

Scottish Water: creeping privatisation

A Critical Examination of Union Representation, Governance, Outsourcing, and Management Culture in Scottish Water

February 2026

1. The Public Service Model: Initial Success and Subsequent Erosion

1.1 Historical Context and Early Success

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% (Cooper et al., 2006). This decisive mandate reflected strong public opposition to the commodification of water, which was perceived to be abundant, coupled with a preference for public ownership (Ioris, 2008). The referendum campaign had highlighted the negative consequences of privatisation in England, including substantial price rises and profiteering by private water companies.

Between 2002 and 2021, public ownership enabled demonstrably superior outcomes compared to England's privatised system:

- Customer charges in Scotland were consistently ranked 2nd lowest in comparison with utilities in England and Wales
- Recovering from historic underinvestment, Scottish Water invested 35% more per household than the average of English private water companies
- 66% of Scotland's water bodies achieved good ecological status compared with only 16% in England (Hendry, 2018)
- Customer satisfaction remained substantially higher: 81% in Scotland versus 55% in England in 2021
- Interest charges accounted for over 35% of bills in England, attributable to borrowing costs and shareholder payouts to owners of the water companies (Hall and Gray, 2025), compared with 8% in Scotland.

Public ownership is perceived as a continuing strength by the Scottish public. Indeed, support for public ownership has grown. Scottish Water has made use of this in its effective marketing campaigns. Increasingly, however, the private realities within Scottish Water are at odds with corporate narratives of public ownership.

1.2 Financial Structure and Borrowing

Although Scottish consumers were protected from paying dividends to private companies, as of 31 March 2024, 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. While this ought to be earmarked for debt repayment, in practice it provides Scottish Government with additional flexibility in managing its overall capital and revenue budget. Part of it could, under these arrangements, be used to offset expenditure on other priorities that are not water related.

1.3 Cash Reserves and Organisational Structure

Scottish Water's cash 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. A funding crunch is inevitable if they are to sustain current capital investment levels and meet replacement requirements and environmental standards. Ramping up investment to meet the Scottish Water net zero target by 2040, five years ahead of the Scottish Government net zero target of 2045, will precipitate the crisis even more quickly.

The Scottish Government has been widely criticised for abandoning its 2030 and 2040 (interim) climate targets, the first jurisdiction to do so. Repeated failure to deliver on its commitments forced the abandonment, a consequence of setting aspirational goals without the policy and implementation capability in devolved areas such as transport, agriculture and housing retrofit needed to deliver them.

Required to 'demonstrate leadership and innovation', Scottish Water has been held to its accelerated 2040 net zero target, which inevitably means charges for consumers remaining well above inflation as they have been for the past three years. The alternatives under present arrangements are retrenchment in spending (i.e. abandoning net zero and discharge targets), higher government borrowing at a time when Scottish Government has no fiscal headroom or intensified reduction of costs to the detriment of Scottish Water's workforce – a process of creeping privatisation that is already having adverse and demoralising effects on its workforce.

The Scottish Water Group structure comprises:

- **Scottish Water Company (Parent):**
The main statutory water and wastewater utility, directly employing approximately 4,680 staff, funded through regulated water charges.
- **Business Stream:**
Scotland's largest licensed water retailer with approximately 20% market share, serving business customers. Revenue of £676 million (2023-24). Financially ring-fenced and self-financing, preventing transfer of cash to Scottish Water Company.
- **Scottish Water Horizons:**

Commercial subsidiary focusing on renewable energy projects with revenue of £21 million (2023-24).

The following table demonstrates the downward trajectory of cash reserves:

Year	Group Cash (£m)	Company Cash (£m)
2019-20	531.6	391.4
2020-21	570.4	428.7
2021-22	657.1	515.9
2022-23	487.0	390.0
2023-24	362.0	280.0
2024-25	270.0	136.0

1.4 Staff Complement

As of 2023-24, Scottish Water Company directly employed 4,680 staff, with projections indicating this figure remaining around 4,600+ for 2024-25. However, this figure represents only half of the total workforce delivering water and sewerage services. The balance of those delivering Scottish Water infrastructure projects, some 4500 workers, are direct employees of third-party contractors.

