Scottish Water
Trusted to serve Scotland

FINAL BUSINESS PLAN 2027-2033

INVESTING IN SCOTLAND'S FUTURE

26 FEBRUARY 2026

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This is the Main Document of Scottish Water's Final Business Plan submission for the Strategic Review of Charges 2027-33.

CHIEF EXECUTIVE'S INTRODUCTION

I am hugely proud to be part of an organisation which provides the excellent water and waste water services that are essential to everyday life in Scotland.

This is achieved through the effective operation of the unique model that we operate in Scotland, where public ownership is combined with a commercial approach to running Scottish Water, and supported by robust, constructive and independent regulation. These three elements combine to allow us to take a near and long-term view of what we must do for the benefit of Scotland.

Our commitment to listening and responding to our customers is fundamental to our success as a publicly owned organisation. In developing this plan we have listened to over 25,500 customers, to understand their expectations and priorities. We heard strongly that customers value our service and want to see investment to maintain and improve what we do for this and future generations. We also heard concerns about the affordability of price increases.

This Final Business Plan 2027-2033 responds to this feedback. We have made tough choices to reduce the overall bill increases to the lowest possible level whilst still achieving a good balance of investment, service outcomes and risk. In making these trade-offs we have carefully considered the level of risk that we retain, and sought to protect the service areas that are of most importance to customers, our regulators and Scottish Ministers. Collectively we recognise, consider and plan for the significant challenges and opportunities facing us.

I want to thank all our customers who took part in our research, and stakeholders who have supported and challenged us as we developed this business plan.

This plan continues the prudent, stable, balanced funding and investment trajectory that has benefited Scotland to date. It will allow sustained investment in essential infrastructure to enable us to deliver resilient services for our customers; support sustainable economic and housing growth across Scotland; protect and enhance our precious natural environment; and maintain our assets now and into the future, despite the additional pressures from more frequent extreme weather events caused by climate change, a growing and shifting population, and ageing assets.

Whilst this plan gives our best view of the required investment, we will have robust processes with stakeholders and customers to review and reprioritise investment during the 2027 to 2033 period, should this be needed to respond to significant changes, or new or increased risks.

I am grateful to the team of dedicated and skilled people working across Scottish Water and our supply chain partners. For the period ahead, we will all need to work differently, collaborating more closely than ever before with customers, communities and organisations across Scotland to find new ways to protect essential services, reduce costs and deliver wider benefits to society.

We still need to deliver excellent engineering solutions, but we also recognise that nature is the greatest engineer of all. If we can supplement our engineering solutions to harness nature, work in nature-positive ways, and to focus on preventative measures earlier in the process, we can deliver greater value over the long term, including through creation of biodiversity, carbon and social amenity benefits.

We will also increase our efforts to influence the value that the people of Scotland place on water, to help manage water demand and reduce costs. And we are committed to delivering efficiently, to continue to drive innovation and transformation, as our customers rightly expect.

Having assessed this plan in detail with the Board of Scottish Water, I am confident we are striking the right balance between investment to deliver service outcomes and bill increases.

This plan responds to the many challenges we face and supports the strategic ambitions of our Long-Term Strategy. It has been developed with the interests of our customers and the environment at its heart. And it will allow us to protect and enhance Scotland's water, our most precious resource, both for this generation and for many generations to come.

Alex Plant
Chief Executive of Scottish Water

CHAIR'S FOREWORD

As Scottish Water's Board we have been fully engaged throughout the development of the Final Business Plan 2027-2033. We have assured ourselves that it represents an appropriate but challenging balance for the 2027-2033 period, and takes into account the interests of future generations. The plan is also aligned with its Long-Term Strategy.

We have provided consistent leadership, scrutiny, and challenge to ensure the plan is robust and will enable Scottish Water to meet its commitments to regulators, stakeholders, and the customers, communities, and environment it serves.

We have also considered the service outcomes that customers will receive. We assess that this plan will enable Scottish Water to meet the draft Ministerial Objectives and make appropriate progress towards its Long-Term Strategy, thereby contributing to the Water Sector Vision.

As well as testing the deliverability of the plan, we received further evidence of the productivity position to ensure that the plan represents value for money for customers and as a Board we have been fully involved in designing the supply chain solutions for the Strategic Review of Charges 2027-2033 (SR27).

Scottish Water has maintained strong controls to support and assure completion of the SR27 final business plan. The constructive challenge from the Independent Customer Group has been vital in ensuring the plan reflects customer priorities while balancing affordability. We extend our thanks to all members of the Group and all customers who participated in the research, for their commitment and contribution.

We have carefully considered and challenged the steps that have been taken to respond to the feedback from customers and stakeholders on the draft business plan. Scottish Water has rebalanced some investments, and taken difficult decisions to delay others, to address concerns raised regarding the affordability of bills for customers.

While delaying some investments has enabled a reduction in the cost of the plan, and thus a lower increase in bills, it has also increased the risk that Scottish Water will hold through the SR27 period. As a Board we have carefully considered how this risk position can be managed and mitigated.

The Board has assessed the retained risks which have increased since the draft business plan, and has assured itself that these increased risks can be managed. In reaching this assessment, we have recognised the value of the dynamic approach to delivery within the SR27 period that the regulatory model in Scotland provides, and which allows for reprioritisation within the period should circumstances change or risks materialise.

Finally, the Board has carefully considered the requirements set by the Water Industry Commission for Scotland (WICS), and has assured itself that these requirements have been effectively addressed in the development of the plan.

The Board looks forward to supporting the delivery of the Final Business Plan 2027-2033 which will generate significant benefits for customers, communities and the environment across Scotland.

Deirdre Michie
Chair of Scottish Water Board

SECTION ONE

OVERVIEW

CHAPTER ONE
OUR PLAN IN BRIEF

This business plan sets out what we propose to deliver for the people of Scotland over the next regulatory period (2027-2033), known as the Strategic Review of Charges or "SR27".

As a publicly owned business, our purpose is to help Scotland flourish by being trusted to care for the water on which Scotland depends. Every penny we receive is invested in protecting and improving services for our customers, communities and the environment. This plan, informed by feedback from key stakeholders and over 25,500[1] customers, sets out our challenges, opportunities and proposed priorities for the SR27 period. It shows how, over the six years of SR27, we will make progress towards the long-term ambitions, outcomes and approaches we set out in our Long-Term Strategy (2025-2050).

We face a number of challenges over the short and long-term: the increasing effects of the climate crisis (bringing more extreme weather which affects water resources and our drainage systems); a shifting and changing population; the increasing cost of replacing ageing assets; and new regulatory requirements.

As part of the regulatory process for SR27 we published a draft business plan in June 2025 proposing our response to these challenges and invited stakeholders and customers to provide feedback. Our draft business plan set out our initial proposals to: improve service for the current generation and safeguard the interests of future generations; meet the objectives of Scottish Ministers and our regulatory requirements; and balance our investment and cost to provide great value for customers. This was one of the strongest and most comprehensive plans we have ever produced, benefitting from an extensive programme of customer research, and strong engagement with key sector stakeholders.

1 More than 24,000 customers' views in our research synthesis database; 1,398 customers in Scottish Water's SR27 research; and 145 customers in Consumer Scotland's SR27.
2 In 2024/25 prices

One of the key findings from our customer research is the pride and passion people in Scotland have for our water. Customers recognise the challenges we are facing and there is a strong desire to ensure high standards are maintained at the very least over the long term, while providing value for money.

Customer and stakeholder feedback on the draft business plan was clear and consistent around several key themes:

- **Affordability –** ensuring bills remain fair and affordable for all customers, with particular focus on those most vulnerable.
- **Ambition and Outcomes –** maintaining high service standards and setting challenging targets informed by our customer priorities.
- **Deliverability and Evidence –** providing robust assurance that our investment programme is achievable and supported by strong evidence cases.
- **Efficiency –** demonstrating that we will continue to operate and invest efficiently.
- **Customer and Community Engagement –** strengthening our role in empowering communities, enabling behaviour change, and supporting customers on our priority services register.
- **West Central Bioresource –** The Water Industry Commission for Scotland (WICS) have asked that we consider the timing of investment in this critical programme of works and fully explore alternative funding models.

All of these factors have been considered as we carefully reviewed our plans for 2027-2033. Reflecting customer and stakeholder feedback to keep bills as affordable as possible we have reduced the total proposed investment over SR27 by £400 million, from £8.5 billion[2] in the draft business plan to £8.1 billion in the final business plan.

We also require £5.3 billion for operating and other costs essential to delivering our services. Our final business plan therefore requires total funding of £13.4 billion across the SR27 period. When coupled with the forecast borrowing levels from Scottish Government,[3] the final business plan proposes a customer charge of Consumer Prices Index (CPI) +3.3% per annum for the SR27 period.

While proposed bill increases are still above inflation they are lower than projected in our draft business plan which proposed an increase of CPI +4% per annum. In addition, the Water Charges Reduction Scheme will continue to support customers least able to pay (currently around 50% of customers get some form of help with their bills).

The final business plan will ensure we can invest to protect those service areas customers have told us matter most to them, and those which our water quality and environmental regulators have prioritised.

This investment is essential for us to:

- maintain excellent and resilient water and waste water services for our customers as we face more extreme weather,
- safeguard our precious natural environment, and
- enable economic and housing growth across Scotland.

SR27 FINAL BUSINESS PLAN

£13.4 billion
Total Business Plan for SR27

which comprises:

£8.1 billion
for investment to support our assets

£5.3 billion
for day-to-day running costs

We have made difficult choices and worked hard to identify areas where the impact of delaying investment can best be managed. These choices have reduced our proposed level of investment, which has increased our level of retained risk. We are managing the risk of service impacts in some areas, compared to the draft business plan. Some service outcomes, like interruptions to supply, will see less improvement than in the draft business plan. We will work closely with customers and stakeholders to ensure we are prioritising and delivering investment to mitigate risks, using innovation and technology to reduce costs so that we can deliver more.

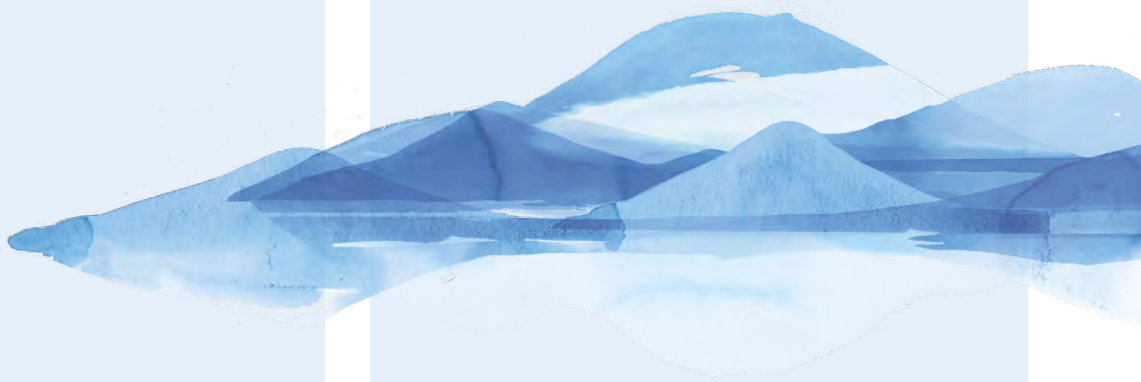
As a publicly owned essential service, we will ensure that the investment this plan seeks will be deployed efficiently to ensure resilient and sustainable water and waste water services for all communities across Scotland over the 2027-2033 period, improving the lives of our customers and communities and helping Scotland to flourish come rain or shine.

3 £170 million per annum nominal

DELIVERING TOWARDS OUR LONG-TERM OUTCOMES AND PROMISE TO CUSTOMERS

Scotland's tap water remains a source of national pride and is valued as a precious resource

The quality of our rivers and seas has improved, and our communities are protected from sewer flooding, through collaboration with others



Maintenance

Invest c.24% more on asset maintenance than during 2021-27 (SR21), making sure infrastructure lasts as long as possible and is well looked after for future generations.

Drinking water quality

Invest £1,720 million to meet the high standards of drinking water that our customers have pride in.

Reliable water

Reduce the risk of drought impacting on 350,000 homes and businesses.

Leakage

Reduce leakage by 10% at a national level, focusing on water resource deficit zones.

Scotland's rivers and seas

Increase monitoring of our network and address 150 unsatisfactory intermittent discharges to make lasting improvements to our environment.

Internal and external sewer flooding

Reduce the impact of sewer flooding and the number of sewage blockages caused by inappropriate items being put into the sewer system.

Scottish Water has played a key role in enabling Scotland's sustainable economic and housing growth

Sustainable growth

Ensure capacity to facilitate the connection of c.120,000 new homes and business premises.

Tomorrow's workforce

Partner with further and higher education establishments and reach 90% of Scottish schools to build Science, Technology, Engineering and Maths skills for a resilient, sustainable workforce.

A prosperous Scotland

Our proposed investment programme for 2027-2033 will sustain £12.6 billion of output across Scotland's economy.

We will continue our work to improve the lives of our customers and communities, and help Scotland to flourish come rain or shine

Customer service

Maintain our position as a leader in customer service, protecting the most vulnerable customers.

Better places

Better manage rainwater through collaborative approaches to address localised flooding and create green spaces that benefit communities.

Natural environment

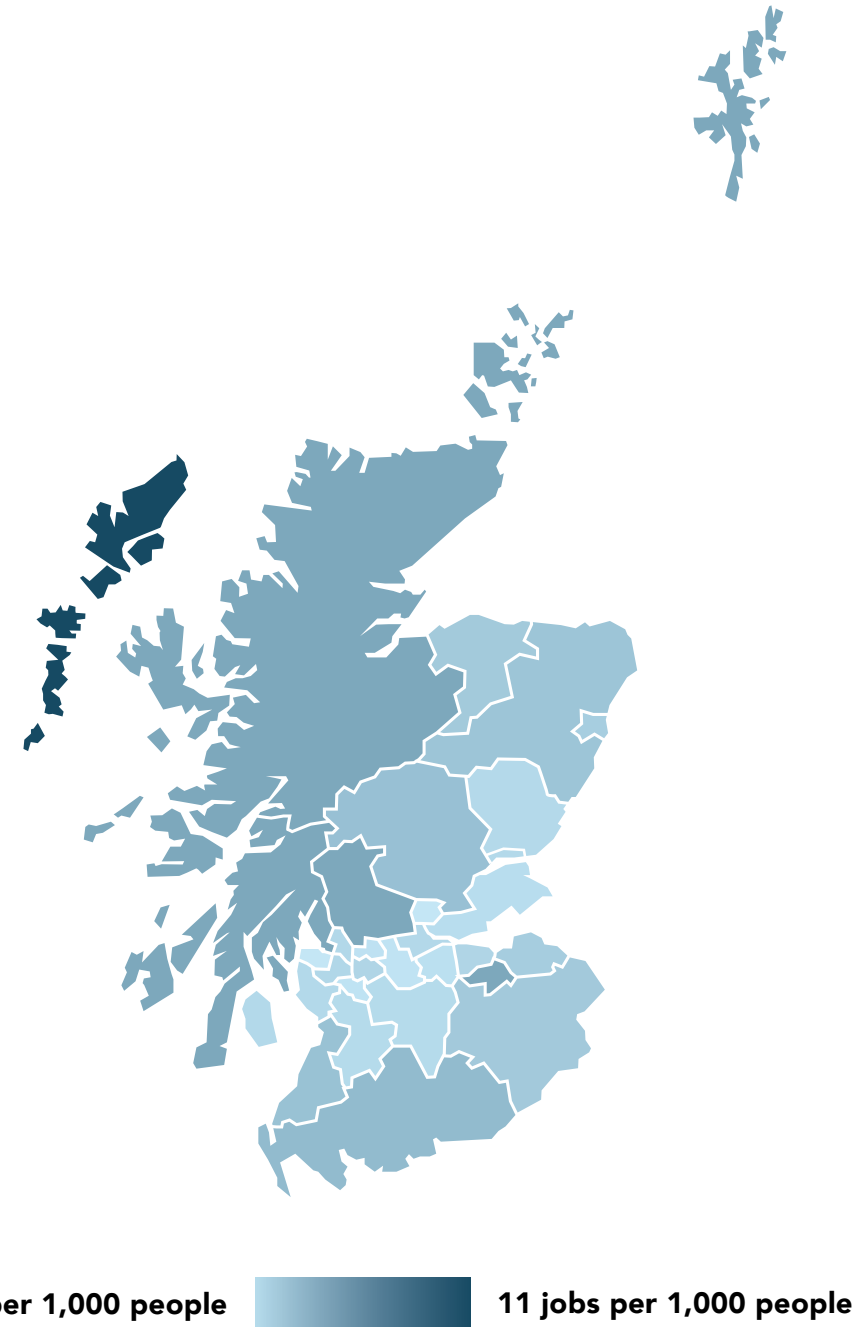
Create 1,500 hectares of new woodlands with c.2.4 million trees and restore peatlands, safeguarding the water in our reservoirs, absorbing carbon and providing spaces people can enjoy.

CHAPTER TWO
REGIONAL INVESTMENT

Our plan for SR27 involves investment in every part of Scotland. The impact of this investment is much wider than water and waste water services, supporting economic activity and job opportunities across Scotland. These benefits come both directly from delivering our investment programme, and also from the wider activity to support it.

The following maps set out how our proposed plan for SR27 contributes to a flourishing Scotland in every region, highlighting employment and economic activity, and also key areas of investment to address the unique challenges and opportunities of every part of the country.

REGIONAL ANALYSIS OF 2027-33 INVESTMENT



OUR PROPOSED INVESTMENT PROGRAMME FOR 2027 -2033

£8.1 billion
investment proposed

Supporting around
8,500 jobs
to deliver investment

A further
6,400 jobs
in the wider Scottish economy across the 2027-33 period

Support employment, particularly in **Glasgow, Edinburgh** and the **Highlands**, with the highest total number of jobs per head of population created in the **Western Isles**

Deliver an investment programme dispersed across the length and breadth of Scotland – **creating value and employment in every Local Authority in Scotland**

Have the largest total economic impact in **Glasgow, Edinburgh** and the **Highlands**, with the highest impact per head of population in the **Western Isles**

Sustain
£12.6 billion
of output across Scotland's economy

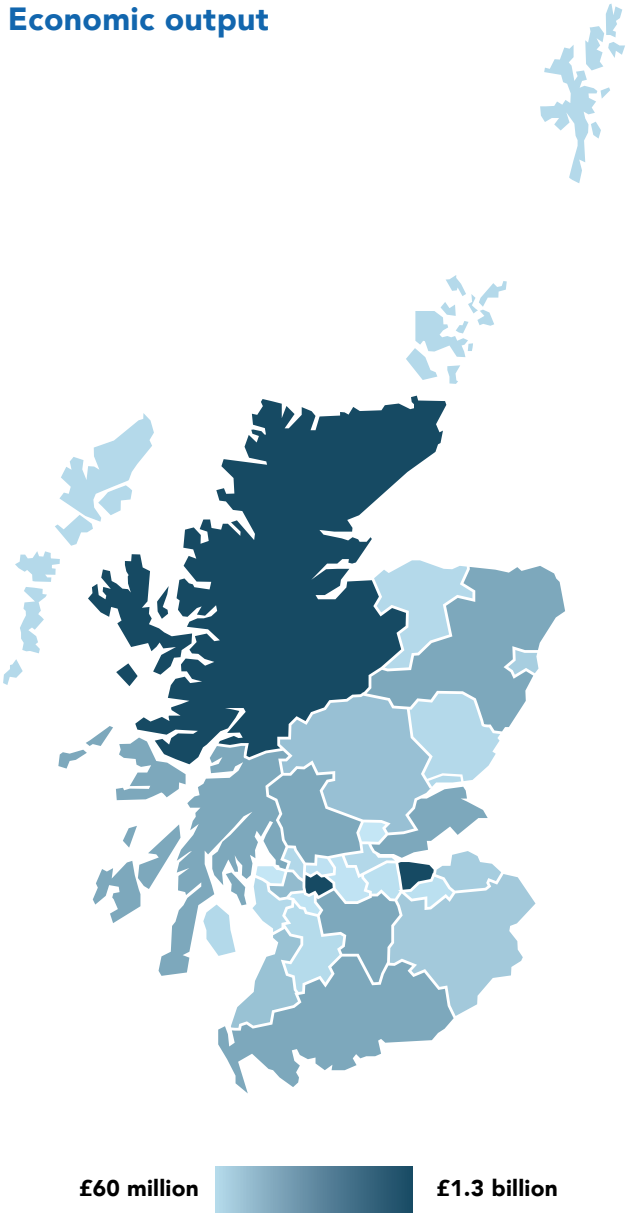
Continue to seek to invest nearly
90%
of spend in SR27 with companies who have operations in Scotland

A Regional Gravity Model has been used to estimate employment and economic impact.

- Regional Gravity Modelling estimates the flow of spending between Local Authority areas – how hiring contractors or purchasing materials adds to the economies of other Local Authority areas.
- Regional Gravity Modelling estimates person-years of employment which is a full-time equivalent (FTE) for one year – this has been divided by the six years of SR27 to arrive at an equivalent number of jobs over the period. Economic output and benefit is measured in terms of Gross Value Added.
- Due to a conservative approach to rounding, individual figures may not sum precisely to the totals shown.
- Around one-third of the proposed investment programme involves projects at pre-defined geographical locations, with the other two-thirds dispersed across Scotland as needs arise.
- A combination of historic investment information and asset location data has been used to estimate investment by Local Authority areas where required.

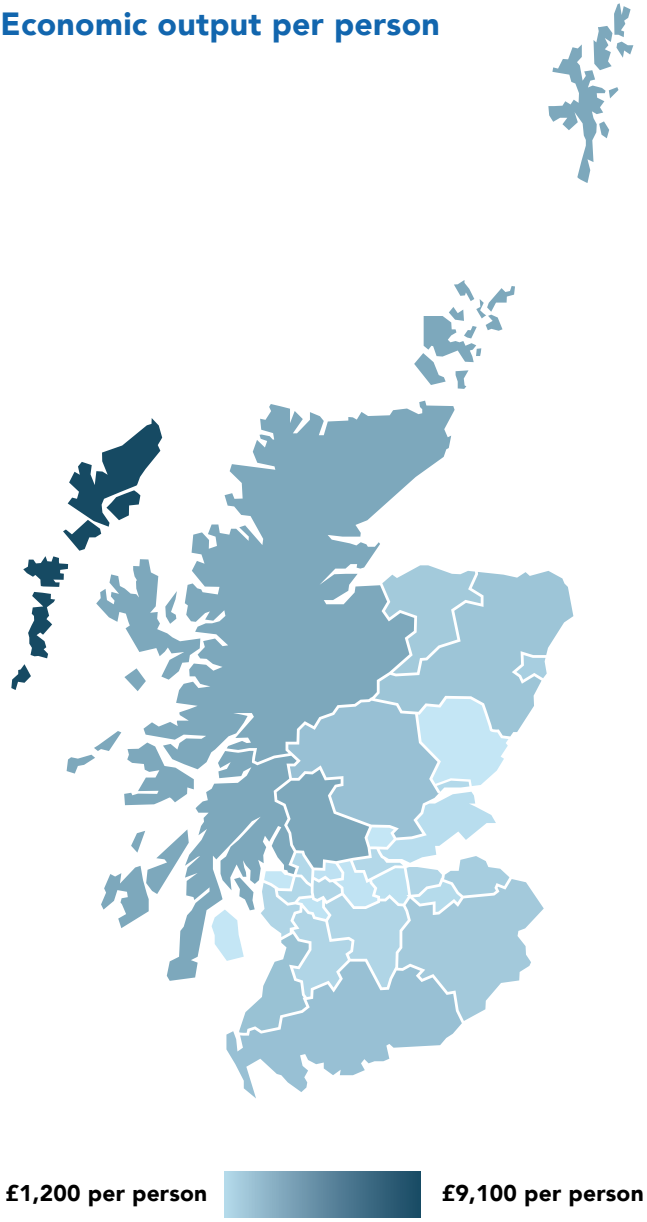
SR27 REGIONAL ANALYSIS

Economic output



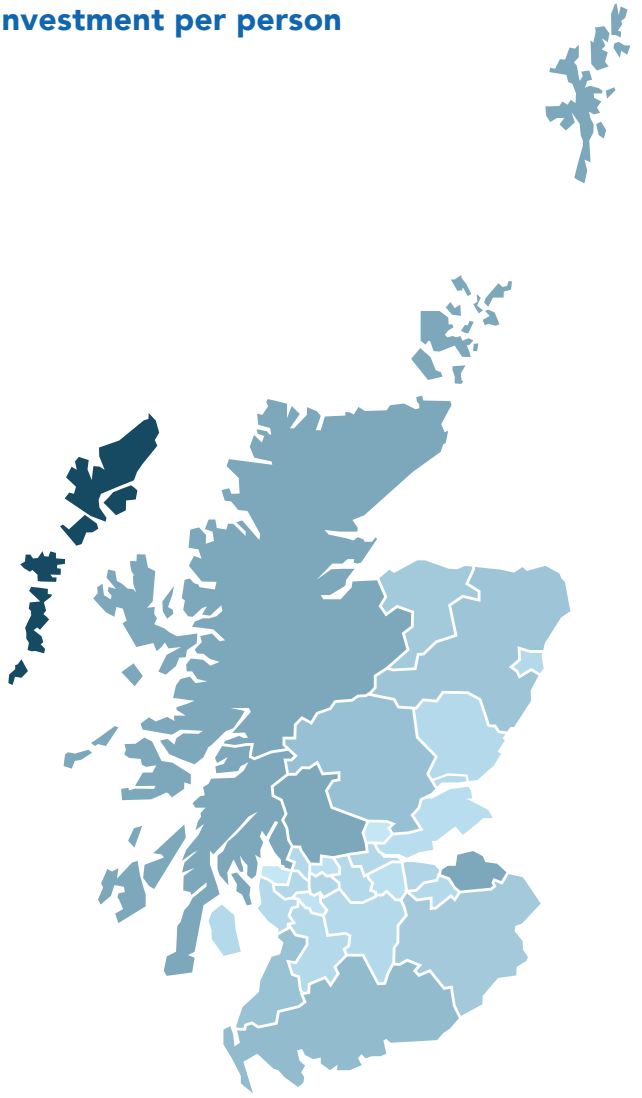
£60 million — £1.3 billion

Economic output per person



£1,200 per person — £9,100 per person

Investment per person



£500 per person **£9,200 per person**

EASTERN SCOTLAND

Our proposed £1.4 billion investment in Eastern Scotland across the 2027-33 period

£1.4 billion
investment proposed

£2.1 billion
of economic benefit for the region

£2,200
of economic benefit per person in the region

Supporting around
2,400 jobs

1,500 jobs
to deliver investment

A further
900 jobs
in the wider economy

£1,500
of investment for every person in Eastern Scotland

Enhance drinking water quality and resilience of supply by safeguarding raw water supplies and improving water treatment works.

Increasing strategic capacity at waste water treatment works in the region to support economic growth whilst protecting the environment.

Support customers and communities living with the risk of internal or external sewer flooding, investing to resolve chronic issues on the waste network.

Highlights

Expand the Water Resilient Dundee Partnership.

Improving the newly designated Lower Largo bathing water.

PERTH & KINROSS

560 jobs

equivalent to 4 jobs per 1,000 people

£480m

economic benefit, equivalent to £3,100 per person

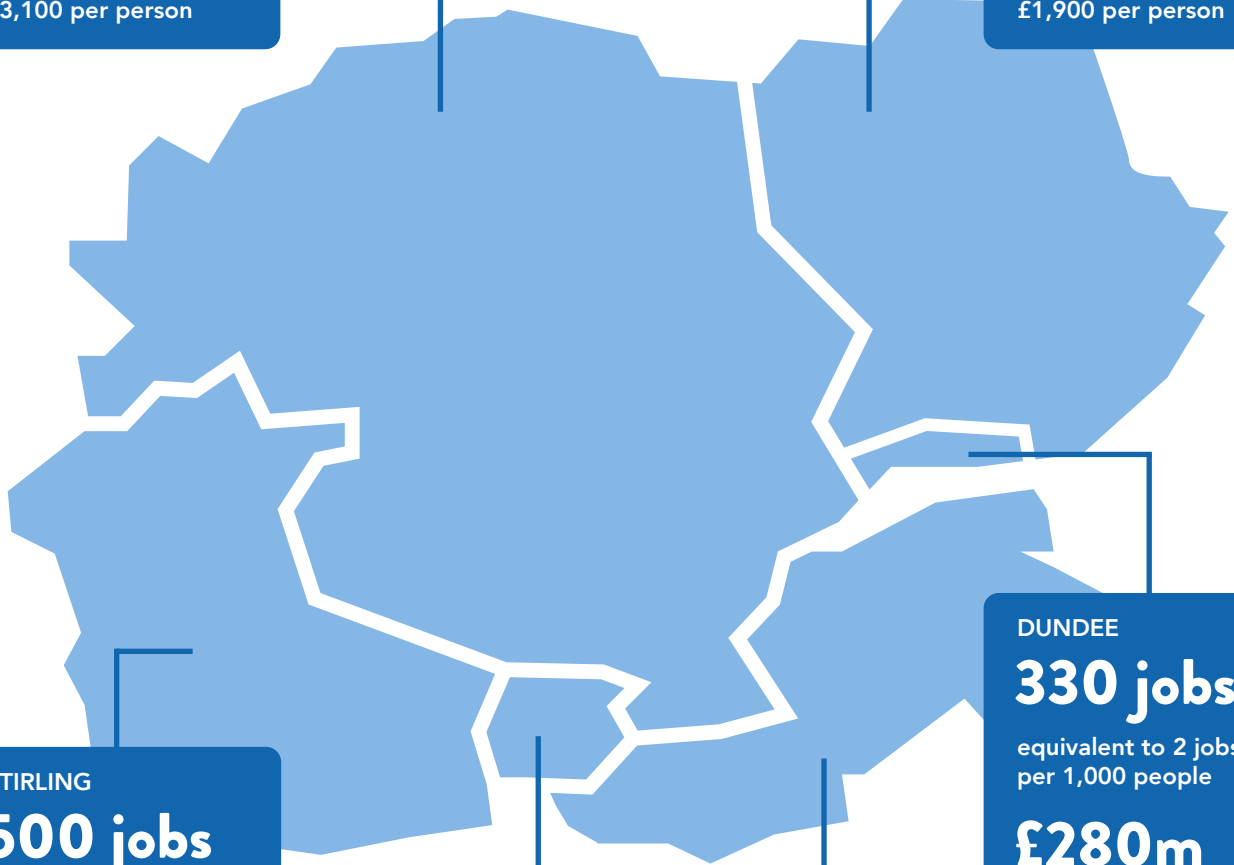
ANGUS

250 jobs

equivalent to 2 jobs per 1,000 people

£210m

economic benefit, equivalent to £1,900 per person



DUNDEE

330 jobs

equivalent to 2 jobs per 1,000 people

£280m

economic benefit, equivalent to £1,900 per person

STIRLING

500 jobs

equivalent to 5 jobs per 1,000 people

£430m

economic benefit, equivalent to £4,500 per person

CLACKMANNANSHIRE

70 jobs

equivalent to 1 job per 1,000 people

£60m

economic benefit, equivalent to £1,200 per person

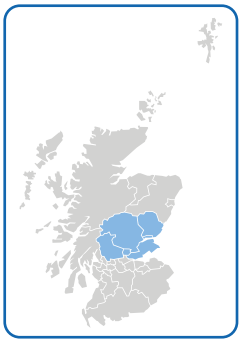
FIFE

730 jobs

equivalent to 2 jobs per 1,000 people

£620m

economic benefit, equivalent to £1,600 per person



HIGHLANDS & ISLANDS

Our proposed £1.9 billion investment in the Highlands and Islands across the 2027-33 period

£1.9 billion
investment proposed

£2.1 billion
of economic benefit for the region

£4,300
of economic benefit per person in the region

Supporting around
2,500 jobs

1,900 jobs
to deliver investment

A further
600 jobs
in the wider economy

£3,800
of investment for every person in the Highlands & Islands

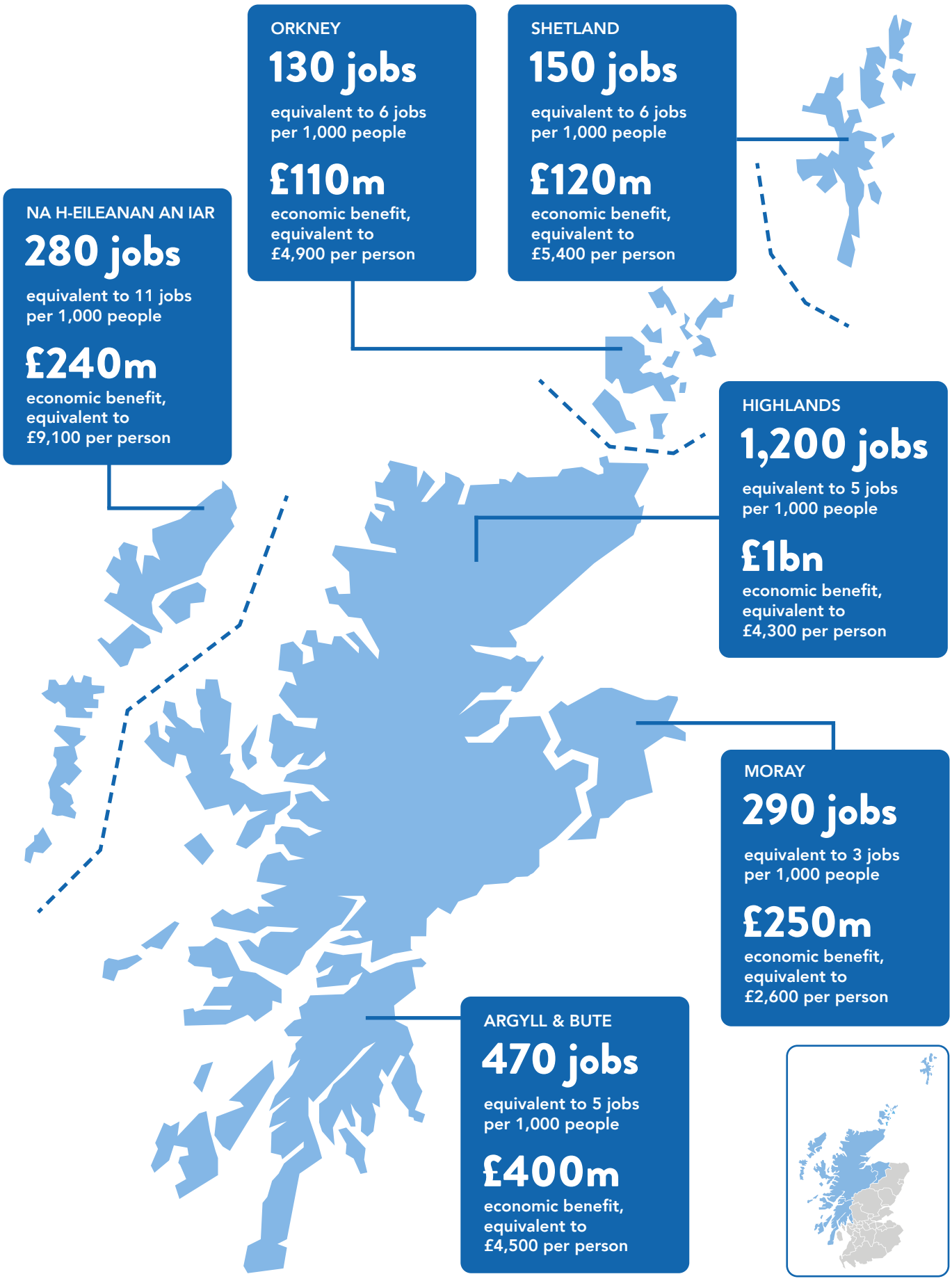
Upgrade treatment processes and secure high drinking water standards for rural and remote communities.

