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Submitted by email to  
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# Water services: investing in and paying from 2027

## About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer

perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

## Consumer Principles

The Consumer Principles are a set of principles developed by consumer organisations in the UK and overseas.

Consumer Scotland uses the Consumer Principles as a framework through which to analyse the evidence on markets and related issues from a consumer perspective.

The Consumer Principles are:

- Access: Can people get the goods or services they need or want?
- Choice: Is there any?
- Safety: Are the goods or services dangerous to health or welfare?
- Information: Is it available, accurate and useful?
- Fairness: Are some or all consumers unfairly discriminated against?
- Representation: Do consumers have a say in how goods or services are provided?
- Redress: If things go wrong, is there a system for making things right?
- Sustainability: Are consumers enabled to make sustainable choices?

We have identified fairness and representation as being particularly relevant to the consultation proposal that we are responding to.

# Our response

## 1. General summary of the consultation response

### Ministerial Objectives

- Decision making during 2027–33 must safeguard investment in customer service areas that have been presented to consumers during the SRC27 process alongside the proposed charges for this period, to secure consumer support.
- Greater emphasis on partnering with customers and communities is needed to implement more sustainable behaviour change that protects water resources, the environment and the resilience of homes and businesses.
- Improved cross sector collaboration is essential to ensure that the burden and responsibility for delivering sustainable water and wastewater services is shared fairly and effectively across all relevant parties.

### Principles of Charging

- Water poverty in Scotland will increase from 11% to around 16%<sup>i</sup> during 2027-33 if no further financial support is put in place.
- During the current 2021-27 charging period, Ministers took the decision to increase the Water Charges Reduction Scheme (WCRS) discount from 25% to 35% with the full 10% increase applied at the start of the period. The intention was to offset above inflation increases and offer protection for vulnerable consumers who have the most difficulty paying.
- In a Consumer Scotland analysis report published in December 2025, and in the context of Scottish Water’s draft 2027-33 Business Plan proposing annual charge increases of CPI+4% per annum for 6 years, Consumer Scotland recommended replicating the approach taken by Ministers for 2021-27. Specifically we advised introducing a further increase in the WCRS discount so that eligible households would, once again, pay no more in real terms at the end of the period than at the beginning. To achieve this we proposed a discount level of 50%, which we estimated would cost £24m per annum, a relatively limited figure in the context of the total £13.4bn Scottish Water programme proposed. There were several options for funding this:
  - An additional increase in charges paid by bill payers of around 2 percentage points to bills over the six-year charge period
  - An increase in the level of Scottish Government borrowing allocated to Scottish Water, which is currently declining in real terms
  - A reduction in the level of the Scottish Water investment programme
  - A combination of some, or all of these options.

- This recommendation was not taken forward in the draft Principles of Charging. The Scottish Government's position is that *'maintaining the current discounts is the best way to minimise the charge increases for all customers'* – we assume this was also motivated by a view that Scottish Water is unable to further constrain its investment programme, and limitations on the Scottish Government's ability to make additional borrowing available.
- Consumer Scotland has therefore undertaken fresh analysis to minimise the cost of protecting WCRS recipients from above inflation increases. Based on the CPI+3.3% annual increase proposed in Scottish Water's Final Business Plan, our analysis indicates that the WCRS discount would need to reach around 47% by 2033. **Under a revised approach – where the level of WCRS discount rises each year in line with the proportion of the charge uplift that is above CPI – we estimate that £88m<sup>ii</sup> over the 6 year period will be sufficient to protect WCRS recipients from above-inflation bill increases.<sup>iii</sup> <sup>iv</sup> (compared to £144m – at CPI+4% - if the discount were increased directly from 35% to 50%).** This equates to £10.36 increase in annual gross bills for a band D property to move from a 35% to 47% WCRS discount.
- Above inflation price increases do not impact all households equally, and the charging framework should recognise and respond to these differing impacts. **We therefore recommend amending the Principles of Charging objective for 2027–33 from 'minimising charge increases for all households' to 'minimising charge increases for all households and protecting those in receipt of WCRS from above inflation increases'.**
- During 2027–33, the Water Charges Reduction Scheme (WCRS) should be uplifted annually in line with real terms increases in charges to ensure that society's most financially vulnerable households are appropriately protected, in line with the sector's vision: *'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.'*
- Without additional financial support to offset above inflation price increases, the responsibility for meeting water and sewerage charges — alongside a declining share of revenue from Scottish Government borrowing — will increasingly fall on customers, with those on the lowest incomes likely to be most affected.