1.5 Regulatory Framework and Recent Transformation

The regulatory framework established under the Water Industry (Scotland) Act 2002 replicated English arrangements, with the Water Industry Commission for Scotland (WICS) determining investment priorities and price limits through six-year Strategic Reviews. This model concentrated power in an economic regulator operating at arm's length from democratic oversight, prioritising cost efficiency over public service values (Kane, 2016; Sawkins, 2012).

Before 2021, Scottish Water operated under a cost-driven regulatory framework setting price limits below inflation while requiring Scottish Water to catch up with infrastructure investment south of the border (which had commenced in the late 1980s and 1990s) and emulate performance and efficiency levels in the privatised utilities. Through the Commissioner's very close relationship with the sponsor department in Scottish Government, the industry was obliged to adopt an approach which mirrored, in key respects, operating and investment management practices in English water companies.

From 2021, the Water Industry Commission for Scotland (WICS) recognising that investment had been below the level needed to meet environmental targets, reconfigured its approach, permitting price increases several percentage points above inflation, 8.8% in 2024-25 9.9% in 2025-26 and 8.7% in 2026-27. Scottish Ministers, while anxious to maintain political commitments on climate change and net zero, nonetheless signalled to Scottish Water the importance of contributing to its

social justice agendas, amid fears of the consequences of cost-of-living pressures. This meant planned price increases in 2022-23 and 2023-24 were not implemented, slowing investment and draining reserves.

Meeting water quality, environmental protection, and climate management targets including better monitoring of outflows requires increased investment, rising from an annual average of £550-600 million during 2015-21 to more than £1 billion in 2024-25. The acceleration of the net zero target to 2040, imposed in 2019, was conflated into, and helped the rationale for, spending more. Meanwhile inflation and delivery failures have led to a forecast shortfall of £300-400 million against the 2021-27 investment plan (Adey et al., 2025). The next determination, due in 2027, will therefore require a further uplift in infrastructure investment that will have to be paid for through increased customer charges, given that only a tenth of investment is currently paid for through borrowing. Without a change in policy or strategy, this will accentuate the process of creeping privatisation through outsourcing and 'contractualisation' to which we now turn.

2. Union Representation and Voice

2.1 Contractor Workforce and Union Coverage

The overwhelming majority of staff working on Scottish Water major infrastructure projects are employees of third-party contractors. These workers are not covered by Scottish Water's collective bargaining arrangements. They have minimal or no guaranteed access to union representation. Union membership among contractor employees is assumed to be negligible, significantly reducing the scope and effectiveness of collective bargaining across Scottish Water's operations and infrastructure programme.

Supply companies are required to comply with Fair Work conditions, though enforcement mechanisms and compliance levels remain unclear. The fragmentation of the workforce between directly employed and contractor staff creates a two-tier system with divergent interests and substantially reduced collective voice (Bakker, 2010; Fairbrother, 1994).

2.2 Erosion of Collective Bargaining

For directly employed staff, formal structures of collective bargaining remain in place, but company-level negotiations are now irregular and far from comprehensive. Union representatives report receiving grudging consultation at best, with executives who are increasingly reluctant and unwilling partners, allowing little genuine influence over decisions affecting long-term employment and conditions. Information stipulated by formal agreement is typically delayed, incomplete, or absent, making it difficult for union officials and representatives to fulfil their roles. Scottish Water is in clear and repeated breach of the formal rules of collective bargaining. In 2025 alone, Scottish Water failed to provide information necessary for consultation regarding changes in employment contracts, major projects, and asset sales. These failures to consult appear deliberate, constituting a systematic management strategy aimed at hollowing out collective bargaining. As one union representative observed: 'Scottish

Water actively block us, making no bones about it.' There is little prospect for co-operative, transparent and mutual-gains bargaining without radical change.