Support economic growth in the Highlands and Islands by increasing the availability of drinking water for island communities, and increasing the capacity of waste water treatment works in areas where there are confirmed plans for development.

Investing to ensure we look after our assets well, now and into the future.

Highlights

Invest to replace outdated technology at waste water sites newly brought under Scottish Water management to reduce emissions and maximise energy recovery.


ORKNEY
130 jobs
equivalent to 6 jobs per 1,000 people
£110m
economic benefit, equivalent to £4,900 per person
SHETLAND
150 jobs
equivalent to 6 jobs per 1,000 people
£120m
economic benefit, equivalent to £5,400 per person
NA H-EILEANAN AN IAR
280 jobs
equivalent to 11 jobs per 1,000 people
£240m
economic benefit, equivalent to £9,100 per person
HIGHLANDS
1,200 jobs
equivalent to 5 jobs per 1,000 people
£1bn
economic benefit, equivalent to £4,300 per person
MORAY
290 jobs
equivalent to 3 jobs per 1,000 people
£250m
economic benefit, equivalent to £2,600 per person
ARGYLL & BUTE
470 jobs
equivalent to 5 jobs per 1,000 people
£400m
economic benefit, equivalent to £4,500 per person

NORTH EASTERN SCOTLAND

Our proposed £800 million investment in North Eastern Scotland across the 2027-33 period

£800 million
investment proposed

£1.3 billion
of economic benefit for the region

£2,700
of economic benefit per person in the region

Supporting around
1,500 jobs

800 jobs
to deliver investment

A further
700 jobs
in the wider economy

£1,600
of investment for every person in North Eastern Scotland

Safeguard treatment processes and secure high drinking water standards at our water treatment works.

Increasing strategic capacity at waste water treatment works to support economic growth whilst protecting the environment.

Support customers and communities living with the risk of internal or external sewer flooding, investing to resolve chronic issues on the waste water network.

Highlights

Seek to create Strategic Drainage Partnerships in the region to deal with water on the surface.

Support multi-agency action around the River Dee to adapt to climate change and flooding challenges.

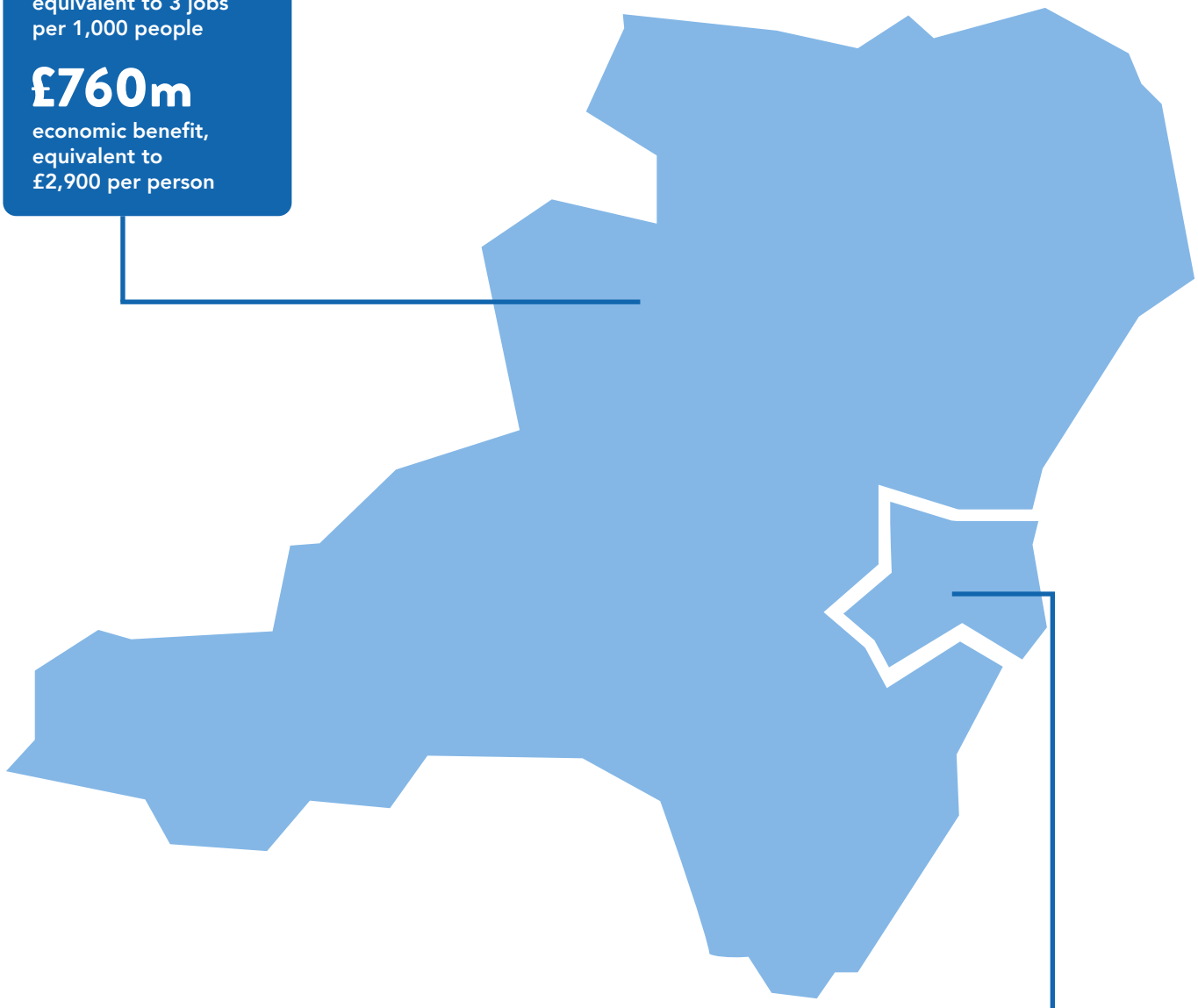
ABERDEENSHIRE

900 jobs

equivalent to 3 jobs per 1,000 people

£760m

economic benefit, equivalent to £2,900 per person



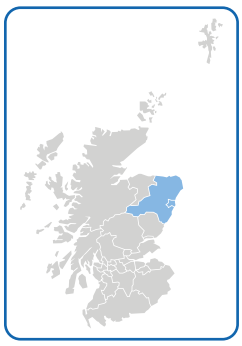
ABERDEEN

660 jobs

equivalent to 3 jobs per 1,000 people

£560m

economic benefit, equivalent to £2,400 per person



SOUTHERN SCOTLAND

Our proposed £1.6 billion investment in Southern Scotland across the 2027-33 period

£1.6 billion
investment proposed

£2.2 billion
of economic benefit for the region

£2,300
of economic benefit per person in the region

Supporting around
2,600 jobs

1,700 jobs
to deliver investment

A further
900 jobs
in the wider economy

£1,700
of investment for every person in Southern Scotland

Enhance drinking water quality and resilience of supply by improving water treatment works.

Increasing strategic capacity at water and waste water treatment works to support economic growth whilst protecting the environment.

Support customers and communities living with the risk of internal or external sewer flooding, investing to resolve chronic issues on the waste water network.

Highlights

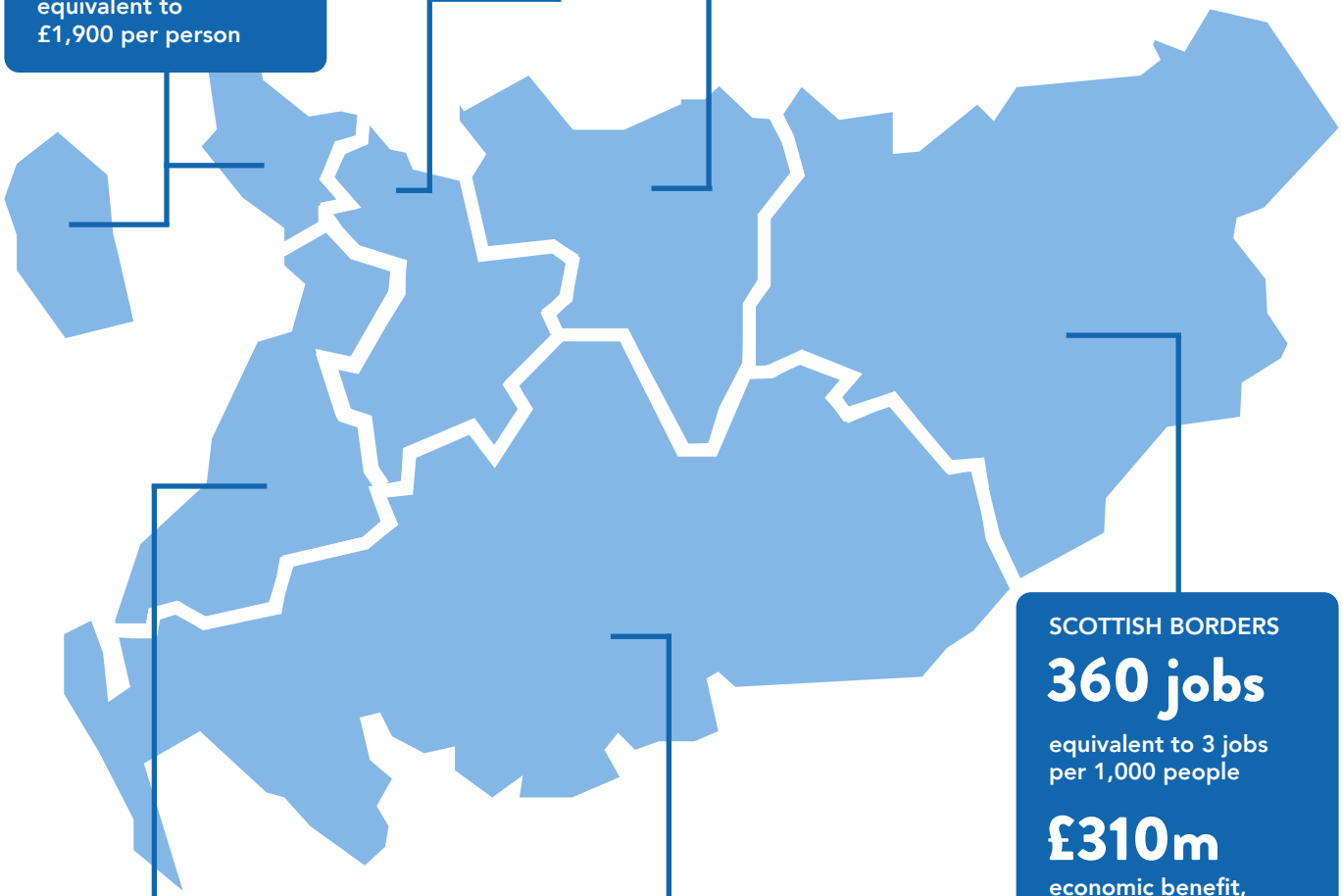
Seek to create Strategic Drainage Partnerships in the region to deal with water on the surface.

Investing to protect the designated bathing water status of Ayr South Beach.

NORTH AYRSHIRE
290 jobs
equivalent to 2 jobs per 1,000 people
£250m
economic benefit, equivalent to £1,900 per person

EAST AYRSHIRE
250 jobs
equivalent to 2 jobs per 1,000 people
£220m
economic benefit, equivalent to £1,800 per person

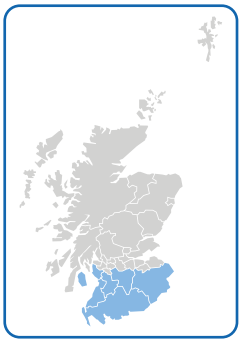
SOUTH LANARKSHIRE
700 jobs
equivalent to 2 jobs per 1,000 people
£590m
economic benefit, equivalent to £1,800 per person



SCOTTISH BORDERS
360 jobs
equivalent to 3 jobs per 1,000 people
£310m
economic benefit, equivalent to £2,600 per person

SOUTH AYRSHIRE
400 jobs
equivalent to 4 jobs per 1,000 people
£340m
economic benefit, equivalent to £3,000 per person

DUMFRIES & GALLOWAY
580 jobs
equivalent to 4 jobs per 1,000 people
£490m
economic benefit, equivalent to £3,400 per person



WEST CENTRAL SCOTLAND

Our proposed £1.3 billion investment in West Central Scotland across the 2027-33 period

£1.3 billion
investment proposed

£2.7 billion
of economic benefit for the region

£1,800
of economic benefit per person in the region

Supporting around
3,200 jobs

1,300 jobs
to deliver investment

A further
1,900 jobs
in the wider economy

£800
of investment for every person in West Central Scotland

Enhance drinking water quality by improving treatment processes at our water treatment works.

Investing in priority sewer overflows across the region to protect the environment whilst maintaining capacity on the network.

Support customers and communities living with the risk of internal or external sewer flooding, investing to resolve chronic issues on the waste water network.

Safeguard our ability to move water around our networks to maintain customers' supply of water.

Highlights

West Central Bioresources upgrade to reduce emissions and maximise energy recovery which will serve over 3 million people.

Continue the well-established Metropolitan Glasgow Strategic Drainage Partnership.

WEST DUNBARTONSHIRE

200 jobs

equivalent to 2 jobs per 1,000 people

£170m

economic benefit, equivalent to £1,900 per person

EAST DUNBARTONSHIRE

190 jobs

equivalent to 2 jobs per 1,000 people

£160m

economic benefit, equivalent to £1,400 per person

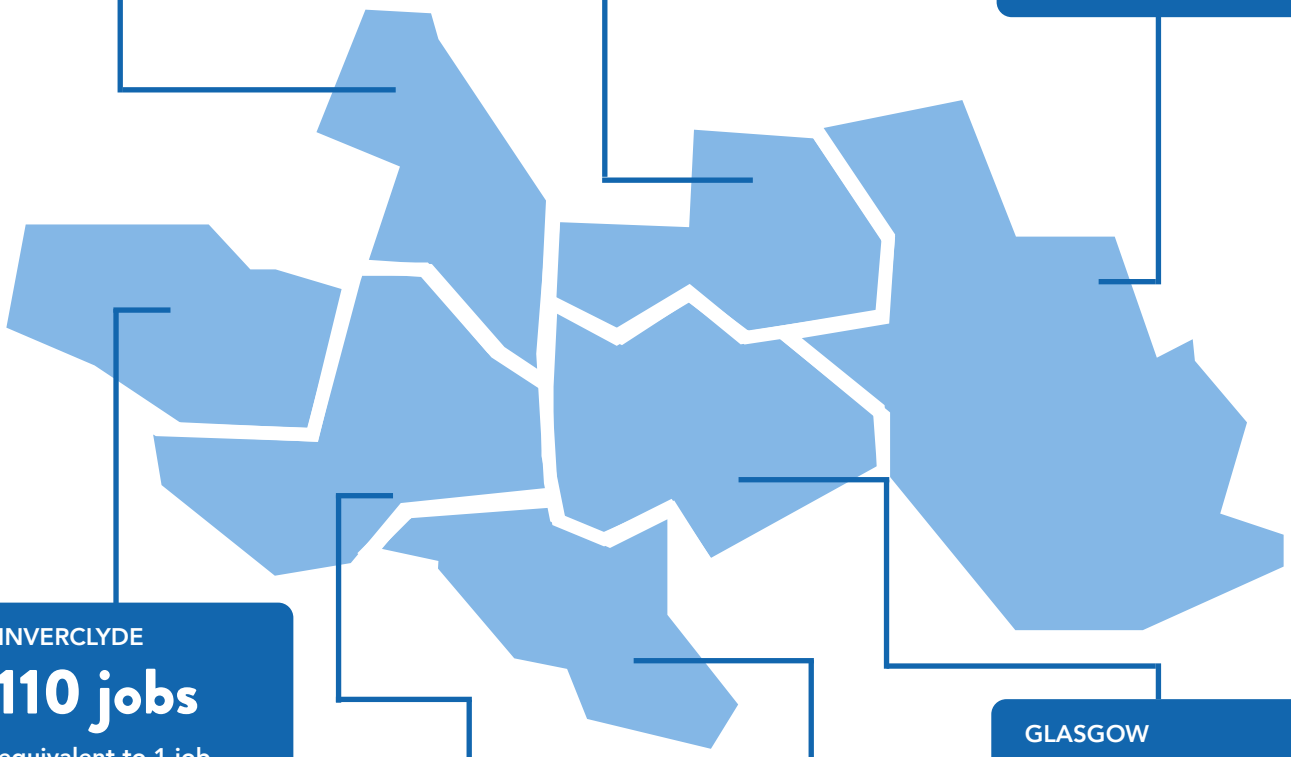
NORTH LANARKSHIRE

550 jobs

equivalent to 2 jobs per 1,000 people

£470m

economic benefit, equivalent to £1,400 per person



INVERCLYDE

110 jobs

equivalent to 1 job per 1,000 people

£100m

economic benefit, equivalent to £1,200 per person

RENFREWSHIRE

440 jobs

equivalent to 2 jobs per 1,000 people

£370m

economic benefit, equivalent to £2,000 per person

EAST RENFREWSHIRE

160 jobs

equivalent to 2 jobs per 1,000 people

£140m

economic benefit, equivalent to £1,400 per person

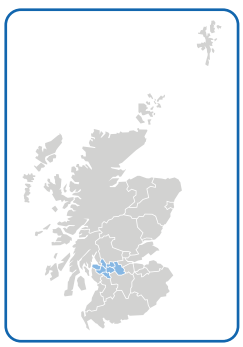
GLASGOW

1,580 jobs

equivalent to 2 jobs per 1,000 people

£1.3bn

economic benefit, equivalent to £2,100 per person



EAST CENTRAL SCOTLAND

Our proposed £1.1 billion investment in East Central Scotland across the 2027-33 period

£1.1 billion
investment proposed

£2.1 billion
of economic benefit for the region

£1,900
of economic benefit per person in the region

Supporting around
2,500 jobs

1,100 jobs
to deliver investment

A further
1,400 jobs
in the wider economy

£1,000
of investment for every person in East Central Scotland

Increasing strategic capacity at waste water treatment works to support economic growth whilst protecting the environment.

Investing in priority sewer overflows across the region to protect the environment whilst maintaining capacity on the network.

Increase connectivity of existing systems to improve resilience in times of drought.

Highlights

Replace our largest laboratory facility, Juniper House, which delivers over 85% of all our water and waste water analysis.

Continue the well-established Edinburgh and Lothians Strategic Drainage Partnership, supporting activity to reduce flooding in Craigleith.

FALKIRK

360 jobs

equivalent to 2 jobs per 1,000 people

£300m

economic benefit, equivalent to £1,900 per person

EDINBURGH

1,280 jobs

equivalent to 2 jobs per 1,000 people

£1.1bn

economic benefit, equivalent to £2,000 per person

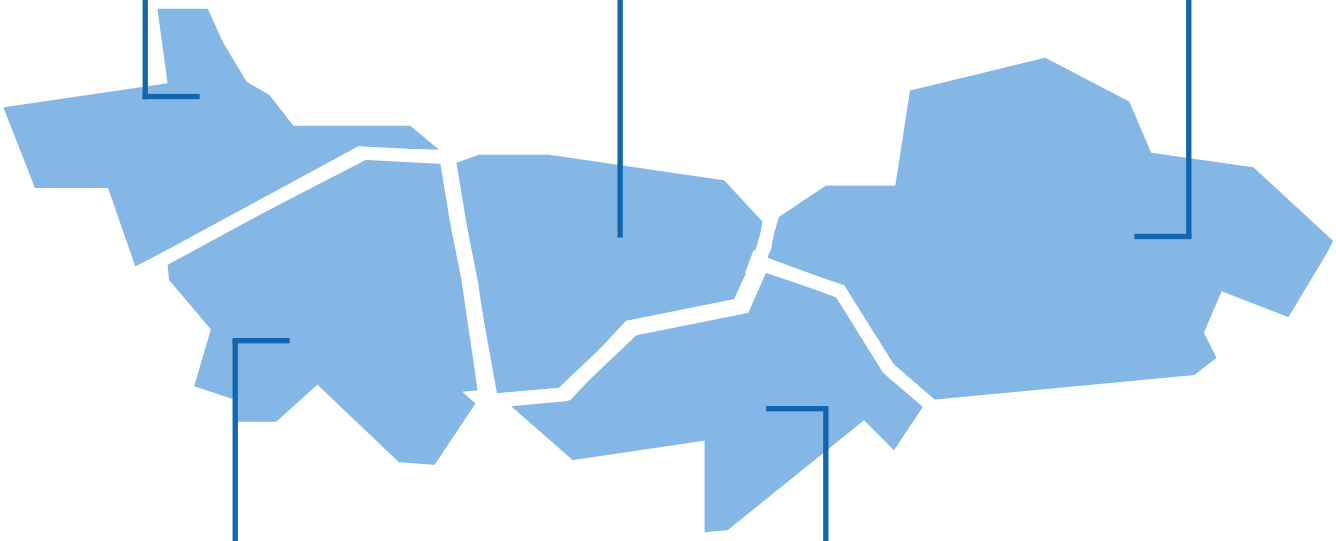
EAST LOTHIAN

330 jobs

equivalent to 3 jobs per 1,000 people

£280m

economic benefit, equivalent to £2,500 per person



WEST LOTHIAN

340 jobs

equivalent to 2 jobs per 1,000 people

£290m

economic benefit, equivalent to £1,500 per person

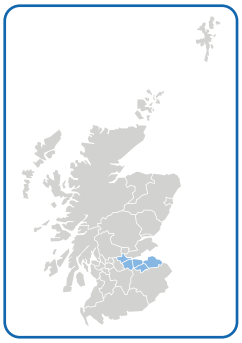
MIDLOTHIAN

200 jobs

equivalent to 2 jobs per 1,000 people

£170m

economic benefit, equivalent to £1,700 per person



CHAPTER THREE
WHAT'S CHANGED SINCE OUR DRAFT BUSINESS PLAN

The process set out in the Water Industry Commission for Scotland (WICS) Final Methodology for the 2027–2033 regulatory period included the submission and publication of a draft business plan, providing the opportunity for additional nationally representative customer research, and for WICS and other sector stakeholders to provide feedback on the draft business plan. This vital part of the process has allowed us to test our proposals, hear and respond to feedback, and ensure that we are meeting expectations.

Responding to the invaluable feedback we received from customers, and from our sector stakeholders - WICS, the Drinking Water Quality Regulator (DWQR), Scottish Environment Protection Agency (SEPA), Consumer Scotland, and the Independent Customer Group - this final business plan is an evolution of our draft business plan. It demonstrates how we have responded to feedback received, addressing concerns around level of ambition, affordability and deliverability.

Overall, customers and stakeholders provided positive feedback on our draft business plan and acknowledged the progress we have made in planning, engagement, and evidencing our investment proposals, reflecting a greater alignment with regulatory objectives and customer expectations.

Constructive feedback from customers and stakeholders has allowed us to build from this strong position:

- **Customers** supported the plan, but expressed concerns about its affordability, especially for those least able to pay. They factored long-term consequences into their decision making around support for the plan – thinking about long-term consequences for service, and also thinking about passing costs to future customers.
- **The Independent Customer Group** provided feedback on customer charges relating to affordability, pricing trajectories and intergenerational equity; and on service outcomes and how to ensure customer priorities on areas such as reducing internal flooding are not impacted if other risks to service delivery materialise.
- **Consumer Scotland** highlighted the need for stronger commitments to engaging customers and communities, driving behaviour change, and supporting those in vulnerable circumstances.
- **Our quality regulators (DWQR and SEPA)** had specific feedback on our commitments and outcomes related to drinking water quality and the environment and wished to see greater ambition.
- **Our economic regulator (WICS)** required further evidence of the need for investment and that the investment programme was deliverable. WICS sought assurance that our plan is efficient and that we have considered all options including alternative financing to keep customers' bills as low as possible. They also requested a review of the timing and approach to providing waste water bioresource treatment for Greater Glasgow, Ayrshire, Tayside and Fife (West Central Bioresource scheme).

The rest of this chapter summarises the main changes we have made to address the feedback from stakeholders. Throughout this plan and in our Technical Appendices we have indicated the specific areas where we have made changes to reflect customer or stakeholder feedback.

WORKING TOGETHER WITH:

Consumer Scotland Luchd-Cleachdaidh Alba · ICG Independent Customer Group · dwqr · sepa · WICS Economic regulation for Scotland's water

Affordability of customer charges

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT AFFORDABILITY

Undertaking nationally representative customer research on the draft business plan confirmed that most customers felt the cost of the plan was reasonable once explained, but customers were divided on whether the cost of the plan was affordable, and concerns remained, particularly for those least able to pay. In qualitative research we heard customers valued the proposed outcomes highly and accepted the need for annual price changes when linked to maintaining and improving service. They had a strong desire for a plan which they felt delivered value for money.

To help keep bills as affordable as possible we've reviewed our plans and deferred some investment to future periods. This has reduced the total investment envelope to £8.1 billion from £8.5 billion. This represents a reduction in proposed customer charges to CPI +3.3% per year rather than our original proposal of CPI +4% per year. We have rebalanced our investments relative to our draft business plan reducing our proposed investments by £400 million. This inevitably increases the risks we carry, which we are actively seeking to mitigate through dynamic planning and ensuring we invest in the highest priorities using innovation and technology to reduce costs.

The vast majority of households have an unmeasured supply of water, and charges are linked to council tax bands, which supports the overall affordability of charges. In addition, currently over half of households are provided with some form of affordability support through the Water Charges Reduction Scheme, Single Person Discount or full exemption due to disability or being a full-time student. The Scottish Government will set any changes to affordability protections within the updated Principles of Charges due to be published in October 2026.

Ambitious outcomes

As Scotland's publicly owned provider of water and waste water services, we hold ourselves accountable for delivering high-quality services to customers, communities, and the environment, recognising the challenges we face with a changing climate, ageing assets and a shifting customer base. Our SR27 outcomes reflect this commitment through ambitious targets that will be used to measure and manage Scottish Water's performance.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT OUR AMBITIONS

Overall, customers are positive about Scottish Water and the services we provide. They appreciate the need for investment in the context of our three long-term challenges, and they see looking after assets as being a fundamental part of our role. Whilst we have reduced our overall investment allocation compared to the draft business plan, we have aimed to protect the areas of service our customers and stakeholders value most.

Ambitious outcomes (Cont.)

Key insights include:

- Customers want to see assets looked after in ways that ensure service at least stays at current levels – with a strong feeling that current service levels should not only be maintained, but ideally enhanced.
- Household customers prioritise maintaining the high drinking water quality and continuity of supply. However, they also expect us to reduce the impact of combined sewer overflow events and internal sewer flooding.
- Business customers share similar priorities but tend to place greater importance on environmental pollution and carbon footprint than household customers.
- Regulators (WICS, DWQR, SEPA) challenged us to set ambitious outcomes aligned with regulatory expectations.

Reducing proposed customer charges to CPI +3.3% meant we had to revise our investment scenario to ensure it remained ambitious and delivered value for customers. This required difficult decisions rebalancing our investment portfolio and accepting more risk in some areas relative to our draft business plan – maintaining or improving outcomes where customers and stakeholders see greatest value and reducing ambition elsewhere.

Key changes in outcomes as a result include:

Improved outcomes

- **Water Quality:** We will achieve a greater reduction in taste, odour and discolouration contacts, responding to customer priorities and DWQR's emphasis on visually appealing, great-tasting water.
- **Water Environment:** We will address an increased number of unsatisfactory intermittent discharges (UIDs) following discussion with SEPA.

Rephased investment

- **Water Continuity:** Delaying some investment in asbestos cement mains[4] replacement and drought resilience, therefore maintaining rather than improving repeat interruptions to supply and increasing risk to customers of water continuity issues, acknowledging the investment that will be needed in SR33.
- **Carbon Emissions:** Lower projected improvement in our greenhouse gas emissions compared to the draft business plan, balancing cost and customer priorities, while remaining on track to meet the Scottish Government target of net zero emissions and maintaining investment where there are broader benefits beyond a carbon target.

4 The safety and quality of drinking water in Scotland is of utmost importance, and there are stringent standards in place to ensure this. These standards govern both the materials used in the construction of the water network and the quality of the drinking water supplied. They are guided by the World Health Organisation (WHO) and are enacted into law through European Directives and Scottish Legislation. There is no evidence to suggest that drinking water from asbestos cement pipes poses a health risk. This assurance is based on rigorous scientific evaluation and continuous monitoring to ensure the highest standards of water safety are maintained.

Deliverability

SR27 will be our largest ever investment programme and we have listened carefully to stakeholder feedback on the scale and deliverability of our investment programme. Our plans for delivering SR27 centre on creating a more integrated, collaborative, and resilient supply chain. To drive supply chain growth, we are introducing an "advanced partnering" Enterprise Model. Market testing has provided highly positive feedback. This positions Scottish Water as a "client of choice" in a competitive market and reinforces our confidence in delivering our business plan.

To provide assurance, our plan underwent independent external review commissioned by WICS to assess our supply chain capacity and delivery approach – we are continuing to engage with WICS regarding the steps we have taken to ensure the efficient capacity of our supply chain. We will work closely with both new and existing partners to achieve shared goals, using incentivisation mechanisms to foster collaboration and ensure we deliver the best value for customers. We and our supply chain partners are confident in our collective capacity and capability to deliver this size of investment programme.

Evidencing our Investment Decisions

We have strengthened our approach to evidencing investment decisions in line with WICS' guidance and feedback on the draft business plan. The final business plan is now comprehensively supported by an even more robust evidence base, with clear and transparent investment cases.

Efficiency

All stakeholders want us to deliver a plan which continues to be as efficient as possible. Therefore, we are proposing to retain the ambitious frontier efficiency challenge of 0.8% per annum, that we proposed in our draft business plan. A 'frontier' efficiency challenge ensures that even the most efficient companies continue to improve their efficiency over time, benefiting customers.

Our proposed efficiency challenge exceeds the Office of National Statistics UK productivity data trend of 0.5% per annum over 2010-2024, and is significantly higher than productivity levels seen in the most recent years of that period (which have been close to zero). This challenge level demonstrates our commitment to surpass improvements in productivity seen in the UK since 2010. It also positions Scottish Water's challenge above the 0.7% per annum level recently proposed by the Competition and Markets Authority (CMA) in the ongoing redetermination of some water company charges in England.

Achieving this efficiency challenge will allow significant cost savings of £319 million over the regulatory period. Without these savings, customers' bills would rise by CPI +4.08% rather than CPI+3.3%.

In feedback on our draft business plan WICS presented analysis which suggested that operating cost increases in the coming two years would impact our current level of efficiency. In the final business plan we have provided further analysis to reflect certain unique characteristics of Scottish Water compared to English and Welsh water companies, and for items of cost which are outside of the relevant benchmark. This analysis shows that our plan allows Scottish Water to maintain upper-quartile levels of operational efficiency on a like-for-like basis.

Customer and Community Engagement

Stakeholder feedback on our draft business plan highlighted the need for stronger commitments to engaging with customers and communities, driving behaviour change, and supporting those in vulnerable circumstances. In response, our final business plan places greater emphasis on these areas. Promoting the need for customer behaviour change is embedded across our national and local campaigns. These campaigns will encourage water efficiency, raise awareness of how customers can reduce sewer flooding by not flushing inappropriate items, and help us to build climate resilience. Additionally, we have provided greater clarity on service commitments for Priority Service customers, including confirming our work to promote accessibility and expand partnerships with agencies such as Age Scotland.

West Central Bioresources

West Central Bioresources is set to be our largest investment, serving around 3 million people by processing bioresource from over 270 waste water treatment facilities using advanced anaerobic digestion technology. This will replace old systems, cut emissions, recover energy and ensure regulatory compliance.

WICS asked us to review the timing and funding options for this programme. We assessed the impact of delaying the investment to SR33 and found that although extending the life of key assets is possible, it raises the risk of failures at numerous waste water treatment works and would require an interim shift (in Ayrshire, Fife, and Tayside) to a less optimal process.

Delaying to 2033 further increases risks related to limited disposal routes for byproducts, heightened by new Environmental Authorisation Scotland Regulations.

We considered several funding models, including Mutual Investment Model (MIM), but analysis showed it would cost more and cause a 2-3 year delay in construction.

Therefore, we recommend including West Central Bioresources in the SR27 investment plan.

We also reviewed other technical and financial solutions, such as the number and location of necessary digestion centres. A Technical Appendix details why the West Central Bioresources programme is preferred for meeting stakeholder needs, why it must proceed in SR27, and why alternative funding does not offer best value.

Our Final Business Plan

We believe that our final business plan responds to the high-quality feedback we have received, and we have challenged ourselves to make appropriate changes to the proposals in the draft business plan. Consequently we have deferred around £400 million of investment in areas such as asbestos cement mains replacement, drought resilience and net zero into future periods to enable a lower customer charge. While the challenges we face will always present risks to service, our plan seeks to protect the services our customers have told us they value most, to protect the environment and ensure we can continue to deliver sustainable, affordable services into the long term.

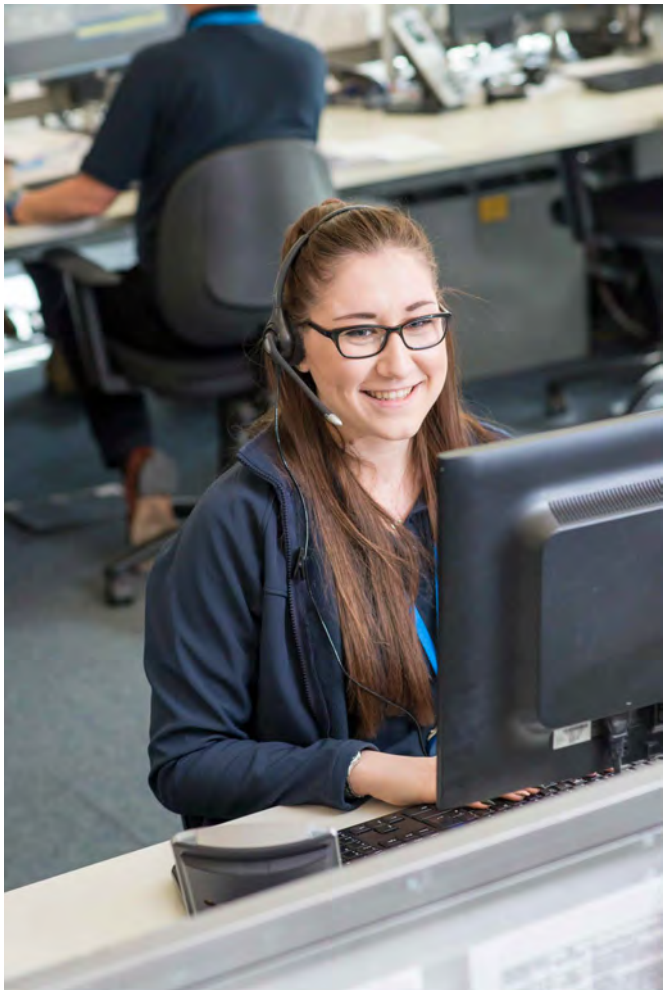
SECTION TWO

SERVING SCOTLAND

CHAPTER FOUR
OUR PURPOSE AND LONG-TERM ASPIRATIONS

OUR PURPOSE

We are Scotland's publicly owned, commercially run and independently regulated water company providing essential services to millions of customers each day. We care for, treat and pipe the nation's drinking water and safely remove and treat waste water, providing a service that is essential to everyday life for households and businesses, communities and the environment. We rank among the UK's best for customer service[5], reflecting our customer focus and commitment to exceptional service. Our purpose is to support a flourishing Scotland by being trusted to care for the water on which Scotland depends.



Publicly owned

We are owned by the Scottish Government on behalf of the people of Scotland. We don't have shareholders who take a dividend, so every penny we receive and any profit we make is invested in protecting and improving services for our customers and communities. We also seek to make a positive impact beyond our day-to-day duties: we're here for schoolchildren learning about the water environment, young people seeking apprenticeships and career opportunities, communities across Scotland, and visitors who use our Top Up Taps and love our great tasting water. Additionally, our commitment to sustainable practices helps protect and preserve Scotland's natural resources, ensuring a healthier environment for future generations.