## 2. Consultation on Ministerial Objectives

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?

**AGREE**

Question 2. Which areas should Scottish Water be investing in that are not covered or are there areas that are not required?

Consumer Scotland welcomes the opportunity to respond to this question and is broadly supportive of the areas of activity set out in the proposed Ministerial Objectives. We recommend, however, that several areas would benefit from strengthened direction or additional safeguards to ensure that consumer outcomes are fully protected throughout the 2027–33 regulatory period. Our detailed response is set out below:

### **Maintaining the Integrity of Consumer Support Through SRC27 Delivery**

Consumer Scotland, the Water Industry Commission for Scotland and Scottish Water have a joint Memorandum of Understanding (MoU) to ensure that the consumer interests have a central role in shaping the Strategic Review of Charges process for 2027 to 2033.

Consumer Scotland is delivering the **Confirmation Pillar** of the MOU. Through this work, consumers in Scotland are reviewing Scottish Water’s business plan to test whether it commands their support. Consumers’ feedback from this process will play an important role in helping to inform WICS’ Final Determination. However, assurance – as set out within the Final Determination - only works if the commitments endorsed by consumers are consistently delivered during SRC27 period.

Many of the improvements consumers are asked to support in Scottish Water’s Final Business Plan — such as customer service, resilience, environmental quality, and community experience — sit in budgets that have historically been vulnerable to reprioritisation during periods of financial pressure. If changes in circumstances during the six-year SRC period were to result in investment in discretionary areas being reduced or delayed once charges are set, the plan delivered in practice could diverge significantly from what consumers endorsed. This would risk weakening the integrity of the Confirmation Pillar and undermining consumer confidence across the six-year period.

We recognise the pressures on the sector, including climate change impacts, ageing assets, and population shifts. In this context there is a risk that discretionary, service-related investment on key consumer issues is deprioritised to meet specific regulatory requirements. We would welcome greater transparency regarding where Scottish Water is and is not meeting its investment targets, and clearer visibility of instances where investment is deferred in favour of new or increased regulatory requirements.

Given that the Final Business Plan proposes substantial rises in charges, which in many areas is only sufficient to maintain current levels of service, there is a risk that any reduction in the investment delivered in these areas, from what is proposed, could lead to a deterioration in customer experience.

We ask the Scottish Government and regulators to introduce **stronger safeguards ensuring that discretionary, customer-focused investment — particularly those areas that underpin consumer support for higher charges — is protected throughout SRC27** and cannot be deprioritised without clear, transparent justification. We set a proposal out below as to how this can be achieved.

### **Maintaining the Consumer Voice in Decision Making**

To keep consumers at the heart of the investment delivery during the SR27-33 period, clearer expectations are needed for how consumers' interests should be taken account of if Scottish Water proposes material changes to commitments that consumers had given their support to through the Confirmation Pillar of the SRC process.

There are a range of options for a clearly structured, transparent approach which could help to achieve this. These options may include, but are not limited to:

- **Formal sector overview:** Any proposed change to customer relevant commitments could trigger a requirement for Scottish Water to present the case to the Water Industry Investment Group.
- **Consumer impact assessments:** Before altering discretionary spending, Scottish Water could be required to publish a short assessment of the customer impacts and how these relate to what consumers originally supported.
- **Targeted consumer engagement:** For more significant shifts—e.g. in relation to service improvements that were strongly supported by consumers—Scottish Water could be expected to undertake rapid, proportionate engagement with affected consumer groups or representative panels.
- **Regulatory transparency:** Options for this could include WICS requiring visible reporting within the Annual Return where changes to the plan materially diverge from commitments previously tested through the Confirmation Pillar. In addition, or alternatively, such changes could be reported and discussed at WIIG.

Mechanisms such as these could help to ensure that consumer support for the Final Determination, which has been rigorously sought and tested through the SRC process, is not lost or undermined during the 6-year delivery period.

We ask the Scottish Government and regulators to **embed a formal expectation that consumers must be involved in, or consulted on, material changes to customer-relevant**

**commitments during SRC27**, supported by transparent and proportionate engagement processes.

### **Improved and Effective Consumer Engagement**

We welcome the emphasis on resilience, clearer reporting on progress toward closing the 2050 supply–demand deficit, and the focus on more responsible sewer use to improve environmental outcomes and nature-based solutions to manage surface water, reduce flood risk and create better places for consumers to live and work.

