October 2019

Customer views on Scottish Water's future strategy

An Ipsos MORI research study commissioned by The Customer Forum for Water

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Executive Summary

About the customer engagement research

The amount customers in Scotland pay for water supply and wastewater services is reviewed every six years through the Strategic Review of Charges (SRC). The purpose of the SRC is to ensure Scottish Water is adequately funded to meet the demands of providing Scotland's water supply and wastewater services. This research took place while the Scottish water industry was working towards setting prices for the 2021-27 period.

As part of its role in the price-setting process, the Customer Forum for Water aims to ensure customers' views are reflected in Scottish Water's future strategy and that customers' voices are represented in decisions about charges and spending priorities.

The Customer Forum, in collaboration with Scottish water industry stakeholders, therefore commissioned Ipsos MORI to undertake new research to inform the Customer Forum's input into the development of Scottish Water's future strategy. The research represents the latest stage in a journey towards increased customer engagement in the sector. This focus on customer engagement in the water industry also reflects a broader trend towards increased public engagement in decision making in Scotland, both in the regulated industries and beyond.

The overall objective of the research was to help the Customer Forum understand what customers' informed views on Scottish Water's future strategy would be if they understood:

- the potential consequences or benefits of different approaches; and
- their associated impacts on charges for water supply and wastewater services.

Customers' views were explored in relation to the following three aspects of Scottish Water's strategy:

1. Water supply and wastewater service standards;
2. A water industry fit for the 21st century; and
3. Expectations of a publicly owned company and specifically views on whether and if so, how, Scottish Water should contribute to the wider public good in the way it operates.

Methodology

Deliberative structured dialogues with water customers were selected as an optimal approach to understand customers' informed views on Scottish Water's future strategy. Deliberative research methods allow us to provide in-depth insight into customers' views, concerns and aspirations on policy issues. These issues are often complex and unfamiliar to customers – as in the case of future strategy for water in Scotland – and therefore their exploration is better suited to an in-depth qualitative approach.

The process involved four reconvened deliberative dialogues with domestic customers, each taking place over a full Saturday and a weekday evening about 10 days later, in Glasgow, Fort William, Dundee and Hawick. An additional dialogue was also carried out in Falkirk over a single day. A total of 105 domestic customers participated in the dialogues.

This deliberative research sought to understand the range of customer views on water supply and wastewater services and charges, and the impact of information on these views. In contrast with quantitative approaches, deliberative research findings are not statistically significant. However, this method enables us to explore the values and reasons underlying the views expressed and represents a valid and robust way to inform policy and strategy.

Key findings

High levels of satisfaction with water supply and wastewater services were evident, although few domestic customers were aware of how much they paid

- Domestic customers expressed high levels of satisfaction with their water supply and wastewater services, and particularly with the quality of their drinking water. Few had experienced any issues and were therefore satisfied with the standard at which Scottish Water was delivering its services.
- While most domestic customers were aware that water supply and wastewater services were paid for alongside their council tax bill, knowledge of the actual amount they paid was nonetheless low.
- Business customers felt they were highly dependent on their water services, particularly those that used large volumes of water as part of their day-to-day operations. Businesses were generally satisfied with the service they had received and particularly praised the quality of their drinking water.

Domestic and business customers preferred Scottish Water to take a proactive approach to the issue of ageing infrastructure by fixing or replacing assets before they fail, rather than as and when they fail, despite the higher initial cost this could involve

- This approach was seen as posing less risk of future failures in the system and providing a means of 'future proofing' against problems that would ultimately impact on customers, such as interruptions to supply.
- While customers generally accepted the higher upfront costs associated with fixing or replacing assets in advance, they would like to see Scottish Water demonstrating value by informing them about what the money was being spent on and providing some assurance that money was not being spent unnecessarily.

- Businesses customers challenged the need for Scottish Water to only use one of the two approaches, suggesting that each approach could have benefits depending on the specific issues and the costs involved. They therefore suggested that a balance between the two approaches could be the most appropriate solution.

Regarding future pricing for the 2021-27 period, there was an overall acceptance a price increase of 1% over the rate of inflation

- Domestic and business customers were presented with three pricing scenarios for the 2021-27 period, expressed as an annual percentage increase and the monetary equivalent, and asked to vote for their preferred scenario. They then had the opportunity to discuss the benefits, drawbacks and impacts of the pricing scenarios, and later in the session were provided with further information about the impact of each scenario on Scottish Water's ability to contribute to the Scottish Government's target of Scotland reaching net zero emissions by 2045.

- Of the three pricing scenarios, domestic and business customers showed an overall preference for Scenario 2 (CPI +1%). The main advantage customers perceived with this scenario was that it would maintain the current level of service standards, which were already considered high and they wanted to see continue in future. The additional cost of this scenario was generally seen as a manageable amount and justifiable considering the benefits it offered in relation to service standards.

- There was some change in domestic customers' views over the course of deliberations. Before deliberation, domestic customers' immediate reaction to the three pricing scenarios showed a range of views, but an overall preference for Scenario 2 (CPI +1%). Following deliberation and further information provision, Scenario 2 (CPI +1%) remained the most popular overall, while support for Scenario 1 (CPI) had decreased and support for Scenario 3 (CPI+3%) had increased. The biggest shifts in opinion during deliberation were from Scenario 1 to 2, and from Scenario 2 to 3, with similar numbers of domestic customers changing their opinion these ways. The shifts in support towards Scenario 3 reflected the value that some customers placed on Scottish Water being able to make more rapid progress towards Scotland meeting the net zero emissions target by 2045.

- Among business customers, there was little change in opinion, with just one business changing their view from Scenario 2 to Scenario 3.

Domestic customers perceived their current water supply and wastewater services to be good value for money and wanted to see that value for money being continued.

- Having reflected on how much they paid in return for the quality of water supply and wastewater services they received, and the scale of infrastructure involved in their provision, domestic customers commonly felt that the level of service they received represented good value for money. Customers were therefore keen that any future bill increases continued to represent good value for money in terms of the level of service provided from Scottish Water.

When presented with areas that Scottish Water could focus on over the next 25 years, domestic and business customers felt that the focus areas were inter-related and that all were important to at least some extent

- Domestic and business customers saw Scottish Water continuing to focus on providing a reliable service as a top priority. This related to it being seen as the fundamental function of Scottish Water - what people pay their bills for – and also to the direct impact that a service *not* being reliable has on people's quality of life. Customers were keen for Scottish Water to be able to maintain the high level of service they already received in future.

- Making things last was also a high priority, especially among older domestic customers (those aged over 50). This was driven by participants' understanding of the need to invest in ageing infrastructure, and to do so wisely and cost effectively; but also its close relationship with reliable service and the possible impact on them personally and future generations if this was not prioritised.

- Tackling climate change by reducing the carbon footprint of its operations was viewed as essential for Scottish Water to focus on, as was protecting water services against the impact of climate change. While most agreed that climate change was important, younger customers (those aged 16-28), were particularly passionate about the need for action. This tendency was particularly marked in rural areas. Older customers (those aged 50+), put making things last and a reliable service slightly ahead of climate change.

- While younger and older customers put providing a reliable service, making things last and tackling climate change some way ahead in terms of priority, the other focus areas were still seen as important. Most customers felt it was important for Scottish Water to take innovative approaches, making use of the latest technology and innovation to address the range of challenges they are facing. Innovative approaches were perceived to be particularly important by businesses and younger domestic customers.

- Enhancing the natural environment emerged as necessary but relatively a lower priority. The need to enhance the natural environment was seen as less of an immediate concern for customers, as they felt the natural environment in Scotland was already beautiful.

Domestic customers expected Scottish Water to contribute to the wider public good, and identified priority activities for the company in this regard: encouraging customers to use water wisely, providing free drinking water in public places, and providing apprenticeships and training

- Customers' awareness of Scottish Water being publicly owned was mixed prior to attending the workshops. Once made aware of this, customers were positive about Scottish Water being publicly owned and were keen for this to continue.

- Customers overwhelmingly saw it as important that Scottish Water had high ethical standards of business, mentioning aspects of ethical behaviour such as honesty, providing a reliable and high quality service, transparency and accountability, fair treatment of customers, staff and suppliers and safeguarding the environment.

- There was a strong expectation that publicly owned companies should contribute to the wider public good. When presented with a number of 'public good' activities that Scottish Water could potentially be more involved with in future, customers' highest priorities were: encouraging customers to use water wisely, providing free drinking water in public places and providing apprenticeships and training to help people enter work.

Domestic and business customers viewed value for money, communication and education as key to an effective future strategy for Scottish Water

- Customers saw communication as a key aspect of ethical behaviour, particularly in the context of any future price increases. Both domestic and business customers explained that they wanted Scottish Water to demonstrate value by communicating to them how their money was being used, what investments had been made in their local area and what investments were planned for the future.

- Education was mentioned spontaneously throughout the discussions as an area that Scottish Water should focus on and was seen as part of Scottish Water behaving ethically. Domestic customers called for both future and current customers to be educated about water and their usage and behaviours, through work in schools, training and communication campaigns.

Background, aims and methodology

Background

The amount customers in Scotland pay for water supply and wastewater services is reviewed every six years through the Strategic Review of Charges (SRC). The purpose of the SRC is to ensure Scottish Water is adequately funded to meet the demands of providing Scotland's water supply and wastewater services. This research took place while the Scottish water industry was working towards setting prices for the 2021-27 period.

As part of its role in the price-setting process, the Customer Forum for Water aims to ensure customers' views are reflected in Scottish Water's future strategy and that customers' voices are represented in decisions about charges and spending priorities.

For the current SRC, Scottish Ministers have emphasised the need to *"ensure the processes of the Review give customers an enhanced voice in the consideration of levels of charges and service priorities"*.[1] Accordingly, the Water Industry Commission for Scotland stated its overarching aim for the SRC 2021-27 was for it to be the *"most customer-centric price review yet"*[2] and that it saw customer engagement as an essential element of the economic regulatory process. As an additional check on this 'customer-centric' approach, the Organisation for Economic Co-operation and Development (OECD) will observe the entire process of the SRC 2021-27 and document the processes used for engaging with, and collecting the views of, customers.

Against this context, the overall objective of the research was therefore to help the Customer Forum understand what customers' informed views on Scottish Water's future strategy would be if they understood:

- the potential consequences or benefits of different approaches; and
- their associated impacts on charges for water supply and wastewater services.

Customers' views were explored in the context of three aspects of Scottish Water's strategy as follows:

1) Water supply and wastewater service standards;

2) A water industry fit for the 21st century; and

3) Expectations of a publicly owned company and specifically views on whether and if so, how, Scottish Water should contribute to the wider public good in the way it operates.

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[1] https://www.gov.scot/publications/investing-paying-water-services-2021/pages/6/

[2] https://www.watercommission.co.uk/UserFiles/Documents/SRC21_Innovation%20and%20Collaboration_Methodology_WICS_amended.pdf

Methodology

The research was delivered by Ipsos MORI between July and September 2019 and was steered by a group of representatives from the Customer Forum, Scottish Water, the Water Industry Commission for Scotland (WICS), the Drinking Water Quality Regulator (DWQR), the Scottish Environment Protection Agency (SEPA) and Citizens Advice Scotland (CAS).

Deliberative structured dialogues[3] with water customers were selected as an optimal approach to understand customers' informed views on Scottish Water's future strategy. Deliberative research methods allow us to provide in-depth insight into customers' views, concerns and aspirations on policy issues. These issues are often complex and unfamiliar to customers – as in the case of future strategy for water in Scotland – and therefore their exploration is better suited to a qualitative approach.

Applying criteria used in the social science literature[4] to determine the credibility of qualitative research findings, we can be confident that the range of customer views presented here are credible and valid due to the following strategies used in this research:

- Accounting for researcher bias – to ensure the information given to the research participants was balanced, we engaged with a diverse range of expert perspectives from the water industry in Scotland through a stakeholder workshop and follow-up conversations, all of which fed into the development of the research materials and stimulus.
- Accounting for sampling bias – the dialogue participants were recruited to be reflective of the wider population of each geographical location within Scotland, using quotas based on census data.
- Accounting for research bias – participants were given all the information to enable them to develop their views and given time to reflect between events. Plenary sessions and electronic voting were built into each event so that we were able to identify a range of views including commonalities and outliers.
- Meticulous record keeping and systematic analysis – detailed notes and transcripts was produced from each discussion group, with each one analysed using thematic analysis techniques. A series of analysis sessions carried out by the research team has ensured that all the different perspectives are represented in this report.
- Participant validation – bringing participants back for an evening workshop enabled us to explore key issues in further detail and thereby validate the views we noted in previous workshops.

[3] Deliberative dialogues are organised group discussions that provide participants with the opportunity to consider an issue in depth, challenge each other's opinions, develop views/arguments through a process of public reasoning and reach an informed position. See Ipsos MORI and Involve https://www.cas.org.uk/system/files/publications/meta-analysis_and_scoping_exercise_into_public_participation_in_the_regulated_industries_ipsos_mori_involve_-_2017-10-12.pdf

[4] https://ebn.bmj.com/content/18/2/34

- Data triangulation – the views and perspectives of the participants are supported by the internal rapid evidence review undertaken at the outset of the project.

The process involved four reconvened deliberative dialogues with domestic customers, taking place over a full Saturday (10:00-16:00) and a weekday evening (18:00-21:00) about 10 days later. The four locations (Glasgow, Fort William, Dundee and Hawick) were chosen to allow for representation from customers from both urban and rural settings. Following lower than anticipated turnout at some of these dialogues, which may reflect the research taking place during the summer period and on days with good weather, an additional dialogue was carried out in Falkirk over a single day. A total of 105 domestic customers participated in the dialogues.

Four structured dialogues were carried out with business customers (in Dundee, Glasgow, Fort William and Edinburgh), each held on a weekday evening (18:00-21:00). These were supplemented by telephone depth interviews with businesses unable to attend the dialogues. Of the original target of 18 businesses, a total of 16 participated in the dialogues or depth interviews. The lower than anticipated turnout was mainly due to last minute changes in participants' plans meaning businesses were no longer able to attend on the agreed dates.

Table 1 provides a summary of the location, date and level of participation from domestic customers, and Table 2 for business customers.

Table 1: Domestic customer participation

Domestic customers				
Location	**Date**	**Target attendees**	**Actual attendees**	**No. of presenters/ observers**
Glasgow (day 1)	17th August	30	31	2
Glasgow (evening 2)	27th August	30	28	4
Hawick (day 1)	24th August	20	17	4
Hawick (evening 2)	3rd September	20	17	2
Fort William (day 1)	24th August	20	14	1
Fort William (evening 2)	3rd September	20	13	1
Dundee (day 1)	31st August	30	22	2
Dundee (evening 2)	11th September	30	21	2
Falkirk (single day)	21st September	Top-up (target 20)	21	2
Total		**100**	**105**	

Table 2: Business customer participation

Business customers				
Location	**Date**	**Target attendees**	**Actual attendees**	**No. of presenters/ observers**
Dundee	28th August	6	4	2
Fort William	4th September	6	2	2
Glasgow	5th September	6	4	1
Edinburgh	19th September	Top up (target 6)	2	1
Additional depth interviews	19th-23rd September	Top up (target 4-6)	4	n/a
Total		**18**	**16**	

Recruitment of participants

Recruitment of participants was undertaken by Ipsos MORI's experienced team of recruiters, using a face-to-face (door-to-door and in street) free-find approach for domestic customers, and targeted telephone recruitment for business customers. Recruiters were provided with a specially designed screener questionnaire to help them identify eligible participants.

For the recruitment of domestic customers, quotas were set to ensure a representative pool of customers in terms of gender, working status and socio-economic group and interest in the water environment. Quotas were also set to ensure sufficient representation from bill payers and from customers in vulnerable circumstances. Individuals who worked in market research, media, advertising, journalism or the Scottish water sector and those who had attended a group discussion or event in the previous 12 months, were excluded from the research, as were those who were on a private water supply.

Only senior decision makers or business owners were recruited for the non-domestic customer fieldwork to ensure we were speaking to people who paid water charges or were involved in the managerial decisions around this. Business recruitment targeted a spread of sectors, with a focus on those particularly reliant on water services such as tourism, food and drink, and manufacturing businesses.