2.3 Human Resources Management and Procedural Failures

Since 2019, Scottish Water's Human Resources function has systematically ignored and side-stepped established policies and procedures. Union representatives report that HR have 'ripped up policies and procedures. They simply ignore the rules of the game, even the rules that they wrote themselves!' As one union representative said: 'HR makes the rules, and only they decide whether or not to follow *their* own rules.' And another told us in frustration: 'HR write the rules, ignore the rules, break the rules. Where do you go when HR are quite happy to break their own rules?' Abiding by the formal rules of industrial relations is only the minimum requirement for good faith bargaining.

Even internal disciplinary procedures have been compromised by HR's failure to follow due process, including ignoring provisions for independent management oversight at the initial fact-finding phase. These failures to abide by procedural justice are perceived as deliberate and symptomatic of an organisation prioritising management's right to manage over fair employment practices. 'Deflect, deflect, deflect; delay, delay, delay', as one union representative put it.

Union representatives experience HR and Scottish Water executives as transactional and opportunistic, 'ready to take advantage of policies where it suits them; happy to bulldoze stuff through; or work around policies if it's easier.' HR are perceived not as good faith custodians of Scottish Water's policies but as 'rottweilers', operating according to 'a script from above.' The prevailing approach is characterised by low trust, union avoidance, and a 'take no prisoners' management style. Union representatives' experience, both in their everyday interactions with management and in formal negotiations, has produced a shared sense of vulnerability and a frustration that their voice is simply not being heard: 'they don't want to *know* us, to accept that we have a positive role to play *if we can work together.*' Instead, management 'niggles' seem designed to provoke a hostile reaction from union representatives.

It's not just HR. Pressure on 'regime-driven' operational managers striving to meet performance targets and deadlines can contribute to bullying and a hostile environment within organisations (Thompson and Ackroyd, 2022). The pressures and incentives driving managerial behavior come to be seen as inevitable – how things are here – providing reduced scope for dialogue and redress of genuine complaints. The rotation of managers and team leaders through assignments within Scottish Water has caused further significant administrative upheaval, diluting what had previously been a culture defined by a sense of shared purpose.

2.4 Lack of Consultation, Facilities Time and Training Restrictions

Unison lay officials report an unwelcome but cumulative erosion of trust and collaboration in relationships with local and senior management. Prior consultation amounts to a single presentation with no opportunity for questions, far less extended discussion. Despite extensive civic engagement with external stakeholders regarding long-term plans (Dinan et al., 2003), Scottish Water has refused to consult with trade

unions about employment impacts, skills development, or career progression. A veteran union representative said 'everything is shrouded in commercial mysteries. Information is never *given* freely, but through FOIs'.

Facilities time—the allowance for union duties—is being reduced through opportunistic management decisions. Training for union representatives, most notably for health and safety functions, is being limited, delayed, or refused. Again, this reflects an erosion of the organisational bases for effective, transparent collective bargaining.

2.5 The Employee Interest Member

The Water Industry (Scotland) Act 2002 provides for inclusion of an Employee Interest Member on Scottish Water's Board of Directors, intended to represent employee perspectives at the highest governance level. However, after the first and second appointees—the latter a senior Unison official—stood down, the subsequent appointment occurred without consultation with recognised unions, undermining transparency and legislative intent.

There is no statutory obligation on Scottish Water to appoint someone with links to its recognised unions, but this was the clear, implicit assumption when the legislation was approved. The current non-executive director undoubtedly has broad business and trade union experience but was chosen without union consultation regarding either the selection or the scope of the role. In practice, there are no regular or compulsory communications between this director and the recognised unions, nor any informal channels. The director has not contacted one of the recognised unions or responded to repeated requests for dialogue. As one Unison official stated: 'He's been invisible.'