However, Consumer Scotland’s research shows that meaningful behaviour change requires consistent, accessible, well-designed communication that links consumer behaviour to environmental outcomes. A visible and coherent strategy from the Scottish Government, Scottish Water and SEPA is needed — with clear outcomes and mechanisms for influencing households, businesses, and the built environment. Incentives for businesses to reduce consumption or wastewater impacts should also be considered.

We also support action to reduce sewer blockages caused by fats, oils and grease and the inappropriate disposal of wipes, and welcome the Scottish Government’s commitment to ban the sale of wet wipes containing plastic. However, we recognise that this measure alone will not be sufficient to address the wider impacts and costs associated with sewer blockages and sewerage-related litter within the wastewater system.

The proposed awareness and behaviour change (ABC) measure set out within Scottish Water’s Final Business Plan offers a structured way to track progress but must be supported by sustained engagement and evidence-based interventions over the regulatory period.

We recommend that Scottish Water be required to **develop and deliver a visible, outcomes-focused consumer engagement strategy**, supported by appropriate incentives, behaviour-change measures, and product-related interventions where necessary. This will further help to support and protect water and wastewater infrastructure and services.

### **Broader Public Sector Alignment**

Long-term resilience of water and wastewater services cannot be delivered by Scottish Water alone. Many of the pressures on assets and service performance in Scotland’s water sector arise from decisions made across the wider economy and public sector, for example, planning, land use, housing, forestry and infrastructure development such as energy networks.

A step change is required in cross-sector collaboration, governance, and shared accountability. Without this, the bills paid by water customers will continue to compensate for pressures created elsewhere in the system.

We ask the Scottish Government to **strengthen expectations and governance frameworks for cross-public-sector collaboration**, ensuring shared outcomes and joint responsibility for protecting water and wastewater services, for the benefit of consumers.

### **Demand Management and the Use of Evidence**

We support the requirement for Scottish Water to provide a demand management report by 2028. However, options for driving water efficiency must be tested with consumers directly, given the significant behaviour change required and Scotland’s comparatively high per-capita consumption.

As the statutory, independent, consumer body, Consumer Scotland would be willing to lead this work with consumers.

We also agree that, at this stage, it is appropriate to retain demand management within Ministerial Objectives rather than incorporating it into the Principles of Charging. In our assessment, the Principles of Charging should be firmly demonstrable within the existing system and not aspirational. Adding in a demand management principle at this stage feels premature when this cannot currently be robustly evidenced, particularly for household customers.

We recommend that **all demand management options be tested with consumers — through research or piloting — before decisions are taken**, and that Consumer Scotland be engaged to lead this policy insight work on behalf of the sector.

### **Transparency and Accessibility of Sector Data**

The Ministerial Objectives currently require Scottish Water to *“maintain or improve service levels compared to 2027, set performance targets with stakeholders, and ensure transparent public access to performance data.”*

With regard to the final “transparent public access” point, Consumer Scotland considers that a more clearly defined commitment on transparency would provide a firmer foundation for strengthening customer confidence in this area.

This would be consistent with other areas—such as demand management—where the Scottish Government has introduced specific and timebound commitments (for example, the 2028 report on demand management options).

Scottish Water has already signed up to a set of open data commitments alongside some companies in England and Wales. However, as highlighted in Consumer Scotland’s recent report on customer complaints, there remains substantial scope for the sector to publish data more proactively to demonstrate performance and drive greater public accountability.

To be clear, this is not to imply that performance in particular areas is deficient; rather, that it is not yet sufficiently visible to consumers.

Some progress has been made, notably through the Overflow Map API. However, at the time of writing, this remains the only open data resource referenced within the open data section of the [Scottish Water website](#).

A key commitment in the open data strategy<sup>v</sup> — of which Scottish Water is a cosignatory—is the development of individual release schedules or roadmaps for data publication. Consumer Scotland is not aware of a current roadmap – at least one which is publicly available. In this context, Consumer Scotland suggests that the Ministerial Objectives could include a strengthened commitment for Scottish Water to publish **a refreshed roadmap for open data resources and key performance metrics by 2028**. The Water Industry Investment Group could oversee the development of this roadmap as part of its scrutiny role.

This would provide a clear and timebound milestone, ensuring that improved transparency of key performance data is firmly embedded within the forthcoming regulatory period and that tangible enhancements to the level of public information and open data resources are delivered during the six-year cycle. As set out, this roadmap should be wider than purely open data resources and should include enhancements to existing ‘traditional’ publications.