To allow for the possibility of some drop-out in advance of the dialogues, over-recruitment was carried out. In practice, this meant that 35 people were recruited for the 30-person dialogues in Dundee and Glasgow, 25 were recruited for the 20-person dialogues in Fort William, Hawick and Falkirk, and 8 businesses were recruited to each dialogue.

All participants received a monetary incentive for taking part in fieldwork. Members of the public received a total of £100 for attending the reconvened dialogues (£40 after the first session and £60 after the second), with those attending the one-day dialogue in Falkirk receiving £80. Business customers received £100 for attending a three-hour evening dialogue, or £75 for taking part in a depth interview.

Discussion guides, materials and facilitation

Discussion guides and stimulus for the workshop and interviews were designed by Ipsos MORI in collaboration with the Customer Forum and stakeholders, and all facilitation was undertaken by staff from Ipsos MORI.

To ensure a collaborative approach to the development of research materials, early in the study a workshop was carried out with the Customer Forum and relevant stakeholders, facilitated by Ipsos MORI. The workshop involved a discussion of the topics to be explored within the dialogues and the nature of the information that would be provided to customers. Following the workshop, the discussion guides and supporting materials were drafted by Ipsos MORI and agreed by the Customer Forum.

The participants were provided with access to information through a mix of stimulus materials, presentations and specialist inputs, as summarised in Table 3. On day one, domestic customers were introduced to current water supply and wastewater service standards, water charges and the options for what an industry fit for the 21st century might look like. At the reconvened evening session, customers' views of a publicly owned water company were explored and their preferences for the range of 'public good' activities Scottish Water might deliver in future. The business dialogues covered the first two topics in a condensed three-hour session, as summarised in Table 4.

Time was taken to ensure that the materials were simple and easy to understand without oversimplifying the subject matter. The presentations given by Scottish Water at the workshops avoided technical language and Q and A sessions were built in to allow customers to start to reflect on what they had heard and learn more.

Reference is made throughout the report to the 'live voting', which was carried out using an on-line polling tool called Mentimeter. This enabled participants to respond directly to questions posed by the lead facilitator using their mobile phone, or any other device capable of accessing the internet. For participants who did not have a suitable device with them, or one they were prepared to use, the table facilitators provided access to a laptop for use during the polling or provided them with paper copies of the questions.

In each dialogue, participants were split into separate groups according to their ages (16 to 28 year olds, 29 to 49 year olds, and over 50s), to allow for intergenerational differences in views to emerge. In the 30 person dialogues (in Glasgow and Dundee) participants were split into three separate tables reflecting these three age groups. In the 20-person dialogues, participants were split into two tables made up of two of the three age groups: 16 to 28 year olds and over 50s in Fort William, 29 to 49 year olds and over 50s in Hawick, and 16 to 28 and 29 to 49 year olds in Falkirk.

Table 3: Dialogue design, techniques and stimulus materials – domestic participants

Domestic customers	
Day one (10.00-16.00) Focus: Water supply and wastewater service standards and A water industry fit for the 21st century	**Reconvened evening (18.00-21.00) Focus: Expectations from a public owned company**
Introduction	**Recap**
Objectives, grounds rules and housekeeping	Objectives, ground rules and day one recap
Participant intros and warm up	**Feedback on homework**
Intros, unprompted discussion on water supply and wastewater services and bills, ePolling using Mentimeter on quality of service and prices	Anything new they found out and thinking on water supply and wastewater services
Water supply and wastewater services standards and challenges	**Expectations on different types of businesses**
PowerPoint presentation on water cycle, how Scottish Water delivers services, challenges and water charges	Unprompted discussion on types of ownership and expectations of SW as a public sector organisation
Small group deliberation: Service standards and infrastructure	ePolling on expectations of a public company's delivery of public goods and levels of service
Pricing scenarios	**What it means to be an ethical organisation**
PowerPoint presentation on potential future scenarios, ePolling, then small table deliberations on what underlies preferences	Unprompted discussions, SW presentation and Q&A on current social responsibility actions
Water industry fit for the 21st century	**Which public good activities should SW be focussing on?**
Unprompted discussion on likely challenges Carousel with posters – individual investigation on where SW could be focussing, including: enhancing the natural environment; innovative approaches; protecting against impacts of climate change; tackling climate change; making things last; and reliable service	Table discussions of sort cards covering: public water taps; information campaign; water safety; land access; private supplies; international consultancy. Voting within groups and feedback in plenary
Deliberations on group preferences and price implications	**SW future priorities and what it should be doing differently**
Discussion on preferences for future services; prioritisation with sticky dots; PowerPoint presentation and discussion on links to pricing; ePolling on preference and price scenarios	Table discussions to agree priorities and prepare presentations; Participant feedback in plenary
Wrap up	**Wrap up**
Homework briefing and evaluation forms	Closing remarks and evaluation forms

Table 4: Dialogue design, techniques and stimulus materials – business participants

Business customers
Focus: Water supply and wastewater service standards and A water industry fit for the 21st century
Introduction
Objectives, grounds rules and housekeeping
Participant intros and warm up
Intros, unprompted discussion on water supply and wastewater services and water bills
Water supply and wastewater services standards and challenges
PowerPoint presentation on water cycle, how Scottish Water delivers services, challenges and water charges
Group deliberation: Water supply and wastewater services and infrastructure
Pricing scenarios
PowerPoint presentation on potential future scenarios, voting on preferred pricing scenarios, then deliberations on what underlies preferences
Water industry fit for the 21st century
Unprompted discussion on likely challenges Review of posters for what SW could be focussing on including: enhancing the natural environment; innovative approaches; protecting against impacts of climate change; tackling climate change; making things last; and reliable service Voting with sticky dots
Deliberations on group preferences and price implications
Revisit pricing scenarios; Formal (paper) voting on 3 pricing scenarios and ranking of 6 areas SW could be focussing on
Wrap up
Closing remarks and evaluation forms

Interpreting qualitative and quantitative data

Unlike quantitative research, qualitative social research does not aim to produce a quantifiable or generalisable summary of population attitudes, but to identify and explore the different issues and themes relating to the subject being researched. The assumption is that issues and themes affecting participants are a reflection of issues and themes in the wider population concerned, but it does not aim to reflect the full range of views held by the population. Although the extent to which they apply to the wider population, or specific sub-groups, cannot be quantified, the value of qualitative research is in identifying the range of different issues involved and the way in which these impact on people.

Deliberative approaches in particular add value because of their ability to gain greater insight into what may lie behind people's opinions. They can also reveal how people's views can develop and change as they are given new information or through discussions with others on an issue. It should be noted, however, that as participants' views are developed through deliberation, the outcomes enable us to understand participants' informed views, and cannot necessarily be taken to be representative of the views of the wider public who have not experienced the deliberative process.

Throughout the report, we have included verbatim comments from the dialogues and interviews to illustrate key perspectives presented.

While polling was used during the public dialogues, we have not treated this data in the way we would normally interpret findings from quantitative studies. Because the base size is fairly small (105 people) the polling data cannot be taken to be robust or representative of the population of Scotland. The aim of the polling was to help us get a feel for views across all locations and to sense check the themes and priorities emerging from qualitative findings.

Aspect 1: Water supply and wastewater service standards

This section explores domestic and business customers' views on water supply and wastewater service standards. It begins by looking at customers' views on current service standards, before examining views on how Scottish Water should approach two key areas in future: the replacement of ageing infrastructure, and future pricing.

Key findings:

Domestic customers expressed high levels of satisfaction with their water supply and wastewater services, and particularly with the quality of their drinking water. Few had experienced any issues and were therefore satisfied with the standard at which Scottish Water was delivering its services. There was low awareness of how much they paid for their water supply and wastewater services.

When considering potential approaches to ageing infrastructure, both domestic and business customers generally favoured the approach of fixing or replacing things before they fail, despite the higher initial cost involved. This approach was seen as posing less risk of future failures in the system and providing a means of 'future proofing' against problems that would ultimately impact on customers, such as interruptions to supply. While customers were generally willing to accept the higher upfront costs associated with fixing or replacing things in advance, they would like to see Scottish Water demonstrating value by informing them about what the money was being spent on and providing some assurance that money was not being spent unnecessarily.

In relation to future pricing, customers showed an overall willingness to accept price increases in their bills over the rate of inflation. Of the three pricing scenarios, domestic and business customers showed an overall preference for Scenario 2 (CPI +1%). The main advantage customers perceived with this scenario was that it would maintain the current level of service standards, which were already considered high and they wanted to see continue in future. The additional cost of this scenario was generally seen as a manageable amount and justifiable considering the benefits it offered in relation to service standards.

There was some change in domestic customers' views over the course of deliberations. Before deliberation, domestic customers' immediate reaction to the three pricing scenarios showed a range of views, but an overall preference for Scenario 2 (CPI +1%). Following deliberation and further information provision, Scenario 2 (CPI +1%) remained the most popular overall, while support for Scenario 1 (CPI) had decreased and support for Scenario 3 (CPI+3%) had increased. The biggest shifts in opinion during deliberation were from Scenario 1 to 2, and from Scenario 2 to 3, with similar numbers of domestic customers changing their opinion these ways. The shifts in support towards Scenario 3 reflected the value that some customers placed on Scottish Water being able to make more rapid progress towards Scotland meeting the net zero emissions target by 2045. Among business customers, there was little change in opinion, with just one business changing their view from Scenario 2 to Scenario 3.

Domestic customers' views:

Views on current water supply and wastewater services

Current satisfaction with water supply and wastewater services

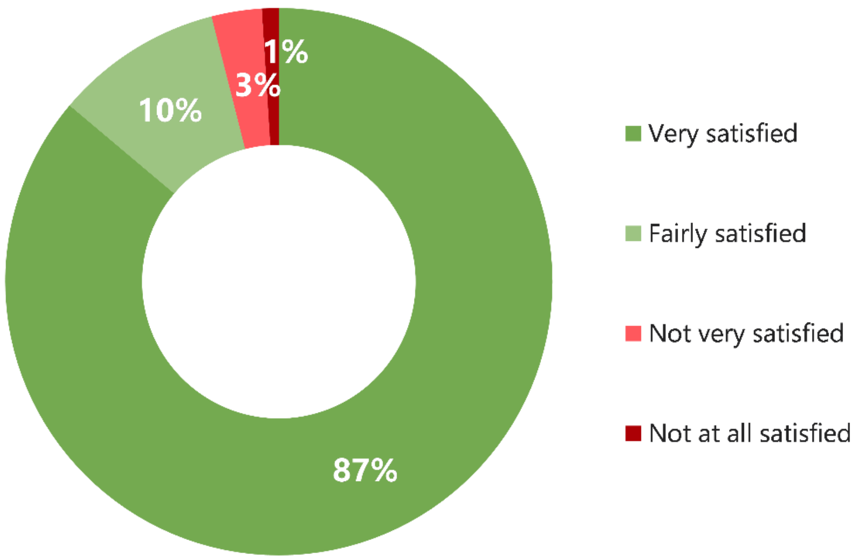
Domestic customers demonstrated high levels of satisfaction with the water supply and wastewater service they received. One of the most positive aspects of water services that emerged, unprompted, was the high quality of drinking water in Scotland. Drinking water was often described as "pure" and "clean" particularly in comparison with drinking water in England and was linked to a collective sense of pride in this aspect of the water service. While customers were generally positive about drinking water quality, a few older participants in one location (Fort William) expressed some disappointment that their water had changed over time and was no longer "peaty" in colour and flavour.

'Scotland has the best water…I think that you can see the difference even when you make a cup of tea in England. It tastes nicer here.'
Domestic customer, 29-49, Dundee

Positive views about water quality were similarly illustrated in the live voting that took place in the dialogues. As shown in Figure 1, the vast majority (97%) of domestic customers that took part in the voting exercise said they were satisfied with the quality of their drinking water, including 87% who reported they were very satisfied.

Figure 1: Satisfaction with quality of drinking water (live voting results)

Q. How satisfied are you with the quality of your drinking water?



Base: Domestic customers across 5 locations in Scotland (105), September 2019

Source: Ipsos MORI

Reflecting these high overall levels of satisfaction, few examples were given of any issues with water supply and wastewater services. While such instances were rare, those who had experienced problems generally felt these had been adequately dealt with by Scottish Water. For example, customers who had experienced interruptions to their supply as a result of repair works felt they had received sufficient advance notice to allow them to plan accordingly. Those that had experienced blocked drains or overflowing drains on the street noted that Scottish Water had resolved the problem quickly and felt satisfied with this response. Comparison was again made with the service provided in England, with examples given of family members who had experienced problems with their water supply and had faced delays and difficulties in having these resolved.

Reflecting on their generally positive experience with their water supply and wastewater service, customers commonly felt that it was a service they took for granted, having not given it a great deal of thought before taking part in the research.

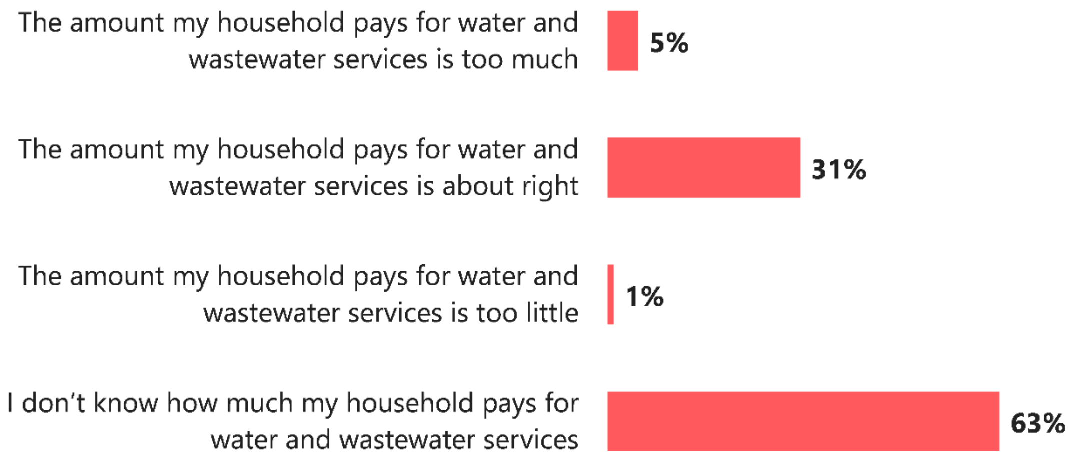
'I used to travel to many different countries and it made me realise how lucky we are.... it makes you realise that we definitely take for granted the services we have that allow you to get water anywhere.'
Domestic customer, 29-49, Glasgow

Paying for water supply and wastewater services

Domestic customers had low levels of awareness about how much they paid for water supply and wastewater services. As shown in Figure 2, almost two thirds of customers (63%) who took part in the live voting said they did not know how much they paid for their service. Most domestic customers knew that water supply and wastewater services were paid for alongside their council tax bill, with the exception of the youngest customers (those aged 16-28), many of whom were not yet bill payers and not responsible for their council tax. While older customers were more familiar with how water was charged for, knowledge of the actual amount they paid was nonetheless low. They attributed this lack of awareness to having not checked the details of their council tax payments or the breakdown of charges, or simply to not having given it much thought.

Figure 2: Customers views on how much they currently pay (live voting results)

Q. Thinking about your water and wastewater services, which of these statements comes closest to your view?



Base: Domestic customers across 5 locations in Scotland (105), September 2019

Source: Ipsos MORI

Among those customers who *were* aware of how much they paid, the general sentiment was that this was about the right amount, reflecting their overall sense of satisfaction with the quality of water and the service they had received. While not common, questions were raised about whether single person households paid the same amount as households with multiple occupants, and whether it was fair for households using less water to pay the same amount as those with larger volumes of use.

Customer 1: 'Elderly people, people who live alone, very young people living alone, don't use as much water as families but everyone is paying that same amount.'
Customer 2: 'I live on my own and I pay as much as a family of seven… it should be metered so you pay for what you are actually using.'
Domestic customers, 50+, Fort William

Awareness and expectations of Scottish Water

Before deliberation, domestic customers had low awareness of Scottish Water, reflecting that most had never had the need to engage with the organisation. However, they understood that Scottish Water was responsible for maintenance and upkeep of their water service. This was based on customers' assumptions about the organisation, rather than on specific information they had seen or heard.