Commercially run

We are a public corporation with an independent Board overseeing all that we do. We are funded through revenue raised by customer charges and limited borrowing from the Scottish Government. Our Board is focused on ensuring that we run an efficient business that delivers value for our customers and meets the objectives of ministers.

5 In the latest UK Customer Satisfaction Index (July 2025), our scores were above water sector, utility, and Scottish averages and we've held the top spot for UK water companies for the past two years.

Independently regulated

Independent scrutiny and regulation are essential for customer trust and confidence. Our work is scrutinised by the Scottish Parliament, and there are a number of independent regulators and bodies within the water sector in Scotland, each with an important and unique role: the Scottish Government; the Drinking Water Quality Regulator (DWQR); Scottish Environment Protection Agency (SEPA); the Water Industry Commission for Scotland (WICS); Consumer Scotland; and the Independent Customer Group (ICG).

The work of our regulators and sector stakeholders is crucial to the success of Scotland's water sector, and we value their part in supporting us to deliver our services. Ethical Business Practice and Regulation has been central to the way we work. This approach draws upon research showing that better outcomes can be achieved by regulation and business practices which actively promote a culture of openness and collaboration, based upon shared values.

Our long-term aspirations

The water industry has long-life assets and risks which mean we must plan over different time horizons, to ensure resilience, sustainability, and value for customers. Whilst this business plan deals with the near term from 2027 to 2033, we have developed it in the context of the longer term to ensure we make decisions today which build towards a sustainable future and are fair to current and future generations.

Water Sector Vision

Ahead of the last strategic review of charges in 2021 (known as "SR21"), the water sector in Scotland agreed a long-term Water Sector Vision[6], with bold ambitions to:

- deliver the best water, waste water and drainage services possible;
- help make Scotland more resilient to the challenges we face, and;
- enable broader economic, social and environmental benefits to be realised through the investments we deliver and the choices we make.

The Vision reflects the sector's aspirations for delivering vital services to customers while leading the way in responding to the climate emergency. This Vision was formally launched by the Cabinet Secretary for the Environment, Climate Change and Land Reform at the International Water Association Leading Edge Technology conference in 2019.

6 Water Sector Vision - Scottish Water

Long-Term Strategy

In May 2025 we published our Long-Term Strategy, outlining how we will play our part in making the Water Sector Vision a reality. It builds on our three strategic ambitions, as set out in our SR21 Strategic Plan – Service Excellence; Beyond Net Zero Emissions; Great Value and Financial Sustainability – and goes even further to ensure Scotland's water and waste water services stay sustainable, resilient, and affordable for generations to come.

It recognises the major challenges that will impact our ability to achieve our Long-Term Strategy, and the key approaches we will take to provide greater benefits from our investment and ensure we're doing everything we can to reduce the forecast level of funding that will otherwise be required. We've also made a promise to continue our work to improve the lives of our customers and communities, and help Scotland to flourish come rain or shine.

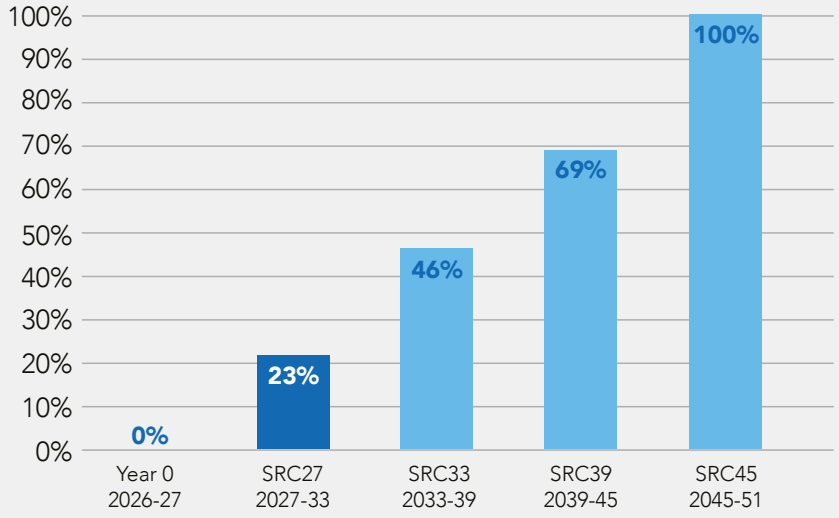
We are prioritising three long-term outcomes over the next 25 years:

- Scotland's tap water remains a source of national pride and is valued as a precious resource.
- The quality of our rivers and seas has improved, and our communities are protected from sewer flooding, through collaboration with others.
- Scottish Water has played a key role in enabling Scotland's sustainable economic and housing growth.

These are vital areas where more work is required, and we will measure and report our progress against them. The SR27 business plan is a vital first step on the journey to delivering our Long-Term Strategy and playing our role in achieving the Water Sector Vision.

The SR27 business plan marks a significant milestone in our journey. Our analysis shows it should take us around 23% of the way towards achieving our Long-Term Strategy, laying a solid foundation for the transformation ahead. We are confident that, through sustained focus and collaboration, we will deliver the full expectations of our strategy over the next four strategic review periods, ensuring Scotland's water services remain sustainable, resilient, and affordable for generations to come.

Strategic Tracker



OUR STRATEGIC DIRECTION

Our Purpose

We will support a flourishing Scotland by being trusted to care for the water on which Scotland depends

Our Ambitions

- Service Excellence
- Beyond Net Zero Emissions
- Great Value and Financial Sustainability

OUR LONG-TERM STRATEGY

Challenges

The major changes we are facing

The climate crisis bringing extreme weather.

The changing population of Scotland.

Our assets, the network of pipes and treatment works across Scotland, are ageing.

Our Long-Term Outcomes

The results we will deliver over the next 25 years

Scotland's tap water remains a source of national pride and is valued as a precious resource.

The quality of Scotland's rivers and seas has improved, and our communities are protected from sewer flooding, through collaboration with others.

Scottish Water has played a key role in enabling Scotland's sustainable economic and housing growth.

Key Approaches

How we will work to deliver our outcomes

Lead partnerships with organisations, customers and communities.

Transform and drive efficiency, reducing costs in the way we work through research, innovation and technology.

Reduce demand on our services and assets by addressing leakage, helping customers use less water and managing rainwater on the surface.

Our Promise to Customers

The foundation for all that we do

We will continue our work to improve the lives of our customers and communities, and help Scotland to flourish come rain or shine.

CHAPTER FIVE
OUR CUSTOMERS

Customers and communities are at the heart of everything we do, and we promise to improve their lives and help Scotland to flourish come rain or shine.

We serve over 5.2 million customers, providing water services to around 2.7 million households and waste water services to around 2.6 million households. We also support approximately 160,000 non-household premises through our water and waste water networks. In addition, we supply wholesale services to 22 Licensed Providers, who deliver retail services to business customers.

Our customers live and work in communities the length and breadth of Scotland, and we must provide a high level of service for all, at the same cost wherever they live. Although Scotland covers a vast area, 83% of its population is concentrated on just 2% of the land[7], making it home to some of the most sparsely populated regions in the UK. Nearly a quarter of Scotland's population lives and works in the Greater Glasgow area, and almost two thirds live in the 'Central Belt'. Other areas are predominantly rural, dominated by agriculture and forest, and offer some of the most beautiful landscapes in the world. Out of Scotland's 900 islands, 118 are inhabited and we provide water or waste water services to 65 of these[8]. This gives us unique challenges regarding how we deliver consistent, affordable and sustainable services across the country.

Customers at the heart of our plan

Customers are at the heart of our business, and their expectations and priorities are a key factor in our decision-making process. Building their views into our plans is part of our on-going approach that allows us to ensure our customers' needs are at the centre of our service delivery. Looking to the future, we recognise that customers are pivotal to helping us solve some of the most complex challenges we face and so must be involved in our strategies and plans from the outset.

We have a strong track record of understanding customers' views through customer research. We have listened to the views of more than 25,500 customers as part of our continual and ongoing research programme. Our customers are diverse, with varying needs and expectations. Our research is designed to engage effectively with this wide range of customers, including household customers, business, Licensed Providers and those in vulnerable circumstances. For national research, we involve customers from across Scotland, and in all our work we ensure that harder-to-reach groups, such as those who are digitally excluded or living in remote areas, have opportunities to participate.

UNDERSTANDING CUSTOMER VIEWS

More than
25,500
customer views listened to for ongoing research

7 People and Communities - Rural Scotland Key Facts 2021 - gov.scot

8 Where Scottish Water does not provide services, these are provided through private water supplies, which are regulated by Local Authorities, or by septic tanks which are regulated by SEPA.

Chapter 8 sets out what we will deliver for 2027 to 2033 and highlights how our customers have informed what we are planning to do.

The research which has informed our plan includes:

- A research synthesis framework of existing and ongoing research providing a comprehensive understanding of customer perspectives on service-related issues. This has helped us track how opinions on topics have evolved over time and identify whether different customer groups tend to agree or diverge on key issues. It also helps us understand where we need further customer insights to strengthen our planning.
- Strategic investment research which explored customers views and expectations in the long and short term, informing our Long-Term Strategy and SR27.
- Qualitative research to understand customers' expectations and preferences regarding investment options and customer bills in the next regulatory period. The same group of customers provided feedback on both the initial and updated investment options. This approach gives customers the time, space and information that they need to develop informed views and give deeper insights. We also engaged Licensed Providers to review business customers views and expectations.
- A nationally representative quantitative survey to provide a statistically robust view of how customers viewed the outcomes set out in the draft business plan, in the context of the impact on their bills.
- Initial insights from Consumer Scotland's longitudinal deliberative research study[9] which has so far tested customer views on our draft business plans.

Customers have played an increasingly significant role in the strategic review process. During SR15 (2015-21) and SR21, this was strengthened through the Customer Forum, which was appointed to secure the best outcome for customers in the SR15 Business Plan and to agree the SR21 Strategic Plan with Scottish Water before WICS' Final Determination.

For SR27, we have built on this model by introducing a Memorandum of Understanding between ourselves, WICS and Consumer Scotland. This agreement retains the Independent Customer Group, which supports and challenges our approach to understanding and incorporating customers' needs and expectations in the SR27 Business Plan. It also defines Consumer Scotland's role in leading research which seeks to ask customers whether our business plan commands their support. This research is ongoing and will be key to determining whether WICS' Final Determination commands customers' support.

We also welcome the introduction of the Consumer Duty[10] and as outlined we have considered the impact of the strategic decisions we have taken in this business plan on our customers.

9 A longitudinal deliberative research study is a type of research that involves engaging a group of participants over an extended period to gather in-depth insights.

10 The consumer duty | Consumer Scotland

Our customers' service priorities

We have considered customers' views across a range of research activities and really value the contribution our customers have made in shaping the proposals in our draft business plan into our final business plan. You can see how we have used customers' views, alongside stakeholder feedback, to shape our investment plans in Section Three of this plan.

Our customers gave their views on a diverse range of topics, which are summarised below. More detail can be found in the Customer Research Technical Appendix.

Maintaining assets and service levels

- Customers might not be aware that we own and operate assets of all sizes the length and breadth of Scotland. When this information is shared, they can express surprise at the scale of our asset base.
- Customers participating in our SR27 qualitative groups viewed asset maintenance as fundamental. Repairing and replacing assets emerged as a critical area with customers feeling strongly that vulnerable pipework should be repaired or replaced at a rate that would, at least, ensure service stays at current levels. There was a strong feeling that current service levels should not only be maintained but ideally enhanced.
- When given information about our long-term challenges, even proposals to maintain spending at current levels prompted concerns that this might not be sufficient to address the increasing scale of these challenges. There was a belief that lack of investment in this area would reduce confidence in us. Customers expect that asset maintenance will be long-lasting. They consider references to legacy systems and inherited problems as an excuse for lack of previous investment, and this can cause resentment that they are now being faced with paying the price for this.
- Customer factored long-term consequences into their decision making around support for the plan - thinking about long-term consequences for service, and also thinking about passing costs to future customers.

Drinking water quality

- Customer pride in the quality of Scotland's drinking water was evident throughout the SR27 research programme, with customers spontaneously referencing the taste of water, and often using patriotic language. This perception makes customers more likely to hold us to high expectations, especially in terms of quality, sustainability, and protection of the resource. Clean, drinkable and 'tasty' water emerged as a spontaneous basic expectation and was ranked by both household and non-household customers as top priority.

Water continuity

- A reliable supply of drinking water was a spontaneous basic expectation of every customer group, and was the second top choice of both households and non-households when asked to rank priorities. When the potential impact of the three long-term challenges on water availability was shared with customers, there was a general belief that Scotland's abundance of rainfall would protect the country from the risks of drought, and many were surprised to learn that some areas in Scotland could be more vulnerable to drought than others. This belief had led to some participants seeing investment in water resilience projects as less of a priority for Scotland due to the level of rainfall making droughts seem unlikely.
- When customers were supported with more information there was less scepticism about the likelihood of drought in Scotland, but customers still questioned the expected frequency of these issues in relation to the potential spend on solutions such as network connectivity. They did however recognise the importance of education around more careful use of water and suggested that we need to support homes and businesses with water saving tips and equipment.

Leakage

- Customers expressed strong views about leakage, particularly in the context of encouraging them to reduce water usage. Not addressing leakage sufficiently was felt to undermine our credibility in promoting water conservation.
- Participants also raised concerns about the cost of producing water and the associated inefficiencies of leaks, which were seen as not only wasting a vital resource but also driving up costs for customers. This added to the negative perception of leakage.
- Sharing information with customers about our progress on leakage over the last decade helped to soften some concerns, with participants acknowledging the progress made. However, many felt that it was not enough simply to maintain current leakage levels. There was a strong desire to see continued reduction in leakage, as this would be viewed as a tangible improvement, and enable a more effective response to the challenges of water conservation.

Internal sewer flooding

- Customers often communicated an initial emotional response where the existence of this issue in the modern era was felt to be shameful and disgusting.
- Providing customers with information about internal sewer flooding can result in more polarised views around prioritisation of investment. Whilst it is still seen as an unacceptable experience for those affected, it was perceived to affect a relatively small number of customers in comparison to some of the other potential investment areas.
- Additional information presented to customers about the 'at risk' register for internal sewer flooding and the fact that this register involved a churn of properties helped to deepen their understanding of the issue and the extent of the problem.
  On the whole customers remained conflicted between wanting to remove this risk for others and not wishing to divert spending from areas with a wider impact on a higher number of customers.

External sewer flooding

- Although external sewer flooding and the management of rainwater did not emerge as a spontaneous basic priority for customers, the prevention of rainwater entering sewers was clearly understood by customer in the qualitative research, who referenced the high levels of rainfall in Scotland.
- Some praised the idea of nature-based solutions, particularly those with an environmental interest. Working with others (such as developers and local authorities) is seen as key, as customers do not see this as something that we can address on our own. Non-household customers recognise the potential impact on their businesses' operation and reputation of sewer flooding in or around their premises, so they understand the importance of reducing sewer flooding risk.
- When presented with investment options which referenced Glasgow, Dundee, Edinburgh and potential new partnerships customers felt that this was too biased towards the Central Belt for some customers based in other areas of Scotland.

Environmental pollution and overflow events

- In our qualitative research, environmental pollution and overflow events emerged as a spontaneous need from customers, with almost all customer groups suggesting 'stop releasing pollution' as a basic expectation.
- When it comes to environmental concerns, the greatest focus was placed on overflow events, particularly with regards to Combined Sewer Overflows (CSOs). Participants expressed a strong desire for transparency in the CSOs policy, showing concern about how and when these systems are used and their environmental impact, accompanying a perception from some that we could be more transparent around our monitoring and reporting.
- Concerns seem to be heightened in comparison to the Long-Term Strategy qualitative research undertaken in October 2024, where overflow events were seen to be a big issue in England but less so in Scotland.

Carbon emissions

- When our carbon footprint is placed in the context of investment and service delivery, customers are likely to place carbon mitigation behind water and waste water services. Regardless of their acceptance of the wider need to lower carbon emissions customers tended to feel uncertain about the need for investment in this area as a priority, on the basis it feels less pressing than some of the other challenges discussed and a sense that our 2040 Net Zero Emissions target is unrealistic. There is also some emerging fatigue around a perception of target setting for the sake of it.
- There was more support from some future customers and those with a more environmental outlook, who see the wider aim of addressing climate change as a priority and are wary about society in general not moving forward quickly enough in this area. Despite these conflicts, our plans for woodland creation and land management are welcomed. Some felt positive about investment in technology and innovation to help reduce carbon emissions.

CHAPTER SIX
THE CHALLENGES WE FACE

We must consider long-term risks when planning investment to make sure we are investing wisely, ensuring the continued sustainability, affordability and resilience of water and waste water services for current and future customers

There are a number of challenges we have considered in producing this business plan, and these challenges shape the decisions we take now and into the future. Three of these challenges – the impact of climate change, population shift and ageing assets – are identified in our Long-Term Strategy and have been used in our research to gather customer views, which are featured throughout the plan.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT THE LONG-TERM CHALLENGES WE FACE

Many customers have not considered the impact of climate change, population shift and ageing assets on our provision of water and waste water services. They are however pleased to learn that we are thinking in the long term and are being proactive.

Views on our ability to deal with these challenges are mixed. Some customers believe that our ownership model enables money to be invested into services, rather than profits being taken. Others however feel that our ability to deal with the challenges is dependent on how quickly the challenges materialise, and the ability to prioritise investment quickly enough.

Climate trends

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT ADAPTING TO CLIMATE CHANGE

Whilst climate change is acknowledged as an important issue by customers, they can be surprised by the scale of the issue and potential impact on our services.

On hearing about the scale of challenges from climate change, and the consequent impact on the provision of water and waste water services, customers believe it is important to protect infrastructure against the impacts of climate change. There is an expectation that we will invest in innovative approaches and long-term solutions to adapt to climate change.

As a water business, we depend on the natural environment for the resources needed to deliver our services.

Small, gradual changes in weather erode the resilience of natural and built systems, while extreme events cause acute disruption. Both trends demand coordinated adaptation strategies to protect water supply and quality and reduce flooding risk.

As reported by the James Hutton Institute "The effects of climate change are already here: Scotland's climate has experienced substantial change since the 1960-1989 baseline period. This, and likelihood of future change, has serious consequences for Scotland's Natural Capital, society and our economy through changes in ecological processes[11]."

11 Quoted from The James Hutton Institute: 2-page Executive Summary - climate trends-projections-extremes implications for Natural Capital and Policy 12-7-23.pdf

As the climate changes, we have a responsibility to adapt, minimising the impacts to service. We have a statutory requirement to adapt to climate change as a named public body in the Climate Change (Scotland) Act 2009. There is also a requirement to report on climate change adaptation to the UK Government Task Force on Climate-related Financial Disclosure.

In 2024, we published our Climate Change Adaptation Plan which sets out in detail the outcome of our risk assessment and outlined key climate change risks that we need to address:

- Warmer, drier summers that can lead to drought and deteriorating raw water quality
- More intense rainfall that leads to flooding
- Variable rainfall patterns that impact our ability to maintain environmental compliance
- More frequent storms that disrupt our assets and services
- Sea level rise and coastal erosion that floods or damages our assets

We need to address these issues and build climate change adaptation into our near-term plans if we are to continue to deliver a reliable, resilient and sustainable service for our customers and for society.

CASE STUDY: DROUGHT

From September 2024 to August 2025, the east of Scotland experienced its driest year since 1972–73. As a result, water levels in the Backwater Lintrathen reservoir system – which supplies Dundee, Angus and parts of Perthshire – fell to just 41% by the end of September 2025, around half of what we would normally expect for the time of year. Because reservoir levels did not recover as expected over the winter, our drought management processes identified a growing risk to water supplies. We activated early response measures, starting with steps to reduce demand, including customer engagement, and then reducing the compensation flows from Lintrathen – these are the legally required releases of water from a reservoir to support river conditions downstream.

However, the continued dry weather through spring and summer showed that the risks could extend into 2026, meaning further actions were needed. To maintain the required compensation flows at Lintrathen, temporary pumping was installed at the upper River Isla, and work began on options to take water for treatment from the lower River Isla and River Ericht.

Low water levels also caused water quality challenges. Algae in the Loch of Lintrathen persisted into autumn and winter 2025, making it unsuitable for treatment. We are now developing additional measures to manage this risk and ensure we can use both sources for treatment as much as possible throughout the year.

Although the Backwater Lintrathen system is naturally sensitive to multi-year dry periods, experiencing two consecutive dry winters during a drought would be unprecedented. This situation highlights the need for future investment in water resources between 2027 and 2033 to help protect against supply shortages driven by climate change and population shifts.

Population growth and change

According to the most recent official estimates, there are 5.55 million people living in Scotland[12]. The latest household projections[13] indicate that the number of households in Scotland is projected to increase by 167,700 (6.7%), from 2.52 million in 2022 to 2.68 million in 2032. Scotland's population is projected to increase by 4.4% over the same period.

The council areas that are projected to have the largest growth in the number of households between 2022 and 2032 are Midlothian (17.4%) and East Lothian (16.5%). City of Edinburgh (10.0%), Renfrewshire (9.8%), Perth & Kinross (9.6%) and Glasgow City (9.3%) are also projected to have relatively large increases.

Growth in the number of households is fastest in older households. The number of households where the 'household reference person' is someone aged 65 or over is projected to increase by 22.3% between 2022 and 2032 (to 908,800 households). The fastest percentage increase is in households with a 'household reference person' aged 85 years or over, with a projected increase by 31.9% (to 135,000 households).

Much of the projected growth in households between 2022 and 2032 is accounted for by one adult households (increasing by 9.1%) and two adult households (increasing by 7.5%).

5.55 million
Scottish Population[12]

2.68 million
Projected households by 2032

This predicted increase in population, along with the changes to where people live, will mean that we need to provide more water, and in different places, if we keep using it at the same rate we do today. The increase in population will put more pressure on our waste water network in particular, and result in a need for new assets to treat the additional volume of waste water. In addition, there will be an increase in non-permeable surfaces, such as driveways, paths and roads that will further reduce green space for natural drainage.

On 15 May 2024, the Scottish Government declared a national housing emergency highlighting the critical need to address housing shortages. Several local authorities have declared housing emergencies in their respective areas including Argyll and Bute, Edinburgh, Fife, Glasgow, Scottish Borders, South Lanarkshire, West Dunbartonshire, Aberdeen City and East Renfrewshire. As a publicly owned organisation, we recognise the role we play in helping to address the current housing crisis by enabling new homes to be connected to the water and waste water networks.

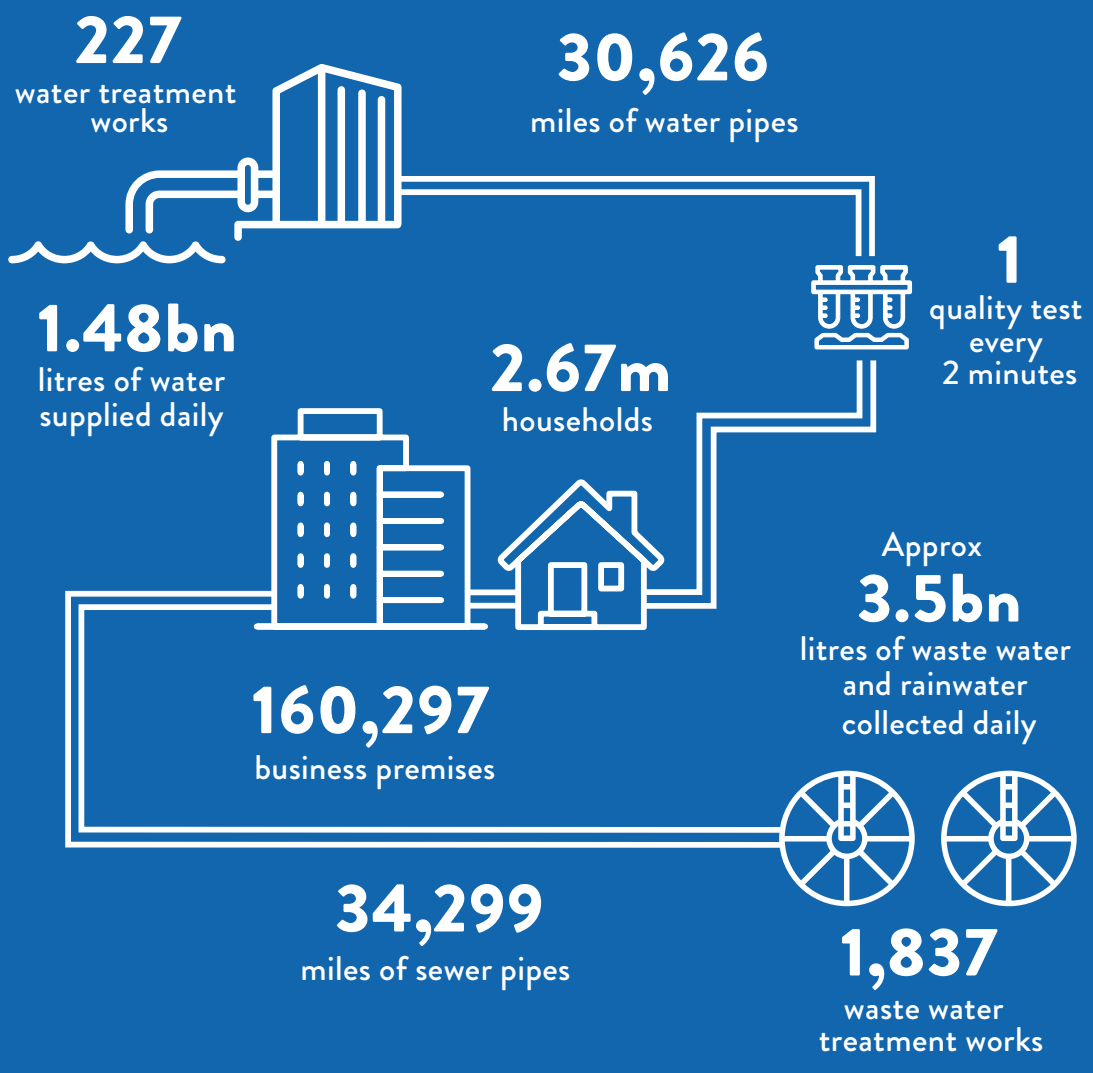
12 Mid-2024 population estimates - National Records of Scotland (NRS)
13 Household Projections for Scotland (2022-based) - National Records of Scotland (NRS)

The need to replace ageing assets

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT THEIR UNDERSTANDING OF OUR ASSETS

Customers are generally surprised to hear about the scale of our infrastructure, and to learn its age. Customers understand and acknowledge that ageing assets are a challenge, and they recognise the need for investment to maintain these older assets.

Our vital role covers



We currently manage an asset base that would cost nearly £122 billion to fully replace, ranging from large treatment works to pipes in the ground and sensors in our network, all of which are critical to delivering a resilient and reliable water and waste water service for our customers across Scotland.

Previous local authorities and water boards installed a large number of assets in the 1950s and 1990s to respond to new legislation to create new public water and waste water systems. When Scottish Water was formed in 2002 we inherited some assets that were already over 100 years old. Since then additional legislation has increased the complexity of the assets that have been installed. These tend to have shorter lives than older assets and need to be repaired and replaced more frequently. In addition, the increasing integration of digital technology with our assets introduces further challenges, as these systems often become obsolete more quickly or require regular security enhancements to remain effective and compliant.

Tightening regulatory requirements

The regulatory landscape is constantly changing. We are working with the Scottish Government to review water industry policy and assess how water, waste water, and drainage services can adapt to climate change impacts to prevent water scarcity and mitigate flooding.

The European Union has recently introduced two new directives: the recast Drinking Water Directive (rDWD), to which Scotland has aligned with most provisions, and the recast Urban Waste Water Treatment Directive (rUWWTD). The rDWD tightens quality standards for catchment risk management and drinking water, while the rUWWTD sets higher standards for waste water collection, treatment and resource recovery.

Our investment planning has included Public Water Supplies (Scotland) Regulations which were amended in line with the rDWD quality standards and came into force 1 January 2023. Discussion on how best to align with the remaining rDWD articles relating to catchment risk management are ongoing. Both the rUWWTD and the outstanding articles of the rDWD have implementation dates for key requirements within the 2027-2033 period that have not been included in our business planning activities as discussion on their requirements and how these will be applied are ongoing. We are working with the Scottish Government to provide the necessary evidence to support decisions regarding alignment.

CHAPTER SEVEN
OUR PLANS TO WORK DIFFERENTLY

This plan will enable us to continue to deliver sustainable and affordable water services despite the challenges we face. But we can't do this alone – we will need to build partnerships across Scotland, find new ways of working and think differently to make sure we continue to meet customer expectations both now and in the future.

Our customers and stakeholders support our plans to work differently, recognising and reinforcing the importance of collaboration, innovation, and new approaches to meet future challenges. With this in mind, our approaches are consistent with our draft business plan.

We will create new partnerships, addressing challenges and delivering wider benefits

Collaboration and partnership working are key, and we will work with the Scottish Government, our regulators, local authorities, farmers, developers, campaign groups, businesses, politicians, and customers and communities to find lasting solutions at the lowest cost and lowest carbon to better deliver services. These partnerships will address the challenges we face and deliver other benefits. For example, by building sustainable urban drainage solutions we address surface water flooding and provide green spaces in towns and cities for everyone to enjoy.

RESPONDING TO CLIMATE CHANGE – CLIMATE MITIGATION

Climate change is an existential threat to Scottish Water's operations and ability to deliver services for our customers. We therefore have a responsibility to help Scotland mitigate its impact. This includes reducing the contribution all our operational and capital activities make to climate change by investing in technologies and processes that sustainably lower carbon and maximise the positive contribution we can make.

Mitigating climate change is not something Scottish Water can address on its own. It is technically complex, impacts the natural and built assets we rely on and can disrupt the wider infrastructure and supply chains we depend on. Whilst there is much we can do with our assets, we cannot just "build our way out of climate change" but must work with others to improve understanding and develop collective actions and initiatives that will support effective and efficient adaptation responses for built and natural assets.

Whilst there is much we are doing to decarbonise Scottish Water's activities, we are dependent on others to develop the technologies to support net zero, for example to address difficult to manage emissions from waste water treatment; on our supply chains to develop and adopt new low carbon materials; and on customers and stakeholders to help mitigate emissions across the water sector.

We will continue to develop strong partnerships with our delivery partners and major supply chain organisations with a focus on reducing emissions resulting from capital investment, building on some of the innovative work to date around green steel, low carbon concrete, and initiatives across the capital programme to adopt low emission site setup and construction.

With respect to our landholdings and water catchments climate change will see a progressive deterioration in their ability to supply good quality water, and to hold carbon in the soil and vegetation. Investing in nature resilience can be a cost-effective means to secure long-term service resilience (e.g. compared with investment in enhanced treatment or storage capacity).

Delivering the required land use change for carbon, nature and service resilience demands we work with communities, tenants and commercial interests, neighbouring landowners, regulators and government. Partnerships are bespoke and geographically specific and current examples include Loch Katrine with our tenant, Forestry and Land Scotland.

We are working with Scottish Government, SEPA, NatureScot, Cairngorms National Park, Local Authorities and others as part of a Public Sector Reform initiative to drive more effective and efficient action on shared policy goals. The "Pioneer Catchment" initiatives in the Dee and South Esk/Angus Glens will focus on establishing the governance and partnership approach to support systemic resilience in these catchments, protecting key water sources from climate change and capturing carbon. Similar partnerships exist in Lothians and Borders.

RESPONDING TO CLIMATE CHANGE – CLIMATE MITIGATION (CONT.)

Joint work is also critical with organisations such as Peatland Action, Scottish Forestry and with researchers such as the James Hutton Institute to understand, plan and deliver land use change.

There remain key areas of research and innovation that are vital to the net zero emissions pathway including:

- **Process science –** process emissions from waste water and sludge remain the most challenging area of emissions and will represent more than 70% of our residual operational emissions in 2040. More research and technology development is required to identify methods for treating waste water without liberating significant emissions and to monitor and reduce process emissions from our existing asset base.
- **Materials science and capital investment –** progress has been made with the supply chain and with research partners to explore and develop materials such as low carbon concrete, alternative equipment fabrication and low carbon steel. We are the first UK organisation to sign a pledge to buy low carbon concrete, helping pave the way for the development of next generation sustainable construction materials. We have committed to buying almost 20,000 cubic metres of low carbon concrete over the next five years - around 30% of our current annual concrete usage. Scottish Water and its partners will need to engage in finding and piloting new materials and products to reduce the carbon intensity of investment.
- **Land based emissions and carbon capture –** work with the James Hutton Institute has established an approach and mechanism to target improved carbon capture, but this remains an area of intense research to support global efforts to increase carbon sinks. New information (e.g. from The International Union for Conservation of Nature, or academic papers) is kept under review to inform Scottish Water's carbon inventory.

Scottish Water will continue to keep the science and guidance under review and actively seek innovative approaches to reduce carbon across our services and investments in SR27.

We will prioritise activities that improve service resilience and exploit innovation and partnership opportunities in SR27 and beyond so that we can maintain momentum for our net zero ambition.

We will work with our service partners to continue to deliver value for money

As a publicly owned organisation, every pound we collect in customer charges is invested to deliver the services people need, while keeping bills as low as possible.

The complexity of what we do, and the size of our investment programme means that we have the opportunity to drive savings by doing things differently. Our new way of working with our supply chain (see Section 4, page 133) will allow us to ensure we invest wisely to deliver as much benefit to the customers, communities and environment of Scotland as possible. By investing in our supply chain, we not only enhance our efficiency and outcomes, but also stimulate economic growth, create jobs, and support local businesses across Scotland.

We will use digital solutions to work ever smarter

We already use digitisation, artificial intelligence (AI) and automation to improve the way we work, save money, reduce carbon and improve service outcomes. This plan sets out how we will go further, maximising the potential for digital insights to improve our ability to be proactive, rather than reactive, when issues emerge.

By embedding AI-driven automation and real-time analytics, we will maximise the value of our assets, improve energy efficiency and strengthen resilience against emerging risks, including cyber threats. AI will help us predict when equipment needs maintenance, plan for different scenarios using virtual models of our systems and run operations more efficiently.

This will help us to respond to issues before customers or the environment feel an impact. It will also support compliance with tightening regulatory requirements around data governance, privacy and security. Automating routine decisions without compromising accuracy will free up our teams for higher-value tasks, fostering a culture of innovation and continuous improvement. Through these advances, we will work smarter, reduce incidents and deliver service excellence at a reduced cost.

You can read more in our Digital Technical Appendix.

We will use more nature-based solutions and create more green spaces

We will seek a significant increase in biodiversity through the use of nature-based solutions in our investment projects; minimising pollution to the environment, reducing flood risk for customers, creating social amenity and supporting nature recovery.

Extreme weather will result in higher intensity rainfall, and we will manage rainwater on the surface through an increased focus on working with nature, including blue-green solutions which mimic natural drainage, helping to slow down the flow of water or prevent it from entering the sewer network. Working with partners such as local authorities, developers and customers, we will also seek to create additional benefits like new woodlands, urban green spaces and increased biodiversity which we can all enjoy.

We will embrace circular economy principles

We will find new ways to make the most of everything we use and produce.

Our West Central Bioresources investment programme strongly aligns with Scotland's waste hierarchy, decarbonisation and circular economy ambitions. Using a new Advanced Anaerobic Digestion Bioresource Treatment Centre for biological recovery, we will contribute to both renewable energy generation, greenhouse gas reduction and materials recovery from bioresources. The process enables unavoidable biological waste to be converted into biogas while retaining nutrients for beneficial reuse.