Consumer Scotland recommends that the final roadmap be made publicly available, and includes commitments, where appropriate, to enhance the accessibility and depth of existing publications. It should also identify opportunities to develop new open data resources and set out where additional data sources – such as raw data from research studies – can be published proactively. This work could also build on any amendments that WICS proposes to the annual return process, should they consider such changes appropriate ahead of the SRC27 regulatory period.

### Question 3. What do you value most about the water and wastewater services provided by Scottish Water?

Findings from Phase 1 and 2 of the SRC27 process Confirmation Pillar deliberative research indicated that participants generally held a positive view of Scottish Water.

- In phase 1 of the Confirmation Pillar deliberative research, household participants expressed a view that water and wastewater services were more reliable and more affordable in Scotland than in England and were appreciative of this. There was some understanding that Scottish Water is publicly owned, but participants generally didn’t know a great deal about their water supply, and there was some confusion about the extent of Scottish Water’s responsibility and what its public ownership meant in practice. Phase 2 of the research included non-household customers, who generally had a good understanding of Scottish Water’s role.
- Phase 2 of the research also found that household and non-household participants generally held a positive view of Scottish Water. In relation to Scottish Water’s draft business plan, participants expressed widespread support for investment in maintenance. Investments aiming to keep ‘Scotland’s tap water a source of national pride’ (maintaining drinking water quality, reducing water leakage, and

maintaining a reliable supply of water) received widespread support'. Measures to tackle pollution and internal and external sewer flooding were also felt to be important.

#### Question 4. Do you have any concerns about the water and wastewater services provided by Scottish Water?

##### **Confirmation Pillar research**

Consumer Scotland, working closely with sector stakeholders, has undertaken an extensive deliberative research programme to support the development of Scottish Water's Final Business Plan (FBP). This longitudinal research engages participants over an extended period, providing structured expert input and enabling participants to reach informed, evidence-based conclusions that may differ from their initial views. This approach ensures a deep understanding of consumer expectations, priorities and concerns, particularly in relation to investment choices and service outcomes.

Findings from Phases 1 and 2 have been published, with Phase 3 will conclude by the end of April. The Phase 3 outputs will inform the Water Industry Commission for Scotland's (WICS) Draft Determination later in 2025. The write up of the full deliberative research report will continue until late 2026, allowing for ongoing insight into consumer attitudes as the regulatory period approaches.

The first phase of the research focused on consumers' expectations of the sector and their priority areas for investment, service delivery and long-term resilience. Consumers then examined Scottish Water's draft business plan and gave their views on it. The third and final phase is testing whether Scottish Water's final business plan has consumers' support.

Overall, participants expressed broad support for the direction and content of Scottish Water's draft business plan. However, consumers highlighted **some concerns** addressing investment and affordability (see POC section) for further consideration:

- **Efficiency** – Participants stressed the need for Scottish Water to demonstrate clear and measurable efficiency improvements. Transparent evidence of efficiency will be essential to maintaining trust, particularly in the context of customer charges rising at a rate above inflation.
- **Inflation and financial impact** – Consumers expressed concern about uncertainty around inflation and its cumulative impact on household budgets, especially for low income- households. Participants sought clarity on how rising costs would be managed, which areas of work could be deprioritised if costs exceed assumptions, and what principles would guide such decisions.
- **Communication / Engagement** – There was a strong call for clearer, ongoing communication with consumers about what SRC27 will deliver, why specific investments are necessary or deferred, and how these decisions relate to the charges

borne by customers. Participants emphasised that this communication must continue throughout the regulatory period to sustain consumer support for investment.

- **Assurance and monitoring** – participants highlighted the need for transparent monitoring and robust evidence to demonstrate that SRC27 commitments are being delivered as promised. Visible progress reporting will be critical to maintaining consumer confidence.

These findings reinforce the importance of maintaining a strong, ongoing consumer voice throughout 2027-33 — not solely at the point of plan confirmation — as set out earlier in our response.

### 3. Consultation on the Principles of Charging

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?

**NB – this is closed choice** [Strongly agree / Agree / Neither agree nor disagree / Disagree / Strongly disagree] **in the consultation.**

**NEITHER AGREE NOT DISAGREE**

Question 5b. Please explain your answer to question 5a.

At a high level, and in the absence of more substantive reform to the structure of water charging, Consumer Scotland agree that the proposed Principles of Charging are appropriate and reflective provided that additional financial support is provided to protect low income households from above inflation price increases.