Having heard from a Scottish Water representative about its role and the levels of service it provides, customers generally felt satisfied with how Scottish Water was currently fulfilling its role. Customers' overwhelming perception was that Scottish Water was doing a good job and should therefore 'keep up the good work' in each of the key areas of water quality, leakages, interruptions to supply, and sewer flooding.

Reflecting their high satisfaction with drinking water quality and the sense of pride this gave them, customers felt that maintaining water quality was an essential role for Scottish Water. They welcomed the information provided about Scottish Water's role in this area, which indicated that tap water quality was at 99.9%, and showed a strong desire for that high standard to be maintained in future.

In relation to leakages and interruptions to supply, customers again responded positively to the description of Scottish Water's role in these areas. In the event of a short-term interruption to their supply (less than 12 hours) customers' expectations were that Scottish Water would communicate to them about the issue, make them aware of how long the interruption was likely to last, and send someone to resolve the issue. Where the interruption was longer-term (more than 12 hours), the additional expectation was that Scottish Water would provide bottled water for drinking. The need for alternative water supplies were seen as particularly important for customers in vulnerable circumstances, including the elderly or those with young children, who may be less able to source alternative supplies themselves.

Sewer flooding was seen as an issue that could have physical and psychological impacts on customers, so management of these issues was considered an essential aspect of Scottish Water's role. Linked to the issue of sewer flooding, customers noted that the public had a role to play in helping to minimise the risk of blockages, and therefore felt it was important for Scottish Water to educate people on how to dispose of materials responsibly – for example not flushing disposable wipes or putting cooking fat down the sink. Participants noted that, by taking part in deliberations, they had learned a lot of information about the impact this could have and felt this should be shared more widely to encourage behaviour change.

'I didn't know that if you put other stuff down the toilet it can have a knock-on effect later on down the line. You always hear not to do it, but not about what it actually does, the consequences of it.'
Domestic customer, 16-28, Fort William

'I think more and more people are taking more notice of what they are putting down the toilets.... I know that I now don't flush [disposable wipes] anymore, I bin them. But, five or six years ago I would have put it down the toilet. So, if more and more people are starting to take notice the water quality could improve even more.'
Domestic customer, 29-49, Dundee

Infrastructure replacement

Having been provided with information about the scale and age of water and wastewater infrastructure, participants were asked to consider two potential options for replacing ageing infrastructure:

- *Option A: Scottish Water could fix things as and when they fail. This could cost less money initially, but could mean there would be more risk of problems with people's water supply and wastewater service when things fail.*

- *Option B: Scottish Water could identify in advance when infrastructure is likely fail, and work to fix or replace it before it fails. This could cost more money initially, but could mean there would be less risk of problems developing with people's water supply and wastewater service over time.*

In discussing the relative advantages and disadvantages of each option, participants referred to the information they had received up to this point in the deliberations, including information in Scottish Water's presentations about the scale of infrastructure supporting water supply and wastewater services, the nature of some of the issues that can occur such as leaks, blockages and interruptions to supply, and the age of some of the assets.

Overall, customers showed a preference for Option B, both before and after deliberation. One of the main reasons given in favour of Option B was that it could pose less risk of future failures in the system. Customers saw this approach as providing a means of 'future proofing' against problems that would ultimately impact on users, such as interruptions to supply. In contrast, Option A was seen as a short term response – one participant described this as being akin to 'putting a sticking plaster over the problem' – that did not go far enough in terms of preventing future problems and could ultimately have a negative impact on customers' trust in Scottish Water.

'For me, definitely Option B [is better]. It is the more proactive approach. I don't want to wait for things to go wrong, just because it could be cheaper.'
Domestic customer, 29-49, Glasgow

While Option B was favoured overall, the main advantage of Option A was perceived to be the lower upfront cost. However, some queried whether this approach may ultimately cost more over time, as assets may need to be continually fixed and repaired which would eventually accrue a high cost. While customers generally accepted the higher upfront costs associated with Option B, they did however say they would like to know more about what the money was being spent on. It was suggested that some assurance would be needed that money was only being spent on parts of the system that were at risk of failing, and to demonstrate that money was not being invested unnecessarily.

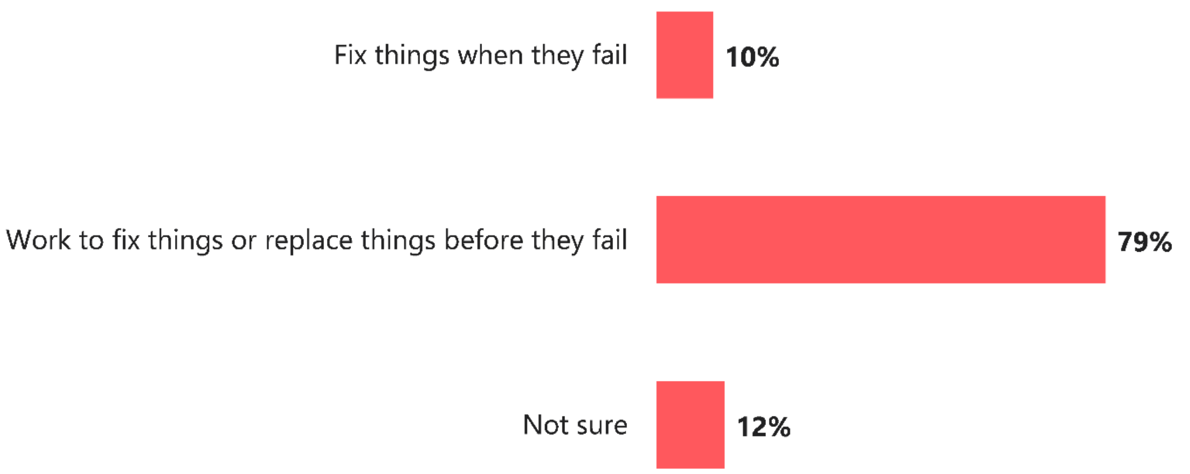
'It would make more sense to have a system that works better, making sure the infrastructure works all the time. But it depends how much they put the costs up and what the costs look like, and how you get that information.'
Domestic customer, 50+, Dundee

Customers also considered the level of likely disruption associated with each approach. Option A was seen as potentially creating fewer interruptions to supplies than Option B, as the former might involve repair work on specific parts of the system over shorter periods of time, while the latter may be larger scale and therefore impact on more people. However, due to the planned nature of the works, it was felt that Option B would allow Scottish Water more scope to communicate any interruptions to supply to customers in advance. They also felt it would be possible for Scottish Water to plan works on days and times that would cause minimum disruption to customers, something potentially less likely with Option A.

Following their deliberations on the relative advantages and disadvantages of each option, participants were asked which they preferred via the live voting tool. As shown in Figure 3 domestic customers showed a strong preference for Option B over Option A, reflecting the overall sentiment of the preceding discussion as outlined above.

Figure 3: Preferred approach to dealing with ageing infrastructure (live voting results)

Q. Which one of these two approaches to dealing with the problem of ageing water infrastructure do you prefer?



Base: Domestic customers across 5 locations in Scotland (103), September 2019 Source: Ipsos MORI

Acceptability of price increases

Customers were shown three possible scenarios illustrating how prices may increase in future:

- Scenario 1: Customers' bills go up by the rate of inflation only each year (CPI)
- Scenario 2: Customers' bills go up by the rate of inflation plus another 1% each year (CPI +1%)
- Scenario 3: Customers bills go up by the rate of inflation plus another 3% each year (CPI +3%)

Participants were shown the monetary impact of each scenario on a typical water bill; for example, based on an annual bill of £444, it was explained that Scenario 2 would mean an increase on the bill of £12 by 2021/22 and £35 by 2026/27. Under each scenario, a description was also given of the potential associated impact on service levels and the extent to which Scottish Water would be able meet the standards it is legally required to (a full description of the scenarios is provided at Appendix B).

Overall acceptability of price increases

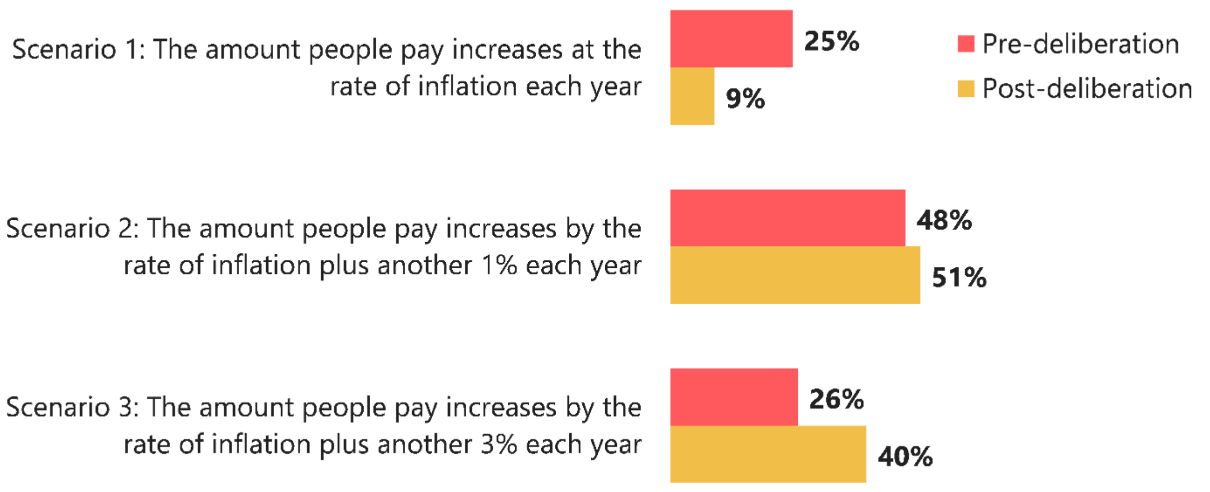
Domestic customers showed an acceptance of a price increase in their bills over the rate of inflation. Before deliberation, customers' immediate reaction to the three pricing scenarios showed a mixed picture, but an overall preference for Scenario 2 (CPI +1%).

Over the course of the deliberation, some participants had moved away from Scenario 1 (CPI) towards either Scenario 2 or 3, and others had moved from Scenario 2 towards Scenario 3. Therefore, by the end of the deliberations Scenario 2 (CPI +1%) remained the most popular overall, while support for Scenario 1 (CPI) had decreased, and support for Scenario 3 (CPI +3%) had increased.

Results of the live voting on this question are shown in Figure 4, both before and after deliberation on the topic (the post-deliberation vote also took into account additional information about climate change impacts associated with each scenario).

Figure 4: Reaction to pricing scenarios – pre- and post-deliberation (live voting results)

Q. Thinking about how your water and wastewater services will be provided over the next few years, which one of these options do you prefer?



Base: Domestic customers across 5 locations in Scotland (103), September 2019

Source: Ipsos MORI

Viewing the results at an individual participant level (where the data allows[5]), shows the extent to which opinion shifted between individual scenarios. As shown in Table 5, of the 83 participants for whom this analysis is possible, 49 (59%) did not change their opinion while 34 (41%) did. In terms of how opinion shifted:

[5] It was not possible to capture pre- and post-deliberation views at an individual level in Hawick due to a technical issue with the workshop venue's WiFi, meaning the second votes were all carried out on paper. A further 5 participants in other locations also changed from online to paper voting, meaning their individual responses could not be compared.

- the biggest shifts in opinion were from Scenario 1 to 2, and from Scenario 2 to 3, with similar numbers changing their opinion these ways (13 and 11 respectively);
- of the 22 people who chose this Scenario 1 initially, 16 changed their views at the end of deliberations (13 to towards Scenario 2, 3 towards Scenario 3);
- of the 38 customers that initially chose Scenario 2, 24 of those remained unchanged over the course of deliberation, while 14 changed their views (11 to Scenario 3 and 3 to Scenario 1);
- almost all of those that initially chose Scenario 3 did not change their views, however 4 moved to Scenario 2 by the end of deliberations.

Table 5: Extent to which views change pre- and post-deliberation

Reactions to pricing scenarios	
First vote	**Second vote**
Scenario 1 – 22 votes	No change – 6
	Change to Scenario 2 – 13
	Change to Scenario - 3
Scenario 2 – 38 votes	No change – 24
	Change to Scenario 1 – 3
	Change to Scenario 3 – 11
Scenario 3 – 23 votes	No change – 19
	Change to Scenario 2 – 4
Base: those for whom participant-level data was available for both votes (83)	

Views on each pricing scenario, and the extent to which opinions on each on moved, are explored in more detail below.

Scenario 1: Inflation only (CPI)

Early in the deliberations, there was some support for Scenario 1, predominantly due to its lower cost to bill payers (25% of those taking part in live voting chose this option). Those that supported this scenario at the beginning seemed more concerned about the day-to-day cost of living generally and therefore reluctant to accept any further price increases over and above inflation. Those who saw the advantages of this scenario stressed that they did not want their bills to increase unnecessarily, and their initial reaction was that even 1% above inflation was too much of an increase.

'I don't want to pay extra unnecessarily. 3% is too steep, and 1% might be necessary, but with inflation we have enough stress already. What if it's not your neighbourhood? Why should I pay if it doesn't affect me?'
Domestic customer, 16-28, Dundee

Customers in Falkirk were particularly supportive of Scenario 1, as they felt any further bill increase over and above inflation would be unaffordable to them. They noted that the rate of inflation was uncertain, and could be higher than the projected 2%, and were therefore cautious about any additional bill increases over and above that rate.

Aside from the lower price, domestic customers did not see many advantages of this scenario. Having reflected on information provided by Scottish Water, including the scale of infrastructure it was responsible for and the age of assets, participants recognised the need for investment to help ensure service standards at least remained at their current level. As they considered service standards to be high at present, participants were keen to see that high standard maintained. Scenario 1 was seen as presenting risks to water quality and other aspects of service, which would potentially lead to more maintenance and repairs being required and therefore higher cost increases further down the line. It was further suggested that this reduction in service standards might have a negative impact on Scottish Water's reputation with customers.

'The problem with that one is, aye it's fine right now but then in a few years' time it's going to up dramatically. So, would you not rather a steady increase sooner, rather than waiting and being faced with a bigger jump in prices at a later stage?'
Domestic customer, 29-49, Falkirk

Echoing their views on the approach to ageing infrastructure, customers described this scenario as being too reactive, rather than proactive, and therefore saw it as posing a risk of problems arising further down the line.

'I don't like that idea. I don't see the point in waiting until something is broken to fix it…it's really important and I don't think we should be deliberately waiting for things to break down before fixing them.'
Domestic customer, 50+, Fort William

For the reasons outlined above, by the end of deliberations most had discounted this scenario. However, it still had some support among a minority who remained concerned about the cost implications of the other options. Those that changed their vote in favour of Scenario 1 (i.e. the three customers that moved from Scenario 2 to 1) did not discuss the reasons behind their change in opinion, though it may reflect the influence of other customers' views relating to concerns around affordability.

'Our wages aren't rising at the rate of inflation. Our food costs are probably going up by 4% or 5%. The poor are just getting poorer because our wages aren't matching all these increases. And now it's the same with water, it is increasing just like everything else.'
Domestic customer, 29-49, Falkirk

Scenario 2: CPI +1%

Scenario 2 emerged as the most widely acceptable among domestic customers. Initially, the main advantage seen to this scenario, compared with Scenario 1, was that it would maintain the current level of service standards. The additional cost of this scenario was generally seen as a manageable amount, particularly when viewed on a monthly basis, and justifiable considering the benefits it offered in relation to service standards. Participants felt that a higher bill increase, such as that shown in Scenario 3, could be restrictive to customers, particularly those on lower incomes. When viewed in the context of other potential bill increases and the higher cost of living generally, Scenario 2 was seen as a more acceptable additional cost than Scenario 3.