We are developing the scope for a resource recovery demonstrator at our Alloa waste water treatment works to show how materials can be captured and reused, turning waste into valuable resources. By recovering and repurposing these materials, we aim to improve treatment performance, cut emissions, and keep resources in circulation rather than letting them go to waste. The recovered materials will be tested to identify practical applications, supporting new ways to close the loop and reduce reliance on virgin resources. Working with the Stirling and Clackmannanshire City Deal, we are developing a business case for a green economy hub in the Forth Bank area of Alloa to drive innovation and new enterprises built on circular principles. To help make this vision a reality, we are seeking funding from UK Research and Innovation.

We will look after Scotland's precious water resources

We know it is essential that water is available whenever you need it, and managing demand for water is going to be critical as we experience more periods of prolonged drought and see an increase in population, particularly in the east of Scotland where there is less drought-resilience.

As part of our commitment to circular economy principles, we are collaborating with the Hydro Nation Chair Programme and the University of Stirling to pioneer innovative approaches for reusing surface water and grey water (such as from washing machines, dishwashers, and showers). This initiative focuses on creating low-carbon, low-water-demand intergenerational homes as exemplar projects. These homes will serve as testbeds to demonstrate how water reuse can reduce demand in both existing and new developments. By piloting these solutions, we aim to drive sustainable water management, reduce environmental impact, and set a benchmark for future housing developments.

Reducing the amount of water lost from both our pipes and our customers' pipes is also critical. Since 2002, we have reduced leakage levels by over 50%. We are setting an ambitious target for SR27 to achieve a further c.10% reduction in leakage in the period.

On average, a person in Scotland uses nearly 20% more water than other parts of the UK, and 30% more than in parts of Europe. Everyone in Scotland can be a responsible water citizen and make a difference by only using what they need. Over SR27 we will help household and business customers conserve water through support, campaigns and inspire the next generation of responsible water citizens through our Generation H_2O education programme aiming to engage 90% of schools in Scotland by 2033, to help us ensure we can efficiently provide resilient supplies of water.

In SR27, we will continue to roll out smart metering to business customers, enabling them to monitor and reduce their water usage and identify leaks.

Additionally, in early 2025 we installed smart monitors for close to 1,500 household customers in Dundee as part of a three-year pilot. This pilot aims to understand if increased awareness of water consumption will lead to sustained reductions in water use within a household, help us identify customer-side leakage which is currently very difficult to find, and provide help in finding leaks in our network. This pilot focuses on changing behaviour through access to knowledge on water use, rather than through bill impacts.

BUILD PARTNERSHIPS WITH CUSTOMERS

Only flushing the
3Ps
(pee, poo and paper)
to stop blockages

INSPIRE THE NEXT GENERATION

Aim to engage
90%
of schools by 2033

SMART MONITORS

Close to
1,500
installed in Dundee
as part of a 3-year pilot

We will continue to manage our assets responsibly

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT MAINTAINING ASSETS

Asset maintenance is a concept that people intuitively understand. It is felt to be highly important and core to our purpose as an organisation, as it is an area that is clearly our sole responsibility. Customers recognise the need for investment and want to see lasting solutions put in place. Making things last is seen as an important area of focus, appealing to all customers and older customers in particular. They are keen to reduce the risk of service failures, as well as avoid unnecessary costs. Customers expect this to be an ongoing area of investment with a focus on preventing future problems. They generally expect us to maintain or replace infrastructure before it fails to avoid service issues. Fixing assets on failure is perceived by some to cost more money over time than proactive intervention.

Customers may also seek some reassurance that investment is necessary. They may wish to be satisfied that investment is directed at parts of the system at risk of failing, and that interventions are future-proof, high quality and lasting.

Our most recent research shows that customers continue to see asset maintenance as fundamental. Repairing and replacing assets emerged as a critical area for customers– with customers feeling strongly about the need to maintain assets at a rate that would, at least, ensure service stays at current levels – with strong feeling that current service levels should not only be maintained but ideally enhanced.

When given information about the three long-term challenges, even proposals to maintain spending at current levels can prompt concerns that this might not be sufficient to address the increasing scale of these challenges. There was a belief that lack of investment in this area would reduce confidence in Scottish Water.

We have a diverse range of assets, from water pipes, sewers and treatment works to office buildings, vehicles and digital infrastructure. All these assets contribute to the day-to-day operation of business. As a responsible business, we must ensure that future generations inherit assets that have been well looked after and are 'future proof', a view supported by our customers.

In SR27 we plan to maintain our assets in line with our customers' expectations. The management of our existing asset base is covered by our asset repair, refurbishment and replacement (AR3) policy.

We are committed to managing our assets responsibly and efficiently, building on the progress made since SR21 to deepen our understanding of future maintenance requirements. Our asset management policy is central to our drive for efficiency. By prioritising the operational maintenance, repair and refurbishment of existing assets, we extend their useful life before we make the decision to replace assets. This approach directly supports the Scottish Government's common investment hierarchy and helps us deliver reliable services at the lowest sustainable cost.

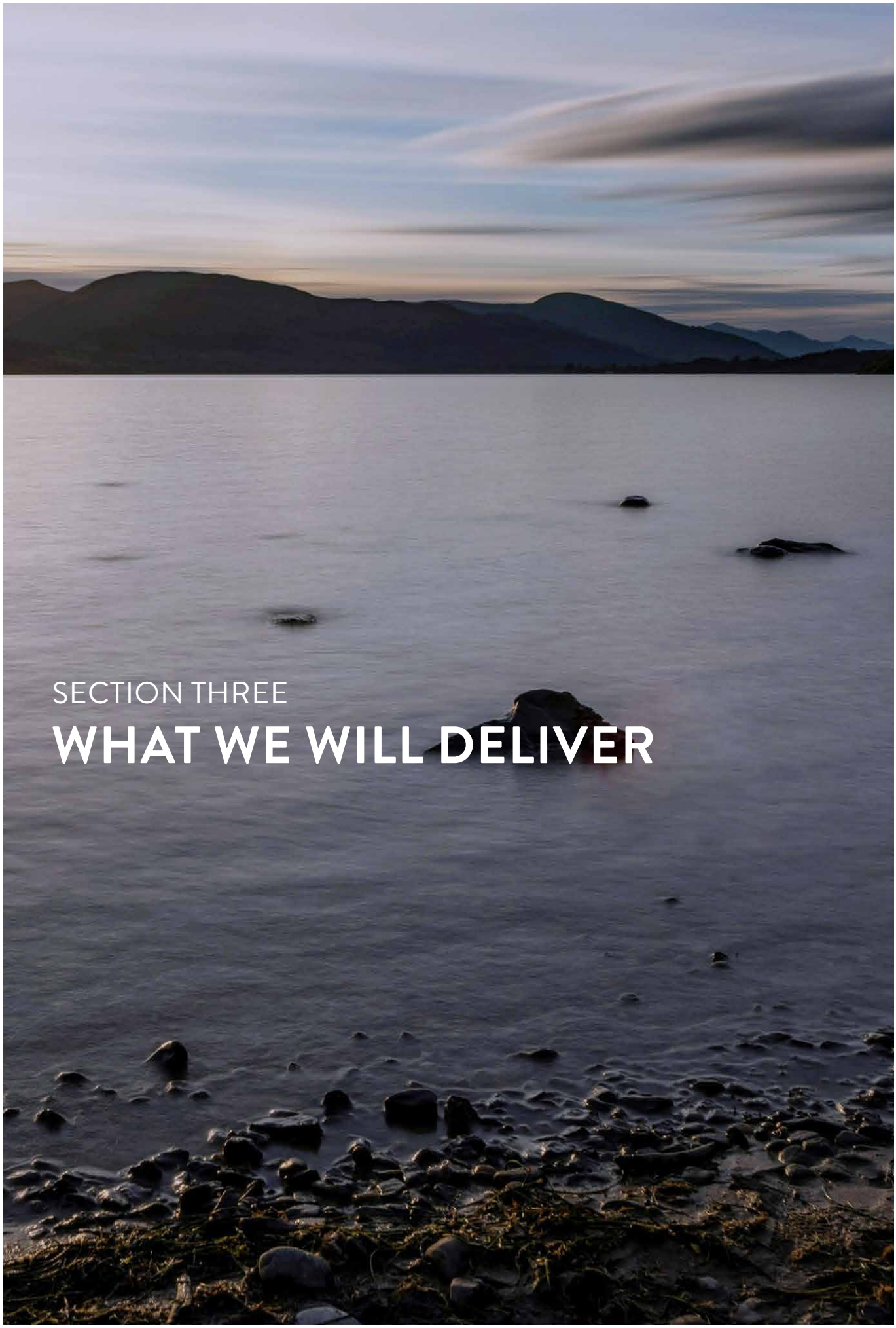
Our Asset Management policy outlines principles governing the management of Scottish Water owned assets, from source to tap, sink to sea and all supporting assets, excluding those managed through joint ventures or external contracts.

The policy outlines several key points:

- Managing assets to keep services affordable through prioritising investment and seeking improvement and innovation.
- Ensuring our people fully understand their role and responsibilities within Asset Management to support our purpose of a flourishing Scotland.
- Policy-led decision-making to standardise approaches to assets and systems.
- Ensuring high-quality data and analytics for decision-making.
- Alignment with external standards, regulatory compliance, and legal and customer requirements.
- Support for our Health & Safety Strategy to inspire people to go beyond zero harm.
- Continuous improvement of the Asset Management system.
- Commitment to net zero, climate change mitigation, and adaptation in decision-making.

This policy is supported by internal assessments that detail by asset type the inspection and intervention regime to be carried out to ensure they provide the service to customers.

As an example of our Asset Maintenance policy, during SR27 we will be investing to maintain Invercannie Aqueduct, which transfers treated water over 28km to serve 130,000 properties in Aberdeen and surrounding areas. Built in 1924, part of the aqueduct is concrete and its condition has deteriorated to a point where groundwater can seep into the aqueduct, potentially impacting the quality of the treated water it is transferring.



SECTION THREE

WHAT WE WILL DELIVER

CHAPTER EIGHT
WHAT WE WILL DELIVER FROM 2027 TO 2033

What we will deliver in SR27

This Business Plan 2027-2033 is the first step on our journey to achieve our Long-Term Strategy. At each Strategic Review of Charges, we will set out how we propose to make progress towards our long-term outcomes and objectives.

The decisions we are making in this business plan are all set in the context of our long-term aspirations to:

Deliver our promise to customers that we will continue our work to improve the lives of our customers and communities, and help Scotland to flourish come rain or shine.

Deliver our long-term outcome to ensure Scotland's tap water remains a source of national pride and is valued as a precious resource.

Deliver our long-term outcome to play our role to ensure the quality of our rivers and seas is improved, and our communities are protected from sewer flooding, through collaboration with others.

Deliver our long-term outcome to play a key role in enabling Scotland's sustainable economic and housing growth.

We are also enabling our workforce to deliver our plan, through our People Strategy and Digital Strategy for SR27, further detail can be found in the relevant Technical Appendices.

Planning for the long term means balancing today's customer expectations with the need to build resilience for the decades ahead.

MITIGATING CLIMATE CHANGE

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

From our customer research, we know that climate change and its impact is an important issue for our customers. This is especially true for younger people and our vulnerable customers. However, our customers and stakeholders had mixed opinions on how much we should invest in climate mitigation through cutting carbon emissions.

Some, including our Independent Customer Group, questioned whether we should be driven by a strict target date. Some customers are also uncertain about the need to invest solely to reach carbon targets, with our most recent research indicating that there may be signs of 'target' fatigue from some customers.

Customers are positive about our mitigation objectives around enhancing the natural environment. Our plans for creating woodlands and managing land were well received because they bring many benefits beyond capturing carbon.

What we've done

We have taken decisions in our final business plan which balance customer affordability and prioritise activities that improve service resilience and exploit innovation and partnership opportunities in SR27.

We'll still invest in energy efficiency and renewable energy, but this will now be on a "spend to save" basis, meaning we'll focus on projects that pay for themselves over time.

Based on customer research and stakeholder feedback, we've decided to increase our investment in woodland creation and land management because we know that our customers and communities value the additional benefits such projects offer (increased from £18 million in our draft business plan to £29 million in our final plan), and we are increasingly aware we will need to invest further across our landholdings to secure the carbon, nature and climate resilience of all landholdings.

We're committed to restoring all peatland by 2040. In this plan, we'll restore 500–1,000 hectares of peatland and add protections like fencing and grazing management to ensure their longevity. We will create up to 1,500 hectares of new woodland in SR27 which may see up to c.2.4 million new trees across our estate. Woodlands offer multiple benefits – the right tree in the right place will see small areas of commercial planting, supporting the Scottish economy, wider areas of native biodiverse and naturally regenerated woodland that support biodiversity and support the resilience of water quality in our catchments to climate change.

Full details change can be found in our Climate Change Mitigation Technical Appendix.

Restore up to
1,000ha
of peatland

Save
2,000t
of emissions by 2040

ADAPTING TO CLIMATE CHANGE

Climate change is already affecting Scotland. Rising temperatures, shifting rainfall patterns, and more frequent extreme weather events are putting unprecedented pressure on the water and waste water systems we all rely on. These pressures will intensify, making adaptation essential to protect services and the environment.

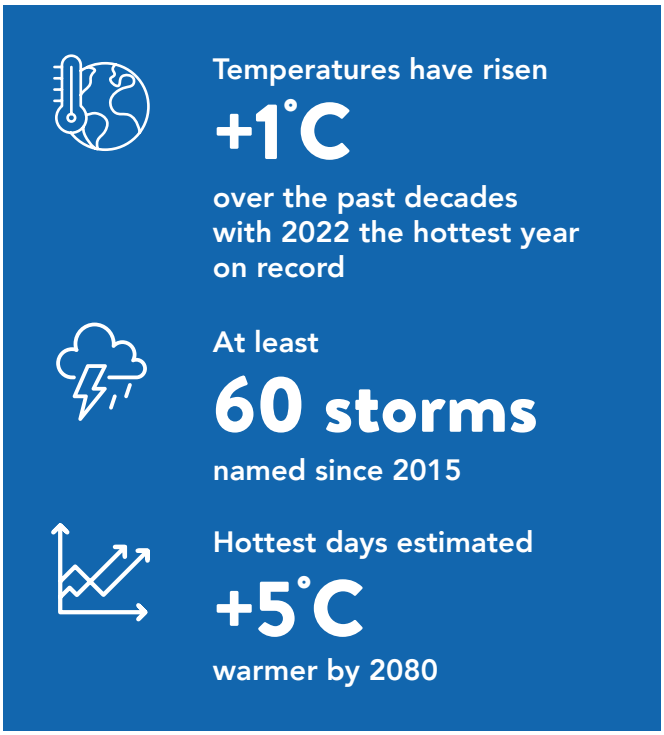
As we respond to the intensifying impacts of climate change, it is increasingly clear that no single organisation can address these challenges alone. Collaborative, upstream, nature-based solutions, delivered in partnership with local authorities, communities and other sectors, often provide opportunities to deliver resilience at a scale and in ways that hard engineering alone cannot achieve.

Working together enables us to target investment where it delivers the greatest overall benefit: not only for water and waste water services, but all those that rely on a healthy water environment - farmers, communities, and industry. By engaging partners, we can maximise the broader benefits for society and the economy, including biodiversity, amenity, and carbon reduction, and potentially reduce the need for costly end-of-pipe interventions in the future. For example, we target the source of the issue with our work to influence policy and legislation relating to wet wipes which are a significant cause of sewer blockages.

Our experience with partnership projects such as Craigleith in Edinburgh (see case study on page 110) show how partnership working can deliver more resilient outcomes, support wider policy goals, and provide better value for customers and society as a whole.

Adaptation Scotland[14] provides a summary of data published by the UK Met Office[15] which tells us temperatures have risen by 1°C over the past decade compared to the 1961–1990 average, with 2022 the hottest year on record. Winters are now 25% wetter, annual rainfall has increased by nearly 10%, and sea levels have climbed almost 20cm since the early 1900s. Extreme weather is becoming the norm, with at least 60 named storms since 2015.

Looking ahead, the hottest days could be 5°C warmer by 2080, heatwaves more frequent, and summers will be drier although summer storms will be far more intense, posing serious challenges for water resources and waste water systems[16].



14 The Adaptation Scotland Programme is how the Scottish Government offer advice and support to the public sector, businesses, communities and households on how to take adaptation action.
15 Climate Projections for Scotland Summary
16 Projection from UK Met Office using High Emission Pathway and historical weather extremes at this location which informed our Climate Change Adaption Plan.

For Scottish Water this means:

- "too little water" and the risk of increasing drought risk;
- "too much water" and rainfall intensity increasing flood risk;
- a combination of both impacting water quality, quantity and environmental status; and
- increased risk of extreme weather events disrupting assets and services.

In meeting the challenge climate change poses, our most valuable asset isn't just pipes, pumps or treatment works, it's nature. Upland catchments, rivers and urban green spaces play a critical role in water resource and flood management.
As climate impacts accelerate, we cannot simply build our way out of these challenges. Restoring natural landscapes, collaborating with partners and managing water holistically will help both built and natural systems remain resilient.

Enhancing resilience also means cutting emissions and delivering wider benefits. Nature-based solutions such as woodland creation, water efficiency and catchment restoration strengthen our ability to withstand extreme weather while reducing our carbon footprint. Catchment restoration will be incentivised through a combination of targeted investment, allocating dedicated funding to restore priority areas, alongside procurement frameworks that reward low-carbon, nature-based solutions in project delivery. Strategic partnerships e.g. with landowners or environmental organisations, will unlock external funding and expertise, enabling large-scale restoration. Our improved reporting tools and decision-making systems will ensure the benefits of catchment restoration are visible and measurable, supporting robust business cases.

In SR27, Scottish Water is assessing the added benefits these different approaches to investment can bring. By grasping these different ways of working we aim to deliver long-term value for our customers, the economy and nature.

Full details can be found in the Climate Change Adaptation Technical Appendix.

CONTINUE OUR WORK TO IMPROVE THE LIVES OF OUR CUSTOMERS AND COMMUNITIES, AND HELP SCOTLAND TO FLOURISH COME RAIN OR SHINE

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Stakeholder feedback on our draft business plan, particularly from Consumer Scotland, highlighted the need for stronger commitments to engaging with customers and communities, driving behaviour change, and supporting those in vulnerable circumstances.

What we've done

In response, our final business plan places greater emphasis on these three areas.

Priority Services Register: We have expanded our commitment to supporting customers in vulnerable circumstances. This includes our work to promote accessibility and expand partnerships with agencies such as Age Scotland.

Community Engagement: Building on the frameworks we introduced in SR21, in SR27 community engagement is a key focus area. Our approach now focuses on involving communities earlier in project planning, specifically where there are genuine choices to be made. We work collaboratively to co-design solutions and ensure that community feedback is not only heard but visibly influences the outcomes. We will continue to embed and refine our Community Engagement and Earlier Engagement frameworks and we will tailor our engagement approaches, based on the scale and type of investment and in conjunction with local community representatives. We will listen to communities during the design of projects and throughout their implementation, ensuring that local voices shape decisions and help us deliver a positive legacy for the future.

Behaviour Change: We have embedded behaviour change as a core element of our strategy. Through local and national campaigns, we will encourage customers to play an active role in reducing water consumption, preventing blockages by only flushing the three Ps (pee, poo and paper), and supporting climate resilience. In early 2025 we installed smart monitors for close to 1,500 household customers in Dundee as part of a three-year pilot, which focuses on changing behaviour through access to knowledge of water use, rather than through bill impacts. We have also proposed a new Awareness and Behaviour Change measure to track progress of this activity.

Our plans

We will maintain our position as a leader in customer service and further improve service for customers in vulnerable circumstances

Customers and communities are at the heart of everything we do at Scottish Water, and we will always strive to deliver the excellent service our customers expect.

It is of critical importance to the success of both our Finial Business Plan 2027-2033 and Long-Term Strategy that our customers trust us and see themselves as partners with a personal share in all we do. We will continue to foster a relationship of openness and honesty with our customers and communities, so they understand who we are, what we do and how we do it.

Throughout SR27 and in the delivery of the following seven priority areas, we will focus on working efficiently, working safely, and improving our overall performance for customers. By collaborating with others, we will ensure we get the most value for them for every pound we spend.

In SR27 we will:

- Continue to listen to our customers and evidence where we have used their voices in our strategic and day-to-day decision making – ensuring customers continue to be at the heart of all we do.
- Use technology and data to ensure our service for customers and communities is streamlined, simplified and personalised whilst maintaining our commitment to our Scotland-based 24/7 customer engagement centre.
- Place greater emphasis on our ability to predict and prevent issues to protect our customers and communities from disruption, whilst optimising our ability to complete first time fixes.
- Commit to further development of our service commitments for customers with vulnerabilities.
- Continue to develop our people and processes and embed service excellence capabilities, mindsets and behaviours.
- Grow our community engagement, building positive relationships, involving them in decisions and contributing to a flourishing Scotland.
- Increase awareness and change behaviours, asking customers to play an owner's part to reduce demand on our services; reducing consumption and blockages.

We will continue to listen to our customers and evidence where we have used their voices in our strategic and day-to-day decision making – ensuring customers continue to be at the heart of all we do

Our robust customer research programme will continue to inform our improvement activities and decision making whilst helping us to build and strengthen relationships with customers and communities and demonstrate just how much we care. Our research programme ranges from feedback on service issues, seeking opinion on specific investment projects or topics, to gaining opinion on long-term business strategy. Research is always conducted with a representative range of customers from across our customer base.

We are committed to continually improving both the research approaches we take as well as how and where we gather feedback, this is supported by £2 million of investment. For example, in SR27 we are looking to improve our transactional survey activity by having a single survey provider to deliver all transactional research and expanding the reach of the surveys to more customers through a multi-channel approach. In conjunction with the independent research agencies we work with, we will continually innovate and refine the qualitative and quantitative research methods used, guided by Market Research Society best practice.

We will seek to maintain our position as leaders in customer service and above average position of all UK companies on the UK Customer Satisfaction Index and upper quartile performance in the Retailer Measure of Experience

During SR21 we have made great progress in improving how we support and work with our customers with several notable achievements including:

- Achieving our highest satisfaction levels amongst household customers, with 93.9% of household customers being satisfied with the service they receive when they contact us.
- Ranking 1st for 'overall service' for our Retailer Measure of Experience, which benchmarks the service we provide to Licensed Providers against other wholesale providers in England and Wales.
- Tracking above target for Development Customer Experience Measure, which monitors developer satisfaction who engage us about new connections.

As well as listening to customers directly, we are an active member of the Institute of Customer Service, who publish the UK Customer Satisfaction Index[17] (UKCSI) every six months. This allows us to benchmark customer satisfaction against other water companies, utilities, and a variety of other sectors. In the most recent Institute of Customer Service survey (January 2026), our results were notably higher than the water sector, utilities, and Scottish averages.

17 UK Customer Satisfaction Index (UKCSI) Institute of Customer Service

We will use technology and data to ensure our service for customers and communities is efficient, streamlined and personalised whilst maintaining our commitment to our 24/7 Customer Engagement Centre

Digital technology can improve customer experience, improve value for money and reduce disruption to services. It can also allow our advisers to spend more time on complex customer issues, or with customers who need personalised assistance.

We are planning to invest £5 million in SR27 to improve our website and develop our contact channels, enabling customers to tailor our services to suit them. This will be achieved through the provision of digitally supported and tailored portals for each of our main customer groups.

Our commitment is that we will always be easy to contact and to interact with. We will continue to monitor contact preferences and look to specifically establish contact using existing and emerging channels. Where possible we will enable customers to book their own appointments, provide customers advance warning of potential issues so they can prepare, and provide a transparent view of how work is progressing. This will enable our people to focus on the more complex and challenging customer issues and reduce impact on our Scotland-based Customer Engagement Centre (which will remain open 24 hours a day, 7 days a week, 365 days a year).

We will continue to invest in our ability to predict and prevent issues to protect our customers and communities from disruption, whilst improving our ability to achieve first-time fixes

Using customer powered data tools alongside our asset data will enable us to identify more issues before they affect our customers, minimising disruption, and giving as much proactive notice as we can. Ultimately, we aim to make more of this customer and asset data accessible to customers in an intuitive and relevant way.

Key initiatives in SR27 will include:

- Continued development of our Community Metrics and Analysis Platform (Community MAP) that makes customer insight accessible with dynamic, real-time data to inform tactical and strategic planning helping us make the right decisions for our customers (see case study).
- Continuing to develop the fully integrated remote diagnose offering that we have rolled out during the SR21 period. Customers are able to submit photos or videos which allow us to identify problems and solutions remotely e.g. a burst water main. This allows us to resolve more issues first time, reducing impacts on customers.
- Smart metering solutions for business customers lets us provide a more proactive service, identifying and resolving issues, such as water leaks, before customers or Licensed Providers become aware of them. Our aim is to implement smart metering for 130,000 non-household customers.

CASE STUDY: UNDERSTANDING HOW WE SERVE COMMUNITIES

During SR21 we developed our Customer Powered Insights Dashboard (CuPID), which brings together data from across the business into one place. It gathers information on the volume of cases and events that have occurred over the previous four days (including the current day). This allows our teams to track a near real-time understanding (updated every 15 minutes) of what our customers are contacting us about. The dashboard displays data for the whole of Scotland and can be filtered to show information for a particular area or timeframe. The insights provided by this dashboard help our operational teams to provide a more focused response to customers impacted by a particular event and drives value by making the best possible decisions.

While CuPID provides a current view of our service provision, we have also developed the Community Metrics and Analysis Platform (Community MAP) to help our teams understand how well an area or community has been served. The dashboard brings together mainly quantitative data such as the volume of cases, events, escalations, complaints, plus some qualitative data[18], providing a temperature check of the level of service, over time. This helps us to better understand the experiences of our customers and communities, to shape and inform investment decisions, build operational responses, and improve communication and engagement with customers and communities.

Both dashboards have proved successful and we have plans to continue to extend their functionality and explore other opportunities into SR27, including providing more granular exploration of the data to further improve the service we offer to customers.

18 YouGov Perceptions Survey and Rant & Rave Customer Experience Survey

We commit to further development of our service commitments for customers with vulnerabilities

We appreciate that many of our customers face personal challenges which makes them more vulnerable to service impacts, and we have focused on how we can support them through the expansion of our **Priority Service Register**. As well as raising awareness through promotion, we have established meaningful partnerships with Age Scotland and other utility companies, enabling us to better support those customers who need us most when services are interrupted. In SR27 we will invest to ensure we reach more customers who need extra help by working with other agencies including the NHS, community groups and our partnerships. The range of services and support on offer will also expand as we increase our register of customers, including increased accessibility, prioritised care and tailored communications. We will invest £4 million in improvements to our offering for customers on our Priority Service Register.

We will continue to develop our people and processes and embed Service Excellence capabilities, mindsets and behaviours

We are committed to embedding Service Excellence for our customers by investing in workforce development. Through training, accreditation, and career development, our aim is to empower employees as ambassadors for service.

A new organisational structure, including dedicated Water, Waste Water, and Customer Service Directorates will enhance agility, collaboration and innovation while keeping customers at the heart of operations. The Customer Service Directorate will lead efforts to improve customer experience, support vulnerable customers, and proactively prevent service issues. Progress will be monitored via our Service Excellence Assurance Model, providing transparent, data-driven insights. Service Excellence objectives will be integrated into annual targets, with recognition for outstanding performance, ensuring continuous improvement and alignment with strategic goals for SR27.

We will grow our community engagement, building positive relationships, involving our customers in decisions and contributing to a flourishing Scotland

We are committed to embedding meaningful community engagement at every stage of our project planning and delivery. Our Community Engagement Framework will continue to create opportunities for communities to co-design solutions, reinforcing the sense of ownership and ensuring that feedback is visibly reflected in outcomes. This approach builds trust and delivers long-term benefits that matter to local people.

We are committed to improving how we report and measure the effectiveness of our community engagement in SR27. We will incorporate regular updates and case studies in reporting to sector stakeholders which will illustrate progress and share learnings. We will also continue to work with Consumer Scotland, the Independent Customer Group and WICS during 2026 to introduce a Community Engagement Measure within the SR27 period.

As well as community engagement in investment projects, local community engagement is evident in a range of other activities by us and our partners as we encourage the people of Scotland to use, appreciate and value our assets. In SR21 we have been trialling several different activities on our sites to support access to our reservoirs and upland catchments. In SR27 we will invest £6 million to expand on the elements of the pilots which have worked well, improving engagement with partner organisations to help support and improve access to our assets for education, skills and wellbeing.

We will increase awareness and ask customers to play an owner's part to reduce demand on our services, reducing consumption and blockages

As noted earlier, it is vital we raise the public profile of the value of water so we can all play our part in protecting this precious natural resource to ensure a sustainable future for all. We recognise the need to collaborate and lead partnerships with customers and communities so that we can reduce demand on our services and assets by helping customers use less water, reduce blockages and manage rainwater on the surface.

Through social marketing activities and continuation of our education programme, we will increase customer awareness of who we are and what we do, and how changing behaviours can help ensure resilient and sustainable services into the future. This will support our ambition to nurture our customers as partners who understand their role in delivering great services, whether through taking an active role in using less water or ensuring only the correct items are flushed.

We have launched our Generation H_2O programme, which aims to educate and engage schoolchildren and future customers about the importance of water as a precious resource.

This programme offers age-appropriate, tailored, and engaging materials. In its first 15 months the programme has reached over 786 teachers and 42,670 young people. In SR27 we will broaden the scope of Generation H2O through expanding our programme of school visits, and via our Capital Investment programme, promoting STEM (science, technology, engineering, and mathematics) skill challenges to address skills gaps and establish lifelong partnerships founded on customer appreciation. Our goal is to reach 90% of schools in Scotland by the end of SR27.

Our overarching customer campaign 'Piped By Us, Owned By You' seeks to ensure the people of Scotland are aware Scottish Water is publicly owned and asks them to play an owner's part prompting responsibility for sustainable use. By strengthening public trust and pride in Scotland's water services throughout SR27, this campaign will continue to communicate public ownership and demonstrate how vital water and waste water services are delivered efficiently and responsibly. The campaign will also provide the foundation for other behaviour change campaigns, encouraging customers to reduce demand and blockages.

We launched our Nature Calls campaign in SR21 with the aim of raising awareness of the damage done by flushing wipes and fats, oils and grease down the drain on the environment, customers, and our costs. In SR27 we will continue this campaign, building from learning in SR21 which shows a combination of national activity should be supported by localised campaigns and face to face engagement in areas with a high number of chokes per population. These engagements include distributing products to enable behaviour change, e.g. bathroom bins, reusable wipes and kitchen gunk pots.

We will embrace new engagement approaches, including a new podcast; building on the success of providing live access to combined sewer overflow monitor data.

We are also continuing our trial of household water monitors in Dundee, to help understand how engagement with usage information influences domestic consumption in Scotland and what benefits this may bring in relation to reducing leakage further.

Work has been ongoing to develop a new Awareness and Behaviour Change measure. The Independent Customer Group and Consumer Scotland are supportive of this initiative and consider its focus on reducing water use and sewer blockages to be a step forward for SR27. We will continue to work with all stakeholders on the development of the measure to ensure we can demonstrate impact. It is expected the cost of our campaign and marketing activity will be c.£4 million over the SR27 period.

Full details can be found in our Customer and Communities Technical Appendix.

SUPPORTING A FLOURISHING SCOTLAND

Our commitment to supporting a flourishing Scotland goes beyond delivering essential services.

We recognise the positive social, economic and environmental impacts of our work and the additional value it creates for our customers, communities and the environment. We are developing a Social Value Strategy that will prioritise collaboration with stakeholders to ensure that decision-making maximises benefits beyond our core water and waste water services, and SR27 will serve as the first step to delivering this. Ensuring targeted action our Social Value Strategy is focusing on four key areas: nature and environment, health and wellbeing, education and skills, and communities and economy.

By embedding social value into everything we do, we are not only enhancing our core services but also contributing to a stronger economy, healthier communities, and greater opportunities for learning and innovation. The following areas highlight where this commitment comes to life – from supporting economic growth and creating an exceptional workplace, to advancing education and research, and making a tangible difference in the communities we serve.

A great place to work

- We are proud of our Wellbeing programme which looks to foster physical, emotional and financial wellbeing of our people. Recognition in the SR21 investment period includes:
  - Health and Wellbeing Award of the Year at the 2022 HR Network National Awards.
  - Best Wellbeing Strategy in the Public Sector at the Great British Workplace Wellbeing Awards in March 2025.
- We support young people to get their careers started through apprenticeships and other opportunities. We are one of only eight businesses, and the only utility, in Scotland to have achieved the coveted Investors in Young People – Platinum standard.
- We were awarded Employer's Network for Equality & Inclusion silver status in 2023 and 2024, recognising our efforts in diversity and inclusion. In SR27 we will continue our progress towards ensuring our employees reflect Scotland's diversity in relation to women, minority ethnic people and disabled people.
- Our positive recruitment actions and support for neurodivergent individuals earned us recognition as a Neuro Champion at the 2024 Celebrating Neurodiversity Awards.

Contributing to a growing economy

- For every £1 we invest, £3 of value is created, meaning each year we generate around £4.5 billion for Scotland's economy.
- Scottish Water supports the employment of around 21,000 people working with us directly or indirectly.
- Scottish Water employees are spread across all constituencies and local authorities,
- 61% of employees are in highly skilled roles (vs 48% nationally), particularly in engineering, science and technology.
- 35% of employees live in remote or rural areas (vs 20% nationally).
- We spend around £1.4 billion a year buying goods and services. We have 440 suppliers who are vital in supporting us to deliver our capital and operational activities. Around 70% of our supply chain are classified as small or medium-sized enterprises, and around 90% have operations here in Scotland.[19]
- We play a vital role in supporting the development of new homes and business premises (covered in more detail on page 79).

GROWING ECONOMY

Around
21,000
people working with us directly or indirectly

61%
in highly skilled roles, engineering, science and technology

440
suppliers supporting delivery of investment and operational activity

90%
of our spend is positioned with suppliers who have operations in Scotland[19]

19 Procurement and Supply - Scottish Water – Procurement and Supply Chain Annual Report 2024/5

EXCELLENCE IN TEACHING, RESEARCH AND INNOVATION

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Our customer research on our draft business plan confirmed that customers were divided on whether the cost of the plan was affordable, and concerns remained particularly for those least able to pay.

£31 million

Total investment in our Research and Innovation programme

What we've done

In response to these affordability concerns, we have reviewed our approach to innovation investment, reducing this by £10 million (from £41 million in our draft business plan to £31 million). As part of the difficult decisions required to balance priorities, we have moderated the innovation fund; however, it still represents our most significant investment to date in innovation, research, and development. We remain committed to supporting projects that deliver the greatest benefit for customers and will maximise value by leveraging funding through partnerships with organisations such as UKWIR, SPRING and other research and innovation collaborations. This approach ensures that innovation continues to drive cost-saving solutions, helping to reduce customer charges over the longer term as these innovations are adopted.

Our Transformation and Innovation Technical Appendix includes a number of examples of the types of innovations that we will explore and which focus on issues most important to our customers, including:

- New ways to manage negative environmental impacts on the quality of water.
- Making our water treatment processes more efficient and resilient.
- Increasing our understanding of the naturally occurring compounds within our water catchments which can cause taste and odour issues, to effectively control and remove them.
- Collaborating with academic researchers to find new nature-based solutions.

Our plans

In SR27 we will focus on developing the new skills required for the future in areas such as artificial intelligence, carbon reduction technologies, and nature-based solutions – and continue to champion STEM skills, working with our partners to build the innovation and skills base of Scotland.

Our research and innovation programme is delivered through collaboration across academia in Scotland, the UK and abroad, working with our supply chain and exploring wider opportunities with other water companies. In SR27, our research and innovation programme is aligned with our investment strategy for water quality, water environment and climate mitigation and towards delivering on our Long-Term Strategy. We have allocated £31 million in our SR27 Business Plan to deliver our Research and Innovation programme.