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?

**NEITHER AGREE OR DISAGREE**

Question 6b. Please explain your answer to question 6a.

Consumer Scotland does not agree with the premise of this question, which implies that the policy objective should be to expose all households to the same proportionate rise in charges during 2027-2033.

The Principles of Charging require charges to be *fair, equitable and affordable* for all consumers, including those who struggle to pay. The extent to which bills are affordable must be seen within the context of household incomes. Some households (typically low-

income households) already spend substantially greater proportion of their incomes on water charges than others.

In this context, the objective of policy should not be to spread the burden of future bill rises equally, as implied by the question, but spread the burden in such a way as to protect those households who are most likely to be facing affordability challenges.

Consumer Scotland is particularly concerned about households in water poverty or at risk of water poverty (a household is deemed to be in water poverty if it spends more than 3% of its disposable income on water charges).

With charges proposed to increase by 3.3% per year in real terms over the course of 2027-33 (over 21% cumulatively), water poverty rates are set to increase substantially. Consumer Scotland’s latest modelling suggests that water poverty could increase from 11% currently to around 16% in 2033<sup>1</sup>. Moreover, those in water poverty will also see their bills as a percentage of income rise further.

In other words, without action, exposing all households to the same 3.3% annual increment in bills is regressive and will lead to substantial increases in water poverty. This does not seem consistent with the principle that changes should be fair, equitable and affordable.

**What can be done?**

Consumer Scotland proposes a policy option to reduce the regressivity of future bill rises and mitigate the future rise in water poverty.

This policy option is to increase the discount provided through the WCRS incrementally each year – by enough to offset the real terms annual increase in charges. If water charges were to increase by 3.3% in real terms each year, the WCRS would increase in steps of approximately 2 percentage points each year, reaching approximately 47% by the final year of the period.<sup>2</sup>

Specifically, the WCRS should increase as follows:<sup>3</sup>

$$WCRS_1 = \frac{WCRS_0 + RI}{RI + 1}$$

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<sup>1</sup> Our modelling indicates that, on the basis of current forecasts for incomes, taxation and benefits, water poverty would reach 14% by 2030. Uncertainty increases around the economic outlook and fiscal policy in the final years of the strategic review period, but, on the basis of the latest official forecasts, a poverty rate of 16% is our central projection.

<sup>2</sup> Note that this policy proposal differs slightly from that which we proposed in our 2025 report. In our 2025 report, we proposed increasing the WCRS to 50% in the first year of the Strategic review period, and maintaining at that level. In seeking proportionality and fairness to all consumers, we are now proposing that the WCRS should increase incrementally in line with the real terms rise in charges.

<sup>3</sup> This formula expresses the required rate of WCRS in year 1 as a function of the WCRS in year 0, and the real rate of increase between the two years (RI).

In order to offset the real terms increase in bills, the rate of WCRS in a given year 1 is a function of the rate of WCRS in the preceding period, and the rate of real increase in bills between periods 0 and 1 (i.e. currently proposed at 0.03).

The benefits of this policy are clear:

- It would mitigate some of the rise in water poverty. Almost 20,000 fewer households would be in water poverty in 2032/33 than would be the case without the WCRS change.
- Perhaps more significantly, it would protect all households in receipt of WCRS from real terms bill rises over the strategic review period. Consumer Scotland analysis shows that whilst not all of these households are in water poverty, most of them are in low income poverty and therefore at risk of water poverty and facing affordability challenges. Almost half of households in low income poverty receive the WCRS.

Consumer Scotland acknowledges that this policy is not 'perfect'. It does not offset all of the projected rise in water poverty. Nor does it insulate all households in water poverty from real terms bill increases.

But the best should not be the enemy of the good. This is recognised in other spheres – for example, the Warm Home Discount in the energy sector is not perfectly targeted at those in fuel poverty, and nor is the Scottish Child Payment perfectly targeted at households in child poverty. The proposal to increase the WCRS to offset real terms bill increases is the best – indeed only way within the current charging system - to improve the affordability of bills in the context of significant real terms increases.

The costs of the policy are relatively modest. If the cost were added to the bills of consumers, in year 1 of the charging period, the policy would add about one third of a percentage point to bills (on top of the 3.3% real increase already proposed). By the final year, the policy would equate to just under two additional percentage points to bills (relative to the 22% cumulative increase proposed).