2.6 Alternative Voice Mechanisms

Alternative employee voice mechanisms are limited and ineffective. The whistleblowing portal represents best practice in terms of access and anonymity but has minimal practical impact. In 2023-24, the helpline received just one report from a single employee—a striking indicator of either fear, futility, or both. This is particularly troubling for an organisation commissioning diverse, large-scale projects from external contractors, where the potential for malpractice, waste, and conflicts of interest is substantial.

In 2021, Scottish Water established an Independent Customer Group with a broad remit to monitor progress toward becoming 'a fully customer centric organisation'. Despite unions' requests, no parallel employee voice group has been established, suggesting deliberate exclusion of worker perspectives from strategic governance. One union representative asked despairingly: 'Who do we speak to? Who's listening?'

2.7 Cultural Transformation and Worker Experience

Union representatives perceive erosion of relations with both local and senior management. Partnership working with trade unions, to which Scottish Water's first

chief executive Jon Hargreaves was committed, has gradually been eroded. The new leadership team is felt to be 'no longer really part of Scottish Water the way it used to be... the way it should be.' The Board is appointing executives from outside, 'stepping over home-grown talent.' One union member captured the transformation succinctly: 'Scottish Water ran on goodwill, we all went above and beyond. Now, you've got to go above and beyond just to keep your job.' A paternalistic organisation based on long service, tacit knowledge, and career pathways through technical expertise and experience now offers only marginalisation or 'stagnation.' Promotions are confined to management and 'only for the few...who have drunk the Kool-Aid'.

This erosion of worker voice is not incidental to organisational transformation—it is essential to it. A workforce with strong collective representation and genuine influence would oppose the outsourcing model, challenge executive pay inflation, demand transparency on contractor relationships, and insist on public service values. Marginalising unions effectively becomes a prerequisite for embedding market-oriented practices in a nominally public organisation (Ogden, 1994; Fairbrother, 1994). Outsourcing intentionally erodes union density and weakens collective bargaining, fragmenting employment conditions and creating a two-tier workforce with divergent interests (Bakker, 2010; Fairbrother, 1994).

3. Governance and Accountability

3.1 Regulatory Governance Structure

Governance of Scottish Water operates through multiple layers: accountability to Scottish Ministers and Parliament, with oversight by regulators (WICS for economic regulation, DWQR for drinking water quality, SEPA for environmental compliance) and consumer bodies. In theory, transparency is reinforced through published reports and parliamentary scrutiny (Hendry, 2018).

In practice, democratic control has been systematically eroded. The regulatory framework concentrates power in WICS, operating at arm's length but under Ministerial direction (Kane, 2016). Strategic decisions on investment, pricing, and service priorities are determined through complex six-year Strategic Reviews, which have the effect of insulating decision-making from democratic scrutiny and public debate. Parliamentarians and consumer bodies are consulted but in practice they are presented with *fait accompli* investment programmes and price determinations, with limited scope to challenge underlying assumptions or priorities.

3.2 The WICS Governance Scandal

The 2023 WICS governance scandal exposed catastrophic failures in regulatory oversight and accountability. The scandal revealed:

- £77,000 spent on a Harvard Business School course for a senior manager
- £18,159 on business-class flights to New Zealand for an executive and spouse
- Luxury items including a £170 Mulberry wallet and £290 designer glasses

- Nearly £500,000 spent on unapproved training, including MBA courses with trips to Argentina and the USA

The Auditor General and Holyrood's Public Audit Committee found failures of financial control and non-compliance with spending rules. WICS Chief Executive Alan Sutherland resigned in December 2023 and Chair Donald MacRae also stepped down. Scottish Government was found to have been 'sleeping at the wheel,' failing to challenge WICS culture and allowing misuse of public funds. Officials turned a blind eye to unacceptable behaviours while retrospectively authorising spending against guidelines (Scottish Parliament Public Audit Committee, 2023). The scandal revealed not merely misuse of public funds but also a regulatory culture that has adopted private sector entitlement in place of public sector values.

