



UNISON Scotland response

Water services: investing in and paying from 2027

UNISON is Scotland's largest trade union, and the largest trade union in Scottish Water. We strongly support the principles of public service, and public delivery, across all sectors, and at Scottish Water. We are pleased to be able to contribute to the Scottish Government's consultation on investing in and paying into Scottish Water.

UNISON Scotland's response to this consultation has been informed and shaped by 'Scottish Water: creeping privatisation A Critical Examination of Union Representation, Governance, Outsourcing, and Management Culture in Scottish Water' by Des McNulty, Glasgow University and Alan McKinlay, Newcastle University and commissioned by UNISON Scotland.

Question 1

To what extent do you agree that the Ministerial Objectives identify the type of investment activity Scottish Water should undertake in 2027-33?

Disagree

Question 2

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

Our concerns about the Ministerial Objectives outlined in Question 1 are not so much the objectives themselves, but in the potential they leave for, and the encouragement they provide to, the increasingly corporate management at Scottish Water to interpret these as justification for further privatisation and contractualisation. We are particularly concerned about the 'economic growth' objective in this regard.

The most glaring omission is also the item that would make the biggest positive difference to Scottish Water's operations, investments, and consumer experience: public delivery. At present, Scottish Water is a public entity in name, but a private operation in practice. It is urgent, and incumbent upon Scottish Ministers, to halt the quickening pace of privatisation, and work to reverse its effects.

Public delivery is, in fact, key to the proposed ministerial objectives being delivered. Ensuring Scotland's water is not just publicly owned, but publicly delivered, is both the mandate Scottish Water was established under, and the best way to avoid Scotland experiencing the

enormous failures we have seen play out at the hands of private water companies in England.

Describing Scottish Water, the Scottish Government says that 'Any surpluses (profits) generated from its [Scottish Water's] operations are fully reinvested in maintaining and improving services for the benefit of charge payers. No money is taken out of the system by shareholders.' Yet, in practice, this is untrue.

Approximately 92% of major works are now delivered by third-party contractors for whom Scottish Water is the main customer. The majority of staff involved working on Scottish Water major infrastructure projects are employees of third-party contractors. This means that the shareholders of these companies are being rewarded financially by charges paid by the Scottish public for their water.

This model also means that third party workers are not covered by collective bargaining arrangements and have minimal or no guaranteed access to union representation. The fragmentation of the workforce between directly employed and contractor staff creates a two-tier system with a much-reduced collective voice and collective purpose.

Externalising sections of the Scottish Water workforce by embedding them in teams controlled by private firms hollows out in-house delivery capacity and replaces public service ethos with market mechanisms driving service delivery. It consolidates and extends reliance on contractors, sacrificing workforce conditions, skills, and capabilities. As one Scottish Water insider observed: 'It's like a snake eating its own tail!'

This practice also raises serious concerns about value for money. There is significant evidence that bringing in private contractors rather than using skilled public sector workers is more expensive than using in-house staff. UNISON members report that in Scottish Water that this practice is widespread across major infrastructure delivery, testimony which is borne out by the proportion of Scottish Water projects which are being undertaken by third party contractors. In many cases, this is work that can, and we argue should, be done by public sector Scottish Water workers.

Ministers should require Scottish Water to invest in rebuilding in-house capacity, by rebuilding public sector skills and capabilities rather than increasing dependence on external contractors. If unchecked, the current outsourcing model, and the new 'enterprise model', will further hollow out public capacity. Reversing this requires investment in direct employment, training, and career development with Scottish Water, and a move towards relying on private contractors only when there is a genuine operational need rather than simply an ideological preference.

We also have concerns about the proposed enterprise model for Scottish Water, which will form one of the UK's largest long-term delivery alliances, upgrading water and wastewater assets from 2027 to 2033, with an option to extend to 2039. This ties the hands of Scottish Water to continue to outsource work, and funnel public funds to, private companies. The scale and duration of these arrangements also reduces Scottish Water's flexibility to adapt its delivery model over time. Long-term contractual commitments risk creating 'lock-in',

where future public policy choices are constrained by existing commercial arrangements rather than driven by public interest.

The 2027-2033 regulatory period represents a critical juncture. Decisions taken now, particularly in relation to the enterprise model and long-term delivery partnerships, will shape how Scottish Water operates for decades. Without intervention, this risks locking in a model of outsourced, market-driven delivery that will be difficult to reverse.

Question 3

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

Scottish Water provides services which we cannot live without. The creation of Scottish Water in 2002 followed the overwhelming rejection of water privatisation in the 1994 Strathclyde referendum, where 97.2% of voters opposed privatisation with a turnout exceeding 71%. This decisive mandate reflected strong public opposition to the commodification of water, and highlighted the negative consequences of privatisation in England, including substantial price rises and profiteering by private water companies.