There are options for funding this:

- An additional increase in charges paid by bill payers of 0.33% pa
- An increase in the level of borrowing the Scottish Government makes available to Scottish Water, which is declining in real terms
- A reduction in the level of the Scottish Water investment programme
- A combination of some, or all of these options.

## **By-application scheme**

In the short-term, some of the imperfection of targeting associated with this proposal could be mitigated through some form of 'by-application' scheme for low-income households who do not qualify for WCRS, as we suggested in our 2025 report. Such a scheme could for example provide support to households on low incomes or in receipt of means tested benefits, but who do not receive WCRS, and could be administered by local authorities. Consumer Scotland would be pleased to work further with the government to help explore how such a scheme could work in practice.

### *Summary*

To return to the question, Consumer Scotland considers that exposing all households to the same annual increment in charges – by maintaining affordability support at current levels – would result in a regressive pattern of charge increases and a significant rise in water poverty.

The best way to address this within the current system, at least in part, is to increase the WCRS to offset the impact of real bill increases on a large proportion of the lowest income households. What is set out above may negate reducing the level of revenue available to Scottish Water and ensure that those revenues are raised in a more progressive, fairer way - much closer to the principle that charges should be *fair, equitable and affordable*.

## **Scottish Government borrowing**

The consultation states that customer charges provide Scottish Water with 90% of the finance required to operate, maintain and improve services, with the remaining 10% (£170M) provided through Scottish Government lending. If government lending does not increase in line with rising customer charges during 2027–33, the overall government financial contribution will fall in proportional terms. This would shift an even greater share of the financial burden onto customers, at a time when many households face significant financial pressures

Given that charges are proposed to rise annually at CPI+3.3%, any reduction in the relative level of government support would place additional costs on all households, including those already struggling to pay. In this context, we regard it as even more important that the Scottish Government reconsiders the options available to it to provide additional support through the WCRS, as we have set out above.

Furthermore, we would welcome further consideration by the Scottish Government to increase levels of borrowing for Scottish Water to help offset above inflation price increases.

## **Confirmation Pillar research**

Participants in the SRC Confirmation Pillar deliberative research expressed clear concern about the affordability of water and sewerage charges for low-income households. They

highlighted the cumulative impact of above inflation price increases and stressed the importance of providing additional protections for those least able to pay.

### **Cost of living increases**

Consumer Scotland's research<sup>vi</sup> into the cost of living shows that the inflationary spike between 2022 and 2024 continues to leave a significant legacy on the cost of living, and the affordability of essential goods and services.

Prices of goods and services generally – as measured by the CPIH inflation index – were 22% higher in December 2025 compared to December 2021. On the face of it, household income growth during this period has on average surpassed the inflation in goods and services – the Scottish Fiscal Commission estimates that disposable household incomes in Scotland will have grown 26% over the same period<sup>vii</sup>.

The headline inflation rates mask steeper price rises for some categories of goods and services:

- Between December 2021 and December 2025, the price of food and non-alcoholic drinks increased by 35%<sup>viii</sup>
- During the same period the price of newly advertised rents in Scotland increased by 30%<sup>ix</sup>
- Household energy bills in the fourth quarter of 2025 were 26% higher than in the same period in 2021<sup>x</sup>. In conjunction with broader price rises, one consequence is a significant rise in the number of households in debt or arrears on their energy bill. Despite government action to reduce bills through removing some levies from bills, the medium-term outlook is for bills to increase further, as network and balancing costs continue to rise, and the outlook for wholesale costs remains volatile.
- Water bills in Scotland increased by 31% between 2021/22 and 2025/26 and are on course to increase significantly above inflation in coming years.

In this context it is not surprising that the cost of living is having a material impact on Scottish households. The Scottish Government's Consumer Sentiment Index shows that households' sentiment regarding their household finances and spending remains negative and weaker than the pre-covid era<sup>xi</sup>.

A significant proportion of Scottish households state that they are responding to cost-of-living pressures by reducing their energy use<sup>xii</sup>, and this sentiment is backed up by aggregate expenditure data<sup>xiii</sup>. Yet despite cutting back on energy use, spending on energy is taking up a greater proportion of household incomes<sup>xiv</sup>. A result is even greater reductions in spending on discretionary items. As well as having implications for consumers' wellbeing, this creates headwinds for the economy more generally.