3.3 Transparency Deficits and Potential Conflicts of Interest

The close operational integration between Scottish Water and its contractors, combined with adoption of private sector management practices, raises serious questions about potential conflicts of interest and regulatory capture. In privatised water companies elsewhere in the UK and in other regulated industries, career movements between regulators, regulated entities, and private contractors are monitored as potential sources of bias and erosion of public interest (Ogden, 1994).

No systematically gathered data on career movements between Scottish Water and its major contractors is publicly available. Critical unanswered questions include:

- Have senior Scottish Water executives responsible for awarding contracts subsequently moved to contractor firms that benefited from those decisions?
- Have contractor executives joined Scottish Water's management, bringing loyalties and relationships that might compromise procurement independence?
- What connections exist between Scottish Water Board members and contractor firms?
- How many former Scottish Water employees now work for major contractors in senior positions?

The absence of transparency on these movements turns the evidence gap itself into evidence of eroded accountability. A genuinely public corporation, truly accountable to Parliament and citizens, would proactively publish information on career movements, contractor relationships, and potential conflicts of interest.

3.4 Democratic Deficit

The governance architecture around the publicly owned water and sewerage industry in Scotland systematically excludes worker voice and undermines democratic scrutiny. The Employee Interest Member operates without consultation with recognised unions and without accountability to represent worker perspectives. The absence of a parallel employee voice group—despite legislative provision for employee representation—suggests deliberate exclusion of worker knowledge from strategic governance. In practice, Scottish Water's governance structure insulates

management from democratic accountability while imposing market disciplines on operations and employment (Kane, 2016).

4. Outsourcing

4.1 Scale and Strategic Significance

The most visible manifestation of organisational transformation is Scottish Water's dependence on external contractors. By Quality and Standards 3 (2006-2014), 70% of major works were carried out by Scottish Water in tandem with two consortia. This balance has shifted significantly: approximately 92% of major works are now delivered by third-party contractors for whom Scottish Water is the main customer.

Currently, around £1.3 billion is spent annually on goods, services, and works in the water and sewerage industry. Long-term contracts, some lasting nearly a decade, have created lock-in effects, with some contractors borrowing against future income to finance current operations—a dynamic associated with reduced flexibility in public-private partnerships (Hodge and Greve, 2019).

4.2 Major Contractors and Contract Values

Major contractors include:

- **Caledonia Water Alliance** (Morrison Water Services & AECOM): Infrastructure delivery (water & wastewater networks) worth approximately £600 million+ under SR15 & SR21 frameworks
- **ESD Joint Venture** (Galliford Try, MWH Treatment, Binnies): Non-infrastructure work (treatment works) worth approximately £700 million under SR21
- **Multiple contractors under DV2 Framework (2021-2027)**: Clancy, Galliford Try Infrastructure, George Leslie Ltd, RWGM JV, Ross-shire Engineering, WGM Engineering & Boulting Ltd JV for capital works and MEICA contracts
- **Specialist service providers**: Pat Munro Construction, TSL Contractors, Waterwise Utilities, ScotWater, The Waterman Scotland Ltd for water mains replacement, utility connections, and private water systems

4.3 The Enterprise Model: Further Outsourcing

In late 2025, Scottish Water announced preferred bidders for a £5 - £9 billion capital investment drive stretching across the next two regulatory periods. The 'Enterprise' partnership model, first floated in November 2024, 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.

The 'Enterprise' partnership model is designed to integrate designers, contractors, and Scottish Water teams into 'high-performing, outcome-driven delivery groups.' Preferred bidders include:

Primary Designers:

- Stantec
- Aecom

Asset Delivery Partners:

- M Group Water
- Mott MacDonald Bentley
- Farrans
- WGM Engineering
- Ross-Shire Engineering

The 'Enterprise' is claimed to be an advanced partnering model involving embedded Scottish Water staff, shared behavioural frameworks, minimum KPI thresholds, and incentives tied to service and enterprise-wide outcomes. All projects must utilise Scottish Water's specialist and supply-chain frameworks, i.e. its contractual partners. Procurement is due to conclude in March 2026, triggering a seven-year delivery window through to March 2033.