This public service model is the defining strength of Scottish Water. Indeed, Scottish Water was often considered the jewel in the crown of Scottish public services. Yet, it has been allowed to be systematically eroded and hollowed out by privatisation. We believe urgent action is needed to correct this course and return Scottish Water not just to its public service values, but its public service operational principles and practices.

Question 4

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

We have several concerns about the water and wastewater services provided by Scottish Water. Our concerns also extend to Scottish Water's management and corporate culture. These concerns cannot be considered separately from concerns about the delivery of services, as they directly relate on Scottish Water's ability to provide these services in a genuinely publicly minded and oriented manner.

1: Scottish Water's services are increasingly being provided by private contractors. Scottish Water has been hollowed out and privatised by stealth.

Scottish Water remains a public corporation in legal form. Scottish Water, and the Scottish Government regularly demonstrate some awareness of the popularity of the public ownership model with the public. Scottish Water's own marketing campaigns emphasise its public nature. However, Scottish Water has been transformed into a market-oriented utility, operationally indistinguishable from how its private counterparts in England operate. As outlined in our response to Question 2, approximately 92% of major works are now delivered by third-party contractors for whom Scottish Water is the main customer. The majority of staff involved working on Scottish Water major infrastructure projects are

employees of third-party contractors. These workers are not covered by collective bargaining arrangements and have minimal or no guaranteed access to union representation. The fragmentation of the workforce between directly employed and contractor staff creates a two-tier system with a much-reduced collective voice. This also means that a significant amount of profit is being made from Scottish Water projects—contrary to the Scottish Government’s claims.

This shift is also associated with a deterioration in industrial relations, outlined in our response to Question 2. Evidence from union representatives indicates reduced transparency, failures to consult on significant organisational changes, and a weakening of established collective bargaining arrangements. This appears aligned with a model of delivery that limits workforce voice and influence over how services are delivered.

Please also refer to our response to Question 2. We are deeply concerned about the rampant privatisation of Scottish Water’s services, its erosion of the public service model, and its impact on the water and wastewater services it provides.

2. Despite the public being charged more every year, there is a looming funding crisis for Scottish Water, which we fear will lead to an even deeper spiral into privatisation

This funding crisis is likely to happen despite the significant proposed rise to customer charges set out in Scottish Water’s final business plan (published in February 2026). This funding crisis makes it even more likely that the downwards spiral towards privatisation Scottish Water is currently on will not be stemmed but accelerated. This is despite evidence that public delivery is not only better value for money, but a better way to ensure that the values of public service are retained at Scottish Water.

This funding crisis is not inevitable. It is a result of a fundamental contradiction between the public service principles upon which Scottish Water was founded, principles it projects to the Scottish public through its marketing campaigns, and upon which it had a huge mandate to operate, and the blinkered economic regulatory model, which prioritises cost-efficiency within a regulatory model that does not adequately account for public sector values. More recently (particularly since 2021), conditions for the looming funding crisis were also laid by the Scottish Government imposing its social justice narrative onto Scottish Water – and in so doing, making it more likely that the people of Scotland, including those living in poverty, will suffer from the poor results of Scottish Water’s eroded public service model.

As of 31 March 2024, Scottish Water’s accumulated debt to the Scottish Government was £4,339 million. The annual interest payment on this debt is £138.6 Million in 2026/27. Interest from these loans is recorded in the Climate Action and Energy section of the Scottish Budget as a source of revenue. The use of interest payments to the Scottish Government to plug funding gaps elsewhere rather than for water related purposes, while customer bills rise by nearly 10% annually, suggests that consumers are being charged above necessary levels. Consideration should be given to funding infrastructure investment

through prudential borrowing or time-limited green bonds that spread costs fairly across generations rather than current arrangements.

Scottish Water's cash reserves are also dwindling. Reserves peaked at £657.1 million (Group) in 2021-22 before declining by 59% to £270 million by 2024-25. This dramatic decline is due to spending at an annual rate of £100 million not covered by government borrowing or customer charges.

Meeting the proposed ministerial objectives, including water quality, environmental protection, and climate targets, will require increased investment. This is against the backdrop of inflation and delivery failures which have led to forecast shortfalls. The solutions under current arrangements are abandoning net zero targets, higher government borrowing at a time when the Scottish Government has no fiscal headroom, or intensified reduction of costs to the detriment of Scottish Water's workforce and to its public service values.

3. Executive pay

Alex Plant joined Scottish Water as Chief Executive from Anglian Water, a privatised English water company. Plant was paid 28% more in his first year in post than his predecessor was paid in their final year against a backdrop of customer bills increasing by 8.8%, workers facing pay restraint, and unions being engaged in disputes over pay and conditions.