'[Scenario 2] provides the best of both worlds. I'm up for research, up-keep and innovation and things getting done that will help us with bigger problems in the future, [but] 3% is too much. I'm one person and I think that's a lot of money.'
Domestic customer, 29-49, Hawick

One of the perceived impacts of this scenario were that it would allow Scottish Water to carry out the level of maintenance required to sustain service standards at their current level. Customers noted that any bill increase may be met with some negative reaction from bill payers but expected that a 1% increase would be more favourably received than a 3% increase. To help minimise any negative reaction to this level of bill increase, customers felt it was important that there was clear communication with all bill payers explaining the amount bills would increase by and the reasons behind it.

Should this level of bill increase be applied, customers were also keen that it continued to represent good value for money – something they largely felt they received at present – in terms of the level of service they received from Scottish Water.

'You want to make sure you get value for money. I'd rather pay a bit more if [it meant] that [assets] lasted longer. Cheapest is not always best.'
Domestic customer, 29-49, Hawick

Scenario 3: CPI +3%

Support for Scenario 3 increased over the course of the deliberations: 26% of those that took part in the live voting chose this option at the beginning of deliberations, and 40% at the end. As shown in Table 5, the increase in support was largely a result of customers changing their support for Scenario 2 in favour of Scenario 3.

Those who preferred this scenario felt that it went further than the others in terms of investing in infrastructure and replacing assets when needed. They also highlighted the opportunity for prices to return to the rate of inflation sooner than would be possible in Scenarios 1 or 2, seeing this as justification for a higher price increase in the short term.

'I didn't think there was any point in [Scenario] 2. We need to make changes that need to be made properly. Otherwise, it is just like putting plasters on problems. [Scenario 3] is actually making positive changes.'
Domestic customer, 29-49, Hawick

'It's going to improve infrastructure, create jobs, improve the service rather than struggling in the future. It's best for people as customers...thinking to the future it's best to increase by the 3%.'
Domestic customer, 16-28, Falkirk

As noted above, for those that did not favour Scenario 3, affordability was the key factor: they felt the cost implications of this scenario were too high, either for themselves or for others, and their concern about higher costs outweighed the benefits associated with infrastructure and service level improvements. Customers tended to favour a smaller, more gradual increase such as that shown in Scenario 2, rather than a larger upfront increase such as that in Scenario 3 that would be more noticeable on their bills.

'When you take it along with all the other bills that will go up over the years, that person could end up really struggling... when you are on your own it is a big change. So, £10 to one person may not be a lot, but it is massive to another.'
Domestic customer, 29-49, Glasgow

While one of the perceived benefits of Scenario 3 was that bills would be more likely return to the rate of inflation sooner after the six year period, there was some scepticism about whether this would be the case in practice, with customers saying that bills often increase but rarely decrease.

In assessing the relative merits of Scenarios 2 and 3, a few customers spontaneously suggested a "mid-way point" of an increase 2% above inflation. They suggested this might provide some benefits over and above those described in Scenario 2, for example it may help to increase service standards, but that the cost implications would be less than that shown in Scenario 3.

Climate change considerations

Towards the end of the deliberations, the pricing scenarios were revisited again but with the provision of additional information showing the extent to which each would help Scottish Water to contribute to its climate changes obligations and the Scottish Government's target of reaching net zero emissions by 2045.

When the impact of each scenario on Scottish Water's contribution towards climate change considerations was introduced, this caused some to view Scenario 3 as more appealing than they had previously thought. For those participants, more rapid progress towards net zero emissions targets provided added weight to the benefits offered by this scenario. Climate change considerations resonated particularly strongly with some younger customers (those aged 16 to 28), who demonstrated more of a shift in opinion in response to information about net zero emissions targets than older customers did. With the exception of younger customers in Dundee, who remained concerned about affordability, those in other locations emphasised the importance of action being taken to respond to climate change, which was echoed in their views on Scottish Water's future focus area (outlined in the next chapter).

Others, while acknowledging the importance of climate change considerations, still remained reluctant to commit to this level of price increase as the cost was seen as too high.

'It is a sensitive issue because it is money. If it is over six years and every time it is three percent, even if it is going to climate change, while I can afford it a lot of people can't. You can't not pay council tax, so it is difficult.'
Domestic customer, 29-49, Glasgow

While not a dominant view, it was further suggested that climate change consideration should be the responsibility of Scottish Water as an organisation to respond to and fund, rather than being paid for by customers – in spite of customers having been told that Scottish Water's funding was made up of income from customer payments and borrowing from government.

'It's not our problem as customers, it's their problem as a company to be environmentally friendly. I pay for the water service, what I want is a good water service. All companies can be responsible for their own impacts on the environment.'
Domestic customer, 50+, Fort William

Business customers' views:

Views on current water supply and wastewater services

Business customers felt they were highly dependent on their water services, particularly those that used large volumes of water as part of their day-to-day operations, such as hotels, cafes, distilleries and drinks manufacturers. These businesses emphasised the importance of having an uninterrupted supply of water, as they would be unable to develop their products or serve their customers without it.

'It's absolutely essential. We are a distillery, and we can't make booze without water.'
Business customer, Fort William

Businesses were generally satisfied with the service they had received. They gave a few examples of water supplies being interrupted, which had taken longer to resolve than they would have liked. Overall, however, businesses were positive about the service they had received, and particularly praised the quality of drinking water which was seen as a much higher standard than that provided in England.

Most businesses were able to name their Licensed Provider, though there were mixed levels of understanding of the relationship between the Licensed Providers and Scottish Water. While it was assumed that Scottish Water was responsible for maintenance of water infrastructure, there was less awareness of the distinction between its role as a wholesale provider and that of the Licensed Provider. When this relationship was explained in the presentation given by a Scottish Water representative, participants understood the distinction. Having heard more about the roles of each organisation in the water industry, businesses were positive about the fact that Scottish Water was a public body, as they felt private companies would probably charge higher prices and welcomed the fact that Scottish Water was regulated and therefore held accountable for its decisions.

'I wouldn't be so happy if I knew that there were shareholders making money, making a profit, off the money that I'm putting into it. I'm much happier with the knowledge that it's put back into the business.'
Business customer, Dundee

Businesses were asked in advance to check how much they paid for their water and the amounts ranged from approximately £50 per month for smaller retail businesses up to several hundred pounds a month for larger manufacturing businesses. Opinion was evenly split between those saying the amount they paid was too much and those saying it was about the right amount. Those saying it was too much tended to be businesses with higher volumes of water usage and therefore higher water bills, though these customers also said they had not previously given their water bills a great deal of thought.

Infrastructure replacement

Businesses were shown the same two approaches to infrastructure replacement as domestic customers were. Like domestic customers, most businesses preferred Option B, working to fix or replace infrastructure before it failed.

The perceived benefits of Option B very much echoed those given by domestic customers, focussed on the lower risk of interruption to supplies and the ability to plan ahead so as to avoid unexpected problems. When discussing the relative merits of each approach, businesses emphasised again their reliance on water and the need to avoid, or at least have an alternative plan in place for, any interruptions to supply. They felt Option B offered more opportunity to plan ahead for any disruption caused by maintenance or repairs, and that this justified the higher initial cost involved.

'Imagine everything failing in one place. It would be an absolute disaster. Whereas if you have a plan to work around, like with Option B, then you can avoid the disaster.'
Business customer, Dundee

'You would much rather [a] problem was anticipated in advance. If [a water pump] fails, there's a whole series of consequences. If they fix it before it fails, it saves a lot of hassle.'
Business customer, Glasgow

While they favoured Option B overall, businesses, like domestic customers, were keen to avoid unnecessary expenditure and therefore stressed that assets should only be fixed or replaced where Scottish Water was confident that a failure was likely to occur.

Businesses also challenged the need for Scottish Water to only use one of the two approaches, suggesting that each approach could have benefits depending on the specific issues and the costs involved. They felt that if Option A was a more cost-efficient way of fixing some parts of the system, then it should be favoured over Option B on those occasions and should therefore be judged on a case-by-case basis. Some went further, suggesting that even if Option B was the most common approach to infrastructure replacement, Option A would still inevitably be necessary from time to time, as parts of the system were still likely to fail unexpectedly.

They therefore suggested that a balance between these two approaches could be the most appropriate solution.

'It is not particularly easy to distinguish between the two. In theory [Option B] would prevent problems occurring, like unexpected blocks or flooding. But actually it might be more cost efficient to only fix things on a case by case basis when they do fail. I see benefits to both.'
Business customer, Edinburgh

Acceptability of price increases

Businesses were shown the same three potential pricing scenarios as domestic customers were but framed in the context of the impacts on business customers' bills (a full description of the scenarios is provided in Appendix B).

Before deliberation, businesses favoured Scenario 2 (CPI +1%) overall, with 11 of the 16 businesses choosing this option, while four chose Scenario 3 (CPI +3%) and one chose Scenario 1 (CPI). Over the course of the deliberation, there was little change in opinion, with just one business changing their view from Scenario 2 to Scenario 3.

Scenario 1: Inflation only (CPI)

There was little support for Scenario 1, as businesses felt it offered little or no benefit. Having expressed satisfaction with the quality of water and standard of service overall, businesses were keen to see that standard maintained, which they felt this scenario did not allow for. Businesses described this approach as being 'irresponsible' and 'foolish' as it posed a risk to service standards, increased the possibility of problems occurring in future, and would ultimately lead to more severe price increases in the long term.

Scenario 2: CPI +1%

Scenario 2 was the most widely acceptable option among business customers. Businesses felt this scenario offered the benefit of maintaining service standards at their current level, at a cost that was manageable for most businesses. Re-stating their concern about interruptions to their supply, businesses felt that this scenario would provide more assurance than Scenario 1 that such disruption would be avoided.

Those that favoured Scenario 2 felt that the 3% price increase above CPI shown in Scenario 3 was too large for businesses to be able to cope with, particularly when their margins were narrow and any additional costs would place pressure on them either to absorb costs or to increase their prices. Affordability was seen as a particular issue for small businesses, but also for those that used large volumes of water and therefore already considered their bills to be high.

'Our margins are so narrow we have to think very carefully about any increase in costs...we either have to swallow these, or pass them on to customers, and neither of those are attractive. An increase of more than 1% on any of our costs would be really difficult. But if 1% is sufficient to keep the service levels as they are, then that sounds okay.'
Business customer, Edinburgh

'I'd love to see plus 3% but it's a chunky bill. I'd like to have the status quo. By the time you get to the end of 6 years, you've added a lot more [on to your bill]... I can't take a decision that in 6 years I'm going to increase every cost by [that amount].'
Business customer, Glasgow

Scenario 3: CPI +3%

Among those that favoured Scenario 3, the main benefits perceived were that it provided the opportunity for additional investment to be made over and above maintenance of existing service levels, by fixing and replacing infrastructure when needed. Supporters of this scenario felt these benefits would be worth the initial higher cost, particularly if the prices decreased to the rate of inflation sooner than would be possible under either Scenario 1 or 2. Some also made reference to Scottish Water's status as a publicly owned company, which they felt added legitimacy to the company's need for a price increase and reassured them that the additional income would be spent on essential improvements rather than to drive profit.

'I'm not just thinking about today and having money to fix what we already have. If they have extra money, they could use it to build new infrastructure.'
Business customer, Dundee

However, support for this scenario was outweighed by concern about the cost implications of this higher price increase, as outlined above. As well as the impact on their bills, businesses also noted that this scenario would be likely to prompt more businesses to get in touch with Scottish Water or their Licensed Provider to query the increase and seek further information on how additional money was being allocated.

Climate change considerations

Business views remained largely unchanged following the provision of additional information about the level of progress towards net zero emissions targets, with most remaining in favour of Scenario 2. While businesses accepted that Scottish Water achieving its net zero emissions ambitions would be a positive outcome, they felt it would not have enough benefits to their own business to justify the higher costs involved in Scenario 3. It was common for businesses to re-emphasise their concerns about affordability, which were unchanged by the additional climate change considerations.

'I think it would be great for them to have that investment to help them [reach those targets], but realistically a lot of businesses would still struggle. It comes back to affordability, and some businesses just couldn't afford that.'
Business customer, Fort William

'There's no financial gain in being environmentally friendly. So, whether or not they hit those targets, it's not going to impact my business. It's better for our water to be looked after, rather than doing it for environmental targets.'
Business customer, Dundee

Some businesses went further, saying that Scottish Water should be responsible for meeting its own net zero emissions targets rather than expecting customers to pay more to help them achieve those goals, echoing the views of some of the domestic customers.

Aspect 2: A water industry for the 21st century

This chapter covers customers' views on the future of water in Scotland. This includes challenges they thought Scottish Water might need to tackle, and their reactions once presented with information on the issues the organisation will face over the next 25 years. This section also covers customers' views on potential areas that Scottish Water could focus on in future (reflecting the draft Industry Vision).

Key findings:

Customers spontaneously listed a wide range of challenges for Scottish Water over the next 25 years. Nonetheless, on hearing the presentation from Scottish Water on the main challenges it was facing, participants expressed some surprise and concern at the scale of the issues and seriousness of the situation given the range of environmental pressures, ageing assets and increased demand.

When presented with areas that Scottish Water could focus on over the next 25 years, domestic and business customers felt that the focus areas were inter-related and that all were important to at least some extent. That said, in terms of their views on each individual focus area:

- **Reliable service** stood out as a top priority because it was viewed as the fundamental function of Scottish Water, was what people paid their bills for, and had a direct impact on people's quality of life. Customers were keen for Scottish Water to be able to maintain the high level of service they already received in future;
- **Making things last** was also felt to be an important future focus area, because it was viewed as cost effective and key to sustaining service and quality levels in the long term;
- **Climate change** considerations were viewed as essential areas of focus for Scottish Water, both in terms of **tackling climate change** and **protecting water services against the impact of climate change.** While most agreed that climate change was important, younger customers (aged 16-28) were particularly passionate about the need for action. This tendency was particularly marked in rural areas.

While customers put providing a reliable service, making things last and tackling climate change some way ahead in terms of priority, the other focus areas were still seen as important:

- Customers felt it was important for Scottish Water to take **innovative approaches**, making use of the latest technology and innovation to address the range of challenges they are facing. Innovative approaches were perceived to be particularly important by businesses and younger domestic customers;
- **Enhancing the natural environment** was seen as necessary but relatively a lower priority, as the need to enhance the natural environment was seen as less of an immediate concern to customers.

Domestic customers' views

Perceived challenges for Scottish Water

When asked what kind of challenges Scottish Water will face in the future, participants found it relatively easy to identify a range of challenges. Their responses in part reflected the information they had received earlier in the day, particularly when they referred to ageing infrastructure and the scale of that challenge for Scottish Water. However, there were also spontaneous mentions of challenges which had not yet been covered in the Scottish Water presentations (such as post-Brexit regulations and use of digital technology).

The challenges customers mentioned related to four main themes: environmental change, political uncertainty, increased demand and ageing infrastructure. Most groups referred to climate change, pollution and the impact worsening weather conditions will have on current infrastructure.

'All the extra rain that's coming in, the strain from that on the system.'
Domestic customer, 50+, Fort William

Many participants were worried about the increase in demand for water suppliers, with older participants (aged 50+) tending to think about house building and water usage in Scotland, and some younger participants (aged 16-28) thinking about this more in global terms.

'I think there would be a very big issue with drainage. If you think about how much more people use their showers and the various things people use to wash then the drainage systems are having to deal with a lot more.'
Domestic customer, 50+, Hawick

'Supplying water for everyone. The world's population is increasing continuously. In 25 years, there will be billions more people.'
Domestic customer, 16-28, Fort William

Brexit, Scottish independence and possible economic uncertainty were highlighted by some as key challenges with potential impacts such as changes in regulations, a recession or high inflation. There were also mentions of the need for innovation and the challenge of keeping pace with changes in digital technology.

On hearing the presentation from Scottish Water on the main challenges it was facing, participants expressed some surprise and concern at the scale of the issues and seriousness of the situation given the range of environmental pressures, ageing assets and increased demand. Many were surprised at the age of sewers, while the demographic trend of migration from the West to the East of Scotland also came as a surprise to some. Some felt that becoming carbon neutral was particularly important, given how much energy Scottish Water uses. Others were worried about the increasing amounts of organic matter in source waters.