In SR21 we launched the Hydro Nation Chair programme, hosted by the University of Stirling, as a central hub for Scotland's water research. By harnessing external expertise and funding, the programme accelerates innovation and the adoption of new solutions. This delivers tangible benefits for customers through enhanced water and waste water services, stronger environmental protection, and improved value for money. We will extend the Hydro Nation Chair programme to continue to engage and build capability across Scottish Academia (£4 million allocated in our business plan).

£4 million

to extend the Hydro Nation Chair programme, hosted by the University of Stirling, which is a partnership between Scottish Water and the Scottish academic sector to deliver water and environmental research and knowledge, focused on delivering our net zero ambition

Scottish Water Horizons, our commercial subsidiary, creates innovative, profitable and sustainable solutions that drive progress in energy and resource markets. From harnessing heat from sewers to advancing hydrogen technologies, we help shape Scotland's renewable future. We now generate or host renewable energy generation equivalent to over twice the amount that we consume annually. We remain on track to increase this to three times the amount we consume annually by 2030.

Full details can be found in our Transformation and Innovation Technical Appendix.

Making a difference in the communities we serve

We see every investment project as an opportunity to increase awareness of Scottish Water and leave a legacy beyond the upgraded and new assets we are delivering. This includes always leaving areas where we work in as good or better condition than when we started, planting trees and landscaping areas. We also spend time with the community through visiting schools or volunteering our time with local groups.

In partnership with Scottish Swimming, the Learn to Swim programme has helped over 210,000 people gain vital water safety skills. Delivered by 38 leisure trusts in 167 pools around 84,000 children and adults take part each week, with adult numbers rising to 1,840 as the campaign works towards creating a confident 'Generation Swim'.

We support mentoring with Career Ready, a national social mobility charity that helps young people build rewarding futures, regardless of their background. We also partner with MCR Pathways, a charity which seeks to address the gap in life-chances and educational outcomes between care-experienced young people and their peers. Through this partnership our people can train as volunteer mentors for young people in their senior school stages, to help them realise their full potential and see more options available to them.

Each of our employees is allocated two volunteering days per year to help develop new skills, support communities and charities and have a positive impact on wellbeing. Last year our people collectively spent the equivalent of nearly one and a half years volunteering.

Helping to restore our natural environment

As covered in more detail across other sections of our plan, we are increasingly adopting blue-green solutions to manage the impact of rainwater on our network. This approach includes the use of ponds, wetlands, trees, and property-level planters and water butts. By harnessing the power of nature, we hope to create a more resilient, sustainable, and beautiful Scotland in SR27 and beyond.

Through our work to reach net zero and support climate resilience we are creating extensive new woodland that help protect water quality in our catchments and everyone can enjoy through active planting of native woodland, commercial forests that will support the economy as well as biodiversity, and the natural regeneration of biodiverse woodland across our estate.

We will continue to enhance our environment through responsible stewardship and improved access to our reservoirs. A new team of reservoir rangers has been formed to assist the public, protect the natural habitat, and promote safety at some of our most popular reservoirs. This initiative will also help inform decisions about what visitor experience offerings we may provide in the future.

Our Top Up Taps provide cool, fresh, clear water which can fill reusable bottles. So far, our taps have dispensed enough water to fill the equivalent of over 13 million single-use plastic bottles. We aim to continue the success of our Top Up Taps network in SR27.

Top Up Taps have dispensed enough water to fill over

13 million

single use plastic bottles

Scottish Water's investment programme supports several of the outcomes in the Scottish Government's National Performance Framework, in particular investment in water and waste water services contributes to living in communities that are inclusive, empowered, resilient and safe; investment in net zero and growth contributes to Scotland having a globally competitive, entrepreneurial, inclusive and sustainable economy; investment in water quality and service continuity contributes to those living in Scotland being active and health; and investment in biodiversity and the circular economy contribute to the outcome that we value, enjoy, protect and enhance our environment.

SCOTTISH WATER'S CONTRIBUTION TO THE SCOTTISH GOVERNMENT'S NATIONAL PERFORMANCE FRAMEWORK (£MILLIONS)

*Includes investment to keep communities resilient to the impacts of changing weather on flooding and water quality.

WE WILL PLAY A KEY ROLE IN ENABLING SCOTLAND'S SUSTAINABLE ECONOMIC AND HOUSING GROWTH

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

We know from our customer research that customers place value on us making timely investment in new capacity of our water and waste water networks. Increasing capacity on our network in a timely manner to support the demand of new customers minimises the risk of service impacts to existing customers, such as interruptions to supply, low pressure water supply, and internal or external sewer flooding.

Our ongoing engagement with our developer customers tells us that they clearly favour us connecting our customers just ahead of need to enable their developments. However, we are also mindful of the need to balance the rate of growth with the concerns around affordability and intergenerational fairness that our customers and stakeholders have told us matter to them.

What we've done

We've updated our plans related to supporting Scotland's growing communities. Specifically, we've adjusted the timing of some projects and have spread others across two planning periods (SR27 and SR33). As a result, we've managed to lower our proposed SR27 investment by c.£56 million (from £607 million at draft business plan to £551 million at final business plan). This takes into account customers affordability concerns and ensures investment will allow new homes and developments to connect quickly and reliably when needed, whilst keeping the impact on existing customers as low as possible.

Photography: Clyde Properties

Our plans

As our population grows, and people change where they live, the demand on our networks and treatment works can increase.

New homes and businesses connecting to our existing local infrastructure are required to pay an Infrastructure Charge to fund enhancement of our existing network assets to ensure there is adequate capacity to meet the needs of all new development. Subsequently, developers can be eligible for reimbursement under the Reasonable Cost Contribution legislation to account for the future income Scottish Water will receive from water and waste water charges paid by the new households and businesses.

We plan to invest £551 million to ensure there is the necessary water and waste water capacity to facilitate the connection of c.20,000 new homes and business premises each year

In SR27 we will:

- Enable the connection for all new homes to our water and waste water systems as well as the domestic demand associated with commercial and industrial development.
- Invest in our infrastructure to increase the capacity of existing assets for water and waste water network infrastructure, directly associated with new development where it is not readily attributable to an individual developer. We will deliver this by utilising income from developers through the infrastructure charge.
- Comply with legislative requirements to relocate and integrate Scottish Water assets as required to accommodate large infrastructure schemes.
- Financially contribute towards new infrastructure to support new developments.

£551 million

investment to ensure water and waste water capacity for new homes

We will encourage development where there is already capacity

We will work with the Scottish Government, local authorities and developers, as early as possible, to encourage development in areas where we have existing capacity at our water sources and waste water treatment works and seek to support developments using our existing assets and infrastructure where possible.

We will support the needs of rural communities

Population changes can have a significant effect on water and waste water systems, especially in areas with smaller watercourses and rural communities. Even a modest increase in population can place considerable pressure on treatment capacity in small water resource zones or catchments.

Whilst we support growth needs as they emerge, we already have plans to support growth and improve resilience in Tiree, Arran and parts of Taymouth.

We have also developed a pan-Scotland tankering strategy to manage water supply deficits caused by growth in rural networks across Scotland. It aligns with Scottish Government objectives for sustainable economic growth where the approach prioritises the use of existing assets and the deployment of an alternative measures such as tankering. This helps to bridge the gap between an increase in demand at peak times and longer-term growth needs which require committing to costly upgrades of water treatment works.

ADAPTING TO CLIMATE CHANGE

We will encourage developments that look after Scotland's precious water resources

We will promote water-efficient homes and businesses to reduce future demand, recognising the increasing pressure on resources during periods of dry weather and the wider impacts of climate change. Before considering enhancements to water and waste water infrastructure, we will explore all possible measures to release capacity within existing assets. We will seek to create incentives to encourage developers to minimise water usage in their developments, such that they do not increase the total water demand in the area.

We will encourage developments that use nature-based solutions and create green spaces

We already require developers to create developments that do not contribute additional rain water to our network. This can be achieved through the installation of Sustainable Drainage Systems (SuDS), blue-green infrastructure, and permeable surfaces which all mimic natural drainage, slow down the flow of rain water or prevent it from entering our sewer network. In SR27, we aim to explore ways to further incentivise developers to exceed these standards. When constructing in an area, developers can consider methods for their projects to manage surface water from surrounding areas as well.

By adopting this comprehensive approach, developments not only mitigate their own impact on the surface water network but also contribute to the broader management of surface water within the community. This holistic strategy can lead to reduced flooding risks and enhanced resilience of urban areas to climate change.

We continue to strive to connect our customers "just ahead of need"

We will continue to work hard to meet expectations of our customers to enable their developments just ahead of need. This could involve phased capacity enhancement to meet the needs of our customers. This approach receives positive feedback in our Development Customer Experience Measure which we use for continuous improvement. We do this by identifying where new strategic capacity is required and initiate investigations as developments are confirmed.

We consider a number of factors before delivering the required capacity, such as local authority development plans, land ownership status, planning permission status, and developer timescales and build out rates. This means we can be certain that we are investing in the right places at the right time, ensuring we are delivering value for money by minimising the likelihood of redundant capacity.

CASE STUDY: SUPPORT FOR GROWING COMMUNITIES

Winchburgh is one of the fastest-growing communities in Scotland. It is now undergoing a fresh transformation with the planned addition of around 3,800 new homes by 2032 (which represents a fourfold increase in the town's population over the coming years), as well as new commercial developments, community facilities and schools. To support this, we have invested £35 million in a new, state-of-the-art, low-carbon waste water treatment works. Capable of supporting the needs of more than 16,000 people, it replaces the previous works that served fewer than 4,000 customers and had come to the end of its operational life.

Construction commenced in September 2021, using temporary treatment units to boost capacity during early stages of growth while we planned and constructed the new waste water treatment works. We developed the design using modern approaches to construction to maximise off-site fabrication, minimising disruption to the local community. We also installed a separate access route and bridge to route construction traffic away from residential areas.

The new site uses innovative Nereda® treatment technology, which makes treating waste water significantly more energy efficient and takes up a smaller site footprint compared to conventional treatment process. Thanks to its efficiency and effectiveness, it will help protect the local water environment while providing the capacity needed to support the growing local community. Winchburgh is only the second site in Scotland to use Nereda® technology, following a pioneering project in Inverurie, Aberdeenshire.

Early collaboration with our supply chain partners during the design phase, as well as learnings from the Inverurie project, enabled us to make significant carbon savings which support our journey to net zero emissions: stainless steel has been used for the main tanks rather than concrete, with reduced excavation and greater use of off-site fabrication; a significant proportion of the site's energy needs have been met by the installation of solar panels to the roof of the control building; and electric vehicle chargers have been installed to support the electrification of our vehicle fleet.

Full details can be found in our Enabling Growth Technical Appendix.

SCOTLAND'S TAP WATER REMAINS A SOURCE OF NATIONAL PRIDE AND IS VALUED AS A PRECIOUS RESOURCE

We supply approximately 1.8 billion litres of water to 2.64 million households and 161,000 non-households across Scotland every day, enough to meet the equivalent daily drinking water needs of over 2,400 million people. In order to play our role in delivering the Water Sector Vision, our Long-Term Strategy is to ensure Scotland's tap water remains a source of national pride and is valued as a precious resource.

DELIVERING CONSISTENTLY EXCELLENT WATER QUALITY IS OUR HIGHEST PRIORITY AND WE ARE INVESTING £1,720 MILLION TO ENSURE OUR CUSTOMERS REMAIN PROUD OF THE QUALITY OF SCOTLAND'S TAP WATER

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Customers take great pride in the quality of tap water we provide and maintaining this is a top priority. When DWQR reviewed our draft business plan, it recognised the challenge climate change can have on water quality and challenged us to avoid more taste and odour issues and increase our ambition to reduce the number of customers receiving discoloured water. The Independent Customer Group and WICS shared similar views.

What we've done

We've updated our Water Quality plans to reflect what we heard from customers and stakeholders, as well as regulatory guidance. We will invest more to ensure taste and odour complaints do not increase during SR27, and we will reduce the number of people contacting us about discolouration by 10% (vs 2% in our draft business plan).

To deliver these improvements, we've increased our investment in Water Quality from £1.62 billion in our draft business plan to £1.72 billion in our final business plan. This includes:

- £856 million to improve our water quality related assets, compared to £732 million in our draft business plan,
- and £865 million to maintain our water quality related assets compared to £886 million in our draft business plan.

Our plans

Supplying clear, great tasting water the length and breadth of Scotland is important to both us and our customers. DWQR noted in its Annual Report for 2024 that Scotland's "drinking water quality remains amongst the best in the world" and we aim to keep it that way.

Maintaining our high service levels over the longer term will be challenging

The key challenges to reducing risk and maintaining or improving service relating to water quality include:

- Climate and wider environmental change affects raw water quality causing more organic material, particles and microbes which present challenges providing high quality drinking water. Likewise, increased levels of nutrients entering raw water sources which can lead to algae growth further impacting the treatment process.
- This will compromise our ability to meet both well-established regulatory standards and those more recently introduced (see final bullet).
- The need for asset repair, refurbishment and replacement will be ongoing for the treatment processes installed over the past 25 years, as well as for older assets requiring end-of-life replacement, and technology that has become obsolete will need to be replaced.
- New and revised regulations were enacted in SR21 under the Public Water Supplies (Scotland) Amendment Regulations 2022 to reflect most of the requirements of the recast European Drinking Water Directive. This included new standards including haloacetic acids and chlorate, and the tightening of some existing parameters . Future changes are also expected through the reduction of the lead standard from 10 micrograms per litre to 5 microgram per litre by 2035.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT DRINKING WATER QUALITY

Customers consistently express high satisfaction with the quality of drinking water in Scotland, often making connections to national pride and Scotland's identity. When customers are asked about drinking water quality, they tend to respond in terms of taste, odour and discolouration rather than regulatory drinking water quality. Many customers believe the water in Scotland is "the best in the world" particularly in relation to taste and quality, and are keen for these standards to be preserved. For many customers, the quality of the drinking water that we provide is the most tangible and visible aspect of our service and perceive this as the core of what they are paying for.

The national pride associated with Scotland's drinking water quality also means that customers have high expectations, that we will maintain what they perceive as the current high standards.

Once customers are informed of water treatment processes, and the need for investment to address our three long-term challenges, they generally support investment to maintain the quality of water in the future. Some customers are aware of the role of other industries and organisations in the safeguarding of drinking water quality e.g. agriculture and expect us to work together with these sectors.

Customers generally have little knowledge of the potential presence of lead in drinking water. When discussed, most customers are concerned by the health risks of lead pipes. Customers can be shocked and concerned to learn that lead is still present in the network. Overall, customers expect that we will replace any lead still found to be present in the water mains and in the communication pipe[20].

20 A communication pipe is the section of pipe that connects the water main in the street to the boundary of a customer's property.

We will respond to customers' and stakeholders' expectations that we focus on maintaining the quality of water

In SR27 we will:

- Maintain our assets in line with our SR27 asset standards and investment allocations. This investment will allow us to:
  - maintain the capability of our 227 water treatment works, including filtration and disinfection systems, mechanical and electrical equipment, instrumentation and chemical storage facilities and processes;
  - maintain almost 1,300 treated water storage assets ensuring that we provide high quality water for our customers; and
  - manage discolouration through maintenance activities on our distribution network, which covers over 49,000km in pipes.
- Upgrade nine water treatment works to address risks or failures, in addition to the completion of upgrades at a further nine sites commenced in SR21 but due to complete in SR27. As a result, we will maintain excellent standards of water quality for c.1.5 million customers during the SR27 period. We will also develop solutions for other sites at risk and continue to review their priority for investment.
- Enhance disinfection processes at our water treatment works and prioritise improvements including automatic shutdown, to reduce the risk of water entering the distribution system in the event of a problem at the treatment works. This will also include provision for the installation of ultra-violet disinfection systems to reduce risks in relation to Cryptosporidium.
- Continue to inspect and maintain our Treated Water Storage assets throughout the distribution network to reduce the risk of bacteria ingress and subsequent failures at customers' taps.
- Reduce the risk of customers being supplied with discoloured water by taking a risk-based approach to cleaning and conditioning our water supply pipes or replacing them where required.
- Our activities to improve catchment management and treatment processes will also reduce the risk of discolouration and taste and odour originating from our source waters and water treatment works. This will include the delivery of further investment at Carron Valley Water Treatment Works to minimise the risk of customers in the Falkirk area being affected by repeat taste and odour events.

WATER QUALITY INVESTMENT

Maintain our

227

water treatment works

Maintain almost

1,300

treated water storage assets

Maintenance activities on over

49,000km

of distribution network pipes

CASE STUDY: INNOVATIVE WATER TREATMENT

Investment during SR21 has seen the completion of a new Bonnycraig Water Treatment Works serving 9,600 customers in the Peebles area. The original works was handling more flow than it was designed for, leading to reduced treatment efficiency, increased risk of regulatory non-compliance, and potential environmental or public health impacts. As a result of Cryptosporidium being detected in the supply, DWQR issued an Enforcement Notice, requiring the provision of a long-term solution that complies with regulatory requirements, to deliver a reliable quality drinking water supply by December 2022.

Various options were considered for the site before it was determined that an innovative new works, using ceramic membrane filtration technology (identified and evaluated through our Research and Innovation programme), would provide the best long-term solution for customers.

This option offered lower carbon, off-site construction of the ceramic membrane modules, enabled delivery to a tight deadline and minimised any impact on the operation of the original treatment process.

This investment was delivered on time by December 2022, and provides a compliant water supply for the existing 9,600 customers and a further 4,500 customers over the next 25 years. Additionally, the learning and benefits from Bonnycraig are now being used for other water treatment works adopting ceramic membranes including at Eela (which serves 5,000 customers in mainland Shetland), Black Esk (which serves 40,000 customers in the Dumfries, Lockerbie and Annan areas) and Turriff (which serves 74,000 customers in Turriff, Buckie, Banff, Fraserburgh and the surrounding areas).

In response to our customers' views on lead pipes, and our regulatory requirements we will:

- Continue to make progress to deliver a lead-free Scotland by removing around 3,000 lead communication pipes per year. These removals will be in response to water quality sample results, when requested by customers or when identified through our mains replacement work.
- Continue to develop plans with stakeholders to deliver a lead-free Scotland in the future, including how we can support customers to remove their lead supply pipes.

We will create new partnerships to use nature-based solutions to improve water quality

We will work across our drinking water catchments to improve the resilience of the water environment, addressing changes in our source waters caused by climate change and other activities that can affect drinking water quality. This will involve partnerships with landowners and other stakeholders to assess and implement opportunities for nature-based or catchment solutions. Where these are not effective or suitable, we will utilise enhanced treatment technologies such as ion-exchange or ozone-granular activated carbon to reduce organics.

ADAPTING TO CLIMATE CHANGE

Drier conditions followed by extreme rainfall events can lead to increased land runoff, erosion and flushing of organic matter and pollutants – impacting the quality of source water. In SR27 we will continue to invest in restoring damaged peatland and in woodland creation, to reduce runoff risk to water quality. We will work alongside local authorities, landowners, SEPA, NatureScot, Forestry and Land Scotland, farmers (including our own tenants), industry and others to support regenerative, resilient natural landscapes to safeguard water resources.

An example of this is our **Loch Katrine land management plan**, developed by Scottish Water in partnership with our long-term tenant, Forestry and Land Scotland (FLS). It is one of the largest new natural woodland regeneration programmes in Europe. Across the catchment we are creating over 4,000 hectares of new native woodland and the restoration of all peatland in poor condition by 2040. The woodland will contribute to the Great Trossachs Forest at the heart of the Loch Lomond and Trossachs National Park.

In recent years, landslides have significantly affected water quality by depositing sediment into the loch and eroding nearby watercourses. This impacted heavily on the reservoir infrastructure and tunnels. The build-up of sediment highlights the increasing erosion of watercourses throughout the catchment, and reveals weaknesses in vegetation cover and soil protection, which reduce long-term resilience. The Land Management Plan aims to address this by stabilising the watercourse banks and areas prone to rock slope failure. This will create a natural buffer and protect against erosion during peak flows periods or sudden heavy rain events which are predicted to become more frequent in a changing climate.

In January 2025 we began work on the peatland restoration element of this plan and have restored over 50 hectares of eroded and exposed peatland so far. This will help to protect the water quality for over a million customers in and around Glasgow, as well as improving biodiversity and carbon capture.

Full details of our SR27 water quality strategy and investments can be found in the Water Quality Technical Appendix.

WE ARE INVESTING £1,770 MILLION TO ENSURE A CONTINUOUS SUPPLY OF WATER

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Customers feel we are currently performing well in delivering a reliable and consistent water supply, but have strong negative views about leakage, seeing it as a waste of water. On reviewing our draft business plan, WICS felt we should reduce leakage by more than the 10% while the Independent Customer Group welcomed our ambition in reducing leakage and repeat interruptions to customers' supply.

All of these views have to be considered in the context of the affordability concerns raised by customers and stakeholders based on our draft business plan's proposed charge increases.

What we've done

We've made changes to how we invest in ensuring water supplies are reliable. Overall, we have reduced our planned investment from £2,107 million in our draft business plan to £1,770 million in our final business plan. Our investment now includes:

- £227 million on improving our network and assets associated with ensuring the water supply is reliable, compared to £204 million in our draft business plan,
- And £1,544 million maintaining our network and assets associated with ensuring the water supply is reliable, compared to £1,903 million in our draft business plan.

This investment will allow us to maintain our 10% reduction leakage target, with a focus on areas less resilient to drought. However, we will now maintain levels of repeat interruptions to supply rather than improve them.

We have reduced leakage by over 50% since 2002. We are committed to reducing leakage further particularly where it provides the greatest benefit to our customers. Over and above our proactive leakage management to address leaks that would otherwise remain hidden, we also respond to reports of visible leakage, effecting repairs as quickly as possible to reduce any customer impact.

£1,544 million
maintaining our network and assets for water supply

Investing
£227 million
on improving network and assets for water supply

The volume of leakage from our infrastructure and customer supply pipes is regularly changing. Without proactive intervention leakage would increase by around 550 thousand litres each day. Over a year this would account for an increase of over 200 million litres per day which would place unsustainable pressure on the environment we take water from and our ability to produce and distribute water to our customers. We refer to this as 'natural rise'. Overcoming this natural rise requires significant, ongoing effort, and achieving an additional 10% beyond this mean going well beyond that baseline. Continuing to address leakage becomes increasingly challenging, and more expensive, when reaching lower levels, as leaks become smaller and much harder to locate. In addition, we have the challenge of a changing climate and ageing pipework leading to a greater risk of burst pipes. To meet this challenging ambition, we plan to increase our leakage resources and seek further innovation in the use of technology, including through our planned non-household smart metering initiative, to help find and fix leaks.

In refining our SR27 business plan, we have made a significant reduction in network maintenance investment compared to our draft business plan. This reduction is primarily reflected in the slower rate of asbestos cement mains replacement. As a result, we are now maintaining the repeat customer interruptions outcome measure at existing levels, rather than achieving the 18% reduction originally targeted in our draft business plan. This change means that while we are sustaining current service levels, we are not making the accelerated progress previously planned. The deferred replacement creates a larger backlog, necessitating a significantly increased asbestos cement mains replacement programme in SR33 and beyond, as this is a replacement programme that must be delivered due to the known deterioration issues of this material type.

Our plans

The reliability and resilience of Scotland's water supplies are key components of the shared Water Sector Vision. In order to meet this vision, our Long-Term Strategy is to ensure water is valued as a precious resource.

Maintaining our high service levels over the longer term will be challenging

Over the next 25 years, Scotland is projected to experience warmer, drier summers alongside a growing population, particularly in the east. During periods of drought, the water available in our raw water systems could fall short of demand by around 280 million litres per day. Currently, in 2025, after applying drought response options three of our supply systems remain vulnerable to drought, but this number is expected to rise to 13 by 2033. Without proactive measures to close this gap, customers will face an increasing risk of disruptions to their water supply.

As noted previously, Scotland is one of the highest per capita water users in Europe. On average, a person in Scotland uses nearly 20% more than other parts of the UK, and 30% more than in parts of Europe. Conversely, our assets and ability to maintain supplies also face increasing threat from more extreme weather conditions such as storm events leading to power outages or localised flooding and varying wet / dry conditions resulting in ground movement causing pipes to burst and leakage to increase.

Our source-to-tap system includes 173 impounding reservoirs, 747 water pumping stations, over 49,000km of pipes and other supporting assets and systems which need to be operated and maintained to provide a continuous supply to over 5 million household customers, along with commercial and industrial users, across Scotland. Our critical, large infrastructure assets, such as dams and trunk mains, require ongoing inspection and maintenance to ensure that they not only maintain supplies for the long term but do not pose a risk to others from failure. Progress is also required to mitigate other high risks to service, including the risk of short-term interruptions to supply associated with asbestos cement pipes. It is also critical that our control, automation and security systems are maintained in line with industry standards and continue to protect our assets.

SOURCE-TO-TAP SYSTEM INCLUDES

173
reservoirs

747
water pumping stations

Over
49,000km
of pipes and other supporting assets

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT WATER SUPPLY

Overall, most customers consider us to be currently performing well in delivering a reliable and consistent water supply. It is viewed as a fundamental function of Scottish Water. Customers are unlikely to have considered the risks to water continuity presented by the three long-term challenges, especially given the perceived abundance of water in Scotland. When informed, they feel we should take action to safeguard reliability.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT LEAKAGE

Customers are generally unaware of current leakage levels. Although they are also pleased to learn about our improvements in this area, they can feel that not enough progress has been made and seek further reduction. Leakage can be an emotive topic, with many customers feeling that it is a moral issue. Whilst some customers accept economic arguments around the acceptable level of leakage, others feel that leakage should be reduced even if the cost of repair is more than the value of the water lost. Customers make strong connections between leakage and the risks to water resilience and supply posed by the three long-term challenges. They often feel that addressing leakage is part of planning for future water scarcity, recognising that the value of water will rise in the future. High levels of leakage are felt by some to potentially undermine our efforts to change customer water use behaviours.

We will maintain customer satisfaction with the continuity of their water supply

In SR27 we will:

- Ensure fewer people experience recurring low pressure by continuing to address issues resulting in persistent low-pressure and understand the impact of intermittent low pressure.
- Ensure there is no increase in the number of customers experiencing an interruption to supply lasting more than 6 hours.
- Ensure by the end of SR27 there is no increase in the number of properties that incur repeated interruptions to their water supply (measured over a one- or three-year period).
- Maintain our assets in line with our SR27 asset standards and investment allocations, this will include:
  - Maintaining our water distribution networks, which includes over 49,000 km of water mains and 173 dams and impounding reservoirs.
  - Maintaining the capability of our raw water storage assets, raw water transfers, aqueducts and our underground sources.
  - Enhancing resilience and to meet future demand. This will help improve connectivity of our existing systems to increase flexibility to move water around and improve resilience in times of drought, particularly in Edinburgh, Fife and Dundee, which are all large water resource zones with significant deficits.

We will work to minimise the impact of climate and population changes on water availability

In SR27 we will:

- Address the supply-demand deficit in Dundee, Angus and parts of Perthshire.
- Develop options to reduce the deficit gap in other areas not resilient to drought including Edinburgh & Lothians, Fife, Lanarkshire, Aberdeenshire and Morayshire, reviewing their priority for investment through ongoing risk assessment against other needs and within available funding.
- Continue to improve our drought management capability and implement our Strategic Drought Plan.
- Continue to develop our understanding of the impact of climate change on our water resources and assets and develop plans to mitigate these risks. This will include updating our Water Resource Plan and exploring wider catchment planning opportunities with stakeholders.
- Ensure that we have additional water treatment production and network capacity in key locations including Tiree, Balmichael, Turriff and Fife, prioritising the highest risk areas.
- Improve our resilience (focusing on sustaining or recovering services and assets) to storm events by investing in additional standby generators to provide resilience to water supply assets, enhancing our ability to mitigate regional power outages, and increasing the connectivity of our water supply systems at priority sites.
- Update plans to address resilience of supplies and make progress to secure improvements.
- Improve our response and recovery plans and capability.

CASE STUDY: **IMPROVING NETWORK RESILIENCE AND CUSTOMER EXPERIENCE**

In Balnain, Rychraggan and Glenurquhart, a series of bursts and unplanned interruptions on ageing small diameter mains have had a clear impact on customers. To address this, we are delivering a coordinated set of linked projects that replace the most failure prone sections of the network and improve overall resilience. The work joins together the Rychraggan programme, its Phase 2 extension and the Glenurquhart renewal, creating a single corridor of investment focused on improving service reliability, water quality and pressure stability across these rural Highland communities.

Local conditions have shaped each intervention. In Rychraggan, repeated bursts across around 6km of failing mains have required full replacement, with Phase 2 targeting the remaining ageing pipes. Glenurquhart faces similar challenges, with 12km of older mains west of Drumnadrochit needing renewal to reduce interruptions and strengthen the wider network. By coordinating these schemes, we are able to sequence work effectively, share learning across phases and ensure upgrades are delivered where they will have the greatest benefit.

Archaeological assessment confirms rich cultural heritage, from Urquhart Castle on Loch Ness to prehistoric sites like Corrimony Chambered Cairn, emphasising the need for sensitive construction. We planned our activities carefully around Sites of Special Scientific Interest, tree and wildlife sensitivities. We have also worked with the local community to reduce disruption through better planning and communication including drop ins and community group engagement. This has helped us reduce disruption as the works progress toward completion in mid-2026.

We will value water as a precious resource

In SR27 we will:

- Reduce leakage by 10% at a national level and by 13% in water resource deficit zones, working toward our long-term objective to reduce leakage by 20% by 2050.
- Install 130,000 smart meters for non-household customers, helping them reduce the water they use. We expect this to deliver a reduction in demand of 55 million litres per day in SR27 and by making leaks easier to find, it will contribute 25 million litres per day towards the overall leakage reduction targeted in SR27.
- Increase the rate of mains rehabilitation, with a programme focused on asbestos cement pipes, which represent the highest proportion of failures, and the maintenance of water pumping stations.
- Drive at least a 2% reduction in domestic customer demand by increasing awareness and supporting industry initiatives such as water efficiency labelling of domestic appliances. Continue to engage and encourage customers to use water efficiently through national and local media campaigns

RESPONDING TO CLIMATE CHANGE – MITIGATION

Our ongoing actions reduce water demand and ensure we all value water as a precious resource. We are doing this through leakage reduction, non-domestic metering, and mains renewal. These measures will reduce water production, saving energy and reducing costs. Climate-related events, such as power outages, are expected to become more frequent and intense, so we will also take steps to strengthen our ability to sustain or recover our services and assets.

We help our customers value Scotland's precious water resources

Our Long-Term Strategy sets an objective to reduce the amount of water abstracted and treated every day by 240 million litres, helping to make us more resilient to the worst drought Scotland has experienced (to date). Part of this journey will involve lowering water usage, and we will support our customers to be responsible water citizens, this could include providing usage information from household monitors if our pilot in Dundee is successful (see case study for more information) and continuing to support the water efficiency labelling of domestic appliances.

On average, a person in Scotland uses 180 litres of tap water per day, which is nearly 20% more than in other parts of the UK and 30% more than in parts of Europe. If water demand remains high, we may need to invest in large and costly new assets, such as new water sources, to ensure supply during droughts or population growth. These investments would be reflected in higher customer bills. By conserving water, customers help delay or avoid the need for such investments, keeping bills more stable.

On an ongoing basis we talk to our customers about the value of water, using social media posts, TV and radio adverts and bespoke community engagements such as "Don't let Skye go dry". We also provide water efficiency advice and devices through our relationship with The Energy Saving Trust, using their network of advisers to support customers in reducing energy and water use in the home.

We will assess and implement where viable options to reduce water demand including developing intelligent networks and real time monitoring of flow and pressure

CASE STUDY: DOMESTIC SMART MONITORING TRIAL

In early 2025, we launched a three-year trial to test the benefits of installing smart monitors for domestic water use. The smart monitors will provide homeowners with regular information about their water use, giving customers the tools to make more informed choices. By understanding how much water a household uses they will be able to make informed decisions and take steps to significantly reduce their domestic water use. The trial is being held in North-West Dundee as it represents a diverse cross-section of Scottish housing, making it an ideal testing ground for innovative solutions.

We have installed over 1,100 monitors which are providing water use data which can be accessed by households. To date, approximately 7% of households in the trial have opted to access their water use data and we plan to follow up with households involved in this trial to understand how information on the amount of water they use on a daily basis has influenced their behaviours around water usage.

The monitors have already identified that more than 10% of households in the trial have a continuous flow of water during the day. This is most likely due to a leak, either within the home or from the customers supply pipe. Having this knowledge will allow us to engage with customers and work towards reducing this water loss. If this pilot is successful, it will inform decisions on wider roll out so that collectively we can protect our most precious natural resource, encourage responsible water citizens and create a more efficient water system.

Full details of our SR27 water continuity strategy and investments can be found in the Water Continuity Technical Appendix.

THE QUALITY OF OUR RIVERS AND SEAS HAS IMPROVED, AND OUR COMMUNITIES ARE PROTECTED FROM SEWER FLOODING, THROUGH COLLABORATION WITH OTHERS

We interact with the water environment in the provision of both our water and waste water service. We abstract raw water from rivers, reservoirs, lochs and groundwater sources and treat this to supply drinking water to our customers. Household waste water and rainwater is collected and conveyed to treatment facilities which remove pollutants and discharge the water back into the environment.

The waste water treatment process produces a nutrient rich waste (bioresource) which is collected and treated to create biosolids which are then safely returned to the environment.

We are committed to managing our interaction with the water environment responsibly, minimising negative impact on it and contributing to its improvement wherever required.

WE ARE INVESTING £1,914 MILLION TO HELP ACHIEVE OUR GOAL OF IMPROVING THE QUALITY OF SCOTLAND'S RIVERS AND SEAS

Over recent investment periods we have continued to study waterbodies where water quality could be impacted by Scottish Water discharges, targeting where asset improvements could be delivered to support and enhance environmental performance. This has supported water quality meeting good status or higher for 87% of waterbodies, among the best in Europe. Our SR27 investment plans will continue to be aligned to where we can reduce our impact on the water environment.

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Customers want to see less pollution and overflow events, and SEPA challenged us to be more ambitious in our plans to fix the most serious Unsatisfactory Intermittent Discharges (UIDs). UIDs happen when overflow events cause water quality issues. This can be when sewage related debris is introduced to the environment, when overflow events occur during dry weather flow or when they fail to meet requirements set out by SEPA.

On track
to address all UIDs by 2050

£269 million
spend on UIDs in SR27

What we've done

Our draft business plan originally included funding to address around 125 UIDs. After reviewing this with SEPA, we've now agreed to increase this to address 150 UIDs during SR27.

Recognising that customers are focused on keeping bills affordable, we have worked with SEPA to find a balanced plan. Our final plan will now address 91 of the highest-priority UIDs and 59 medium-priority UIDs. This approach keeps us moving toward our long-term goal of addressing all UIDs by 2050.

Importantly, we've achieved this increased ambition while reducing overall spend on UIDs significantly, from c.£400 million in the draft business plan to £269 million in the final business plan, making our plan more affordable for customers.

We have significantly reduced overall costs by carefully reviewing our approach to high-priority UIDs. During this review, we identified 16 high-priority UIDs which are very complex and expensive to address, and as agreed with SEPA, would not represent good value for money at this stage. We will carry out development work during SR27 to further plan and refine these projects.

This strategy has enabled us to address more medium-priority UIDs within SR27 while maintaining substantial cost savings. It ensures we deliver the greatest benefit for customers now, while planning longer-term improvements for the more complex sites.