## **Impact of water and sewerage charges on household debt**

During 2025-26, Consumer Scotland undertook consumer focused research<sup>xv</sup> into the lived experience of water and sewerage debt within low-income households. The findings clearly show that affordability challenges are central to the accumulation of water and sewerage debt. Many low-income households in Scotland simply do not have sufficient income to meet essential bills, and water charges become one of several competing financial pressures.

Water debt is often experienced alongside wider and increasingly common forms of household financial hardship. The rising cost of living has meant that many consumers have fallen into water debt for the first time, with debt becoming more widespread and more difficult to resolve.

The research highlighted significant concerns around current debt recovery practices. Local authority recovery processes are typically designed to prioritise revenue recovery, with little or no assessment of a household's ability to pay. This can exacerbate financial distress and place additional strain on families already struggling to afford essentials.

Looking ahead to 2027–33, there is a risk of that more consumers could fall into debt if water and sewerage charges rise above inflation without parallel support for those least able to pay.

Question 7a. To what extent do you agree or disagree that the current eligibility criteria for the charity exemption scheme remain appropriate?

**Neither agree nor disagree**

Question 7b. Please explain your answer to question 7a.

The Charitable Exemption Scheme was last reviewed and published in 2018. Under the current arrangements, charities with annual income below £200,000 receive a full exemption from water and sewerage charges, while those with income between £200,000 and £300,000 receive a partial exemption. During the last review, one area of debate concerned the distinction between restricted and unrestricted funding, and the extent to which available un-ringfenced resources should be used to determine a charity's ability to pay these charges. For some organisations, unrestricted funding represents only a small proportion of their income; for others, it is considerably more substantial.

If the Scottish Government undertakes a further review of the Scheme, Consumer Scotland would welcome reconsideration of the basis for these thresholds—specifically, whether these should be adjusted to better take account of the limited financial flexibility that charities may have regarding restricted income.

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**

Question 8b. Please explain your answer to question 8a.

In our analysis set out in December 2025 Consumer Scotland recommended *‘to the Scottish Government that the WCRS is increased to 50% in SR27. The policy would offset the impact of real terms bill increases for over 400,000 households, the vast majority of whom are in the lower part of the income distribution.* We are therefore pleased that the Scottish Government has also concluded that continuing to bill water and sewerage charges through Council Tax does not provide the policy levers needed to support behaviour change or to target affordability support to households most in need. The current framework does not sufficiently protect consumers in vulnerable circumstances and does not direct assistance effectively towards low-income households.

In addition, many households receiving full Council Tax Reduction remain unaware that they remain liable for 65% of their water and sewerage charges. Limited, or a lack of clarity, in the communication of this liability can lead to some consumers to disregard billing reminders and fall into avoidable debt.

A future charging and billing model should be fairer, more targeted and easier for consumers to understand. Consumer Scotland would be pleased to work with the Scottish Government and other stakeholders to support the development of this model.

### **Need for a more structured approach to water poverty**

In developing a future charging and billing model, the Scottish Government should consider whether its approach to water poverty is aligned with its wider affordability strategies. In other areas—such as fuel poverty<sup>xvi</sup>—the Scottish Government has set out clear strategic objectives, statutory duties and regular review processes. This provides clarity of purpose and a clear expectation of progress over time. By contrast, water poverty is primarily revisited during each Strategic Review of Charges, with limited scope to respond to changing economic conditions in the intervening years.

As we move into the 2027-33 regulatory period there is an opportunity for Scottish Government to provide clear national leadership on water poverty. For example, a national water poverty strategy could offer a structured and coordinated framework for reducing water poverty over time, ensuring that interventions are targeted, effective, and aligned with broader social policy objectives.

Forecasts illustrate the scale of the challenge and the importance of taking action. Research commissioned by Independent Age projects that by 2029–30 water poverty (using the 3% measure) will affect 22.8% of households in England and Wales, with severe water poverty

rising to 9.9%. Consumer Scotland's analysis suggests that, under Scottish Water's business plan, water poverty in Scotland could reach around 16% over the same period.