A few younger and more environmentally aware participants said they were not surprised by the challenges. Underlying this was a sense of anger at how much damage has been caused to the planet already and a view that urgent action was needed now to combat climate change.

Customers expected that if Scottish Water did nothing to deal with these challenges, relatively little impact would be obvious in the next six years, with the main consequences of doing nothing being measures such as hosepipe bans. However, they expected that greater impacts would be felt over the next 25 years, and that the service would deteriorate as a result if nothing was done. For example, customers thought that the implications of doing nothing could include poorer quality water, flooding and water shortages.

Future focus areas - overview

Customers were asked how important they felt each of six 'future focus' areas were for Scottish Water to focus on over the next 25 years. When discussing the relative merits of each, customers argued that all focus areas were important for Scottish Water and each one received at least some level of support. It was also acknowledged that the focus areas were inter-related rather than mutually exclusive, making prioritisation challenging.

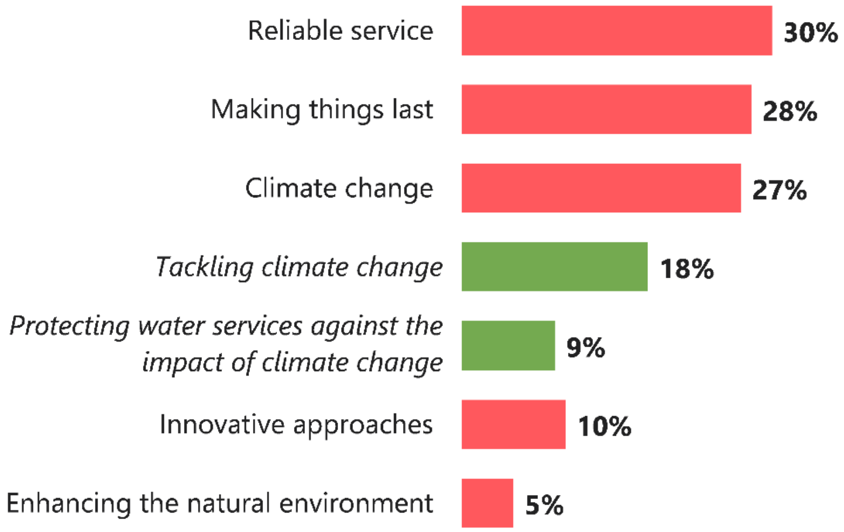
While participants across all age groups did discuss the different areas with the next 25 years in mind, the older participants (those in the 50+ age group) in particular often reverted back to talking about the immediate short-term impacts. This was connected to the importance they placed on a reliable and high quality water supply and wastewater service to them personally on a day-to-day, practical level.

It should be noted that two inter-related aspects of Scottish Water's role in relation to climate change were presented to participants: 'tackling climate change' and 'protecting water services against the impact of climate change.' While these aspects were discussed separately in the dialogues, reflecting the different types of response they might require from Scottish Water, they are discussed together in the following sections under the over-arching term 'climate change'.

Figure 5 shows which areas customers selected as the most important for Scottish Water to focus on over the next 25 years.

Figure 5: Most important areas for Scottish Water to invest in over the next 25 years[6]

Q. Which of these areas do you think are most important for Scottish Water to invest in over the next 25 years?



Base: Domestic customers across 5 locations in Scotland (105) Source: Ipsos MORI

Reliable service was felt to be a high priority because it was viewed as the fundamental function of Scottish Water and as having a direct impact on people's quality of life. Making things last was also a high priority according to customers, especially among older customers (those aged over 50). This was driven by participants' understanding of the need to invest in ageing infrastructure, and to do so wisely and cost effectively; but also its close relationship with reliable service and the possible impact on them personally and future generations if this was not prioritised.

Tackling climate change was recognised as a major concern by customers across all age groups, especially those in the 16-28 age group. While fewer participants selected protecting water services against the impact of climate change as the *most* important area for Scottish Water to invest in, most considered this important nonetheless, especially given the recent high levels of rainfall.

While younger and older customers put providing a reliable service, making things last and tackling climate change some way ahead in terms of priority, the other focus areas were still seen as important. Most customers felt it was important for Scottish Water to take innovative approaches, making use of the latest technology and innovation to address the range of challenges they are facing. Innovative approaches were perceived to be particularly important by younger customers (aged 16-28).

[6] Results for "climate change" (in red) are based on a combination of the results given for the two aspects 'tackling climate change' and 'protecting water services against the impact of climate change' (in green).

Lastly, enhancing the natural environment and its use emerged as necessary but relatively a lower priority. The need to enhance the natural environment was seen as less of an immediate concern for customers, as they felt the natural environment in Scotland was already beautiful.

Below we discuss participants' views on each focus area in more depth, in order of priority based on the polling results.

Reliable service

This was seen as the most important future priority by many and had strong appeal across all age groups. It was viewed as the fundamental 'end game' or 'mission' of Scottish Water and ultimately, what people pay their bills for.

'That's their mission statement… Anything else is a by-product.'
Domestic customer, 50+ Fort William

Reliable service was viewed as providing both immediate and long-term benefits for all, and as essential for a decent quality of life. Connections were made between this and some of the other areas, particularly to 'making things last' which was seen as helping to enable a reliable service; some younger participants also pointed out that a reliable service could be achieved through using more innovative approaches. Customers made the point that in order for Scottish Water to continue to provide a reliable service, all the other focus areas need to be invested in. When explaining why they felt this area was such an important future focus, customers acknowledged that this in part related to their own self-interest:

'I think they are all important. But, prioritising the reliable service is definitely more of a selfish one.'
Domestic customer, 29-49, Glasgow

Poor service was seen as the clear impact of not investing in this area. This prompted some customers to reflect on the high standard of service they are used to currently, and how difficult life would be without the service they currently receive.

Making things last

Customers saw making things last as a very important area for Scottish Water to focus on in future. It appealed to all age groups, but particularly to the oldest customers (those aged 50+). People viewed it as vital, cost effective, beneficial to all in the long term and closely connected to reliable service.

It should be noted customers interpreted 'making things last' to mean maintaining and repairing assets to avoid problems arising in the future. The idea of regenerating assets and adopting circular economy principles were not discussed, suggesting that these concepts were not yet familiar to participants.

Many referred back to the earlier discussion on investment in infrastructure and their preference for a pro-active approach which will prevent unforeseen interruptions to supply. Some felt that making things last should be something that Scottish Water should put first and only then look at addressing other areas. Older participants in particular expressed their dissatisfaction with things being patched up, such as road repairs that do not last. There was a strong desire to ensure that investment in infrastructure will last so that high service and quality standard will be maintained in the medium and longer term.

'We are fed up of things just being patched, just look at the state of the roads. They should fix it properly.'
Domestic customer, 50+, Hawick

Not pursuing this as a priority was seen as having serious consequences such as interruptions to supply and money wasted on repairs which would impact on the efficiency of Scottish Water.

Climate change

Tackling climate change was also seen as a high priority for Scottish Water to focus on. Participants spoke of Scottish Water as having a duty to address this as all large organisations should. The magnitude of this was recognised by all age groups, as was a sense of shared responsibility in tackling it - for individuals and organisations. Some suggested Scottish Water should lead by example because its actions could inspire others to play their part.

Younger participants (those aged 16-28) tended to express the most concern about the immediacy and scale of the problem of climate change. Some were very passionate about climate change and spontaneously raised the issue even before they had heard this mentioned in any Scottish Water presentations. Levels of concern about tackling climate change followed on from discussions earlier in the day about recent extreme weather conditions. It was seen as an issue that crosses borders and will have an impact on everyone:

'Things with Brazil at the moment. They [forest fires] have no respect for borders. We can't say it is their problem. It is all connected.'
Domestic customer, 29-49, Hawick

Customers in the middle (29-49) and older (50+) age groups also spoke of the practical benefits, such as using waste to generate energy or reducing energy costs for Scottish Water. While most in these groups felt tackling climate change was important, this perception related more to the benefits for their children and grandchildren which meant it was worth acting to tackle this now, than to a particular passion for the issue. In contrast, younger participants (16-28) especially those in rural locations, expressed a greater sense of urgency; in their view, the impacts of climate change were already being felt and considerable changes were needed as soon as possible.

The other aspects of climate change – protecting water services against the impacts - was also seen as important by most customers, although the polling results show that it was only the *top* priority for a minority (9%) of workshop attendees. Many spoke about this area in the same way they did tackling climate change – as urgent and concerning. Some struggled to differentiate this area from the tackling climate change focus area and asked for clarification on the difference between the two. Younger participants (those aged 16-28) tended to speak about this topic in more detail and with a greater sense of urgency. However, people across all age groups agreed it requires prioritising because of factors such as the expected increase in rainfall, extreme weather, and the investment in infrastructure required to cope.

'It's inevitable, climate change, at this point. You should therefore futureproof it. In 20 years', time, without this, issues will arise, and it won't be sustainable.'
Domestic customer, 16-28, Dundee

Protecting against the impact of climate changes was seen as a way of minimising potentially dire consequences for those living in areas prone to flooding and drought. This point was raised particularly by participants living in rural locations, reflecting a higher awareness of the impact of extreme weather conditions. While no participants in the Borders mentioned having been affected by flooding themselves, some did speak of recent floods in nearby towns and villages.

Innovative approaches

While innovative approaches were not seen as a top priority overall, most customers nonetheless felt it was important for Scottish Water to make use of the latest technology and innovation to address the range of challenges they are facing. Those with lower levels of technological awareness and capability tended to put innovative approaches further down their list of priorities.

Responses were shaped in part by age. Many younger customers (aged 16-28) were very enthusiastic about this area, describing it as central, cross-cutting and very important. Some participants in Hawick and Fort William were especially keen on innovation being used to address all of the challenges discussed and saw it as beneficial to future generations. They connected the idea with creativity and new and interesting use of technology. It also provided a sense of hope for those that want to see radical solutions to combat climate change and its effects. Some mentioned examples of innovation elsewhere in the world:

'In China I think the water from the sink goes into the cistern. Any way you want to do it is great.'
Domestic customer, 29-49, Hawick

'[It's] Future proofing our water supply for this and future generations, ensuring we have good availability of water in the future.'
Domestic customer, 16-28, Fort William

Although customers in the middle age group (those aged 29-49) tended to be less enthusiastic about this area than younger participants were, they nonetheless tended to see it as of interest and reasonably important for Scottish Water to focus on. Some customers particularly liked the idea of an app as part of an early warning system when infrastructure is failing, because it could reduce the need for disruptive roadworks to locate problems.

Among the older participants (50+) views ranged from those who felt innovation has an important role, to those that see it as 'beneficial' but nowhere near as important as the areas of making things last and reliable service. Some expected that Scottish Water should be working innovatively anyway and that this should be 'a given'. A few also raised concerns about the cost of innovative approaches.

'Some of them are intertwined. To get reliable service, innovative approaches help. It all intermingles.'
Domestic customer, 50+, Fort William

Enhancing the natural environment

This focus area emerged as relatively lower priority. The need to enhance the natural environment was seen as less of an immediate concern for customers, as they felt the natural environment in Scotland was already beautiful and not obviously in need of being enhanced.

'We already have such a vast area of beautiful natural environment in Scotland, it isn't deteriorating.'
Domestic customer, 29-49, Dundee

The handful of customers that did feel enhancing the natural environment should be a key focus related this to their own passion for the environment and to wanting Scottish Water to help ensure Scotland's natural landscape was protected.

'If we can't improve the environment from where we get the water from what is the point? We have beautiful water because we have this beautiful landscape. So, if we don't make the time to make it right…'
Domestic customer, 29-49, Hawick

In discussing this focus area, customers rarely commented on the specific examples provided (of restoring peatland to improve water quality in streams, and preventing the spread of invasive species), suggesting they may have struggled to relate to these approaches. Those that did discuss these examples in more detail suggested they may be a 'nice to have' but were perhaps not as core to Scottish Water's role as some of the other focus areas.

Business customers' views

When considering future focus areas, businesses gave mixed views, with each area seen as being important to at least some extent.

As with domestic customers, businesses felt that reliable service was a fundamental and core aspect of Scottish Water's role. Businesses reiterated their reliance on water supply and wastewater services and said that if Scottish Water did not focus on reliable service provision, it would not be fulfilling its core role and purpose. Echoing the views of domestic customers, businesses also felt that reliable service was linked to and affected by other focus areas, such as making things last and innovative approaches.

'They tie in with each other. If you don't make things last, and if you don't use innovative approaches, you're not going to have reliable service.'
Business customer, Fort William

The use of innovative approaches by Scottish Water was met with more interest by business customers than by domestic customers. Those who were supportive of this future focus area felt that research and advances in technology could help to find new, and potentially more efficient, ways of operating which could ultimately help to reduce operational costs in the future. Innovative approaches were also seen as helping Scottish Water to keep pace with developments in the industry, including those in other countries.

'The infrastructure we've got is 100, 200 years old. We've got to look to the future and come up with new things. You can't rely on what you've got, because it can be falling apart, and you've got to replace it.'
Business customer, Glasgow

Views on Scottish Water's role in tackling climate change and protecting water services against the impact of climate change were mixed and reflected businesses' underlying attitudes towards environmental responsibilities more generally. Businesses acknowledged that efforts to tackle and respond to climate change impacts were important for all organisations and some welcomed the idea of Scottish Water making effort in both these areas, even stating that it was an issue Scottish Water had 'no choice' but to respond to. Others, however, questioned the extent to which Scottish Water should be focussing on tackling climate change, as it would not have a direct impact on them as business customers and therefore would be of lesser importance than ensuring a reliable service was maintained.

Customer 1: 'They should be thinking about these sorts of things, but it's not their main focus.'
Customer 2: 'It doesn't make any difference to us. As a business, it's got no impact on us, realistically. '
2 business customers, Dundee

As with domestic customers, businesses saw advantages to making things last, primarily in relation to reducing the risk of service failures and therefore avoiding unnecessary costs of repairs. Reference was made to population increases putting additional pressures on the system and businesses therefore emphasised the importance of having infrastructure that can sustain larger volumes of use in the long term.

Views on the importance of Scottish Water enhancing the natural environment and its use were mixed. On the one hand, businesses felt it was important for efforts to be made to protect our natural environment from damage. On the other hand, businesses questioned whether this was the responsibility of Scottish Water, suggesting that it might sit better with other organisations who focussed more directly on the natural environment.

Aspect 3: Expectations of Scottish Water as a publicly owned company

This chapter explores domestic customers' expectations of Scottish Water and a publicly owned company, including the importance of Scottish Water contributing to the wider public good. These topics were not covered with business customers.

Key findings:

Awareness of Scottish Water being publicly owned was mixed prior to attending the workshops. Once aware of this, customers were positive about Scottish Water's publicly owned status and were keen for this to continue.

Customers overwhelmingly saw it as important that Scottish Water had high ethical standards of business, mentioning aspects of ethical behaviour such as honesty, providing a reliable and high quality service, transparency and accountability, fair treatment of customers, staff and suppliers and safeguarding the environment. Education was seen as part of Scottish Water behaving ethically; participants were keen for both future and current customers to be educated about water, their usage and behaviours, through schools, training and communication campaigns. Customers also saw communication as a key aspect of ethical behaviour; they explained how they wanted Scottish Water to demonstrate value by communicating to them how their money was being used.

There was a strong expectation that publicly owned companies should contribute to the wider public good. When presented with a number of 'public good' activities that Scottish Water could potentially be more involved with in future, customers' highest priorities were: encouraging customers to use water wisely, providing free drinking water in public places and providing apprenticeships and training to help people enter work.

Scottish Water's role as a publicly owned company

There was a range of knowledge about what type of organisation Scottish Water was, prior to attending the workshops. While some participants either knew or guessed that Scottish Water was publicly owned, others said they had not known what type of organisation it was and hadn't given it any thought, and others had thought it was a private company.