Our plans

There are key challenges in progressing these ambitions:

- Changing rainfall patterns and intensity will affect the amount of rainwater entering our network, leading to greater variability in flows to waste water treatment works. This raises the risk of overflows and non-compliance. During prolonged droughts, pollutant concentrations increase, putting extra pressure on treatment processes and the environment when river flows are low and ecosystems are most vulnerable.
- As our asset base ages or becomes obsolete, we need ongoing repair, refurbishment, and replacement to maintain or improve service levels and protect the environment. These activities must ensure continued service delivery while adapting to climate change impacts and growth demand.
- Private Finance Initiatives (PFIs) were initiated around 25 years ago to upgrade and operate waste water and bioresource treatment assets to comply with new legislation being implemented at that time, such as the Urban Waste Water Treatment Directive (UWWTD). This allowed the significant capital costs of meeting these new requirements, and subsequent operating costs, to be spread across generations of customers rather than be paid in one investment period. Around 37% of Scotland's population relies on waste water assets delivered through PFI contracts, and approximately 80% of Scotland's bioresources have been, or are currently, treated by assets operated under long-term PFI agreements. All of these contracts are due to end by 2040. During SR27, four PFI contracts will expire and come under Scottish Water ownership. These assets need to be assessed to understand the future maintenance needed to ensure they meet necessary standards.
- River Basin Management Plans (RBMP) set out measures for the protection and improvement of the water environment in Scotland. The current plan, RBMP3, was published by SEPA in 2021, and the next plan (RBMP4) is currently in development and will be consulted on during 2026/27 ahead of publication in December 2027. As the next plan has not been defined, we cannot identify the investment required to meet any improvement expectations the plan might set out. In SR27 we will undertake studies to address the priorities we anticipate allowing for investment priorities to be established and planned for in SR33 and beyond.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT PROTECTING THE ENVIRONMENT

Customers see Scotland's water environment as one of its greatest assets. They recognise that the condition of rivers and beaches has a Scotland wide economic impact, citing clean beautiful beaches and wildlife as key drivers of tourism. They also recognise the importance of the water environment to communities as places for leisure, drivers of local employment and support of the local ecosystem.

It is seen as important to protect the water environment in Scotland. There is an expectation for us to address overflow events and pollution incidents, linked to customers' desire to protect the natural environment. Customer concerns may be rising as a result of UK-wide media coverage around the topic, with our most recent research showing that customers believe that reducing the impact of sewer overflow events is of paramount importance to protecting local areas and the environment – although this is perceived by customers to be a lesser issue for Scotland than elsewhere in the UK.

Customers are keen for us to have a plan in place to deal with challenges, such as increased rainfall and demand, whilst also protecting the natural environment. Customers expect us to work together with other water sector stakeholders to ease the strain on Scotland's waste water system.

We are aware overflow events are an issue of increased importance for our customers

Scotland's sewer system can become overwhelmed during today's more intense and frequent storms. To protect homes and public spaces from flooding, overflow events act as a pressure release, discharging excess water into rivers as regulated by SEPA. During heavy rain, less than 1% of the excess waste water released during overflow events is 'toilet waste' and has limited environmental impact. While these overflows events are necessary, we are committed to minimising their environmental impact and prioritising action where harm is caused.

In recent years there has been increasing public scrutiny of the negative impacts that UK water companies can have on the water environment. The latest report from SEPA shows that 87% of Scotland's waterbodies are at 'good' or 'high' status for water quality. We recognise that improving water quality is a shared responsibility. Alongside industry and agriculture, we are committed to playing our part. In agreement with SEPA, we will prioritise addressing overflows that cause harm. We have proposed a robust investment plan for SR27, anchored in our Long-Term Strategy to remove all discharges that adversely impact the environment by 2050.

In response to customers' expectation that we maintain river and coastal water quality

In SR27 we will:

- Reduce the number of serious pollution incidents caused by our operations by 38%.
- Reduce Unsatisfactory Intermittent Discharges (UIDs) and make lasting improvements to our environment. To achieve this, we're addressing 150 high and medium priority UIDs.
- Complete development activity to identify the best value approach to address the remaining 16 high priority UIDs beyond SR27.
- Move towards 100% coverage of our intermittent discharge locations by deploying monitors and sensors across our waste water system to create an increasingly intelligent network. This investment will give us better insight into how our network is performing, helping us make informed and proactive decisions to respond more effectively to the challenges we face.

PLAN TO REDUCE

38%

reduction in the number of serious pollution incidents

We will respond to stakeholder expectations

In SR27 we will:

- Commit to delivering improvements to our abstraction and compensation compliance, making progress towards our Long-Term Strategy to achieve 100% compliance. This is monitored through Environmental Authorisations (Scotland) Regulations[21] ensuring that we meet SEPA's requirements on how much water we take from the environment. It also involves actions to reduce our environmental impact by maintaining or restoring the natural flow and ecological balance of the affected water bodies.
- Maintaining our high final effluent permit compliance at 96.37% against targets set in SEPA's annual monitoring plan.
- Establishing our current pass forward flow performance and compliance position through improved monitoring capability and developing an improvement plan.
- Work with SEPA and other stakeholders to risk assess the potential implications of future legislation.
- Delivering all the remaining objectives detailed in the RBMP3 required to enhance the water environment, as agreed with SEPA.
- Maintaining our 100% sludge (bioresource) compliance performance.
- Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations, this will include:
  - maintaining over 4,800 waste water treatment assets;
  - maintaining over 2,300 sewage pumping stations. Activities to be carried out on Mechanical, Electrical, Instrumentation, Controls, Automation (MEICA) and civil assets; and
  - the maintenance of PFI assets as they transition back to Scottish Water.

21 Previously Controlled Activities Regulation (CAR). These were transferred to Environmental Authorisations under the Environmental Authorisations (Scotland) Regulations on 1 November 2025.

SUPPORTING RURAL AND REMOTE COMMUNITIES

Alongside our larger waste water treatment works serving towns and cities, we maintain a wide range of small-scale assets for rural customers. During SR27, we will research innovative, small-scale or decentralised passive waste water treatment solutions for rural and remote communities, providing sustainable alternatives to conventional septic tanks. We will also further explore nature-based solutions for waste water treatment, recognising their potential to enhance climate resilience.

Our focus will be on developing solutions that support our ambitions to reduce energy, carbon emissions, and chemical use, while improving resource recovery, asset resilience, and public amenity. Addressing climate change is central to this approach, and we will undertake research to better understand and strengthen the resilience of our waste water treatment works to climate-related risks.

CASE STUDY: REAL-TIME OVERFLOW MONITORING

In December 2021 we published our Improving Urban Waters (IUW) Routemap, setting out our commitments to improve water quality and support objectives in the Scotland River Basin Management Plan (RBMP3). These included: installing monitoring from all combined sewer overflows that discharge to the highest priority waters; publication of overflow data to improve transparency; significantly reduce sewer related debris in the environment; and reduce overflows from the sewer network.

Our first step was to install event duration monitors on network and treatment works overflows discharging to the highest priority waters (including all designated shellfish and bathing waters). These monitors are improving our understanding of how these overflows are operating and are providing transparent information on their operation to our customers.

By the end of December 2025, over 1,450 event duration monitors were already providing real-time information, which is helping us meet our IUW commitment of 2,000 event duration monitors to be fully operational by the start of the 2026 bathing water season. These are part of a £500 million programme of investment to transform Scotland's sewer network and improve the country's water environment.

In December 2024 we also launched our first online interactive near real time overflow map, showing data from waste water overflows across the country. It provides information on whether an overflow is occurring or has occurred in the last 48 hours, the total duration of the events (48-hour period), date and time of the most recent and previous overflow events, and the priority status for planned future investment. This allows users, local communities and stakeholders to easily access information on overflows across Scotland. We worked with several external stakeholders and interest groups on the design of the map and associated supporting information to ensure it was accessible and easy to use.

Full details of our SR27 water continuity strategy and investments can be found in the Water Continuity Technical Appendix.

WEST CENTRAL BIORESOURCES

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT THE CIRCULAR ECONOMY

Although customers are not generally aware of the term 'circular economy', they do identify sustainability as a key characteristic for a company to be considered admirable. Supported by explanations of the meaning within a water industry context, customers are in favour of Scottish Water embracing the concept more, drawing a contrast with 'throw away' culture. They can be intrigued by innovations around extracting value from bioresources, wanting to know more about concepts such as the generation of renewable energy from sewage. Business customers tend to prioritise circular economy objectives more highly than household customers, and would like to see more information about our plans to do more.

We will develop our opportunities to play our part in the Circular Economy

In SR27 we will:

- Invest £557 million to develop and deliver the West Central Bioresource programme, which, when complete will process bioresource from over 270 waste water treatment works, a new Advanced Anaerobic Digestion Bioresource Treatment Centre at Daldowie and associated dewatering hubs in the wider area, replacing outdated thermal drying technology to reduce emissions and maximise energy recovery.
- Integrate PFI assets into Scottish Water asset base, taking advantage of cost and emission saving opportunities whilst managing service risk.

In West Central Scotland, we are evaluating all operationally and economically viable solutions for the Daldowie PFI return and the necessary investments to upgrade bioresource treatment facilities. The current asset is nearing the end of its operational life and is scheduled to return to Scottish Water in 2026. This follows the decision made in 2022 not to extend the PFI contract due to the higher risks and costs that an extension would entail.

The West Central Bioresources investment will consolidate bioresource facilities including replacement of the existing Daldowie Bioresource Treatment Centre and bioresource from the wider West Central area, mitigating critical asset failure risks and enhancing the service resilience required for key maintenance activities across Scotland. It represents the lowest cost option when calculated over 60 years, delivering savings of up to £67 million in capital expenditure and £87 million in whole-life costs compared to multi-site alternatives. Extending current treatment methods into SR33 would increase costs by up to £240 million, while funding through a Mutual Investment Model (MIM) would be significantly more expensive (adding approximately £487 million to the overall cost), would not deliver in the timescales required (delivery expected to be delayed by 2-3 years) and may not be attractive to the market. Delivering the West Central Bioresource investment in SR27 aligns with Scottish Water's net zero route map and supports progress in addressing climate change and brings us in line with UK industry best practice.

Full details on our approach can be found in the West Central Bioresources Technical Appendix.

WE ARE INVESTING £970 MILLION TO MAINTAIN OUR WASTE WATER NETWORKS AND ADDRESS SEWER FLOODING RISK FOR OUR CUSTOMERS, COMMUNITIES AND THE ENVIRONMENT

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Customers recognise the impact that internal sewer flooding can have on those affected and they see the value of managing rainwater on the surface to reduce the risk on internal and external sewer flooding. When they reviewed our draft business plan, the Independent Customer Group echoed these sentiments and hoped to see greater ambition to reduce the number of customers experiencing external flooding or being on the internal or external flooding registers.

We recognise the importance of this issue, and the need to balance this feedback with the affordability concerns raised by both customers and stakeholders.

What we've done

For our final business plan we have broadly maintained the investment we proposed to tackle internal and external sewer flooding in our draft business plan (£970 million at final business plan compared to £973 million at draft business plan).

Specifically, we will:

- Invest £367 million in improving our network assets that help us manage the quantity of flows and reduce flooding, and
- Retain £603 million to maintain our network assets that help us manage the quantity of flows and reduce flooding.

We recognise that sewer flooding is an important issue for our customers and we have maintained the commitment in our draft business plan to reduce the number of customers affected by repeat internal sewer flooding, and will continue to address external sewer flooding on a prioritised basis.

Our plans

Sewer flooding can occur due to operational issues, such as blockages, pipe collapses, and other system failures that prevent our assets from working as they should. Sewer flooding can also happen during heavy rainfall when the flow of water exceeds the capacity our sewer network was designed to cope with.

The key challenges to maintaining or improving service include:

- Extreme weather events which are becoming more frequent, resulting in an increased number of sewer flooding incidents. Forecasts indicate that a growing number of customers will face the risk of both internal and external flooding as rainfall intensity continues to rise.
- As urban populations grow, the pressure on the sewer system also intensifies. Urban creep refers to the gradual increase in impermeable surfaces, such as when gardens and green spaces are replaced with driveways, patios, or buildings. These surfaces prevent rainwater from naturally soaking into the ground, leading to faster runoff into sewer systems and an increased risk of sewer flooding.
- We are also working at both a national and international level to influence policy and legislation relating to wet wipes which are a significant cause of sewer blockages.
- Due to reprioritisation decisions in SR21 when funding was restricted due to the cost of living crisis, investment to resolve internal and external was deferred.
- The Scottish Government is giving consideration to whether future policy and legislation could strengthen Scotland's approach to how rainwater is managed. Potential opportunities include better enabling Scottish Water and local authorities to plan, deliver, operate, maintain and protect sustainable rainwater drainage infrastructure to support climate adaptation of our urban landscapes.

This is an important investment area for Scottish Water; we must maintain internal sewer flooding performance levels and start to make the long-term shift towards a sustainable drainage network which manages rainfall on the surface and reduces internal and external flooding risk.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT INTERNAL SEWER FLOODING

Customers consistently tell us that an internal sewer flood has the highest personal impact of all service issues. Household customers are concerned by the potential health and safety impact of sewage in their homes, whilst business customers express concerns about damage to property, potential impact on insurance premiums, and reputational damage.

Customers generally feel that addressing internal sewer flooding is important, and a priority for Scottish Water, especially when properties are affected by repeated incidents. However, some customers perceive it as an issue that does not affect many customers and may prioritise other areas of investment which affect more people. Informing customers about concepts such as 'at risk' register for internal sewer flooding, and the fact that this register is not static and properties can be added or removed from the register can help to deepen customers understanding of the need for continual investment.

Some customers expect us to work in partnership with other organisations such as Local Authorities and housing developers to manage planning and design issues which can cause flooding issues. They also expect us to work with the wider public to address behaviours which can cause internal flooding such as flushing wet wipes.

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT EXTERNAL SEWER FLOODING

As is the case with many aspects of our waste water service, external sewer flooding is not top of mind for most customers, or a major concern. Customers often group external sewer flooding with other types of flooding e.g. rain on roads. As such, less informed customers can perceive the issue to be part of living in Scotland. However, when external sewer flooding affects homes and businesses, customers become concerned. Business customers may be concerned about impact on the accessibility of their premises. When connections are made with sewage, customers are concerned about health and safety. Waste water flooding that impacts culture, tourism or heritage is considered to be damaging to Scotland as a whole.

Customers recognise that external sewer flooding can have significant impact, but do not think that resolving the issue is Scottish Water's sole responsibility. They expect us to work in partnership with others, such as the Scottish Government, Local Authorities and housing developers to manage the issue. They also expect us to work with the wider public to address behaviours which can cause external sewer flooding such as flushing wet wipes.

Customers find internal flooding unacceptable but recognise the high costs in dealing with this issue

In SR27 we will:

- Work towards our long-term strategy that no customer should experience repeat sewer flooding in their home:
  - Deliver initiatives to reduce number of repeat internal flooding incidents caused by blockages.
- Maintain the number of properties on the Internal Flooding At Risk Register. We forecast around 50 properties to be added to the register each year, so we will aim to remove around 300 properties from the register during SR27 to maintain our SR21 exit position which is forecast to be 395 properties.
- We will deliver mitigation measures at 800 properties, continuing to test their effectiveness in reducing the impact of internal or external flooding caused by overloaded sewers. While these measures do not address the root cause of sewer overloading, they provide a cost-effective way to protect customers from the consequence of flooding in the short term. Where technically feasible and with the householder's consent, mitigation measures will be implemented as quickly as possible, while long-term capital schemes to address the underlying capacity issues are developed and delivered. We intend to leverage this learning in SR27 and will continue to deploy these value-for-money solutions alongside capital investment where appropriate.

In response to customer feedback, we will address external sewer flooding on a prioritised basis

In SR27 we will:

- Deliver projects to resolve around 600 externally flooded areas using a blend of prioritised external only sewer flooding projects and as a consequence of internal sewer flooding projects.

We will carry out activities which will reduce overall flooding risk

In SR27 we will:

- Continue to increase real-time visibility of our sewers' operation to make the transition to smart sewer networks. The data gained will provide visibility to prevent and reduce the risk of customer flooding or pollution incidents.
- Continue to maintain our hydraulic waste water models on a planned risk basis.
- Carry out our duties as specified in the Flood Risk Management Act.
- Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations, this will include:
  - £302 million to maintain almost 55,000km of sewers
  - £49 million to maintain over 700 pipe bridges
  - £138 million to maintain rising mains and valves.[22]

22 £9.5 million associated with West Central Bioresources

RESPONDING TO CLIMATE CHANGE – ADAPTATION

Climate change is bringing heavier and more intense rainfall, making surface water management one of Scotland's most pressing challenges. No single organisation can tackle this alone, and our customers are keen that we work in partnership with others to meet this challenge. By working in partnership, we can combine the strengths of local authorities, communities, developers and infrastructure providers to create resilient landscapes and blue-green spaces that protect homes, businesses and the environment. Collaboration allows us to share expertise, pool resources and deliver innovative solutions that ease pressure on sewer systems, safeguard water quality and help build climate-ready cities.

We are investing £70 million to strengthen these partnerships and work together to manage rainwater more effectively, reducing the amount entering and flowing through our combined sewer system. This includes supporting others to divert surface water from buildings and hard surfaces away from the sewer network.

We will continue to invest in our three existing strategic partnerships, which jointly plan and prioritise projects in their areas:

- Metropolitan Glasgow Strategic Drainage Partnership, covering parts of North Lanarkshire, South Lanarkshire, Renfrewshire, East Renfrewshire, East Dunbartonshire and West Dunbartonshire
- Edinburgh and Lothians Strategic Drainage Partnership
- Water Resilient Dundee Strategic Drainage Partnership

Together, these partnerships cover areas where around 47% of Scotland's population live. Once projects are agreed with our partners, we will share details publicly.

We are also investing to develop new partnerships, aiming to increase coverage to around 65% of the population. This is a key step towards our Long-Term Strategy goal of ensuring all cities and many larger towns have strategic drainage partnerships. These partnerships and projects, jointly funded with others, will strengthen our networks against climate impacts while creating spaces that offer recreational, biodiversity and aesthetic benefits for local communities.

We will pursue blue-green options and digital options in all our investments, with a goal that 10% of the investment we deliver should utilise these options in SR27.

We will help our customers reduce demand on the sewer network, helping to keep bills as low as possible

In 2022, we launched our Nature Calls campaign to raise awareness of the impacts of flushing inappropriate items in sewers. This Scotland wide campaign involving TV, radio, social, digital and partnership collaborations encouraged customers to flush only the three Ps (pee, poo and paper) and built awareness of the impact of plastic wipes on our network as well as the wider environment. We were also the first water company in the UK to call for a ban on wipes made with plastic. We have welcomed the publication by the Scottish Government of new regulations which will ban the sale and supply of wet wipes containing plastic in Scotland from 11 August 2027.'

Following the campaign launch, blockages of our sewers fell by 16% between February and August 2022, reducing operational costs (each choke costs an average of £296 to attend). This positive behaviour change has been sustained, with chokes remaining approximately 4% lower than pre campaign levels. However, challenges persist as choke data is highly sensitive to extreme weather conditions, and we typically see an increase when campaign activity is paused. This reinforces the need for continued customer engagement to maintain awareness and support long-term, lasting behaviour change.

In SR27, we will continue to use customer behaviour campaigns in areas where flooding incidents due to blockages remain high. We also want to build on this success and deliver a series of rainwater management initiatives that reduce flood risk, improve climate resilience, and enhance biodiversity across Scotland. We will combine practical interventions with education and engagement to create long-term benefits for communities and the environment.

This will include:

- Investing £2 million to develop our Nature Calls campaigns to educate customers about how they can play a vital role in managing rainwater on the surface, reducing the risk of flooding in their communities.
- Offering water butts and raingarden planters to customers connected to the combined sewer system or living in areas prone to surface water flooding, encouraging participation in rainwater management.
- Working with schools and other public education facilities to help them reduce their impact on the network by using sustainable drainage systems (SuDS) and provide outdoor learning spaces with permeable surfaces and planting. We will also engage pupils and communities, fostering awareness of water sustainability.
- Working with public sector organisations – including libraries, the NHS, and government bodies – to help reduce the impact their buildings have on our sewer network. Many of these buildings have large roof areas that drain into the combined sewer system. By collaborating, we can introduce measures to slow down (attenuate), disconnect, or reuse rainwater runoff. This will ease pressure on combined sewers while promoting biodiversity and placemaking.

Together, these initiatives will not only protect our network but also enhance biodiversity, create greener spaces, and deliver long-term benefits for communities across Scotland.

CASE STUDY: MANAGING RAINWATER FOR INNER-CITY COMMUNITIES

Managing rainwater through place-based approaches, using a mix of engineered and nature-based solutions, is a key objective of our Long-Term Strategy, and will increase the resilience of our network and reduce pollution for local and strategic drainage issues. These collaborative approaches, delivered with partners, often provide wider benefits for communities and the environment, supporting resilience in ways that hard engineering alone cannot achieve.

In the Craigleith area of Edinburgh we have partnered with City of Edinburgh Council, developers, and local communities and businesses to deliver two projects which manage rainwater.

A major upgrade to the waste water infrastructure on Craigleith Road was required to mitigate the risk of sewer flooding to homes and local businesses when the combined sewer was overwhelmed during heavy rainfall. Temporary measures had been provided but a permanent solution was required, and the best option was to fully separate the surface water drainage from the combined sewer.

To support this approach we worked with the developer at the former Royal Victora Hospital site, who agreed to incorporate a storm water storage tank into their final design. The tank stores surface flows from roads, roofs and impermeable surfaces, preventing the combined sewer being overwhelmed during heavy rainfall. Once the rain has passed, the stored storm water is then released back into the combined sewer. In addition, over 200m of sewer pipes along Craigleith Road and Orchard Bank Road were enlarged. This project represents a significant investment in the local sewer system and should significantly reduce the risk of future sewer flooding on Craigleith Road. The potential impacts of changes to rainfall amounts due to climate change have been considered throughout the development of this project.

A joint project with the City of Edinburgh Council is also removing further rainwater from the combined sewer, through the installation of a swale in Orchard Park. This is collecting surface water from the streets around the park, including Orchard Brae, Orchard Drive and Orchard Crescent. A swale is a shallow channel containing grasses and native plants, that collects, slows down and filters surface water flows before releasing them back into the combined sewer, it increases local biodiversity and amenity value, and the swale in Orchard Park is providing a new attractive focal point in the local community.

Together, these projects show how working in partnership to deliver nature-based solutions alongside engineered interventions can build resilience and deliver wider benefits for people and the environment.

Full details on our approach can be found in the Managing Quantity of Flows Technical Appendix.

ENABLING OUR WORKFORCE TO DELIVER OUR BUSINESS PLAN – OUR PEOPLE STRATEGY FOR SR27

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

Since publishing the draft business plan, we have strengthened our People Strategy to ensure it is a critical enabler of our SR27 ambitions. The updated strategy provides greater clarity on the investments we will make and how these will support delivery of our overall business plan.

We have also provided more information on how our People Strategy aligns with our new operating model, which positions us to deliver our plan.

We have also updated the investment required and provided explanation of how this will fund initiatives such as strategic resourcing, leadership development, and workplace improvements. These actions will enable us to maintain service excellence, accelerate digital transformation, and build the capabilities required to deliver our commitments to customers, communities, and the environment. Ahead of the Delivery Plan and the start of SR27, we will refine our plan to deliver a Technical Skills Academy Centre of Excellence, testing its value for money against other transformation initiatives.

We have refreshed our People Strategy for SR27

Building on the strong foundations of SR21, our People Strategy sets out how we will equip our people with the skills, leadership, and working environment needed to deliver on our ambitions and address the changes and challenges ahead. Our People Strategy has three pillars:

- **Clear, Capable People**:
  We will ensure every colleague understands their role and how they contribute to our purpose, is equipped with the right skills, behaviours and mindset, and is supported to grow, adapt and perform their best for our customers, communities and the environment. Investment in technical skills and knowledge, digital capability, and strategic resourcing will enable us to meet evolving business, customer and community needs.
- **Inspirational and Empowering Leadership:**
  We are committed to developing leaders who motivate, engage, and empower their teams. Through a new leadership blueprint, defined talent management and succession planning, and insight-driven people practices, we will create a strong and flexible leadership pipeline that is equipped to perform well today and in the future.
- **Inclusive and Engaging Environment:**
  We will foster a culture where everyone feels valued, included, and able to contribute their best. We will focus on diversity, inclusion, supporting equality and wellbeing. This will ensure Scottish Water remains a great place to work, you can read more about what we are already doing to make Scottish Water a great place to work on page 72.

Our strategy addresses future demands, including digital transformation, climate adaptation, and the need for new partnerships and skills. It is a commitment to our people, who proudly work to provide the excellent water and waste water services that are essential to everyday life for households and businesses across Scotland. It will enable us to create safe, healthy and productive environments which deliver service excellence, our beyond net zero ambitions and value for Scotland – now and into the future – and is a critical enabler to achieving the outcomes in our SR27 Business Plan.

Our People Strategy aligns with our new operating model

To prepare for the evolving needs, a new operating model is being implemented ahead of SR27. This is designed to protect and preserve successful elements of our existing structure while positioning us to effectively meet emerging challenges. In our new model we are bringing together planning, maintenance and operations into two new Water and Waste Water Directorates and creating a new Customer Service Directorate. Holding accountabilities across the entire end-to-end process for water and waste water will help us to deliver faster, at lower cost and unlock innovation. And, by bringing together our core external and internal customer service functions into a new Customer Service Directorate, we can continue to champion the customer voice and aim to further improve the quality of service whilst also ensuring value for money.

We will continue to invest in our people to ensure we have the capabilities and working environment required to deliver our wider SR27 priorities

In particular we will make investments in:

- **Technical skills:**
  We will develop the skilled and competent resources required to deliver major investments in water distribution, demand management and strategic water transmission infrastructure. This includes developing proposals for a new centre of excellence and purpose-built training facility to develop these skills in a safe, controlled and simulated training environment, preventing the potential for any negative impact on our customers' supplies and water quality during training activities.
- **Create a strategic workforce plan:**
  Across Scottish Water and our partners we will create a strategic workforce plan to ensure we are well placed to deliver throughout SR27 by having the right number and mix of people, with the right skills, in the right roles, at the right cost at the right time. We will forecast future needs, identify gaps, and design and deliver strategies to address those gaps, looking at Scottish Water, our partners and the external labour market. This will help us build on our work in early careers making the most of apprentice and graduate possibilities. This builds on our strong track record in SR21, including our Water Academy which resulted in the recruitment and training of 207 apprentices, with 87% being retained.
- **Delivering 24/7 service and resilience:**
  To create a resilient water and waste water service and exceed customer expectations, it is imperative that we deliver reliable 24/7 service. As we continue to standardise our assets and embrace advanced digital management, we must take a strategic approach to reviewing our operational delivery model. This involves evaluating whether our existing framework of core hours supplemented by standby arrangements remains fit for purpose in a changing environment. By exploring innovative work patterns, that allow us to manage the assets proactively we will position ourselves to be resilient in the face of a changing climate, enhance employee wellbeing, and maximise productivity.

Full details on our approach can be found in the People Technical Appendix.

CHAPTER NINE
FULL TABLE OF INVESTMENTS

Climate Adaptation Programmes and Investments		£13 million
Programme	**Description**	**Investment**
Enhancement to Scotland's natural capital	Sustainable Growth Agreement - Deployment of demonstrators and catchment trials.	£7 million
Increase biodiversity beyond statutory levels	Sustainability auditing/review of Scottish Water assets and estates to support future action and inform future investment planning.	£5 million
Understand the implications of climate change and risks to service resilience	Further develop our understanding of the implications of climate change. Update the Scottish Water risk assessment work/ tools (UKCP18) following the latest projections from Met Office[23].	£2 million

Climate Mitigation Programmes and Investments		£59 million
Programme	**Description**	**Investment**
Process Emissions	Nitrous oxide monitoring, modelling and analysis and mitigations, and other research and innovation activities.	£15 million
Pilot activities	Trial emerging alternative fuelled vehicles and provision of refuelling infrastructure.	£16 million
Carbon Capture	Net Zero Emissions - Understanding and Increasing Carbon Capture and Storage in Scottish Water's Landholdings.	£29 million

23 Inclusive of 2022 updates as per Update to UKCP probabilistic projections report

Customer and Communities Programmes and Investments		£21 million
Programme	**Description**	**Investment**
Customer Research	Continuing to listen to our customers through established and robust research programmes to improve day to day service and inform investment and future strategy decisions. Continually improving our research approaches and innovating qualitative and quantitative research methods.	£2 million
Priority Service Register Improvements	Our work will evolve as we ensure we reach all our customers who need some extra help via agencies, the NHS, community groups and our partnerships. The range of services and support on offer will also expand. As the Register grows, we will categorise customers' needs, prioritise assistance and ensure the most vulnerable are looked after first.	£4 million
Digital Developments for Customer Experience enhancements	Improving our website and developing our contact channels with our customers, so customers can tailor our services to suit them. This will be achieved through the provision of digitally supported and tailored portals for each of our main customer groups.	£5 million
Access to assets	Building on SR21 pilots which have worked well, improving engagement with partner organisations to help support and improve access to our assets for education, skills and wellbeing.	£6 million
Campaigns & marketing	Social marketing activities, education programmes, and novel engagement approaches to increase customer awareness of who we are and what we do, and how changing behaviours can help ensure resilient and sustainable services into the future.	£4 million

Enabling Growth Programmes and Investments		£551 million
Programme	**Description**	**Investment**
Waste water Growth	Provision of Part 4 capacity to meet strategic & local growth requirements.	£319 million
Water Growth	Provide capacity to meet new demand.	£71 million
Infrastructure Investment	Support all local development plan predicted growth and enable economic growth – Water & Waste Water.	£123 million
Service Relocations	Comply with legislative requirements – Water & Waste Water.	£38 million

Water Quality Programmes and Investments		£1,720 million
Programme	**Description**	**Investment**
Water Treatment	The investment demand allocated to water treatment is £1,294 million, £765 million of which will enhance our assets to deliver our regulatory requirements and expectations of the DWQR including Enforcement Orders and Letters of Commitment. £530 million is for asset maintenance (AR3) investment, to maintain the capability of our water treatment works, including filtration and disinfection systems, mechanical and electrical equipment, instrumentation and chemical storage facilities and processes.	£1,294 million
Water Storage	The investment demand allocated to water storage is £318 million. This includes AR3 investment for maintaining our treated water storage and secondary disinfection processes in SR27 of £300 million, ensuring that we provide high quality water for our customers. This also includes enhancement expenditure to improve our ability to inspect and maintain treated water storage tanks through enhancement investment of £18 million.	£318 million
Water Distribution	This includes investment to manage discolouration through maintenance activities (minimising impact on customers thereby improving customer satisfaction).	£64 million
Lead Management	We are investing toward our commitment to reducing lead in our network, through replacing lead communication pipes, maintaining and optimising our phosphate equipment and undertaking additional sampling to identify presence of lead.	£36 million
Raw Water and Catchment Management	We plan to invest £9 million towards catchment management to improve the quality of our raw water sources.	£9 million

Water Continuity Programmes and Investments		£1,770 million
Programme	**Description**	**Investment**
Abstraction, Sources and Raw Water Transfers	The majority of this is assigned to asset maintenance (AR3) £427 million. This investment enables us to maintain the capability of our raw water storage assets, raw water transfers, aqueducts and our underground sources. The majority of this investment (£300 million) is allocated to reservoir safety and resolving matters in the interests of safety identified by the reservoir panel engineers and £73 million allocated to maintain our aqueducts and tunnels.	£427 million
Water Treatment	The investment demand allocated to asset maintenance (AR3) to Water Treatment for maintaining Water Continuity is £5 million, with £3 million allocated to enhancement investment including restoration of capacity to allow water treatment works to be operated and maintained and sludge storage and disposal.	£8 million
Water Transmission (trunk mains and strategic pipelines)	The investment demand allocated to asset maintenance (AR3) to trunk mains and strategic pipelines is £99 million. This investment enables us to maintain the performance of our strategic trunk main networks. The majority of this spend (£57 million) is allocated to maintaining our trunk mains (including asset renewal) and critical maintenance activities to reduce recurring incidents of interruptions to supply.	£99 million
Water Pumping Stations	This investment enables us to maintain the performance of our pumping and booster station assets.	£48 million
Water Distribution	This investment enables us to maintain the performance of our water distribution networks and maintain our interruptions to supply performance. This includes £143 million to accelerate the replacement of asbestos cement water mains which have a disproportionate impact of our distribution assets on interruption to supply performance. This accelerated replacement will ensure all 6,000 km are replaced in the next 15 years. We have allocated £26 million to managing demand, aimed at reducing network and customer side losses, as well as reducing per capita consumption.	£686 million
Resilience and Growth	This will help improve connectivity of our existing systems to increase flexibility to move water around and improve resilience in times of drought, particularly in Edinburgh, Fife and Dundee.	£126 million
Other Programmes	Manage and maintain various assets across regions to ensure they function effectively, and all statutory maintenance requirements are undertaken.	£377 million

Water Environment Programmes and Investments (£1,914 million) including West Central Bioresources (£557 million)		£2,472 million
Programme	**Description**	**Investment**
Waste Water Treatment	AR3 asset maintenance totalling to £813 million at waste water treatment sites across Scotland. This includes £201 million for AR3 associated with PFI return sites. Enhancement costs totalling £170 million associated with compliance improvements to legislation, studies, and managing compliance across Scottish water sites.	£983 million
Waste Water Bioresource Treatment	Investment for the waste water bioresource treatment asset group, covering the AR3 asset maintenance cost of £111 million at waste water bioresource treatment sites across Scotland. The enhancement costs of £46 million to support meeting requirements of the Industrial Emissions Directive at all bioresource treatment centres (SW and PFI) where digestion activities will continue over SR27 and for replacing digestion equipment at Allanfearn (Inverness).	£157 million
West Central Bioresources	Maximise the value from bioresource product.	£557 million
Water Treatment Works Sludge Storage	Investment to enhance sludge removal and remediation works at Turret WTW and developing alternative sludge disposal route options for WTW on Orkney.	£17 million
Waste Water Sewer Networks	Investment covering the AR3 asset maintenance cost of £135 million to maintain sewage pumping station sites across Scotland. There are enhancement costs of £278 million associated with the improvement of unsatisfactory intermittent discharges (UID) and for additional event duration monitors to increase coverage of intermittent discharges (both network and WWTW overflows) to approaching 100%, providing enhanced performance intelligence.	£413 million
Waste Water Other – Region Wide	AR3 asset maintenance cost of £236 million across Scotland (e.g. telemetry). Enhancement costs of £54 million associated with our net zero emission targets, to reduce energy and emissions across our waste water sites, and studies to understand impact of waste water discharges on the water environment.	£291 million
Water Abstraction - Water Resources Environmental Monitoring and Compliance	This constitutes AR3 investment to install or maintain abstraction compensation monitoring equipment.	£6 million

Water Environment Programmes and Investments (£1,914 million) including West Central Bioresources (£557 million)		£2,472 million
Programme	**Description**	**Investment**
Water Reservoir Compensation Compliance and RBMP Enhancement	Enhancement to support compliance with changes to Environmental Authorisation conditions to RBMP3 commitments.	£40 million
Other PFI Transfers	The four PFI contracts that will expire during SR27 require further detailed studies (including condition assessments) to corroborate modelled assumptions used for the development of proposed SR27 investments presented within this plan.	£7 million

Managing Quantity of Flows Programmes and Investments		£970 million
Programme	**Description**	**Investment**
Asset Repair, Refurbishment and Replacement (AR3)	Asset maintenance requirements for Managing Quantity of Flows (both responsive and planned interventions) including to maintain sewer network assets (pipebridges, waste water pumping mains, waste water outfalls, CSOs, sewer structures, gravity sewers) and waste water network model maintenance.	£603 million
Enhancement	This investment covers all planned activity to: • Provide fit for purpose models required as minimum legislative requirement under Flood Risk Management Act. • Develop and deliver rainwater removal projects, in collaboration with others, to reduce overall flood risk. • Provide protection to customers from the risk of flooding whilst permanent solutions are being identified and implemented. • To reduce flood risk to customers impacted by high consequence external sewer flooding where not disproportionately expensive. • To reduce flood risk to customers impacted by high consequence internal sewer flooding where not disproportionately expensive. • Reduce and remove rain water in the sewer network in areas to address high priority risk areas of sewer flooding. • Customer education campaigns. • Develop enhanced response after flooding incident - Tackling repeat flooding due to other causes.	£367 million

Digital Programmes and Investments		£107 million
Programme	**Description**	**Investment**
Efficient planning & delivery	Maintain business critical system availability, access and performance; optimise and automate repeatable processes.	£17 million
Risk and Security	Strengthen our data governance, security, and compliance, while modernising key business and technical platforms to adapt to future regulatory, operational, and risk management needs.	£46 million
Commodities & Infrastructure	These investments will enable secure, efficient management of our cloud estate, improve tooling for digital delivery, and ensure our end-user technology remains current, supported, and aligned with modern working practices.	£44 million
Intelligent Decision Making	Exploit our data and leverage advanced analytics to deliver actionable insights and comply with Regulatory and Legislative drivers.	£1 million

Support Services Programmes and Investments		£317 million
Programme	**Description**	**Investment**
Juniper	Replacement of laboratory facility	£110 million
Maintain existing fleet	Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations.	£115 million
Maintain existing offices and estates	Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations.	£66 million
Maintain existing renewable energy	Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations.	£18 million
Maintain scientific equipment	Maintain our assets in line with our SR27 Management Approach rulesets and investment allocations.	£7 million

Transformation & Innovation Programmes and Investments		£31 million
Programme	**Description**	**Investment**
Enable Innovation	Builds capability, knowledge and partnerships to embed new technologies and approaches that improve service, reduce cost and support long-term transformation.	£23 million
Lighthouse projects	Targeted demonstrators that scale high potential innovations, accelerating adoption and enabling confident investment decisions	£5 million
Research and Hydro Nation	Research programme advancing knowledge on water quality, environment and net zero, leveraging academic partnerships to inform future investment.	£4 million

Note: The investment total here excludes the approximately £60 million impact of the Real Price Effect adjustments within the final business plan. These upfront adjustments reflect an estimate of the erosion of Scottish Water's buying power caused by inflation in certain key cost categories. More information on RPEs can be found in Chapter 11 – Confidence in our plan.