In developing a more structured approach to tackling water poverty, there may be opportunity for Scotland to learn from some of the approaches taken being in England and Wales. This includes:

- The Public Interest Commitment, through which all water companies in England have committed to ensuring that no household pays more than 5% of disposable income on water and sewerage bills by 2030 and to developing a strategy to end water poverty.
- Expectations from Ofwat that companies demonstrate not only general bill affordability but also how they intend to support customers who are struggling, or at risk of struggling, to pay. This has driven more structured obligations and wider forms of assistance, including social tariff expansion, debt relief schemes, and water efficiency support for metered households.
- Following the recent Price Review, funding for social tariffs in England and Wales is expected to rise to £640 million annually for 2025–30, compared with £235 million previously. Reforms to the WaterSure scheme will broaden eligibility, increase protections for high usage households, and bring an estimated 53,000 additional customers into the scheme from 2027. These changes took place following a review of the existing WaterSure scheme by the Consumer Council for Water.
- These changes are expected to come into force in early 2027 and will be funded by an additional £1.14<sup>xvii</sup> on customer bills. The scheme<sup>xviii</sup> is designed to support customers on meters who have a high essential usage of water in their household, either due to a medical condition or a large family

Scotland has a very different ownership, policy and regulatory framework compared to England and Wales and water poverty rates in Scotland are comparatively lower. However, this does not mean that no action is required. There is an opportunity now for Scotland to build on its comparatively strong position, to examine the effectiveness and relevance of new approaches being taken elsewhere to and to go faster and further in tackling water poverty for the benefit of consumers.

Consumer Scotland would be pleased to work with the Scottish Government to consider the approach to developing a water poverty strategy in Scotland.

<sup>i</sup> The outlook for water poverty in this analysis – with charges increasing at CPI+3.3% – is broadly in line for the outlook from our December 2025 analysis, which was based on an assumption that charges would increase by CPI+4%. The reason that the outlook for water poverty is broadly unchanged is two-fold. First, our December 2025 analysis assumed that charges in 2026/27 would increase by CPI+4%, whereas our latest analysis is based on the reality that charges in 2026/27 increased by CPI+5%. This higher baseline for charges affects all subsequent years. Secondly, whereas our December 2025 analysis was based on fiscal projections made in spring 2025, our latest analysis is based on projections made in November 2025; under these projections, the outlook for real household income growth is somewhat weaker over the period.

<sup>ii</sup> Increasing the WCRS by 2 percentage points each year:

	<b>Increase by above CPI rate</b>	<b>Increase from 35% to 50%</b>
year 1	£4,147,893.00	£24,000,000
year 2	£8,331,700.00	£24,000,000
year 3	£12,548,422.00	£24,000,000
year 4	£16,799,920.00	£24,000,000
year 5	£21,084,774.00	£24,000,000
year 6	£25,399,322.00	£24,000,000
total	£88,312,031.00	£144,000,000.00

<sup>iii</sup> We estimate that the WCRS discount would need to reach 46.5% by 2033 to protect WCRS recipients from above-inflation bill increases. To model this, we increased WCRS annually by 2 percentage points, rising from 35% (2026/27) to 47% (2032/33).

<sup>iv</sup> Consumer Scotland’s original recommendation of an increase to 50% at CPI+4% would cost £144m over the 6 year period

<sup>v</sup> <https://www.arcgis.com/sharing/rest/content/items/6baf1ca1354a4d76a2c08f71cbe1cedc/data>

<sup>vi</sup> [consumer-outlook-2024-2025-1.pdf](#)

<sup>vii</sup> Scottish Fiscal Commission, Economic Forecasts, January 2026 [Scotland’s Economic and Fiscal Forecasts – January 2026 | Scottish Fiscal Commission](#)

<sup>viii</sup> ONS, [Consumer price inflation time series - Office for National Statistics](#)

<sup>ix</sup> Ofgem data dashboard [Retail market indicators | Ofgem](#) The specific statistic quoted here relates to the cheapest available tariff for a dual fuel direct debit consumer, although the conclusion is broadly the same for other payment methods and the price cap generally

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<sup>xi</sup> [Economy statistics - gov.scot](#)

<sup>xii</sup> Diffley Partnership – Understanding Scotland, November 2025 [Understanding Scotland Economy Tracker – November 2025 - Understanding Scotland](#)

<sup>xiii</sup> Consumer Scotland analysis of [Consumer trends, UK - Office for National Statistics](#) Data relates to UK, not Scotland

<sup>xiv</sup> Consumer Scotland analysis of Living Costs and Food Survey. Data relates to UK, not Scotland.

<sup>xv</sup> Soon to be published (May 2026)

<sup>xvi</sup> <https://www.gov.scot/publications/tackling-fuel-poverty-scotland-strategic-approach/documents/>

<sup>xvii</sup> [Reduced bills for around 300,000 households in WaterSure reform - GOV.UK](#)

<sup>xviii</sup> [WaterSure scheme – help with paying water bills - Citizens Advice](#)