A range of reasons were given for having thought Scottish Water was private: customers explained that they had assumed this because other utilities were private, because they knew water companies in England were private, because they knew they had to pay for their water, or because Scottish Water's branding and campaigns gave them the impression it was a private company. Among those who knew or guessed that it was public, reasons given included that they were charged for it as part of their council tax bill so linked it with other public services, the Scottish branding (which made it sound public), the fact that it is the only water company in Scotland, and their assumption that it must be public because they saw water as a public service (akin to getting their bins emptied).

'I thought all the utilities must be private'
Domestic customer, 50+, Hawick

'It's the only one available in Scotland so it makes sense that it's public. If it was private it would be in competition'
Domestic customer, 16-28, Dundee

Customers were positive about Scottish Water being publicly owned, and were keen for this to continue. They perceived several benefits to a water company being in public ownership, in terms of it being more accountable (to government) for its actions, being subject to regulation and high standards, responding to public need (rather than the needs of boards or shareholders) and cost. The assumption was that standards would be lower and customers would pay more if Scottish Water was privately owned. They also mentioned feeling reassured by the fact that Scottish Water was publicly owned, since this gave rise to a sense of safety and that it would always be there, and felt that this impacted positively on public trust in the company.

'The public trust it more than if it's private because with the competition, you never really know if you're getting a good deal. It gives an amount of trust. I'd be nervous if it was private'
Domestic customer, 29-49, Glasgow

In the live voting, most participants thought that the level of service people should expect from a publicly owned company should be either the same as (43%, i.e. 41 participants) or higher than (40%, i.e. 39 participants) that provided by a private company. Just 17% (i.e. 16 participants) thought that people should expect a lower level of service from a publicly owned company, while one participant answered 'don't know'.

Ethical standards

Domestic customers overwhelmingly felt it was important for Scottish Water to lead the way by having high ethical standards of business. When asked to describe what being an 'ethical' public sector organisation meant to them, customers mentioned the following:

- Acting honestly. Honesty was often the first attribute that came to mind for customers when thinking about how they expected an ethical organisation to behave. Behaving truthfully and with integrity was seen as signalling that an organisation was worthy of public trust;
- Providing a reliable service to the public, and striving to deliver this to a good standard of quality;
- Transparency and keeping customers informed. Customers perceived it as important that public sector organisations are open and transparent with the public about what they are doing and what they plan to achieve in future. This included transparency about their operations and how they spend their budgets, such as making a breakdown of spending available for customers. Customers also called for public sector

organisations to listen to and act on customer feedback, and expected them to be accessible (for example, customers being able to contact the organisation easily through phone or email);

- Accountability. Customers expected public sector organisations to use public money wisely and to be accountable, with an effective complaints procedure. Public sector organisations were seen as subject to a higher level of scrutiny than private companies were, and customers' perception was that they therefore needed to be more accountable. This matched with their views of how public sector organisations behaved in reality; customers felt that public sector organisations were generally more transparent and accountable than private sector organisations, given that their primary focus is on serving the public rather than on making money. The stakes were also felt to be higher for public sector organisations. To illustrate:

'I think the penalties are higher for public bodies. A scandal in a public body hurts people's trust a lot more'
Domestic customer, 29-49, Glasgow

- Treating customers fairly and with respect, and not discriminating. Protecting vulnerable customers was also mentioned as an important aspect of ethical behaviour;

- Treating staff and suppliers well. Customers felt that an ethical organisation would be good to its employees and suppliers and put people ahead of profit. They also expected that ethical organisations would not permit exploitative behaviour of staff within their supply chain;

- Safeguarding the environment. Customers expected public sector organisations to care about the environment and to conduct their operations sustainably. This was seen as important not just on a local or national scale, but also globally, with customers mentioning issues such as fair trade as important;

While customers were generally positive about how well public sector organisations lived up to these ethical standards, they also expressed some criticisms of how public sector organisations actually behaved in practice. Local councils were a focus of criticism, due to perceived bureaucracy and a view that decision-making was not always transparent. In Dundee, older customers also pointed out that funding cuts meant that even where public sector organisations want to behave ethically, they are sometimes unable to do so in practice, for example in providing good quality care for elderly adults.

Overall however, customers were more negative about private companies' standards of behaviour than they were about public sector organisations. There was some scepticism about how ethically private companies behaved, with the perception expressed that private companies tended to take less responsibility for their actions and were more likely to put prices up sharply. Behaviours such as selling people's personal data were mentioned as unethical behaviour by private companies, and there was also a view that ethical behaviour by private companies is often undertaken just for marketing purposes.

Customers typically felt that Scottish Water already behaved ethically and the ethical standards they felt it should conform to largely reflected their expectations of how an ethical public sector organisation should behave (discussed above). Honesty was seen as critically important, given the impact of this on public trust; to illustrate, one customer explained that if there was a flooding, they would expect Scottish Water to take responsibility and fix it, rather than trying to 'bury it'. Customers expected Scottish Water to maintain its high standard of service and to continue to be reliable.

Customers expected Scottish Water to behave ethically as the company is providing a service to the public, and to be held accountable for any behaviour that fell short of ethical standards. Timely and efficient customer service was mentioned as important, as was listening to customer feedback. Customers also pointed out the importance of appropriate staff conduct, given that Scottish Water staff will often be interacting with the public.

'It can be something as simple as the Scottish Water vans being driven safely'
Domestic customer, 29-49, Glasgow

Environmental concerns were mentioned as a key part of behaving ethically. Customers expected Scottish Water to be sustainable, to work towards being zero carbon and to use ethically sourced materials.

Scottish Water's role in educating future users and communicating well with the public was also seen as important. Customers mentioned actions such as providing education in schools about water and how to use it wisely and encouraging and incentivising good water behaviours (for example, by communicating the importance and health benefits of drinking water rather than fizzy drinks or giving away water bottles).

Effective and regular communication with customers was also seen as part of behaving ethically. Customers expected Scottish Water to provide a breakdown of spending, to keep people informed about their water and wastewater charges, and to explain why prices needed to increase if they did go up. This related to ensuring value for money and demonstrating to customers that their money was being used wisely and not wasted.

'You want to make sure you get value for money. You want to know they're spending on the best equipment. I'd rather pay a bit more if it will last more, not always 'cheapest is best'… I'd like to know what's happening in my area, if we're getting new pipes.'
Domestic customer, 50+, Hawick

There was concern that if Scottish Water were to be privatised, the company would behave less ethically:

'They're as good as they can be [regarding honesty] … If they were to be private, I would say they would probably be worse… From what I know about private companies, you only have to look at ScotRail which changed to Abellio, it has gone downhill'
Domestic customer, 50+. Fort William

Scottish Water's role in contributing to the public good

Domestic customers overwhelmingly agreed it was very important that a publicly owned infrastructure company contributes to improving the lives of people. Of the 99 domestic customers who voted, 82 felt this role was very important and 16 felt it was fairly important, with just one participant saying it was not very important.

To provide them with adequate information to be able to give their informed views on what Scottish Water's role in contributing to the public good should be, domestic customers heard a presentation from a Scottish Water representative, which explained which activities Scottish Water already carries out that could be considered 'public good', and set out the extent and current scale of these. They were then given cards with examples of seven different activities that could help Scottish Water to contribute to improving life in Scotland, and asked to choose up to three that they thought it was most important for Scottish Water to be involved in, before deliberating with others in their group.

While domestic customers supported Scottish Water undertaking all of these 'public good' activities, those that emerged as higher-priority were: encouraging customers to use water wisely, providing free drinking water in public places (through making Your Water Your Life taps available in all Scottish Council areas), providing apprenticeships and training to help people enter work, and improving water safety awareness through Scottish Swimming Lessons sponsorship.

Encouraging customers to use water wisely, and not to dispose of waste such as fats, oils and grease down sinks or toilets

This activity was considered very important, as it would help to protect infrastructure and avoid creating problems such as sewer flooding in the first place, which could in turn save money as fewer problems would need to be fixed.

'It reduces cost in the future through not having to do unnecessary maintenance'
Domestic customer, 16-28, Dundee

Customers focused on the education element as particularly important, since they thought people were probably not aware of the problems that disposing of fats, oils and grease in this way could lead to. A few mentioned they had seen TV advertisements from Scottish Water about not putting grease and fats down the sink or toilet, but were not clear on what they should be doing instead to dispose of these kinds of waste. This led to calls for Scottish Water to communicate through its campaigns what the alternatives are to disposing of these kinds of waste down the sink.

This priority also linked in with the perceived importance of educating future users who are currently children, which came up frequently throughout discussions. Customers emphasised how educating children about water usage and appropriate wastewater behaviours would mean that they then grow up with that knowledge and understanding. They also mentioned children's role as influencers on their parents' behaviour:

'If kids were taught this in school and saw their parents doing something wrong, they'd be the first to call it out'
Domestic customer, 29-49, Glasgow

Providing free drinking water in public places (through making Your Water Your Life taps available in all Scottish council areas)

Customers were very positive about this activity and felt it was appropriate for Scottish Water to be involved with. Key benefits from customers' point of view were:

- Environmental, since they expected that this activity would help to bring about a reduction in usage of single-use plastic bottles, and would encourage people to carry a reusable water bottle. There was comment that this activity fitted in with Scottish Water making a contribution to Scotland working towards the target of net zero emissions by 2045.
- Health: customers felt that the availability of these taps would help to encourage a healthy lifestyle, by making exercising outside easier, and potentially also reducing fizzy drink consumption (as people would be less likely to buy a fizzy drink from a corner shop if drinking water taps were available).
- Accessibility for all: customers liked that this activity would make clean drinking water accessible in public places for all in Scotland, including vulnerable people such as the homeless.

'It's the ultimate accessibility – a public sector company providing water, making it available to everyone'
Domestic customer, 50+, Dundee

While customers identified a couple of drawbacks to this activity - the cost of maintaining the water taps, and the risk of the taps being vandalised, which would incur additional cost – they were overall supportive of Scottish Water undertaking it.

Providing apprenticeships and training to help people enter work

Support for this activity related to the perceived importance of job creation to Scotland's people and economy. For example, customers mentioned that apprenticeships would help to tackle the problem of youth unemployment and welcomed the opportunities they provided for more people to get into the workforce. They also noted the potential benefits to apprentices themselves in terms of practical skills, learning on the job and 'working their way up'.

'As a mum, I think that's really important. It allows my children to get a career'
Domestic customer, 29-49, Hawick

Customers also pointed out that investing in apprenticeships would bring benefits to Scottish Water as a company by boosting its workforce and staff expertise. Some expressed views about how such apprenticeships should work, seeing it as important that a job should be guaranteed at the end of the apprenticeship, and hoping that positions would be accessible to older adults as well as to young people.

Improving water safety awareness

Customers saw awareness-raising and education around water safety as very important because of its role in helping to prevent injuries and fatalities, giving the example of making children aware of the risks of swimming in reservoirs or lochs. They also pointed to other positives, such as this activity helping to contribute towards healthy lifestyles for children and helping to ensure that swimming lessons are financially affordable and accessible to all despite local authority funding cuts.

'I know a lot of parents who find swimming inaccessible for whatever reason, so anything that promotes that [swimming lessons for children] is great'
Domestic customer, 29-49, Glasgow

However, customers raised the question of whether it should be Scottish Water's responsibility to do this and expressed concern that this might detract from Scottish Water's focus on other important activities more directly related to water services. Some customers felt that it should be up to parents to teach their children to swim, and up to other public sector organisations such as schools or councils to provide lessons. Cost was also raised as a concern, with some customers feeling that money would be better spent elsewhere, and others expecting that this activity would be costly so should only be provided for those parents who could not otherwise afford it.

International services – providing expert help across the globe to help ensure that water sources are sustainable

Broadly speaking, customers did not see this as a high priority activity for Scottish Water to engage in. On probing they linked this to their belief that Scottish Water's principal focus should be on its core service and activities 'closer to home' in Scotland, and that this activity felt more peripheral. Nonetheless, they were content for Scottish Water to provide international services as long as it did not detract from the organisation providing its core service to customers in Scotland.

'[when asked why international services were not a priority] Selfishness… If there's a budget of £10, I would want £9 of that to be spent on us'
Domestic customer, 29-49, Hawick

Younger participants (those aged 16-28) in Dundee and Fort William were the exception, however, and rated international services as the second highest priority of any of the activities, both because they saw benefits in sharing knowledge between Scotland and other countries and because they felt it would generate income for Scottish Water.

Overall, irrespective of how high a priority they felt it was, domestic customers could see a number of benefits to Scottish Water providing international services. They felt it reflected well on Scottish Water that the company was being asked to provide its expertise and pointed out that in turn this could be positive for Scotland's reputation abroad which could then lead to further inward investment. Customers were positive about Scottish Water receiving payment in return for providing the services, rather than these being funded through domestic customer bills, and pointed out that this would be a way of generating income to support the rest of the work that Scottish Water does. As well as other countries benefiting from Scottish Water sharing its expertise, they also saw a reciprocal benefit in Scottish Water being able to learn from the experiences of organisations elsewhere in the world. Benefits to global public health were also mentioned.

'It is education on a bigger scale, and that can only be a good thing. Also, it attracts people to Scotland. They might think, if their water is that good, what else are they doing right?'
Domestic customer, 29-49, Dundee

Providing advice and support to private water supply users

Only a handful of customers had any prior knowledge or experience of private water supplies (PWS), for example through having family, relatives or friends who were PWS users. This low awareness meant that there was some initial confusion about why people would be on a private water supply and exactly what this entailed. When this idea was first introduced, some found it difficult to grasp why Scottish Water would be advising PWS users, since they were not paying Scottish Water for their water or wastewater services.

While customers were broadly supportive of the idea of Scottish Water providing advice and support to PWS users, it was not seen as a high priority activity for Scottish Water to be involved in; groups typically ranked it as lowest or second lowest priority of the seven activities. Reasons customers gave for this included that this idea impacted a relatively small proportion of people living in Scotland, and their perception that Scottish Water should focus on their customers first and foremost.

Customers perceived that it was important to help PWS users to know how to keep their water safe and how to prevent infection, for public health and environmental reasons. The view was also expressed that since some PWS users were unable to access mains water supplies because of their geographical location, they should not be excluded from being able to access advice about their water supply, given that they are members of the Scottish public just as domestic customers are.

There was some debate among domestic customers as to whether PWS users should pay for the advice and support received. Some felt that PWS users should be charged for this so that the cost was not passed on to Scottish Water customers, whilst others thought that Scottish Water should provide this advice and support to PWS users free of charge, as it was a public sector organisation and PWS users are still members of the Scottish public. There was also some discussion around whether those who choose a PWS should be prepared to take responsibility for it.

'These people are not on the network through no fault of their own, so I think it is right that the advice is free'
Domestic customer, 29-49, Dundee

Working with communities to help them enhance and enjoy the water environment

This idea was seen as of relatively lower importance than others. Some could see benefits to this idea in terms of people's health and fitness, helping people to appreciate their water and where it comes from, and providing water-based activities for people to enjoy, including families who are struggling financially and might not otherwise be able to afford these. Others felt they had adequate access to the water environment at present (some also thought that reservoirs already tended to be accessible anyway).

There was also concern about litter, water safety and the potential cost implications for Scottish Water, both the cost of needing to maintain paths and the cost of combating pollution that might result from people having access.

'Some part of it should be ensuring that at the reservoirs there are signs up saying where it is dangerous... It is all about public perception of the company being positive'
Domestic customer, 50+, Glasgow

Conclusion

It was clear from the structured dialogues that once they had had the opportunity to think and hear more about what was involved, domestic and business customers placed a high value on their water supply and wastewater service. Having previously had low levels of awareness about the water industry, the infrastructure involved in water supply and wastewater services, and the amount they paid for their service, domestic customers reacted positively to the information they were provided with about Scottish Water's current role. Domestic customers typically said they felt they took the service for granted and appeared appreciative of the high quality of their water and the lack of issues they had experienced with their supply. While business customers were somewhat more informed about their water service than domestic customers, and more aware of the costs involved, they also tended to be satisfied with the standard of service they had received.