CHAPTER TEN
FUNDING

The Principles of Charging set out by the Scottish Government require that water charges should be set at a level that is fair and equitable to present and future generations.

Scottish Water is funded through customer charges and borrowing from the Scottish Government.

Currently, around 90% of the cost of providing water and waste water services is funded through customer charges.

The Scottish Government has indicated that it will continue to provide £170 million per annum (nominal) borrowing to Scottish Water. In the context of an increasing investment programme, the proportion of total costs that is funded by this £170 million each year will fall. Therefore, the proportion of total costs which are covered by customer bills will increase from 90% to approximately 94%.

Since 2009/10 to the end of 2025/26, household customer bills have increased by a total of 3.4% less than they would if they had risen in line with CPI inflation. If customer bills had increased in line with CPI over that period, Scottish Water would have been able to invest an additional £1.2 billion into our networks and operations.

Our proposed level of maintenance investment[24] during SR27 is approximately 24% higher than in SR21. While this remains below the long-term sustainable level identified in our Management Approaches[25], it represents a deliberate step towards a more sustainable level of investment and charging over the coming investment periods. This approach will allow us to balance the need to maintain our asset base over the long term with the need to consider intergenerational equity and short-term customer affordability.

24 Asset repair, refurbishment and replacement
25 Management Approaches are policies setting out the criteria under which interventions required to maintain our level of service can be 'triggered' and the cost of this policy approach.

Customer Charges in 2027-33

The amount we are proposing to invest in SR27 is an increase compared to our investment between 2021 and 2027. This is to ensure that we can continue to provide safe and sustainable services despite a rapidly changing climate, an ageing asset base, new legislative requirements and the planned return of PFIs to public ownerships. This means that customer charges will also need to rise.

We have proposed to increase our levels of charges during SR27 by CPI +3.3% per annum. Raising charges in this way means that we can increase investment levels and ensure that we can appropriately maintain and enhance our assets to meet the challenges we face.

The table below shows the increase in proposed annual charges for each year of the 2027-33 period based on the price profile outlined above.

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Band A	£435	£449	£464	£479	£495	£512	£528
Band B	£507	£524	£541	£559	£578	£597	£616
Band C	£580	£599	£619	£639	£660	£682	£705
Band D	£652	£674	£696	£719	£743	£767	£793
Band E	£797	£824	£851	£879	£908	£938	£969
Band F	£942	£973	£1,005	£1,039	£1,073	£1,108	£1,145
Band G	£1,087	£1,123	£1,160	£1,198	£1,238	£1,279	£1,321
Band H	£1,305	£1,348	£1,392	£1,438	£1,486	£1,535	£1,585

Wholesale charges for services to non-household customers are also proposed to increase by CPI +3.3% per annum.

Smart metering for non-household customers will involve the transfer of responsibility for meter reading from Licensed Providers to Scottish Water, with a transition from manual physical readings by Licensed Providers, typically every six months, to hourly consumption data retrieved daily by Scottish Water via network connectivity. Smart metering is to be part-funded by a transfer of the existing cost of meter reading from Licensed Providers' retail margin to Scottish Water's wholesale charge. In order that this transfer of activity and cost does not impact other outputs for customers, retail prices to non-households or remaining Licensed Provider margins, it is proposed that the wholesale charge adjustment would be in addition to the SR27 price control.

We will deliver our plan efficiently, ensuring that the proposed bill increases provide the best value by balancing the service customers expect with the cost to deliver. Across our operational and capital work, we will use transformation and innovation to ensure we achieve the best possible value for our customers in all that we do. WICS will examine our final business plan before deciding what the customer charges will be.

SECTION FOUR

CONFIDENCE AND ASSURANCE

CHAPTER ELEVEN
CONFIDENCE IN OUR PLAN

Determining the right level of investment

WHAT OUR CUSTOMERS HAVE TOLD US ABOUT HOW WE MAKE DECISIONS

In general, customers trust us to make the right decisions around investment. They believe the organisation has the best interest of customers at heart when it comes to investing in improvement.

To ensure the best value and service for our customers, it is important we understand not just what investments we need to make, but also how best to make them, to realise wider social and environmental benefits where we can, and when is the most cost-efficient time to deliver them. The scale of these potential investments is significant, so we must pursue efficiency opportunities in the management of our assets to deliver the best value for customers. Investing in assets too early can mean we don't get the full benefit from previous investments, but leaving it too late can result in negative service impacts for our customers as well as additional costs.

We have improved our investment planning systems and approaches, increasing confidence that we are making the right investment decisions at the right time.

Professor Brian Adey[26] was appointed by WICS as an external assessor to evaluate Scottish Water's asset management and investment decisions capability. His initial assessment in 2018 led to a recommendation for a 10-year improvement roadmap to improve our investment decision making.

Since then, he has continued to review our progress annually, providing structured feedback and assurance to both internal stakeholders and external regulators. In his assessment report for 2023/24, he said we are 'clearly positioning as a leader in asset management across the UK' and his 2024/25 report further stated, 'as Scottish Water prepares its submission for SR27, it has demonstrated that it has matured significantly as an infrastructure management organisation'.

During the SR21 period, we have been enhancing our approaches to asset management more widely, but particularly in relation to investment planning and prioritisation to embrace the move to a more rigorous, dynamic and rolling investment planning process.

This improved approach allows us to continually incorporate the latest evidence into our decision-making, collaborating with stakeholders to ensure the costs and benefits of competing investment priorities are balanced appropriately and any shocks or increased risk can be managed effectively. Ahead of SR27 further work is being undertaken with sector stakeholders to review the dynamic investment prioritisation process, ensuring that the voice of our customers plays a critical role in any reprioritisation decisions during the period and there is engagement and full transparency on decisions for customers and stakeholders.

26 Of the Institute of Construction and Infrastructure Management at the Eidgenössische Technische Hochschule Zürich

These improvements have allowed us to comprehensively identify the full extent of potential investment demand over SR27, building up a strong bottom-up picture of all needs. By combining this bottom-up analysis with top-down views from our sector stakeholders and extensive customer research, we have carefully assessed a range of potential investment scenarios to understand the impact of different levels of investment. These scenarios are essential for strategic decision-making and ensuring we strike the right balance between levels of service and the cost, keeping our customers' and stakeholders' needs and expectations at the forefront of our planning.

The output of this investment planning process is our recommendation of a Reference Investment Planning Scenario of £8.1 billion in SR27, representing the investment element of our overall £13.4 billion plan. We recognise the impact of bills on our customers, which is why we work hard to keep them as low as possible.

SR27 FINAL BUSINESS PLAN

£13.4 billion

Total Business Plan for SR27

which comprises:

£8.1 billion

for investment to support our assets

£5.3 billion

for day-to-day running costs

Our Plan meets draft Ministerial Objectives and Regulatory Requirements

The Ministerial Objectives are currently in draft form and will not be finalised until October 2026. Consequently, this Final Business Plan is based on the draft Ministerial Objectives issued alongside the Scottish Government's Commissioning Letter in March 2024.

The Scottish Government published its consultation on the draft Ministerial Objectives and the Principles of Charging on 6 January 2026, with finalisation expected by October 2026.

We are confident that this business plan is a well-evidenced and balanced proposal that fully aligns with the draft Ministerial Objectives. It represents good value for customers and communities, delivers environmental benefits, and makes meaningful progress towards achieving the Water Sector Vision and our Long-Term Strategy.

To ensure compliance and robustness, we have worked closely with the SEPA and DWQR to rigorously test the plan against statutory and regulatory obligations. Particular attention has been given to maintaining high standards of drinking water quality and environmental performance.

The plan includes sufficient investment to safeguard compliance with drinking water standards and environmental permits. This commitment underpins our assurance that the plan meets all regulatory requirements while supporting sustainable outcomes for customers, communities, and the environment.

Ministerial Objectives:

Long-term Water Sector Vision

Our investment will:

Support progress towards our Long-Term Strategy which outlines how we will deliver our part in making the Water Sector Vision a reality. We have also developed our 25 Year Investment Strategy that sets out the investment projects over the long term.

Provide support for Hydro Nation Chair, customer and community involvement and benefits, and introduce a community fund to support small-scale, localised initiatives.

Continued engagement with the Scottish Water industry stakeholders through the Investment Planning and Prioritisation Framework for dynamic, rolling investment planning and decision making that balances the costs and benefits of competing investment priorities.

Standards of Service

Our investment will:

Maintain or improve service levels from the projected SR21 exit position – accepting more compliance risk in PFI returns and risk of burst frequency.

Asset Maintenance (Long Term)

Our investment will:

Continue inspection programme for critical assets. Increased repair, refurbishment and replacement in SR27 by c.24% from SR21 and continue to improve our near- and long-term projections.

Due to the reduction of investment allocation for inspections (down to SR21 levels) there will be reduced progress in the improvement of the confidence grade of the Asset Health Measure throughout SR27.

Flooding & Surface Water Management

Our investment will:

Maintaining the number of properties on our Internal Sewer Flooding At Risk register and have in place initiatives (such as mitigations) to reduce the number of incidents of customers experiencing repeat sewer flooding.

Continue on our journey to build on our existing three strategic drainage partnerships to ensure we build in more partnership opportunities to deliver surface water removal projects to reduce overall sewer flood risk. This will be a journey throughout SR27 as we seek opportunities where possible.

Ministerial Objectives: (Cont.)

Drinking Water

Our investment will:

Water Quality
Address non-compliance or reduce risk at 18 water treatment works serving 1.5 million customers.

Continue to remove lead from the Scottish Water network and support customers to remove private lead pipes.

Delivering a net reduction in the number of risks above the long-term tolerable threshold (as determined by the Water Risk Assessment Platform process) from 5,625 in 2024/25 to 4,568 in 2032/33.

Reduce the number of Significant Risks over the long term (as per the ongoing process with DWQR due to be developed by March 2026). Improve auto shut down / disinfections reliability at priority sites and development of solutions for other water quality failure risk sites.

Water Continuity (Resilience)
Drive change in domestic customer demand by increasing awareness and supporting industry initiatives such as water efficiency labelling of domestic appliances.

Addressing the supply-demand balance deficit (to 2033) in Dundee, Angus and parts of Perthshire. Developing options and prioritising investment to reduce the deficit gap in other areas not resilient to drought including Edinburgh & Lothians, Fife, Lanarkshire and Aberdeenshire/Morayshire.

Environment

Our investment will:

Water Environment
Delivering all remaining RBMP3 objectives to enhance the water environment.

Establishing our current final effluent and pass forward flow compliance position and developing an improvement plan, where we define and deliver first steps.

Decreasing the number of Unsatisfactory Intermittent Discharges (UIDs) by addressing all remaining high priority UIDs (other than 16 where more development work is required in SR27) and 59 medium priority UIDs to make sustainable progress against our long-term ambition to address all UIDs by 2050.

Installing monitors and sensors across our waste water system to create an increasingly intelligent network and to bring new insight on performance, compliance and risk.

Development of the West Central Bioresources programme to address the disposal of bioresources.

Ministerial Objectives: (Cont.)

Supporting Sustainable Economic Growth

Our investment will:

Provide strategic capacity for c.175,000 population equivalent across Scotland. Deliver North Berwick, and East Stirling Villages.

Circular Economy

Our investment will:

Provision made for innovation "lighthouse" projects.

Embedding circular economy principles working with supply chain and developers to better manage rainwater, surface water and waste water.

Security & Resilience

Our investment will:

We will comply with Government guidelines on cyber security (Networks & Information Systems – NIS).

Climate Change, Adaption and Mitigation

Our investment will:

Continue to progress delivery of our Net Zero Emissions Routemap across operational, investment and land management activities to meet the agreed carbon pathways and to support the Scottish Government's Climate Change Plan, Biodiversity Strategy and National Adaptation Plan.

Private Finance Initiatives (PFIs)

Our investment will:

Allowance has been made for the return of 4 PFIs serving a population of c.1.7 million people. This will allow us to maintain and enhance service from these sites as they return to Scottish Water ownership.

Full details can be found in our Investment Planning Technical Appendix.

Our Plan reflects customer feedback on charges

Our SR27 business plan sets out our requirement for £13.4 billion total expenditure to deliver the expectations of our customers and stakeholders. We have carefully considered how this increase in charges should be managed to be fair and affordable for our customers.

In times of economic uncertainty, we understand the importance of keeping bills manageable while delivering the services customers rely on. That's why we take the financial impact of our charges seriously and work hard to strike the right balance between cost and outcomes. To ensure that any increase in customer bills is justified and cost effective, we embed efficiency at every stage of our planning and investment delivery. We operate at or above the efficiency levels of other UK water companies, with ongoing transformation and innovation programmes driving further improvements. All of our investment proposals are subject to rigorous appraisal to ensure the best value for our customers. We only propose bill increases where absolutely necessary to meet statutory, regulatory, and customer-driven outcomes and have taken difficult decisions to rebalance and delay investment to future periods.

Customer feedback has been central to shaping our business plan. We presented customers with investment plans, based on the funding available if customer charges were to increase by CPI +4% per annum. While many customers valued our initial proposals, views on affordability were mixed, with household customers evenly divided on whether a CPI +4% per annum increase was acceptable.

In response, we reviewed our financial assumptions and investment priorities to reduce costs. As a result, we have lowered our price trajectory to CPI +3.3% per year. We achieved this by identifying efficiencies, managing real price effects, and taking the difficult decision to deferring some investment, while continuing to deliver the outcomes customers told us matter most. Customers also prefer smooth and predictable price changes, and our plan reflects that.

By the end of this period, the average customer bill for water and waste water services will increase 26.5% in real terms over the 6-year period. In comparison average bills in England and Wales will see a real increase of 37% over their 5-year period[27].

As noted by WICS in feedback on our draft business plan, it is important to place comparisons to bill increases in England and Wales into appropriate context. Scottish Water began the transition towards more sustainable levels of investment earlier than companies in England and Wales, and we have invested more per head of population over preceding regulatory periods.

We are committed to delivering excellent value for money. We will keep listening, adapting, and ensuring every pound invested benefits customers, communities, and the environment.

27 Including the CMA (UK) review, bills in England and Wales will rise by CPI +19.5% in the first year of PR24, followed by annual increases of CPI +3.5%.

Just over half of households served by Scottish Water are provided with some form of affordability support:

- **Water Charges Reduction Scheme (WCRS):** for households eligible for Council Tax Reduction, capped at 35% discount on bill. Around one in four customers are eligible.
- **Single Persons Discount (25%):** provided to households with a single adult occupier e.g. includes one adult living alone and single-parent households. Households eligible for WCRS may also be eligible for Single Person Discount. They get the higher of their WCRS entitlement or the Single Person Discount (not both). Around a quarter of customers are eligible for Single Person Discount only, and one in ten for both WCRS and the Single Person Discount.
- **Exemptions:** 100% exemptions provided for a wide range of situations including full-time students and disability. Around one in 20 customers are eligible.

The level of affordability support for customers who are least able to pay water and waste water (sewerage) charges, including the Water Charges Reduction Scheme, is defined in Ministers' Principles of Charging. Following Consumer Scotland's report on water affordability published in 2024, we are working alongside the Scottish Government, Consumer Scotland and WICS to consider recommendations on how to improve the current protections for those who find it hardest to afford to pay and ensure all discounts provide a fair and balanced outcome for customers.

Our Plan is deliverable

We work with our supply chain to manage our existing asset base, deliver improved service levels and connect new customers.

We are confident our procurement teams have established an efficient and resilient supply chain that meets both our current and future requirements. This confidence is strengthened by the fact that the overall investment programme is smaller than proposed in our draft business plan, reducing pressure on delivery. We closely assess the capacity of the supply chain to ensure we can deliver the investment we commit to.
The supply chain in Scotland is anticipated to be in high demand until at least 2035, driven largely by infrastructure projects in the power and renewables sector. And with many of the UK water utilities having already awarded their frameworks for their next regulatory period, it is critical that we use the right market approach to ensure we have the right supply chain arrangements in place for SR27, that can deliver the necessary capacity and capability.

Following an independent review commissioned to validate our supply chain capacity for SR27, we have further strengthened our approach and are confident our supply chain is well positioned to meet the demands of the forthcoming investment period.

Our plans for SR27 include a more integrated, collaborative, and resilient supply chain model, extending and enhancing existing frameworks, investing in digital transformation, and embedding cultural and organisational change to ensure capacity, capability, and value for money for SR27 and beyond.

Our analysis shows that the supply chain needs to grow by 1,000-1,600 people focusing on civil infrastructure and emerging blue-green and digital capabilities. We are confident this can be achieved, and our current procurements are working to support the market.

To facilitate our supply chain to grow, we are improving our supply chain model for SR27 using a new "advanced partnering" Enterprise Model, creating a new digital supply chain and extending some current arrangements that are performing. This includes:

- Using extended length contracts providing stability for our partners.
- Using incentivisation mechanisms to ensure we work with partners in a collaborative way towards common goals.
- Creating a balanced and fair allocation of risk between ourselves and our partners. This will reduce potential financial uncertainty for our partners whilst providing cost savings and more predictable project outcomes for our customers.

Positive feedback from market testing and the procurement outcomes indicate that the proposed model is seen as transformational, positioning Scottish Water as a "client of choice" in a competitive market and helping to confirm our confidence in delivering on our Business Plan.

We are also considering options to encourage growth through skills academies for graduates and modern apprentices, working with other agencies such as Scottish Enterprise and the Scottish Government. This initiative aims to address constraints on certain skill areas; by collaborating with these agencies, we hope to foster growth ensuring that the water industry in Scotland is seen as an attractive place to work. This approach will help us build a resilient and sustainable workforce, capable of meeting the increased demand for skilled professionals in areas such as commissioning, electrical trades, and general operatives.

RESPONDING TO CLIMATE CHANGE - MITIGATION

Our supply chain model shapes how we work and helps us deliver wider societal and environmental benefits wherever possible. This includes supporting our ambition for 10% of schemes in SR27 to incorporate digital or blue-green solutions. These approaches help lower our carbon emission, enhance biodiversity and improve public spaces. We will also continue to drive progress towards reducing the carbon intensity of investment by 75% as part of our aspiration to reduce our emissions. This requires a strong focus on innovation, standardisation, and circular economy principles.

You can find out more in our Supply Chain Technical Appendix.

Our Plan aims to go Beyond Zero Harm

We are committed to creating safe, healthy, and supportive environments for our people, partners, and the communities we serve. Safety, health, and wellbeing are integral to our culture, everyone has the right to go home safe and well, every day.

Over the past five years, we have strengthened our working practices and safety systems, making us one of the UK's leading water companies for health and safety performance. Our ambition goes further: we aim to foster a culture where safety is intuitive and wellbeing is actively supported, enabling our people to thrive at work and beyond.

We work in partnership across our supply chain to drive continuous improvement and shared responsibility for safety, health, and wellbeing. By embedding these values into everything we do, we support our strategic ambitions—service excellence, net zero, and great value—and help build a flourishing Scotland.

Beyond Zero Harm is our commitment to improving safety, health, and wellbeing over the next five years. Our strategy is built on four pillars:

- **System Safety:** Safety is integrated into our systems, decisions and ways of working, ensuring safe design, responsible delivery and protection of our people, assets and the environment.
- **Everyday Excellence:** Doing the right things, the right way, every day – making safety, health and wellbeing behaviours, standards and practices instinctive across our industry collective.
- **Collective Care:** We look out for one another by building supportive relationships and a culture where everyone feels valued, included and confident to speak up - enabling safe, healthy and high performing teams.
- **Learn & Mature:** We continuously learn, collaborate, and grow across our industry by encouraging every voice, seeking insights, and embedding lessons from success and failure so Beyond Zero Harm becomes a sustained, evolving journey of excellence.

Our Plan meets customer priorities

Throughout development of the business plan we have incorporated the recommendations coming from the customer research which has been conducted. We have reviewed investment scenarios to ensure they were delivering better value for customers, assessing both outcomes and costs; considered how we best communicate packages of investment to customers; protected investment in areas that matter most; and taken the decision to have steady bill increases rather than have higher increases earlier.

Findings from all research have led to several recommendations which have shaped the business plan, these recommendations were:

- Affordability is a concern for household customers, particularly household customers with lower incomes.
- The outcomes proposed in the draft business plan are broadly acceptable to customers, although care is needed to ensure that outcomes related to internal and external sewer flooding are not eroded over SR27.
- Customer views on the climate emergency can impact the overall acceptability of Scottish Water's plans for SR27.
- Communicating plans for SR27 in the context of long-term outcomes and challenges has a significant impact on acceptability.

As part of our assurance process, the Independent Customer Group have evaluated the quality of the customer research used in developing our plan including whether we have clearly reflected customer feedback.

After our draft business plan was published, the Independent Customer Group welcomed the comprehensive nature of the plan and acknowledged its alignment with customer priorities. However, affordability and pricing trajectories were a key concern, and they emphasised the need for clearer justification of the proposed increase to customers' charges. They also highlighted the importance of intergenerational fairness, seeking assurance that current customers are not disproportionately paying for investment compared to future customers, and that investment benefits are shared across all communities. While supportive of environmental improvements, the Independent Customer Group called for greater clarity on how environmental spending is balanced with affordability and service outcomes. They were also keen that customer priorities on things like internal flooding, are not impacted if retained risks materialise. This feedback, alongside feedback from other water industry stakeholders has helped develop our final business plan.

The Independent Customer Group have now provided an assurance report on our final business plan and their report concludes that customers have demonstrably influenced our plan, evidenced by the:

- Reduction of proposed charges from CPI +4% to CPI +3.3% while retaining outcomes;
- Adoption of a smooth charging path;
- Restoration of investment for internal sewer flooding, a high customer priority;
- Reorientation of net zero expenditure toward projects with direct business and environmental benefit;
- Improvements in drinking water quality and aesthetics;
- Targets to reduce leakage; and
- Protection of resources for customer engagement, research, and awareness campaigns.

Consumer Scotland has been commissioned to test whether our final business plan commands customer support. To test this, they have commissioned and led longitudinal deliberative research throughout the SR27 process.
This research involves working with the same group of customers over time, asking them to discuss and provide feedback on our plans. This innovative study will assess whether customers believe our final business plan commands their support and will inform WICS' Final Determination. This research spans three phases and so far has provided customer views of our Long-Term Strategy and their perceptions of our initial plans, helping to inform our final plan.
The last phase will specifically test perceptions of the final business plan to determine if it secures customer support and will inform WICS' assessment of our plan as part of its Final Determination.

Our Plan is cost efficient

As a regulated monopoly working on behalf of the people of Scotland, it is vitally important that Scottish Water operates efficiently so that our customers receive the best possible value for money. Improving how efficiently we operate was a major focus in previous charge control periods, and significant improvements have been made.

We are broadly on track to deliver against 1% per annum efficiency challenge for Tier 1 costs set out by WICS in its Final Determination for the 2021-27 period. We expect our Tier 1 costs will be c.5.5% below their level as at the entry position for the SR21 period. To meet this challenge our Transformation Programme is on track to contribute £49 million of gross, and £30 million of net, Tier 1 benefits over the SR21 regulatory period.

Our Transformation Programme expects to deliver total cost savings of £433 million during the SR21 period in return for total costs of £259 million (£23 million of which are ongoing costs).
The resulting total net benefits of £174 million ensures we reduce our costs and get more value for customers. Our analysis indicates that our capital costs at the start of the SR27 period will reduce by around 6%, as compared with the position at the start of the SR21 period.

You can find out more about our performance and future plans in our Innovation and Transformation Technical Appendix.

We are amongst the leading water companies in the UK in terms of opex costs

We have collaborated with WICS on the approach to evaluating our performance against other water companies in England and Wales, using water sector econometric models developed by Ofwat and the Competition and Markets Authority. We have also taken into account factors that are specific to Scottish Water, such as our increased focus on asset maintenance spending and the impact of operating in less populated areas like the Highlands and Islands.

In their feedback to our draft business plan, WICS presented analysis which suggested that operating cost increases in the coming two years would impact our current level of efficiency. In the final business plan we have provided further analysis to reflect certain unique characteristics of Scottish Water compared to English and Welsh water companies, and for items of cost which are outside of the relevant benchmark. This analysis demonstrates in our view that our plan allows Scottish Water to maintain upper-quartile levels of operational efficiency on a like-for-like basis.

Therefore, in this business plan, we propose no catch-up efficiency in relation to opex costs for SR27. Further detail can be found in the Efficiency Technical Appendix.

Our capex efficiency is in line with other water companies in England and Wales

Assessing capex cost efficiency is less suited to econometric modelling techniques used for opex efficiency. In assessing our efficiency proposal, we have applied various techniques and evidence sources to evaluate efficiency, including benchmarking direct and in-direct costs via:

- External consultants benchmarking our direct construction cost models against equivalent models used by water companies in England and Wales, our costs were 4.2% lower than the industry average overall.
- Specialist consultants benchmarking our indirect costs, showing that these costs were lower than the industry average.
- Enhancement benchmarking that shows that our enhancement cost forecasts are, overall, below or in line with the set of modelled benchmarks that Ofwat used at PR24.

This analysis shows that our overall capex efficiency benchmarks are in line or compare slightly favourably against other water companies in England and Wales. We propose that when efficiency evidence is taken in the round, including in relation to SR21 improvements, there is not a sufficiently clear case for any catch-up efficiency adjustment to be applied for SR27.

We are proposing an ambitious efficiency target to ensure we provide great value for our customers

A 'frontier' efficiency challenge ensures that even the most efficient companies continue to improve their efficiency over time, benefiting customers.

We propose an ambitious frontier efficiency challenge of 0.8% per annum, which:

- Exceeds the Office of National Statistics UK productivity data trends over 2010-2024, demonstrating our commitment to surpass productivity improvements seen in the UK economy over recent years.
- Positions Scottish Water's challenge level above the 0.7% per annum level recently signalled as appropriate by the Competition and Markets Authority (CMA).
- Sits at the top of the 'plausible' range identified by Economic Insight for companies in England and Wales, indicating that our target is at the upper limit of what is considered achievable by industry experts.
- Aligns with international data on productivity improvements in comparator industries since 2009, ensuring that our goals are cost efficient on a global scale.

Our proposed 0.8% per annum level was challenged by stakeholders as not being sufficiently ambitious – and we have further considered the evidence in this area.

Subsequent to publication of the draft business plan, the CMA published its Provisional Determination into the appeal of Ofwat's PR24 Price Control for Water and companies in England and Wales. The CMA found evidence that showed that productivity improvements for water companies have been in line with the wider economy over the recent period and have been close to zero. The CMA considered productivity forecasts from the Office of Budget Responsibility (OBR) and the Bank of England and other evidence in the round and provisionally concluded that an appropriate efficiency challenge for the PR24 period was 0.7% per annum.

We have taken the CMA's analysis and evidence into account when considering whether to update our position for the Final Business Plan. We have also noted the OBR's subsequent announcement that it has updated its forecasts of total factor productivity for the UK, which it expects to be 0.3% in 2026 rising to 0.8% from 2030.

Taking all of this evidence in the round, we considered there to be evidence that would support a lower efficiency challenge than the 0.8% per annum level proposed in the draft business plan. However, we recognise how important it is for Scottish Water to push to be as efficient as possible in order to keep costs for customers as low as possible. As a result, we maintain our proposal that a 0.8% pa efficiency challenge would be appropriate and achievable during SR27. This challenge translates into significant cost savings of £319 million over the regulatory period.

We will deliver genuine efficiency improvements that do not compromise service quality or lead to undesirable outcomes for our customers.

To support us in delivering true efficiency, we propose that the frontier efficiency challenge should apply across both operational and capital costs (totex). This will help us achieve true efficiency by:

- Allowing for greater flexibility in how efficiency improvements are delivered, whether through operating cost efficiencies or capital cost efficiencies.
- Applying the efficiency challenge across all applicable spending categories ensures that a broad spectrum of expenditure is assessed for potential efficiency gains, leading to a more holistic approach to cost management.
- Helping to manage the risk of unintended outcomes, such as underinvestment in capital projects or excessive focus on short-term operating cost reductions that could harm service quality. It encourages a balanced approach to achieving efficiency improvements.

We propose that totex efficiency would apply to all costs except those not within our control, such as regulatory charges, interest costs, PFI costs and local authority rates.

Real Price Effects

The base measure of inflation in SR27 is the Consumer Price Index (CPI), the commonly used measure of inflation in the UK. As noted in WICS' Final Methodology, there is now extensive regulatory precedent of economic regulators recognising that companies may face input price inflation that is different from general economy-wide consumer price inflation.

Scottish Water has collated evidence that shows historical trends of opex and capex inflation levels outstripping CPI across reasonable measurement timeframes. To minimise the potential negative impact of these differentials, we consider it to be important that real price effects are taken into account within the SRC27 price control process. In the draft business plan, we noted that a number of Scottish Water's cost elements had been increasing faster than CPI, including labour, energy, chemicals and materials. However, with the exception of labour, it is difficult to forecast how these cost elements will move over the SR27 period.

We are therefore proposing that:

- An initial 0.2% per annum real price effects estimate adjustment is included in the assumptions underpinning the business plan rather than the values of 0.5%-0.7% in the draft business plan;
- The 0.2% per annum adjustment in the plan reflects that labour costs in the economy have historically risen at a rate somewhat higher than CPI. Further categories of real price effects adjustments could be included within the WICS' Final Determination, based on WICS' assessment of our real price effects analysis and/or their own calculations. The approach to energy cost real price effects may depend on further development to the CMA's approach to base modelling; and
- A methodology for calculating real price effects should be agreed so that real price effects can be appropriately considered within WICS' assessment of our outcome and efficiency performance during SR27.

This combined approach means that our final business plan will reflect approximately £60 million of anticipated cost pressures that we may face, whilst leaving an opportunity for the regulator to consider whether further inflationary cost pressures should be built in upfront or considered when assessing our efficiency performance and delivery of outcomes over the SR27 period.

Full details can be found in the Efficiency Technical Appendix.

Our Plan is assured

Our customers consider us one of the most trusted utility providers in the UK. To maintain this trust, it is crucial that the information we publish is reliable and credible to both our customers and stakeholders. Our assurance process plays a key role in maintaining this trust by ensuring that our business plan is thoroughly evidenced, aligns with our obligations and customer priorities, and adheres to WICS' Final Methodology.

This is the most comprehensive assurance approach we have taken to date, built upon industry best practice methods to ensure the highest standards of reliability and credibility. We have worked closely with WICS to co-design our process, adopting a risk-based approach which targets proportionate assurance dependent on the level of risk for the business.

Assurance is an ongoing process that helps us identify potential errors, make improvements, and monitor the development of our plan. Unlike audits, which look back at the end of a process, assurance assesses what is done during the process allowing improvements to be made in real-time. Through assurance mapping and risk assessment the areas of highest priority for external assurance were identified.

As mentioned, the Independent Customer Group has also provided its own assurance report, focusing on the quality of the customer research which has been undertaken to inform this business plan.

Based on the findings of our assurance process, and the actions taken, the Scottish Water Board has provided their Board Assurance Statement at the end of this business plan.

Our business plan is based on a number of assumptions about the future, and circumstances in the 2027-33 period will almost certainly vary from those set out in our plan. Ensuring effective risk management and maintaining appropriate internal and external recourse mechanisms will be key to providing protection for customers from the cost of unforeseen and adverse events not within Scottish Water's management control.

Overall, the risks identified for this investment period are broadly consistent with those faced in previous periods. During SR21 we experienced some major risk events including the Covid-19 pandemic, subsequent volatility to inflation and the cost-of-living crisis as well as Brexit and the impact on supply chains from the war in Ukraine and other regional conflicts.

We have a range of mechanisms designed to mitigate risk and maintain financial resilience in the event of significant cost shocks or risk events. These mechanisms aim to ensure continuity of essential operations by providing access to additional finance or interim recourse until longer-term funding solutions can be implemented.

Full details on our approach can be found in our Assurance Technical Appendix.

The financial assumptions behind our plan

We have developed a comprehensive financial model to ensure we maintain an appropriate level of financial strength. This model has been co-developed with WICS and assured by external consultants EY, ensuring its logical integrity, functionality, and reliability. Since our draft business plan we have updated and reviewed our assumptions taking into account the feedback from WICS and updated to reflect the latest available data.

Our SR27 business plan has been informed by the following financial assumptions and projections:

Revenue

- Household Revenue Growth is assumed at 1.0% per annum growth rate and is a mix of 20,000 new properties per annum and an increase in Band D equivalents.
- Non-household property growth is assumed at 0.5% per annum.
- Non-household property consumption is assumed to decline by 1.0% per annum. In addition, we have modelled a further reduction in consumption of approximately 10% by the end of the period, attributable to the rollout of smart metering, with this impact profiled in line with the installation schedule.
- Infrastructure charges are assumed to align with our forecast for 2025/26 and assumed to increase by CPI inflation in each year.
- Disposals of land, property and vehicles are assumed to contribute c.£1.3 million per annum on average.
- Secondary charges are assumed to increase in line with the charge profile assumed in this plan.