4.4 Hollowing Out Public Sector Capacity

This scale of outsourcing far exceeds operational pragmatism. Externalising sections of the SW workforce by embedding them in teams controlled by private firms hollows out in-house delivery capacity, replacing 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.' The long-term nature of these infrastructure contracts bakes in this business model, so that it is difficult to modify and impossible to abandon. What is planned is creeping privatisation hiding in plain sight (Cooper et al., 2006; Hall and Lobina, 2008, Kane, 2016), with the acquiescence of Scottish Government. Indeed, it is celebrated by Ministers and senior civil servants as best practice in bringing commercial disciplines into the delivery of public services.

5. Management and Culture

5.1 The bonus culture

Nearly everyone appointed to the board of Scottish Water comes from a private sector background in which it is common to pay bonuses – something which happens relatively rarely in the public sector and is one of the defining differences between the culture and ethos of the public sector compared with private sector organisations. The recruitment of Alex Plant from privatised Anglian Water to lead Scottish Water, with a remuneration package substantially exceeding his predecessor's, signals that recruitment and reward structures in the publicly owned water industry are based on private sector norms rather than public service values. 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.

5.2 Private sector management culture

This remuneration trajectory is significant not merely for its quantum but also for what it reveals about institutional transformation. Plant's appointment is the final stage of the importation of private sector management culture into a publicly owned corporation. The 28% increase in CEO remuneration between Plant's first year and the final year of his predecessor occurred while customer bills rose by 8.8%, workers faced pay restraint, and unions were locked in disputes over pay and conditions.

Executive pay highlights the fundamental contradiction 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 union member commented: '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 combined with a track record of public service commitment. The transformation from an organisation that 'ran on goodwill' to one where staff must 'go above and beyond just to keep your job' represents a fundamental shift in employment relations and organisational ethos.

6. Conclusion

Scottish Water remains a public corporation in legal form, but in practice it is being privatised by stealth. Scottish Water has been transformed into a market-oriented utility, operationally indistinguishable in almost every respect from its privatised counterparts in England. At the root of this is the inappropriate role of the sponsor department within Scottish Government.

Ministers hold the interest in the ownership of Scottish Water on behalf of the Scottish public. The sponsor division has very close daily relations with Scottish Water and also sponsors WICS. Given their respective roles, there is a clear conflict of interest. There are three separate roles here: a formal ownership role, a Scottish Water sponsorship role and a regulatory role. It would be better if these were

formally separated, with the regulator role going to Parliament for oversight, leaving sponsorship of SW where it is within the Climate Change and Energy Directorate, and with the finance minister being given the formal ownership role, while the Scottish Fiscal Commission is empowered and enabled to provide information to MSPs and the public about budgetary matters affecting the water industry.

The 1994 referendum was not merely a vote against legal privatisation—it was an affirmation of public service values, democratic accountability, and the principle that water is a public good, not a commodity. That mandate is being fatally undermined. What remains is a public corporation that exhibits the pathologies of privatisation—cost minimisation, outsourcing dependence, executive enrichment, worker marginalisation, and democratic deficit—without the legal transfer of ownership that might provoke outrage amongst voters.

Reclaiming Scottish Water as a genuine public service requires confronting uncomfortable truths: that public services are being hollowed out from within; that regulatory frameworks are replicating distorted market logics without legal privatisation; that transparency deficits conceal fundamental transformations; and that the absence of shareholder dividends does not prevent the interest on borrowing paid by customers being diverted to fund unrelated priorities. The defence of public services requires vigilance not only against overt privatisation but against creeping marketisation that operates beneath the surface, transforming institutions from within while preserving the reassuring veneer of public ownership.