Reflecting their high levels of satisfaction with current water supply and wastewater services, both domestic and business customers wanted Scottish Water to maintain that high standard of service in the future. This appetite for continued service delivery was well illustrated in the final exercise carried out in the domestic customer workshops, where participants were asked to summarise the most important considerations for Scottish Water to take in its future strategy. Typical suggestions from domestic customers included: *'Keep up the good work and keep on top of everything'* and '*Carry on doing what you are doing.'* More specifically, customers were keen to see Scottish Water continuing to carry out maintenance of the water infrastructure, ensuring a safe water supply for future generations, and informing people about how to use water wisely.

Customers acknowledged, however, that Scottish Water would need to prioritise its areas of focus and investment. Suggestions made by domestic customers at the end of the dialogues included: *'Prioritise the most important issues first and allocate budgets accordingly.'* In summarising how they felt Scottish Water should prioritise its investment, domestic customers revisited their views on the topic of infrastructure replacement, reiterating their overall preference for planned maintenance and fixing issues in advance of failures. In terms of areas for Scottish Water to focus on over the next 25 years, by the end of deliberations domestic and business customers showed a preference for providing a reliable service, making things last, and both tackling and protecting against the impacts of climate change. All six areas discussed received at least some support from both domestic and business customers, although enhancing the natural environment emerged as the lowest priority according to customers.

Information and communication emerged as strong themes throughout the dialogues, and in domestic customers' final reflections on the most important areas for Scottish Water to focus on. Having arrived at the dialogues with low levels of awareness about the water industry and its infrastructure, domestic customers suggested that the wider public would benefit from learning some of the information that had been shared in the dialogues. For example, they suggested that Scottish Water could help to encourage behaviour change by wider awareness-raising about how to use water wisely and not dispose of waste inappropriately, which would in turn help to reduce the need to repairs to the system. This linked with their support for Scottish Water's contribution to this element of public good in its capacity as a public organisation. They also suggested that

Scottish Water could further raise awareness about its own role and demonstrate value by communicating to customers about how their money was being used in their local area.

Turning to price increases, while each potential pricing scenario was met with at least some support, overall an increase of CPI plus 1% was the most widely accepted of the three. Both domestic and business customers felt this option offered the benefit of a sustained level of service, without an overly prohibitive additional cost. While an increase of CPI +3% was attractive to some, it was generally seen as too expensive, even when framed in terms of climate change considerations and progress towards net zero emissions targets. As a condition of their support for any increase, and echoing the importance of communication, customers suggested that the new pricing structure should be preceded by information to all customers explaining the level of price increase, the reasons for it, and a breakdown of how income would be spent. They were also keen that any future bill increases continued to represent good value for money in terms of the level of service provided from Scottish Water and that this value should be communicated to customers.

Finally, some intergenerational differences in views emerged among domestic customers, particularly in relation to climate change. Younger customers (those aged 16-28) tended to express the most concern about the immediacy and scale of the problem of climate change, while older customers (50+) tended to prioritise making things that last and providing a reliable service over climate change considerations. By the end of deliberations, younger customers showed more of a preference than older customers for an increase of CPI +3% because of the associated progress towards net zero emissions targets, though CPI +1% remained the most widely accepted overall.

Appendix A: Independent evaluation of process

An independent evaluation of the research process was carried out by URSUS Consulting. Findings from the evaluation are shown below.

Introduction

This short report section has been prepared by URSUS Consulting Ltd and is an independent evaluation of a dialogue process with public and business participants commissioned by the Customer Forum for Water, in collaboration with Scottish water industry stakeholders.

Evaluation Findings

Table A summarises the evaluation findings against a full range of good practice elements which should underly a robust, high quality public dialogue. The following paragraphs discuss three areas of particular importance to the success of this dialogue process in more detail. These included:

Ensuring a good participant mix. It was anticipated that age and income levels would be key factors shaping views about future priorities and pricing scenarios. There were expected to be markedly different views between younger and older people, and it was also important to ensure a spread of social economic backgrounds and current water charge levels (based on council tax bands).

Amount of information and how it was provided to participants. A key challenge in designing the workshops and materials was in gauging how much information participants would need and how they should access it in order to be able to formulate views about future priorities and bill levels.

Capturing participants' preferences. It was important to allow participants to express their preferences over a broad range of potential services and public goods that Scottish Water could provide in the future and to understand how views might change as participant's became more informed.

Ensuring a good participant mix

Public participants were recruited face-to-face (door to door/in-street) using a free-find method and offered an incentive payment of £100 per participant: £40 for the first session and £60 for the second. Businesses were recruited using the Experian business database, supplemented with free-find methods, and were also offered a £100 incentive for their time.

The number of both public and business participants actually attending events was lower than target in all locations except Glasgow and substantially lower than target attendance rates in Dundee and Fort William and slightly lower in Hawick. The most likely reason for lower turn-out seems to have been due to good weather related to the timing of the research during August and early September. An additional one-day event was carried out in Falkirk on 21st September to make up target numbers.

At the events we observed in both Glasgow and Hawick the mix of participants was good, appearing to reflect the recruitment quotas (see Table B) in terms of age group (<29, 29-49, >50s), socio -economic segment and attitudes towards the importance of managing water resources. BAME groups were well represented in Glasgow and our impression was that the group broadly reflected the make up of the local area. In Hawick, attendance was skewed towards women (who made up 12 of a group of 17).

For all public events people worked for most of the day in groups organised by age and this worked well to highlight differences in view amongst older, middle aged and younger groups. Table prioritisation exercises during both day one and evening two showed - as expected - that younger groups were more likely to prefer more ambitious action on climate change and innovation, and more in favour of raising water charges to deliver these preferences. Older groups tended to prefer reliability of service and replacement of infrastructure and favoured more modest water charge increases.

It proved challenging to get the target number of business representatives to the planned three evening events. Although half a dozen individuals accepted telephone invitations for each event turnout on the evenings was only half this. This had been partially anticipated as recruiters had found it difficult to identify the right person within each business with responsibility for, or at least knowledge of, water bills. They found that in many larger company's bills were dealt with off-site by HQs, and for smaller businesses bills might be dealt with by landlords. Ipsos MORI had built in a contingency to supplement the three planned groups with top-up in-depth interviews in mid-September and this has resulted in an additional four businesses participating. Ipsos MORI also carried out an additional fourth business group in Edinburgh, which was attended by two businesses.

However, our observation of the Dundee meeting with four participants was that the small size of the group was not an issue for participants. They did not appear to feel outnumbered by non-participants (a facilitator, the evaluator, Scottish Water and Customer Forum representatives) and the small groups allowed plenty of time for the deliberations to cover all the key issues discussed during the full day with the public, including more in-depth discussions on Licensed Providers, and the specifics of their own water supply and wastewater service needs and preferences. Business participants were very engaged and reported that they had learnt a lot and were pleased to have been involved in shaping Scottish Water's future strategy. One business representative also highlighted the small group size as a positive noting "*as it was a small group it was easy to hear views of everyone*".

Workshop design flow and information provided

In order to understand the complexity of decisions to be covered in the 2021-27 strategy participants needed quite a broad knowledge on how water supply and wastewater services are currently delivered, the breadth of future challenges in maintaining standards and the policy context shaping future Scottish Water delivery of public goods and services. The steering group was closely involved in helping to frame the discussions, design the flow and provide ideas for the stimulus materials.

A good mix of tools and techniques

Our observation was that the design of the public participant workshops included a good variety of group sizes, tools and techniques so that those not used to this type of forum did not feel excluded. The design did not rely solely on small group discussions but used a mix of group sizes (including working individually, in pairs, small groups and plenary sessions) and tools including PowerPoint presentations, sort cards and ranking, a 'carousel' allowing individuals to get up and explore posters around the room, a joint group exercise to agree future priorities for Scottish Water, and a mix of voting and prioritisation techniques.

Sufficient time and good discussion flow

We observed that the discussions flowed well on both days with participants often spontaneously asking questions at the end of one session which led seamlessly into the topics for the next session. We observed that careful design and good timekeeping meant that neither day one nor evening two felt rushed. Slight adjustments were made to timings of individual sessions after the pilots in Glasgow. For instance, evening two timings were slightly amended to reduce the recap and warm up sessions when it became clear that people needed less time to recap on day one and their homework task and needed less prompting on the characteristics of different types of business than expected. For subsequent events amended timings allowed more time for participants to discuss their preferences for how Scottish Water delivers public good activities and services in the future and for developing their own recommendations on priorities.

The business workshops covered the same ground as the day one public workshops in a condensed three-hour session, but with shorter self-discovery warm-up sessions, and less formal PowerPoint presentations and ePolling. Given the small group size, and a higher level of starting knowledge about how water supply and wastewater services are delivered, the session felt leisurely and all business participants strongly agreed that they had enough time to discuss the issues.

Specialists contributed to the success of the dialogue

It is good practice for dialogues to provide specialist input at all workshops so that participants can hear different perspectives, ask questions and get them answered in an accessible way. Across the 12 events, 21 specialists and observers from Scottish Water, the Customer Forum and Citizens Advice Scotland took part. There was at least one specialist, and sometimes three, at every event with about three individuals attending more than one event. A senior Scottish Water representative presented their current delivery of water supply and wastewater services, the challenges they will face in maintaining standards and how it is fulfilling its role as a publicly owned utility company. As shown in Table A, participants were generally very positive about Scottish Water's role and felt that this aspect of the workshops worked very well.

A good balance of information was provided

Participants almost all agreed by the end of day one that they received sufficient, clear information (82%, 66 strongly agreed, 17%, 14 tended to agree, 1 was unsure) and that information was fair and balanced (73%, 59 strongly agreed, 25%, 20 tended to agree). The eleven business participants who completed evaluation forms also all agreed that information they received was clear, fair and balanced. All 21 specialists and observers attending events also unanimously agreed, although several specialists felt that it would have been useful to have more detailed information in a few areas. For instance, the most complex information for public participants to grasp was about future pricing scenarios, the likely impact of inflation and the relationship with their preferences for service delivery. Some participants found the data difficult to interpret in relation to their own Council Tax band and monthly bill. Having a few different illustrations across the different council tax bands may have made this easier to grasp. For businesses, understanding of the role of independent providers and how the water prices they charge would relate to the Scottish Water future scenarios was the most complex topic, and again having a few different scenarios relating to different levels of water consumption and effluent disposal may have been helpful: following the first business group in Dundee, additional scenarios relating to different types of businesses and billing amounts were added to the discussion guide.

Recording of how participants' preferences changed over their learning journey[7]

By the end of day one 75 out of the 78 who answered the question felt that they had learnt something new (83%, 65 strongly agreed and 13%, 10 tended to agree, 3 were unsure). After evening two we asked how much individuals had known about water supply and wastewater services before taking part: 57%, 43 reported that they knew very little; 28%, 21 knew a fair amount; while only 15%, 11 knew a lot about water issues before taking part. By the end of evening two more than three quarters of participants across all locations felt they now knew a lot with almost all others feeling they now knew a fair amount. There were slight differences by topic as follows:

- Most people (85%, 64) felt they now knew a lot about the options and challenges for how water supply and wastewater services will be delivered in future and a similar number (83%, 62 people) felt they knew a lot about the public good activities Scottish Water could be delivering in the future.
- Slightly fewer (75%, 56 people) felt they knew a lot about the cost implications of different choices, perhaps highlighting that this was an area where a little more information would have been helpful.
- Written feedback from a few individuals such as "having arrived knowing very little about water I feel that I now have a better understanding of how the service works" and that "I had a great learning experience" seemed to be widely shared views based on our informal discussions with participants during the events.

The Mentimeter ePolling platform, which was used throughout day one of the public participant workshops, allowed participants to vote on their initial perceptions of the quality of current water supply and wastewater

[7] Not that the number of participants completing evaluation questionnaires was lower than the overall level of attendance, as some did not complete the questionnaire. Also, in one location, some participants were mistakenly provided with a single-sided questionnaire rather than double-sided, meaning they did not answer all of the day two evaluation questions.

service standards and prices at several stages of their journey: before Scottish Water provided an overview of their services; after they had deliberated on challenges; and after they had deliberated on their preferences for future service delivery. Questions on service preferences were also explored using sticky dots. Both methods allowed the whole room to see how the preferences of the whole group, and of individual tables moved as they became more informed. The ePolling was particularly effective in capturing participant views. At the events we observed individuals, including the elderly, were able to participate using either their own smart phones or those provided by facilitators. On the one occasion where WIFI failure made this impossible, the team had prepared for a paper voting option as a back-up. Most participants appeared to really enjoy the electronic voting: 91% of the 78 completing the question on day one agreed that electronic voting worked well as a way of making their preferences heard (67%, 52 strongly agreed and 24%, 9 tended to agree).

The voting exercises should provide useful quantitative data to the commissioners on how views change as people understand more about the future challenges and potential for delivering water supply and wastewater services in different ways. Although the sample will not be statistically representative it will allow useful observations on whether characteristics such as age and council tax band are good indicators of likely views and how important greater awareness of water supply and wastewater services is in pricing and service preferences.

Active involvement in identifying key priorities for Scottish Water

The final exercise on evening two allowed participants to revisit some of their thinking from day one (e.g. on importance of level of service and infrastructure, affordability, adapting to or mitigating climate change etc.) in a group exercise to prioritise what Scottish Water should be doing in the future and how, if at all, it should change what it does. Our observation at Glasgow was that participants were happy and confident to feed back their ideas to the larger group. This hands-on exercise appeared to help participants to feel that their input was valued and would be taken seriously by the commissioners (see below). The exercise may also generate some useful information for Customer Forum and Scottish Water on what key messages are important (e.g. based on participant reflections on what really made an impression on them, what they felt the wider public needed to know about water supply and wastewater services) and how best to communicate them.

Overall satisfaction with the process and potential impact on decision-making

Participants were unanimous in their satisfaction with the overall process. By the end of day two all 50 who answered the evaluation question reported that they were pleased they had taken part (92%, 46 strongly agreed and 8%, 4 tended to agree). Many participants described the process as very informative, interesting and thought-provoking, and many found it very enjoyable. The view reported by one public participant that this was a "great way to get public views .... thoroughly enjoyed it" seemed typical. Business participants also found their participation worthwhile and one reported that "It was much more fun than I expected". Specialists and observers also described themselves as very satisfied with the quality of the process and the potential usefulness of its outputs.

During the public participant evening two workshops many participants stressed the need for the general public to have a greater awareness of water supply and wastewater service issues and this emerged as a strong theme in the future priorities that groups identified for Scottish Water. The role played by specialists during the deliberations and their feedback on what they heard and how the results would be used appeared to contribute to participant's strong endorsement of the process. By the end of evening two almost all public participants agreed that it was important to consult people on these issues (49 out of 50 answering the question agreed). There was also a high degree of confidence that the events would help to inform Scottish Water's strategic plan (66%, 33 strongly agreed and 34%, 17 tended to agree). This unanimous belief that their input will make a difference is a good indicator of a sound process as, in our experience, participants are often hopeful of their influence, but with a sizeable minority remaining sceptical that their involvement will actually have any impact on decision-making.