Operating Costs

During the SR27 period, operating costs are assumed to increase in line with CPI, adjusted for the annual efficiency commitment of 0.8%. We have also applied real price effects (RPEs) of 0.2% to overall operating costs, along with the following nominal step changes:

- Electricity costs are expected to rise by £10.85 million in 2027/28 due to the end of our power purchase agreement for half our grid requirements.
- RBMP3 will require us to meet new reactive phosphorus standards by December 2027. This will have a consequential impact of extra chemical dosing at our sites, with secondary effects on increased energy use and sludge treatment. This leads to an increase in operating costs of £8.013 million from 2027/28.
- Our plan forecasts that employee pension contribution rates will need to rise from 2030/31 to prevent a funding deficit. We project an £8.3 million increase in contributions after the valuation on 31 March 2029, effective from 2030/31.
- The return of four PFI assets to our operation is expected to increase operating costs by £56 million, however PFI service fees will reduce by £92 million.
- It is expected that the additional costs from alternative sludge disposal will be c.£2 million per annum in the SR27 period. This is due to a reduction in the disposal routes available for sludge.
- The impact of the investment programme on operating costs is assumed to be in line with the historic trend of £0.7 million per annum. Additional investment in the SR27 period to support the leakage reduction target is assumed to reduce operating costs by c.£2 million by the end of the period.
- Bad debt is assumed to increase in line with prices (i.e. CPI +3.3%) which is approximately £1.1 million increase per annum.
- Our activities to expand Smart Metering for non-household customers is assumed to reduce operating costs by £1.8 million by end of the period due to water demand reduction.
- Interest rates for new debt are assumed at 4.35% for 2027/28 and 2028/29, rising to 4.4% for the remainder[28] of the period. Net new debt is assumed at £170 million nominal per annum in line with the commissioning letter.
- Corporation tax is estimated to be £61.8 million over the 2027-33 period and is based on the current corporation tax rates and our allocations to capital allowance pools based on historic actuals. Tax legislation can change over the period and if they were to change would have consequential impact on the tax liability of Scottish Water.
- Reasonable cost contributions have been forecast to decrease to £32 million in 2026/27 reflecting the completion of significant network upgrades in the Perth region.

28 In cash terms, not adjusted for inflation

Our forecast summary financial flows are set out in the table below:

24/25 Prices (£m)	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	Total
Revenue	1,876.3	1,951.2	2,025.5	2,102.8	2,183.5	2,268.0	**12,407.3**
Infrastructure charges	14.0	14.0	14.0	14.0	14.0	14.0	**83.9**
Disposal proceed	1.6	1.2	1.2	1.2	1.2	1.2	**7.8**
Total	**1,891.9**	**1,966.4**	**2,040.7**	**2,118.0**	**2,198.7**	**2,283.2**	**12,498.9**
Borrowing (net new)	156.9	153.9	150.9	147.9	145.0	142.2	**896.7**
Grants and contributions	4.6	4.5	4.4	4.3	4.3	4.2	**26.4**
Total Financing	**2,053.4**	**2,124.8**	**2,196.0**	**2,270.2**	**2,348.0**	**2,429.5**	**13,422.0**
Operation costs	(579.3)	(577.8)	(601.8)	(615.3)	(618.4)	(624.2)	**(3,616.8)**
PFI costs	(118.9)	(120.1)	(75.3)	(51.8)	(41.9)	(31.1)	**(439.1)**
Net Interest cost	(162.1)	(165.7)	(168.2)	(170.2)	(174.0)	(176.0)	**(1,016.2)**
RCC	(30.9)	(30.9)	(30.9)	(30.9)	(30.9)	(30.9)	**(185.3)**
Tax	(0.3)	(3.1)	(8.3)	(11.5)	(13.2)	(16.7)	**(53.1)**
Total costs	**(891.4)**	**(897.5)**	**(884.6)**	**(879.7)**	**(888.4)**	**(878.8)**	**(5,310.4)**
Cash utilised	(1.7)	(0.3)	0.7	(2.6)	0.7	2.8	**(0.3)**
Change in working capital	0.0	(0.0)	0.0	(0.0)	0.0	(0.0)	**0.0**
Completion	(15.5)	(2.1)	(0.3)	(0.2)	(0.1)	(0.0)	**(18.2)**
Contribution to repairs & investment	**1,144.8**	**1,224.9**	**1,311.9**	**1,387.8**	**1,470.2**	**1,553.6**	**8,093.1**

In SR27, we plan to invest £8.1 billion, which will contribute 16% of the £51 billion required to achieve our Long-Term Strategy over the next four investment periods.

Our replacement expenditure during the price control period is currently expected to be lower than our comparable estimate of aggregate economic depreciation. This means that asset lives will continue to increase on average. However, this analysis relies on a number of key assumptions.

Further details of the analysis and the assumptions used, including the factors that are likely to contribute to closing this gap as part of our Long-Term Strategy, can be found in Data Table 3 and the associated Commentary document.

You can find out more about our approach to finance in our Financial Strength Technical Appendix.

Performance Monitoring

A SUMMARY OF CHANGES SINCE OUR DRAFT BUSINESS PLAN

What we heard

Our stakeholders (including WICS, SEPA, DWQR, Consumer Scotland, and the Independent Customer Group) told us they want clear and ambitious targets that encourage us to do better, while staying aligned with our existing commitments and Scotland's National Performance Framework (see analysis on page 77).

They also highlighted the need for:

- Strong engagement with stakeholders to build trust in the targets.
- Measures that show the condition of our assets and the impact of maintenance.
- Keeping performance comparisons over time.
- Regular reviews to make sure our measures match wider government goals and capture all customer benefits.

What we've done

Since our draft business plan was published, we have refined our forecast outcome measures in response to feedback and further engagement with stakeholders.

Some of the key updates we have made since the draft business plan was published include:

- **Changes to projected outcomes:** We've updated projected outcomes to reflect changes in investment priorities and stakeholder feedback. This means improvements in areas like water discolouration and the water environment, while some improvements in water continuity and carbon reduction are less than proposed in the draft business plan.
- **Additional outcome measures:** We've added or included plans to start piloting new measures for Asset Health, Communities (Awareness and Behaviour Change measure), River Quality, and Biodiversity.
- **Updates to reflect feedback from the quality regulators:** We've increased ambition for removing UIDs, improved reporting for water quality risk (Water Risk Assessment Platform), and raised performance targets for taste, odour, and discolouration contacts.

These changes make our outcome projections more transparent, better aligned with long-term goals, and more focused on what matters most to customers, the environment, and regulators.

Effective monitoring provides assurance to our customers, stakeholders and regulators that we are delivering value for the investments we have made. We have made great strides in improving performance since our creation in 2002. However, it is important that we keep the measures and metrics we use under review to ensure we continue to set ourselves ambitious goals to stretch and improve our service.

The WICS methodology requires us to forecast our performance across a series of outcome measures, and these will form the basis of performance monitoring for Scottish Water over SR27. Many of these outcomes are new measures for SR27, and several require us to develop new definitions and calculation approaches. We have also proposed two additional measures, relating to customer awareness and progress against our Long-Term Strategy, which we believe will bring additional insight into our performance during SR27.

The tables below summarise the outcomes we forecast for SR27. We have revised our outcomes to reflect customer and stakeholder feedback on the draft business plan – this feedback has resulted in some movements to the original forecasts. We believe the outcomes in this plan are ambitious but realistic, take into accounting the challenges we face and the levels of investment we can deploy in the upcoming regulatory period.

You can find out more about our approach, units, base position and forecast in our Performance Monitoring Technical Appendix.

Customer Excellence

Customer satisfaction is central to all that we do and benchmarking our performance with other companies helps drive the business to customer excellence. Since our draft business plan, we have made no changes to our forecast outcomes in SR27.

We will retain our position as a leading wholesale service provider in the UK by maintaining our upper quartile position for Retailer Measure of Experience (R-MeX).

Our benchmark UK Customer Satisfaction Index (UKCSI) score will be above the average score of all the UK companies in the national survey, and our Customer Experience Measures (CEMs) are expected to see a 6% improvement in points lost, ensuring that we continue to lead in service delivery and customer satisfaction.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.01	Developer Customer Experience Measure (dCEM)	83.25	84.23	6%
1.02	Non-household Customer Experience Measure (nhCEM)	89.56	90.17	6%
1.03	Retailer Measure of Experience (R-MeX)	9.0	9.0	0%
1.04	Household Customer Experience Measure (hCEM)	87.62	88.35	6%
1.05	UK Customer Satisfaction Index	77.9	77.9	0%
1.06	Communities	In development		

We are working with stakeholders to develop new measures under the 'Communities' element, including an Awareness & Behaviour Change measure and a Community Engagement measure, we aim to introduce both within the SR27 period.

Water Continuity

Our customers have a strong desire to see continued reductions in leakage, so we have maintained our outcome to reduce leakage by c.10% in SR27. Due to the rebalancing of investment allocations, we will now maintain, rather than improve levels of repeat interruptions to supply and peak demand. Whilst we still forecast improvement in worst historic drought measure (9%), this is less than originally forecast in our draft business plan (21%).

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.07	Total leakage*	456	9.90%	10%
1.08	Zonal leakage in deficit zones*	233	12.9%	13%
1.09	Business demand*	372	14.9%	15%
1.10	Per capita consumption (PCC)	178	174	2%
1.11	Low pressure	30	26	13%
1.12	Unplanned interruptions	7,000	7,000	0%
1.13	Water supply minutes lost	15.0	15.0	0%
1.14	Repeat Interruption to Supply	240	240	0%
1.15	Worst historic drought	2,805,000	2,564,000	9%
1.16	Peak demand	876,000	876,753	0%

* In line with WICS Guidance, Leakage and Business Demand outcomes are presented as the three-year average percentage reduction in Ml/d (million litres per day) from a 2024-25 baseline (with the baseline expressed in Ml/d terms).

Water Quality

The provision of wholesome drinking water quality is an essential service for Scotland, and customers continue to expect us to meet the highest standards.

In response to customer and stakeholder feedback, we will now maintain our performance in relation to taste and odour contacts despite the challenges climate change poses which had originally led to us forecasting a small deterioration in service levels. We have also improved our forecasts for discolouration contacts by increasing operational activities such as flushing.

We will make progress towards our ambition to play our part in a lead-free Scotland by 2040, reducing the number of lead pipes in our water mains and distribution network by 41%, a slight increase from our draft business plan, we will continue to support customers in removing their lead pipes.

We have maintained our forecast performance for regulatory commitments, forecasting a 29% reduction in points lost from sample failures for total drinking water compliance, and a 17% reduction in DWQR reported incidents.

We forecast 12% reduction in the Water Risk Assessment Platform measure[29] which reports on the greatest risks to water supply and water quality across our network.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.17	Taste & odour	0.51	0.51	0%
1.18	Discoloration	2.11	1.90	10%
1.19	Lead SW networks	43,154	25,154	41%
1.20	Lead customer pipes	98.01	98.15	7%
1.21	Drinking water compliance	99.93%	99.95%	29%
1.22	Water Risk Assessment Platform	5,201	4,568	12%
1.23	DWQR reported incidents	30	25	17%

29 There are a set of different types of hazards or risks that can occur at a location and a set of locations or nodes on the water system that are included in the assessment. This represents a reduction in the number of hazard nodes at an unsatisfactory level of risk to the supply of customers in the water system within the Water Risk Assessment Platform measure from focused investment.

Waste Water Flows

Climate change poses challenges in managing flood risk and our customers and stakeholders understand this, so we have kept our forecast outcomes in line with proposals in our draft business plan. We forecast to reduce the number of properties affected by internal sewer flooding and maintain the number of customers on the internal sewer flooding register. We expect the number of customers affected by external flooding to increase over the period.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.24	Annual internal sewer flooding	1.57	1.48	6%
1.25	Internal sewer flooding register	1.47	1.47	0%
1.26	Annual external sewer flooding	10.43	11.16	-7%
1.27	External sewer flooding register	11.35	11.88	-5%

Water Environment

Our customers, communities and environment can be affected by severe weather events and asset failures which cause overflow events and pollution incidents. We have maintained our ambitious forecast to reduce serious environmental pollution incidents by 38%. As a result of feedback from stakeholders, we have increased our ambition to reduce unsatisfactory intermittent discharges to 17% (we previously forecast a 14% reduction in our draft business plan).

Consistent with our draft business plan, we expect to maintain waste water treatment work compliance for final effluent, sludge compliance and total pollution incidents in our waste water system.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.28	WwTW discharge compliance	96.4%	96.4%	0%
1.29	Serious pollution (EPI Cat 1/2)	8	5	38%
1.30	Total pollution (all categories)	34.8	34.8	0%
1.31	Sludge compliance	0.0	0.0	0%
1.32	Discharges (UIDs)	862	712	17%
1.33	River Water Quality	In development		

Overall, river water quality is measured by SEPA. We will work with SEPA and align with the forthcoming River Basin Management Plan (RBMP4) to identify an appropriate metric for assessing river water quality specific to Scottish Water.

Emissions and Biodiversity

Though we use gravity to move water and waste water where we can within our systems, we also pump water and waste water. This contributes to our operational carbon footprint alongside embodied carbon emissions from our capital investment programme. Customers and stakeholders had mixed views on the priority of reducing emissions in our draft business plan, so we are streamlining our activities to ensure customer value, meaning we forecast lower improvements in emissions than set out in our draft business plan. There has been positive sentiment around the multiple benefits our carbon sequestration activities can generate, so we have improved our forecast in this area.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.34	Net zero emissions	319,416	198,126	38%
1.35	Operational emissions (W)	37,267	9,688	74%
1.36	Operational emissions (WW)	140,224	71,291	49%
1.37	Baseline emissions	61.58%	82.47%	21%
1.38	Operational emissions (net)	168,782	54,529	68%
1.39	Embodied carbon	150,634	143,597	5%
1.40	Carbon capture/sequestration	-8,708	-26,450	204%
1.41	Biodiversity land-use	0.0	4,500	-
1.42	Biodiversity outcomes	In development		
1.43	Resource recovery	In development		

We are leading the development of an outcome-based biodiversity metric that measures the relative benefit ("gain") of biodiversity when land use changes. This complex approach, being progressed with NatureScot, Scottish Government and stakeholders, requires clear criteria, guidelines, and verification processes. While not yet formally available in Scotland, we are actively testing and refining methods to support decision-making and future reporting. It will continue to be explored and then be trialled.

A metric for resource recovery can only be considered once the planned Advanced Anaerobic Digestion (AAD) planned as part of the West Central Bioresources programme is fully operating.

Asset Health

The Asset Health measure is a forward-looking, aggregated score reflecting the condition and resilience of our assets and will support our long-term planning, investment, and regulatory reporting.

During SR27 we will continue to work with WICS and other stakeholders to develop this new measure.

WICS Ref	Short Title	Base	2032/33	% change (rounded)
1.44	Asset Health	29.26	29.59	1%

You can find out more about our approach in our Performance Monitoring Technical Appendix.

CHAPTER TWELVE
BOARD ASSURANCE STATEMENT

BUSINESS PLAN 2027-2033 BOARD ASSURANCE STATEMENT

Introduction

The Scottish Water Board (the Board) has been fully engaged throughout the development of the Final Business Plan 2027-2033, ensuring that it is appropriate for the SR27 period and suitably aligned with the Long-Term Strategy. The Board has provided leadership, scrutiny and challenge at every stage of the business plan process.
In preparing this Board Assurance Statement, the Board has thoroughly considered the requirements set by WICS. The Board understands the level of retained risk in the final business plan, and how this has increased relative to the draft business plan. The Board is fully committed to delivery of the plan and will support Scottish Water responding should risks emerge by utilising the flexibility and prioritisation processes built into the regulatory regime. The structure of this statement follows the framework outlined in WICS's Final Methodology.

Assurance Activities and Outcomes

The systems of internal control that support and assure the completion of the SR27 final business plan to an appropriate level of completeness are:

- the creation of accurate materials by data and subject owners (1st line of assurance);
- the assessment and 'sign-off' by workstream leads and senior leaders (2nd line of assurance);
- external assurance and advice (3rd line of assurance), including:
  - advice on the design of the assurance process to ensure that it was fit for purpose, provided by Alium Blue;
  - assurance of the overall business plan submission, provided by Binnies;
  - external analysis of capex cost data by ChandlerKBS, Arcadis and M2;
  - external assessment of Management Approaches by AtkinsRealis;
  - external assurance of the financial model by EY;
  - external assurance and advice on individual investment projects, programmes or scoping exercises, as appropriate;
  - additional assurance of large projects, defined as projects with a total project value above £100 million; and PFI contracts maturing in the 2027-33 regulatory period by Gleeds;
  - external assurance of the quality of customer research from the Independent Customer Group (ICG); and
  - the support of external experts (i.e. Stantec and PA Consulting) in the creation, completion and congruence of business plan materials.

These systems of control are designed to reduce the frequency of issues and inaccuracies, significantly reduce the risk of material error, and to provide assurance on the accuracy and appropriate completeness of the material provided in the SR27 final business plan.

Over and above the Board's support of the final business plan and its comfort with the associated risk profile, there are nine areas that are identified as key to the assurance of the SRC27 final business plan. The Board makes the following statements to confirm it has challenged and assured itself that the SR27 final business plan submission meets these nine areas:

SRC27 Final Business Plan has been developed in alignment with the draft Ministerial Objectives

Evidence

The final business plan has been prepared in accordance with the draft Ministerial Objectives issued alongside the Scottish Government's Commissioning Letter in Spring 2024. While these objectives will not be finalised until October 2026, the plan has been structured to ensure consistency with the draft framework.

High-level scenario analysis was undertaken to establish the potential 'zone of acceptability' for charges, helping to ensure that the scenarios presented are feasible, affordable and deliverable. This included determining when investment levels were too low to meet draft Ministerial Objectives.

The recommended Reference Scenario has been assessed against the draft Ministerial Objectives to provide assurance that the plan reflects Ministerial priorities. Outcome measures and annual targets have been defined to enable monitoring of progress towards achieving these objectives throughout the regulatory period.

How the Board has assured itself

The Board Workshop in December 2024 focused on the SR27 Investment Planning Scenario, where the Board assessed the relationship between Investment Planning Scenario and customer charges. The Board helped to define a 'zone of acceptability' for charges in SR27 which balanced views from stakeholders, Ministerial Objectives, customer priorities and affordability of customer charges.

The Board interrogated customer engagement evidence and alignment with Ministerial Objectives through the development of the plan.

At the September 2025 Strategy Day, the Board assessed the key elements of the final business plan and its supporting evidence against the requirements of the draft Ministerial Objectives and confirmed its comfort that the plan is well evidenced and appropriate.

SRC27 Final Business Plan has been developed with ongoing stakeholder engagement

Evidence

Throughout the process of developing the draft and final business plans, all sector stakeholders have been working to the well-established principles of Ethical Business Practice and Regulation. A formal structure of multi-stakeholder meetings and Joint Development Groups is established, with agreed Terms of Reference.

These include:

- Water Industry Leaders Group, a forum for senior leaders from each of the main stakeholder organisations involved in the water industry in Scotland to provide oversight and ownership of priorities and challenges across the sector;
- The Strategic Review of Charges Group, chaired by WICS, which provides a platform for sector stakeholders to discuss key strategic topics which have an impact on WICS's SRC27 Final Determination, including the draft and final business plan and Draft Determination;
- Joint Development Groups with SEPA, DWQR and Consumer Scotland; and
- Regular meetings with the Independent Customer Group.

How the Board has assured itself

The inclusion of stakeholder feedback has been a key element of evidence assessed by the Board throughout the development of the business plan.

In August 2025, the Board assessed sector stakeholder feedback on the draft business plan and WICS query process. Potential updates to the final business plan were discussed with the Board at the September Board Strategy Day and the Board reviewed and agreed the business plan in its entirety at the January Board meeting.

The Board met with the Chair and Vice Chair of the Independent Customer Group at the September Strategy Day and discussed the work and emerging findings of the Independent Customer Group's work. The Board has assessed that the feedback from stakeholders has been actively considered and, where appropriate, incorporated within the updated positions in the final business plan.

SRC27 Final Business Plan commands customer support

Evidence

Scottish Water, Consumer Scotland and WICS agreed a Memorandum of Understanding for Customer Engagement for SR27 in November 2024. This set out the roles for Scottish Water, the Independent Customer Group, and Consumer Scotland in the process and was built on three pillars: Evidence, Challenge and Confirmation.

The Evidence pillar sought to establish customers' views of issues relating to the business plan through a co-ordinated and co-designed programme of research and analysis. The full programme of research continues to be overseen by a Research Advisory Group, consisting of representatives from Consumer Scotland, Scottish Water, the Independent Customer Group and more recently joined by WICS. The research programme has gathered customer perspectives on all aspects of our investment programme, and we have utilised customer research from the past ten years to synthesise insight on key topics.

The Challenge pillar agreed a role for the Independent Customer Group to challenge Scottish Water to put customers' needs and expectations at the heart of the business plan. This was facilitated by a special Term of Reference for the Independent Customer Group for SR27 and culminates in the Independent Customer Group's Assurance Report and Challenge Log which are published alongside this plan.

The Confirmation pillar is ongoing and is being achieved through a longitudinal deliberative research project commissioned by Consumer Scotland, the final phase of which will take place after publication of the final business plan.

Throughout development of the draft and final business plan we have incorporated insights gained from customer research. We have reviewed investment scenarios to help to ensure that we are delivering best value for customers: assessing both outcomes and costs; considered how we best communicate packages of investment to customers; and protected investment in areas that matter most to customers.

How the Board has assured itself

The Board considered and gave feedback on the outcomes of customer research at both the April and September Strategy Days in 2025, and has further reviewed the executive summaries of all research reports. The Board met with the Chair and Vice Chair of the Independent Consumer Group in September 2025 to discuss the Independent Consumer Group's views of the draft business plan, and gained comfort from the Independent Consumer Group's role in providing assurance that the final business plan reflects the views of customers. The Board has received the Independent Consumer Group's assurance report and considers it to be consistent with the requirement to ensure that the business plan commands customer support.

SRC27 Final Business Plan is consistent with the long-term Water Sector Vision

Evidence

The Water Sector Vision was collaboratively developed and agreed between the principal water sector stakeholders in 2019, minor amendments were made in agreement with all stakeholders in 2025 to reflect the significant impact of climate change on water resources. These updates ensure that the Vision remains relevant and responsive to emerging challenges, promoting resilience and sustainability across the sector. Ongoing engagement with stakeholders is central to maintaining a shared direction and adapting to future needs.

The Water Sector Vision is a foundation for Scottish Water's Long-Term Strategy, which outlines how Scottish Water will deliver its part in making the Vision a reality. This is underpinned by a more detailed 25 Year Investment Strategy.

The 25 Year Investment Strategy provides a long-term framework that aligns the SR27 Business Plan with the Water Sector Vision by setting out clear priorities and objectives that address both current and future challenges. It ensures that investment decisions made within SR27 are consistent with the sector's overarching goals, such as service levels, compliance, sustainability, resilience, and adaptation to climate change. By integrating stakeholder input and regularly reviewing progress, the 25 Year Investment Strategy enables the SR27 Business Plan to adapt and support the Water Sector Vision.

How the Board has assured itself

The Board played a key role of the review and input into draft versions of the Long-Term Strategy before approving it for publication in May 2025. The Board has considered the relevant elements of the final business plan and received assurance from the Executive Leadership Team that it is consistent with both the Long-Term Strategy and the Water Sector Vision.

SRC27 Final Business Plan represents value for money through providing challenging proposals for operating and capital expenditure efficiency and levels of service performance

Evidence

The final business plan includes extensive analysis and evidence in relation to current operating and capital cost efficiency, tested through a range of econometric and benchmarking exercises. In aggregate, the Board conclude that Scottish Water operates at a suitable level of efficiency.

The final business plan also includes proposals for stretching 'frontier' efficiency gains to be achieved over the course of SR27, and a proposal that Real Price Effects should be taken into account within WICS's determinations.
The final business plan lays out the investment that Scottish Water proposes to make, the efficiency gains that are proposed to be achieved and introduces some of the Transformation programmes that will help Scottish Water to achieve these efficiency gains.

The final business plan proposes a stretching set of performance outcomes that the SR27 investment programme should deliver for customers.

How the Board has assured itself

The Board has been assured that the analysis of efficiency evidence has been conducted by external and in-house experts using industry standard techniques and approaches. The Board has been assured by the Executive Leadership Team that the investment and services outcomes proposed in the final business plan are appropriately stretching but achievable. The Board has been presented with and had the opportunity to challenge the efficiency evidence and outcome proposals within the plan via Board Meeting materials, Board Strategy Day sessions and access to underlying evidence.

During the business plan process, the Board asked for further scrutiny of the underlying productivity evidence and whether it supported a challenge level of 0.8% pa. The Board were supplied with an update from the Executive Leadership Team demonstrating that 0.8% pa was challenging, in excess of prevailing productivity UK productivity data and at the top of the range of challenges proposed by leading water companies in England & Wales. The Executive Leadership Team informed the Board that, on the balance of evidence, 0.8% pa was a stretching but achievable target that helped to support Scottish Water's drive to provide value for money for its customers.

SRC27 Final Business Plan is deliverable considering factors such as the capacity of the supply chain in Scotland to deliver the proposed investment programme.

Evidence

The procurement strategy for SR27 has been reviewed and approved by the Board. This has included the extension of Delivery Vehicle 2 (DV2) and the procurement of Delivery Vehicle 4 (DV4) Enterprise to replace Delivery Vehicle 1 (DV1). The wider supply chain requirements to support major projects and Scottish Water Delivered requirements are either in place or are in the process of being procured. The forecast capital investment profile has been assessed against the SR27 supply chain and tested in terms of capability and capacity. The mix of work has been checked and assessed by Scottish Water Commercial teams, and the allocation of the work between existing and future delivery vehicles has been undertaken based on efficiency, capability forecast capacity. Scottish Water has calculated and tested delivery capacity and confirmed that it has sufficient capacity within the understood final business plan scenarios. Scottish Water has provided input into an independent view of supply chain capacity commissioned by WICS.

How the Board has assured itself

The Board has discussed and challenged internal teams on the design of the SR27 supply chain in 2024. The Board assessed proposals for the DV4 Enterprise model at the April and September Strategy Days in 2025, and has concluded that this approach will be critical in supporting delivery of the SR27 investment plan. The Board has been provided with materials detailing the design and proposed approach to delivering the final business plan, and is comfortable that the plan is deliverable on the basis of projected capacity in the supply chain in Scotland.

SRC27 Final Business Plan maintains appropriate levels of financial strength over the 2027-33 period and beyond

Evidence

The final business plan submission is underpinned by a financial model developed jointly between Scottish Water and WICS. This model, its logic and its outputs has been reviewed internally and by WICS, EY and Binnies. The team working on the model have significant experience in the model itself and the business and financials of Scottish Water which it represents. This team meets weekly with WICS to discuss the model and run through changes to calculations and assumptions if any arise.

The model is regularly updated during these engagements and in response to new information (e.g. forecasts, budgets) or requirements. The model captures input from actual figures, publicly available economic data and other Scottish Water documents such as the Long-Term Strategy.
A version of the model has underpinned regulatory financial reporting and WICS engagement since the start of SR21. It is regularly used within Finance to support budgeting and other activities.

Critically, this model contains income statement, balance sheet and cash flow projections which always show the business remains within acceptable bounds for balance sheet strength, WICS regulatory compliance and cash availability, aligned to the Board's stated risk appetites.

The model extends beyond the end of 2033 (including the period of the Long-Term Strategy).

The approach to the business plan involves calculating the amount "available-to-invest" by taking modelled funding less forecast costs and other items. This available-to-invest figure is then passed to Capital Investment to independently evaluate how the funding is best deployed.
This segregation of responsibilities helps ensure that operating costs and other items are properly captured and funds are not overcommitted in multiple places at once.

How the Board has assured itself

The Board has reviewed and discussed the coherence of the financial commentary and technical appendix and has received assurance statements from the General Manager for Financial Reporting and Controls; the Group Finance Manager; and the Finance Technical Specialist who prepares the model. The Board has received the reports of assurance from EY and Binnies, and is comfortable that the final business plan allows Scottish Water to maintain appropriate levels of financial strength throughout the regulatory period.

The data underpinning the SR27 Final Business Plan is accurate and complete and accompanying commentaries are consistent with expectations set out in the business plan guidance

Evidence

All data tables, accompanying commentary and technical appendices have had first-line assurance by subject matter experts and second-line assurance by General Managers. These documents have also been subject to external assurance by Binnies UK ahead of final governance sign off by Scottish Water directors. Large projects, defined as projects with a total project value above £100 million, and PFI contracts maturing in the 2027-33 regulatory period have undergone additional individual external assurance processes. The narrative of the final business plan has been reviewed by a Board sub-group and subsequently by the full Board. In addition, extensive congruence checks were carried out across all business plan materials to ensure consistency and integrity.

How the Board has assured itself

The Board has confidence in the extensive assurance processes in place for the draft and final business plans. The Audit & Risk Committee was engaged in the development of the Board Assurance Statement.

The Audit & Risk Committee convened a Special meeting in January 2026 to fully consider the assurance of the final business plan, assessing the internal controls, the findings of external assurance processes and the retained risks in the plan. This process has given the Audit & Risk Committee the confidence to recommend that the Board sign the Board Assurance Statement.

The overall scope and scale of investment required during SR27 has been considered and challenged.

Evidence

The proposed approach of the Strategy and the SR27 Business Plan was set out in a discussion paper in May 2023 ahead of the receiving the Scottish Government Commissioning Letter. This set out the foundational principles which included dynamic investment planning, the increase of investment (and funding) over time and embracing the principles of ethical business practices.

In September 2023 the Board was engaged in a Horizon Scanning Workshop with a focus on emerging risk, the 7-step process to create our Long-Term Strategy and Customer Research.

In September 2024 the Board were presented the potential ranges for operational and capital expenditure for the SR27 period (this included investment and funding projections). These ranges were developed further and presented at the December 2024 Board Workshop. The workshop focused on the approach to determining the SR27 "Zone of Acceptability" for the Investment Planning Scenario for use in the business plan. This approach was to consider balancing views from stakeholders, ability to achieve Ministerial Objectives, customer priorities and affordability of customer charges.

The Board has reviewed and provided views on the approach to creating the Investment Planning Scenario for the SR27 draft business plan. It explored the overview of the current SR27 Investment Planning Scenarios and discussed expectations and priorities; and noted the processes for establishing our efficiency challenge and appropriate levels of ambition.

In February 2025, the Board received an update on key elements of the SR27 programme development including the refinement of the SR27 Investment Planning Scenario following the December Board Workshop. The Board were asked to approve continued development of the draft business plan based on the proposed 'Working Reference' Scenario, and that variations from this to develop the two Alternative Scenarios. They were presented the likely impact on service, ability to meet regulatory commitments and make progress in areas of customer or stakeholder priorities.

At the Board Strategy Day: Bringing the Plan Together in April 2025, the examined the outcomes of the financial modelling along with the Investment Planning Scenario to be included in the draft business plan. This included a revised reference scenario and two alternative scenarios for inclusion in the draft business plan.

The overall scope and scale of investment required during SR27 has been considered and challenged. (Cont.)

Evidence

Following feedback from stakeholders on the draft business plan at the September 2025 Board Strategy Day, the Board was presented with several updates based on the feedback.

This included:

- Key changes to the draft business plan based on feedback from DWQR and SEPA who had identified priorities for additional investment as well as areas for deferral.
- Alternative options to funding such as increasing availability of debt financing and variability of mutual investment model (MIM).

The Board considered these changes and gave input into the proposed approach including the level of ambition in the proposed final business plan.

In October 2025 a proposal was taken to the Board to confirm membership of the Board sub-group to review and shape the final business plan narrative.

At the December 2025 Board Workshop, the Board was engaged in the approach to identifying and assessing risk in the SR27 final business plan. This session set out the risk environment in which Scottish Water operates, the risks associated with the final business plan Reference Scenario and retained risks, and how they would be managed within the period.

The overall scope and scale of investment required during SR27 has been considered and challenged. (Cont.)

How the Board has assured itself

Initial Engagement alongside Long-Term Strategy

May 2023 | Strategy and SRC27 Development

- Explored and agreed the foundational principles for SR27, included dynamic investment planning, the increase of investment (and funding) over time and to embrace the principles of ethical business practice.

Development of Investment Planning Scenarios

Dec 2024 | Initial View of Investment Planning Scenarios

- The Board Workshop focused on the SR27 Investment Planning Scenario. The Board discussed the relationship between the Investment Planning Scenarios and customer charges - clarifying a 'zone of acceptability' - balancing views from stakeholders, Ministerial Objectives, customer priorities and affordability of customer charges.
- The Board reviewed the approach to creating the Investment Planning Scenario for the SR27 draft business plan, explored the overview of the current SR27 Investment Planning Scenario and laid out Scottish Waters expectations and priorities.

Feb 2025 | Investment Planning Scenario

- The Board received an update on key elements of the SR27 programme development including the work completed on the SR27 Investment Planning Scenario following the December Board Workshop.
- The Board approved continued development of the SR27 draft business plan based on the proposed 'Working Reference' Scenario and that variations from this to develop the two Alternative Scenarios should be at £400 million increments.
- The Board approved the approach taken to establish our efficiency challenge position for SR27 and discuss the proposed levels of catch-up efficiency, frontier efficiency and Real Price Effects ahead of approaching final efficiency position in April.

Apr 2025 | Bringing the Plan Together & Review of Key Messages and Outcomes

- This Board Strategy Day session explored and agreed key aspects of the draft business plan including:
  - Outcomes of the financial modelling.
  - The final Investment Planning Scenario and the proposed revised reference planning scenario and two alternative scenarios.

The overall scope and scale of investment required during SR27 has been considered and challenged. (Cont.)

How the Board has assured itself

Stakeholder Feedback & Investment Planning Refinement

Sep 2025 | Stakeholder Feedback and Alternative Scenarios

- The Board Strategy Day allowed the Board to provide direction on the key changes to the investment plan being considered between the draft business plan and final business plan, and the potential impact on plan outcomes.

January 2026

- The Board approved the final Investment Planning Scenario and agreed to the submission of the final business plan.

SIGNED: (on behalf of the Board of Scottish Water):

DEIRDRE MICHIE
CHAIR OF SCOTTISH WATER BOARD
Date: 3rd February 2026

CHAPTER THIRTEEN
THANK YOU AND NEXT STEPS

The Final Business Plan 2027-2033 is a critical step in delivering our Long-Term Strategy, ensuring we continue our work to improve the lives of our customers and communities, and help Scotland to flourish come rain or shine.

We are committed to delivering a plan that meets customers' needs, supports a flourishing Scotland, protects our environment, and embraces new ways of working to deliver long-term value. We would like to thank the more than 25,500 customers who have given their views and helped shape our plan, this feedback has been instrumental in ensuring our plan reflects the needs and aspirations of the customers and communities we serve.

Together, we are building a future where Scotland's water services are trusted, resilient, sustainable, and aligned with the expectations of our customers and communities.

We would also like to thank all our supply chain partners and stakeholders in the Scottish water sector, including WICS, DWQR, SEPA, Consumer Scotland, Scottish Government and the Independent Customer Group. The feedback and challenge we have received has helped shape this plan.

WICS will review our SR27 final business plan and publish its Draft Determination for consultation in June 2026 and the Final Determination in October 2026. This will confirm investment levels, efficiency targets, and customer charges for 2027–33, setting the framework for delivery. Ahead of the beginning of the SR27 period, we will

publish our SR27 Delivery Plan outlining how we will meet the Determination requirements. This will detail what investment we will deliver and when, and the impact these investments are expected to have on our performance. We will update this plan on a regular basis and report progress in our Performance and Prospects Annual Report and our more data driven Annual Return.

We are also undertaking work with sector stakeholders to review the dynamic investment prioritisation process to ensure there is robust decision making where reprioritisation is required. Ensuring the costs and benefits of competing investment priorities are balanced appropriately and any shocks or increased risk are managed effectively. We will ensure that the voice of our customers plays a critical role in any reprioritisation decisions during the period and there is engagement and full transparency on decisions for customers and stakeholders.

We are held to account for delivering against our Delivery Plan commitments by WICS who scrutinise our performance to ensure customers receive high quality services. More broadly we are held to account by Scottish Parliament, and the wider water sector also oversees the progress we make against our investment programme through the Water Industry Investment Group which is chaired by the Scottish Government.

We look forward to delivering our plan and taking the vital first step towards our Long-Term Strategy, ensuring that people across Scotland continue to enjoy resilient services for generations to come.

Thank you for your continued support and partnership.

Scottish Water

Trusted to serve Scotland

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