Nearly everyone appointed to the board of Scottish Water comes from a private sector background in which it is common to pay bonuses – one of the defining differences between the culture and ethos of the public sector compared with private sector organisations. Alex Plant received a basic salary in 2024-25 of £295,000 (up £49,000 from his predecessor's final year), with a total package of £523,000 including pension and bonuses. Within his first ten months, Plant received £170,000 in bonuses and benefits, plus a £73,000 relocation package (including £13,000 relocation assistance, £29,000 accommodation allowance, and £42,000 Land and Building Transaction Tax contribution). He is not alone in being paid substantial bonuses as part of his remuneration packages: Peter Farrer (COO) was paid £312,000; Alan Dingwall (CFO) £293,000. These second-tier managers are paid substantially more than the Permanent Secretary and chief executives of the largest local authorities and health boards in Scotland.

Over the past decade, Scottish Water executives have received over £2.5 million in bonuses, despite public sector pay rules intended to prevent such payments. In a single year, bonuses soared by over a third, amounting to £330,000 in 2023-24 for three executives alone.

This must also be seen in the context of ongoing pay restraint for the directly employed workforce, raising further questions about priorities in how resources are allocated within Scottish Water.

3. Governance

Governance around the publicly owned water and sewage industry in Scotland deliberately excludes worker voice and makes democratic scrutiny more difficult. Governance of Scottish

Water operates through multiple layers, and strategic decisions are made through complex six-yearly reviews. This removes decision making from democratic scrutiny and has the effect of making understanding and scrutinising how Scottish Water's water and wastewater services are being delivered. In practice, key decisions on investment, pricing and service delivery are made through complex regulatory processes with limited scope for meaningful parliamentary or public scrutiny, creating a democratic deficit in the governance of an

essential public service. Recent governance failures within WICS have also raised wider questions about regulatory oversight and accountability within the current system.

4. Transparency

We have significant concerns about the transparency of water and wastewater services delivered by Scottish Water, and about the transparency of its corporate operations. There are concerns and unanswered questions around potential conflicts of interest and career movements between Scottish Water executives and senior staff, and its major contractors. In our view, an organisation receiving and spending public money should be accountable for its use of those funds through transparency which allows for rigorous scrutiny.

5. Corporate culture and treatment of workers and their trade unions

This remuneration of executives at Scottish Water we outlined earlier in our answer to his question is not just of concern because of the size of the figures being paid to executives at a public body, but it is of concern because of what it reveals about institutional transformation.

Executive pay highlights the fundamental problem at the heart of Scottish Water: public ownership without public service values. Managers are incentivised to deliver cost efficiencies and operational metrics that mirror practices in failing privatised utilities, while workers and consumers bear the costs through suppressed wages, eroded conditions, and rising bills. As one UNISON member commented in a recent report: 'Basically, it's being run as a private company!'

The erosion of organisational culture extends well beyond remuneration. Management-union relations have deteriorated systematically. The appointment of external executives 'stepping over home-grown talent' signals prioritisation of external private sector experience over internal capability.

Question 5a

To what extent do you agree or disagree that the charging approach set out in the draft Principles of Charging remains appropriate for the next 6 year regulatory period 2027-2033?

Neither agree nor disagree

Question 5b

Please explain your answer to 5a

We agree with the Principles of Charging. We do, however, question the justification for consumer charges being increased well above inflation while senior managers at Scottish Water are paid more than the First Minister of Scotland.

Question 6a

To what extent do you agree or disagree that continuing to provide households with support for charges at the current level over the next regulatory period 2027-2033 will minimise the charge increases for all households?

Agree

Question 6b

Please explain your answer to question 6a

We agree with continuing to support households with charges at current levels. Maintaining support for households should not be used to justify above-inflation increases to consumer charges.

Question 7a

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

Agree

Question 7b

Please explain your answer to question 7a.

We agree that the current eligibility criteria for the charity exemption scheme is appropriate, and it is our position that the charity exemption scheme is an important function of the charging structure to retain.

Question 8a

To what extent do you agree or disagree that a fundamental review of charging policy is needed, to ensure it meets emerging policy needs and to inform the approach for the next regulatory period starting in 2033?

Disagree

Question 8b

Please explain your answer to question 8a

The link between council tax and water charging is working well and should be maintained. It would be more appropriate to consider this question at a point where fundamental changes have been made to the council tax regime.

It would also be difficult to conduct a meaningful and fundamental review of charging policy without also reviewing the extent to which the current regulatory framework around Scottish

Water, and internal management of it, encourages ongoing extraction of public money for the benefit of private shareholders.

Beyond a fundamental review, it is our position that an independent inquiry should be undertaken into Scottish Water. The inquiry should consider:

- Scottish Water's internal governance structures and processes;
- The scope and effectiveness of the mechanisms between Scottish Water and the Scottish Government;
- The effectiveness, culture and accountability of Scottish Water's management;
- The strategy, governance and accountability of Scottish Water's decisive shift to 'the Enterprise' model which ramps up its reliance on external contractors for the long-term;
- The current state of employee relations inside Scottish Water and 'the Enterprise', and how this can be improved to the benefit of all stakeholders

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