7. Recommendations for Change

Democratic governance: Meaningful accountability to Parliament and communities, not technocratic regulation at arm's length. Accountabilities should be separated out as suggested in the conclusion, with clear demarcations of responsibility. Strategic decisions on investment, pricing, and service priorities should be subject to parliamentary debate and public scrutiny, not determined through opaque six-year regulatory reviews (Kane, 2016).

Public investment: 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 (Cuthbert, 2018; OECD, 2022) rather than current arrangements.

In-house capacity: Rebuild public sector skills and capabilities, rather than increasing dependence on external contractors. The current outsourcing model—and the new 'Enterprise model' which extends contractualisation—if unchecked will further hollow out public capacity. Reversing this requires investment in direct employment, training, and career development within Scottish Water, reduced reliance on contractors to levels justified by genuine operational need rather than ideological preference (Hall and Lobina, 2008).

Transparency on relationships: Systematic publication of career movements of senior managers between Scottish Water, contractors, and regulators; disclosure of

potential conflicts of interest; and public scrutiny of the relationships that shape billion-pound procurement decisions. The absence of such transparency in a public corporation is indefensible.

Worker voice: Meaningful collective bargaining and union representation in strategic governance. The Employee Interest Member on the Board should be appointed in consultation with recognised unions, with clear accountability to voice worker perspectives. An Independent Employee Engagement Group, parallel to the Customer Group, should be established to ensure worker knowledge and concerns shape strategic decisions (Fairbrother, 1994). The NHS partnership model would provide a better framework than current arrangements in the water industry

Public service values: Executive pay should be brought in line with public service norms, and arguments for private sector excess challenged. Any performance incentives should reward long-term stewardship, environmental protection, and workforce development, not short-term cost efficiencies (Hendry, 2018; Ekers and Loftus, 2008).

Fiscal transparency: Clear, accessible information on the relationship between Scottish Water's finances and Scottish Government fiscal arrangements through the Scottish Fiscal Commission. If reserves are being accumulated to serve broader government budget objectives rather than Scottish Water's operational needs, this should be explicitly debated and democratically determined, not obscured through technocratic budgetary management.

Next Steps

In April 2025, the Net Zero, Energy and Transport Committee took evidence from a panel of senior officials from Scottish Water, including Deirdre Michie (Chair), Alex Plant (Chief Executive), Peter Farrer (Chief Operating Officer), and Professor Simon Parsons (Director of Environment, Planning and Assurance) [Scottish Parliament](#). Committee members raised topical matters within its remit relating to water and wastewater services and infrastructure in Scotland, such as Scottish Water's environmental performance, carbon footprint reduction, and climate emergency effects on service provision. The session took the form of an annual check-in session with Scottish Water as an autonomous public body, reflecting on Scottish Water's Annual Report, rather than a formal inquiry with a broader call for evidence from multiple stakeholders.

No mention was made during the session of Scottish Water's Enterprise model (which had been announced in November 2024) or the procurement process leading to the announcement of preferred bidders in December 2025. The procurement process is expected to be fully completed by March 2026. Given the amounts involved – the overall value is estimated as being between £5 and £9 Billion – covering the 2027-2033 regulatory period, with a potential six-year extension to 2039 – there is a danger that this process, which will bind not only the next government but the one after and possibly the one after that, will proceed without proper Parliamentary scrutiny.

Given the implications for the workforce and the other issues highlighted in this paper including the inadequacy of lines of accountability, there is an urgent need either for a full parliamentary enquiry, which should involve the Finance and Public Administration Committee and not just the Net Zero, Energy and Transport Committee, or, if that cannot be arranged due to the proximity of the Scottish Parliament election, an urgent independent enquiry reporting to the new administration. In the meantime, the procurement process should be put on hold until after the election to allow the democratic scrutiny of what are momentous financial decisions by any criterion. Any independent inquiry into Scottish Water should be wide-ranging. Topics to be investigated include:

- 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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