may help ensure that future conversations about investment and charges start from a stronger base of public understanding.

Lessons learned from the engagement approach

Some of the key **strengths** of the approach were that:

- **It used a deliberative engagement methodology.** The design and delivery of this research was grounded in deliberative engagement best practice. This methodology was specifically chosen as it helps to tackle complex issues that involve trade-offs and potentially wide-reaching implications for the public. This approach enabled participants to build their understanding over time, engage directly with information and with experts, and consider how their views developed as Scottish Water's proposals evolved from the Draft to the Final Business Plan.

- **It was longitudinal**. It is rare for a group of participants to be engaged in this type of process for over 12 months, with periods of months between the sessions. The gaps between sessions allowed Scottish Water time to reflect on the feedback, make changes to the business plan, or to provide further information as needed. It also provided participants with the opportunity to further reflect and to discuss the issues with friends and family. On returning to the sessions, participants could then hear the extent to which their feedback on the Draft Business Plan had been taken on board, and to comment on the changes that had been made as a result of their views and those of other customers and stakeholders.

- **It was embedded within the live SRC27 process**. Participants were able to respond to Scottish Water's Draft Business Plan, see how the Final Business Plan had changed, consider whether they felt customers' views had been taken into account, and share concluding thoughts to feed into the draft and final determinations published by WICS. This brought customers directly into a live business planning process in a genuine and responsive way. As one participant put it:

"I'm impressed that they've listened and [the Final Business Plan is] an improvement on the Draft. I'm happy that they've listened and taken everything into consideration and they've come up with this." (Non-household customer, Phase three)

- **It engaged with different types of customers**. The process engaged with a group that was broadly reflective of the population (Cohort 1) and with people whose voices can often be under-represented in public engagement (Cohort 2). The engagement with non-household customers brought in business perspectives across different sectors, sizes, locations and levels of reliance on water.

Some of the **limitations of the approach**, which provide useful lessons for future engagements, include:

- **The length of engagement led to some drop-off in participation.** With the overall length of the process and the periods between sessions being longer than usual in deliberative processes, not all participants were able to sustain their involvement for the whole process. While every effort was taken to keep participants engaged (including checking in with participants between sessions, posting content on the online community, and incentive payments that were staggered across the sessions), some people had to withdraw because of unexpected changes to plans, illness, or no longer wanting to be part of the process. The nature of the process also meant that the later phases of the research (and dates of sessions) were not confirmed with participants until after they had been recruited to take part. For future processes, being as specific as possible about the number of sessions and the dates would help mitigate this risk.

- **Participants did not hear from a wider range of expert voices.** Because a key purpose of the engagement was to review and discuss Scottish Water's Business Plan, it was important that the information provided to participants was developed and presented by Scottish Water. However, this meant that participants did not hear from a wide range of perspectives beyond Scottish Water. This was mitigated to an extent by the presentations from WICS in phases two and three, content provided by a range of water sector stakeholders to household customers via the online community, and presentations by external stakeholders (including Fraser of Allander Institute and Consumer Council for Water) in one of the workshop sessions attended by household customers from cohort one. For future engagement, it would be worth considering how to bring in more expert voices to help participants consider a range of perspectives – though this may require longer or additional sessions, so has implications for timing and resource.

- **The wider public will not have the opportunity to engage this deeply in the topic**. One of the strengths of the process was that participants had the opportunity to learn, reflect, and evaluate the information they were presented with. Many of the views shared by participants were in response to the information presented during and between the sessions by Scottish Water. When rolling out messaging and communications about customer charges to the wider public, customers will not have the same opportunity to understand the detailed context and reasoning behind the charges. However, as noted earlier, the findings highlight the types of topics that could be used in future messaging with the wider public.

Issues for further consideration

The research raised some issues that were not within the remit of the SRC27 process but that were nonetheless seen as important by participants. The repeated reference to these topics by participants suggests that they would benefit from further exploration with customers, with a view to gaining a deeper understanding of what impact they have on perceptions of water and waste water services.

1. **How council tax and water charges are collected.** Participants questioned the fairness of the current council tax approach, particularly in relation to different household circumstances such as single-person households. Some participants were unaware of how water and waste water services were charged for and wanted to know more. These concerns sit within wider discussions around the suitability of the current council tax system, which has not been fundamentally updated since its introduction. The Scottish Government has recently carried out a consultation[3] on options for how the council tax system in Scotland could be updated and improved. This may provide further insights into the public's views on how water charges are collected as part of council tax.

2. **Staff pay and bonuses.** When discussing Scottish Water's investments and customer charges, participants raised questions about how these factors linked with staff pay. They specifically wanted to be clear that customer charges were justified, and that Scottish Water was being as efficient as possible in relation to executive pay and bonuses (which were, for some, felt to be too high for a publicly owned body). Some wanted to see clearer mechanisms for aligning executive bonuses to performance, based on a view that they should not be paid if outcomes are not achieved over the next six years.

3. **Communicating Consumer Price Index (CPI)**. In this process, participants were continually reminded that the rate of CPI was uncertain and that this element of the customer charge was based on the Bank of England's target of 2%. Participants accepted this but were

[3] https://www.gov.scot/publications/consultation-future-council-tax-scotland/

sceptical of the estimate – not least because CPI was higher than 2% at the time of the discussions. While CPI is beyond the control of Scottish Water and the rest of the water industry, it is important that future engagement should consider how to convey the uncertainty of CPI while providing customers with clarity around the impact on their household bills.

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