Table A: Summary of performance against key good deliberative dialogue criteria

Good practice principles	Achieved	Evidence and commentary
The recruitment process and the extent to which it elicited a representative sample	✓✓	• Recruitment was face to face, on street. Although actual numbers were below target for both public and business workshops (except Glasgow) the mix of participants appeared to be reflective of local areas and the brief in terms of age, ethnicity and socio-economic segments. There was over-representation of women in Hawick. • Businesses were recruited by telephone from business data bases with 6-8 confirming for each event but often only 2 businesses attending on the night. • The number of locations was increased to five (compared to two in the original proposal) to include more rural locations. Contingency planning allowed for an additional one-day public participant event and an additional group plus in-depth individual business interviews to meet target numbers after below target attendance for most meetings.
The extent to which potential barriers to participation were considered and addressed	✓✓	• Public participants and business representatives were offered a £100 incentive to allow people to participate, regardless of their financial circumstances. • Small table groups were arranged by age groups, as this was expected to be a major factor in shaping views and kept in the same groups for evening two and moderated by the same facilitator wherever possible so that groups would bond. We observed that most groups bonded well and almost everyone was fully engaged, but the under-28's group was smaller than the others in Glasgow. They finished tasks quickly with conversation sometimes drying up and individuals being less engage. Reorganising to achieve equal group sizes may have helped address this.
The extent to which the purpose of the project was clearly explained	✓✓✓	Design was tightly focused on objectives and three contexts for SW 2012-7 strategy. Objectives were explained to public participants on day one and recapped on day two and to businesses at the beginning of the session. 80 out of 81 public participants on day one agreed (69%, 56 strongly agreed and 30%, 24 tended to agree) that they understood the objectives at the end of day one. 8 out of 9 businesses strongly understood the objectives. SW and Customer Forum fed back on how they would use the outcomes and what they heard. This appeared to contribute to participant's views by the end of evening two that it was important to consult people on these issues (49 out of 50 answering the question agreed) and a high level of confidence that the events would help to inform Scottish Water's strategic plan (66%, 33 strongly agreed and 34%, 17 tended to agree).
The clarity/ accessibility of information presented to participants – and the extent to which the information was balanced	✓✓✓	Public participants almost all agreed that information they were provided with was fair and balanced (59 out of 81, 73% strongly agreed, 20, 25% tended to agree). *"I came not knowing what to expect - left more knowledgeable".* Scottish Water's presentations on what it does, the challenges it faces, and how it could respond in the future provided a balanced picture and specialists were able to answer questions in an accessible way. 88%, 66 of public participants strongly agreed and 10.7%, 8 tended to agree that Scottish Water's sharing of information worked very well. Several participants praised specialists, one reporting that *"the presenters were very good and explained everything on my level",* another

		that the topic had been *"very well explained"* and another "*All the Scottish Water reps explained things very well"*. • Businesses and specialists also unanimously agreed information was fair and balanced. A couple of specialists felt that on occasions participants needed slightly more information, one noting that *"perhaps need to be clearer about benefits/risks/consequences of areas discussed"* and another that *"there were times when the group needed more context/ expertise"*.
The extent to which the dialogues were truly deliberative –i.e. participants were given sufficient time to become informed, and reflect on/ discuss their own and others' views	✓✓✓	• Reconvened meetings for the public with an elapsed period of 10 days allowed individuals to do their own research without losing momentum. However, the timing on Saturdays in August and week-day evenings may have contributed to higher than expected drop out between days one and two. • We observed that timing was ample for public participants to become informed and fully reflect on the issues for both day one and evening two. • All participants agreed they had sufficient time to become informed (by the end of day one 78%, 63 strongly agreed and 22%, 18 tended to agree).
The extent to which participants were enabled and encouraged to contribute effectively to the discussions, and to understand and question each other's views	✓✓✓	• Participants seemed comfortable to share their opinions and most were fully engaged. One participant who was late and disruptive was dealt with decisively and sensitively by the facilitator without any negative impact on the rest of the group. • All 81 participants agreed after day one that they had been able to contribute their views and have their say (77%, 70 strongly, 23%, 21 tended to agree) Individuals reported that "*everyone was polite and gave us a chance to speak", "It was great to interact and share different viewpoints"* and that *"everyone had their say"*. This view was broadly shared by specialists with one noting that *"all participants were actively encouraged to share their views"*. • Public participants were fully involved in reporting back on their table's agreed priorities for SW's strategy at the end of evening two and this task seemed to a contribute to a sense that their views mattered and would be listened to. • After evening 2 there was unanimous agreement amongst participants and specialists that all participants had been treated equally and respectfully. • We observed high quality facilitation at all events. The lead facilitator and table facilitators had a good understanding of the subject matter, were effective at probing the underlying reasons for participants views, and able to move the discussions on. The depth and strength of the team meant that the team was able to maintain continuity when the project manager was ill. • There was unanimous agreement amongst participants that the facilitation had been independent, professional and effective (88%, 66 out of 75 strongly agreed and 12%, 9 tended to agree). Several participants praised individual facilitators and the positive group dynamics they created. *"MORI facilitators and Scottish Water were great"*
Learning from practice throughout	✓✓	• An experienced contractor was able to draw on their previous experience of delivery and materials in the water sector in designing an effective deliberation process which worked for both public and business audiences. • Customer Forum was able to contribute to content and design of stimulus materials which helped participants explore longer-term environmental and technical issues.
Venues		• Venues observed had good natural light, reasonable acoustics and AV provision.

Table B: Recruitment quotas

	For larger groups (Glasgow and Dundee)	For smaller groups (Hawick and Fort William)
Over-recruitment (for attending target)	35 (for 30 attending)	25 (for 20 attending)
Gender split of males and females	50:50	50:50
Age groups	• 10 aged 16-28 • 10 aged 29-49 • 10 aged 50+	• 10 x 29-49 and 10 x 50+ • Or 10 x 16-28 and 10 x 50+
Working Status 5 categories including: employed FT, employed PT, self-employed, not working, retired**.**	A mix, but to include at least 3 in each category	A mix, but to include at least 2 in each category
Social Grade	50:50 of ABC1 and C2DE	50:50 of ABC1 and C2DE
Bill payer[1]	At least 20 who are responsible for paying their Council Tax bills	At least 15 who are responsible for paying their Council Tax bill
Vulnerable circumstances (6 categories including: >65, children <5, pregnant, physical disability or medical/mental condition, carers of those needing support or other vulnerability)	At least 5 from across any of the categories (any codes 1 to 6), but aiming for a mix of different categories	At least 3 from across any of the categories (any codes 1 to 6), but aiming for a mix of different categories
Importance of how we manage our water • People who think it is important • People who feel it is not important	**≥ 10 people** **≥ 10 people**	≥7 people ≥ 7 people
Exclusions	• Any individuals (or those with immediate family members) who work in the water sector e.g. for Scottish Water or any other water company and those who were on private water supply were also excluded. • Those working in journalism, PR, advertising, market research or who have taken part in similar research in the last year.	

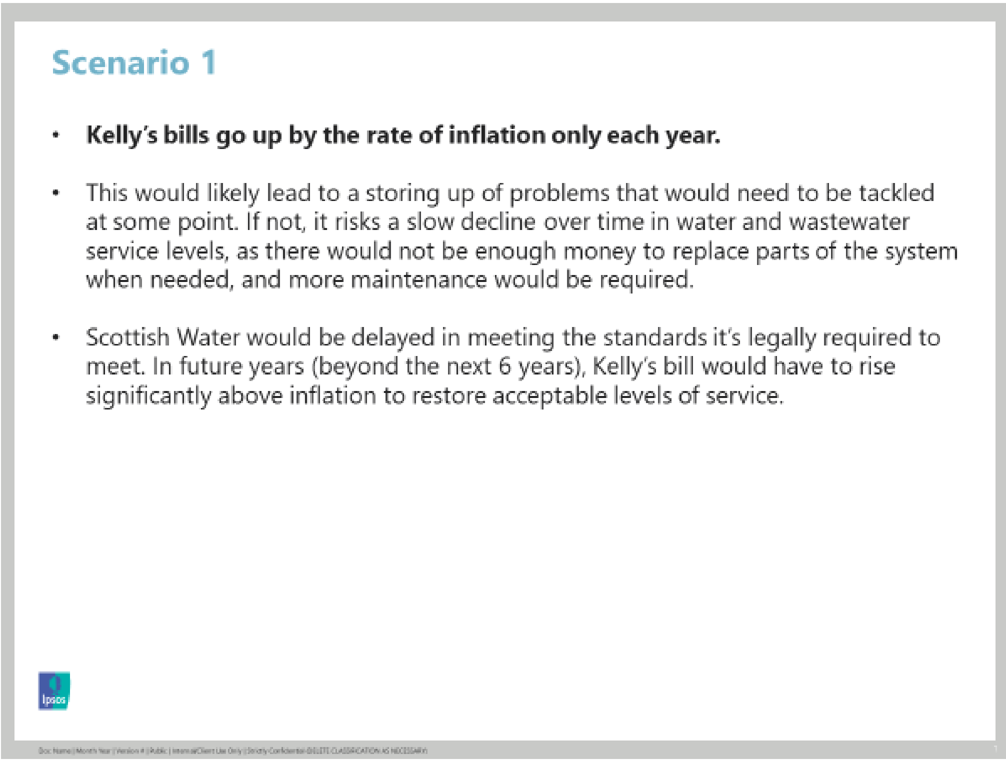
[1] All individuals were also asked what council tax band they were in and for their post code so that accurate information on council tax band, and therefore water charges, would be available to facilitators.

Appendix B: Pricing scenarios

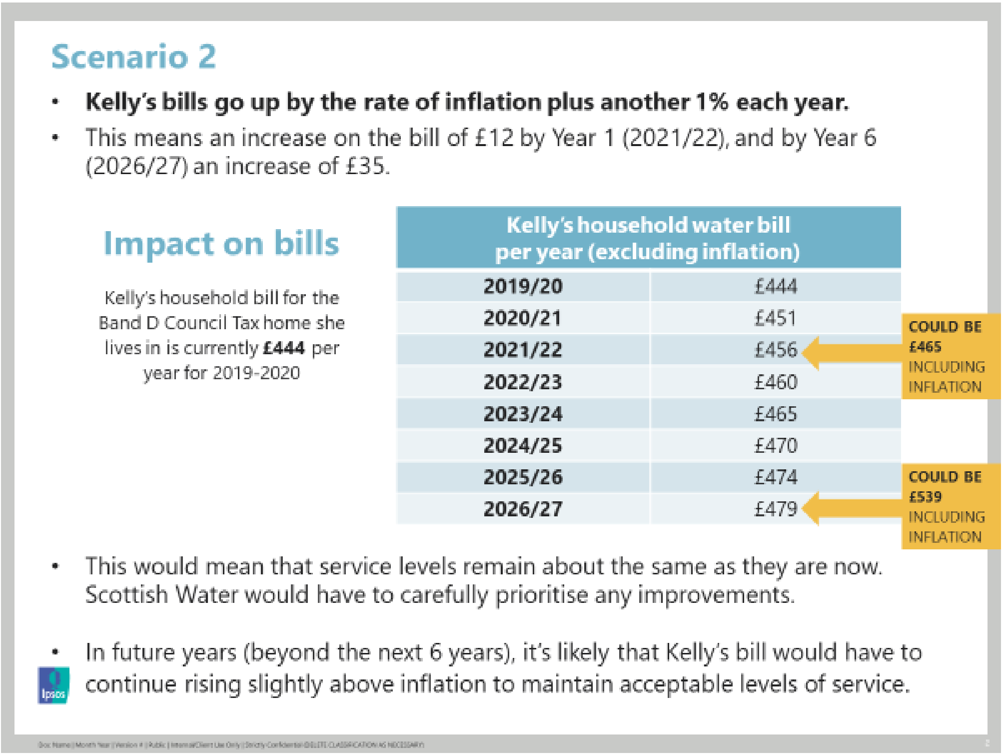
Domestic customers

In the domestic customer dialogues, the pricing scenarios were presented in two stages. The first time they were presented, the following information was provided:

- *I'm going to show you three different potential scenarios for how people's bills for their water and wastewater services could change over the next 6 years. These scenarios are not set in stone – we are using them to illustrate the types of decisions that might need to be taken by Scottish Water.*
- *Meet Kelly from Dunfermline. She lives in a Band D council tax property. This year, Kelly's bill for her water and wastewater services is £444. Let's look at how Kelly's bills could change in future, and what difference this would make to water and wastewater service levels.*
- *The scenarios I'll show you DO NOT include inflation. Inflation is the rate of increase in prices for goods and services, and the Office for Budget Responsibility expect a 2% increase each year due to inflation. We can't know that for sure, it may end up being higher or lower. It's worth bearing in mind that people's incomes and pensions can also rise at a rate above or below inflation, which can offset the increase in the cost of goods and services. Office for Budget Responsibility forecast for employment income increase is currently 3.2% to 2027/28.*
- *SHOW SLIDE WITH SCENARIO 1.*

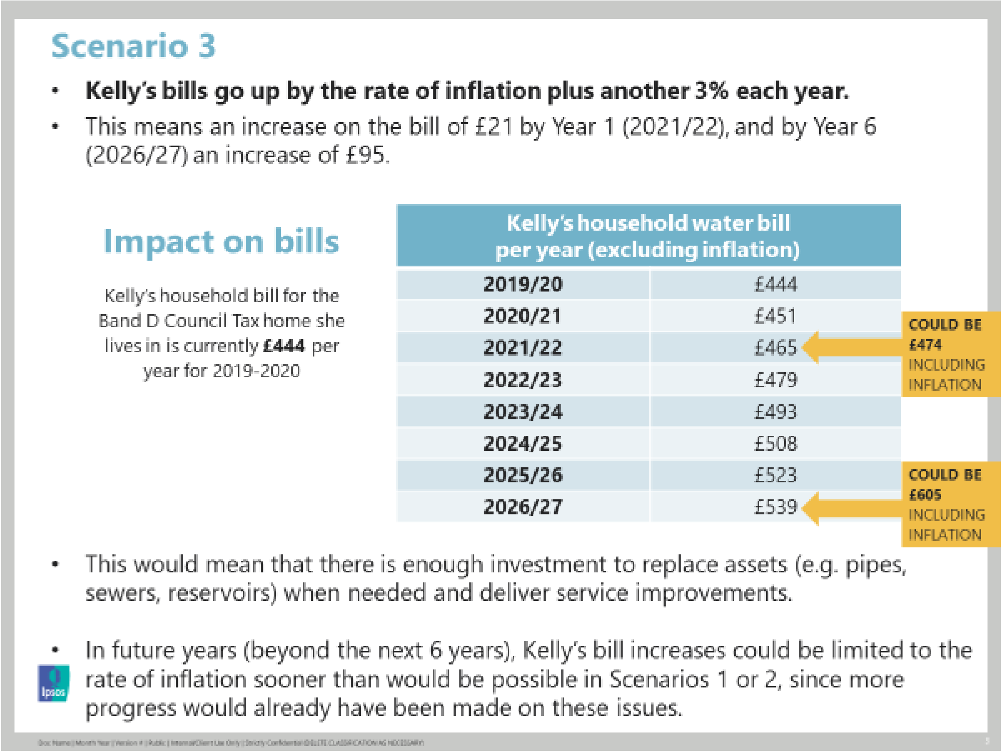


- *Under this scenario, Kelly's bills go up by the rate of inflation only each year.*
- *This would likely lead to a storing up of problems that would need to be tackled at some point. If not, it risks a slow decline over time in water and wastewater service levels, as there would not be enough money to replace parts of the system when needed, and more maintenance would be required. Scottish Water would be delayed in meeting the standards it's legally required to meet. In future years (beyond the next 6 years), Kelly's bill would have to rise significantly above inflation to restore acceptable levels of service.*
- *SHOW SLIDE WITH SCENARIO 2.*



- *Under this scenario, Kelly's bills go up by the rate of inflation plus another 1% each year. The slide shows how much Kelly would pay each year for the next 6 years. For a Band D Council Tax customer like Kelly, this means an increase on the bill of £12 by Year One, and by Year 6 (2026/27) an increase of £35. Please note that the amount shown here DOES NOT include inflation.*
- *This would mean that service levels remain about the same as they are now. Scottish Water would have to carefully prioritise any improvements. In future years (beyond the next 6 years), it's likely that Kelly's bill would have to continue rising slightly above inflation to maintain acceptable levels of service.*

- *SHOW SLIDE WITH SCENARIO 3.*



- *Under this scenario, Kelly's bills go up by the rate of inflation plus another 3% each year. The slide shows how much Kelly would pay each year for the next 6 years. For a Band D Council Tax customer like Kelly, this means an increase on the bill of £21 by Year One, and by Year 6 (2026/27) an increase of £95. Again, remember that the amount shown here DOES NOT include inflation.*

- *This would mean that there is enough investment to replace assets (e.g. pipes, sewers, reservoirs) when needed and deliver service improvements. In future years (beyond the next 6 years), Kelly's bill increases could be limited to the rate of inflation only sooner than would be possible in Scenarios 1 or 2, since more progress would already have been made on these issues.*

The **second time** they were presented, the information above was repeated but with the following additional information in relation to Scottish Water's contribution towards the target of net zero emissions by 2045:

- *Scenario 1: Scottish Water would be unlikely to progress as quickly as desired to meet its climate change obligation of moving towards the target of net zero carbon emissions by 2045.*

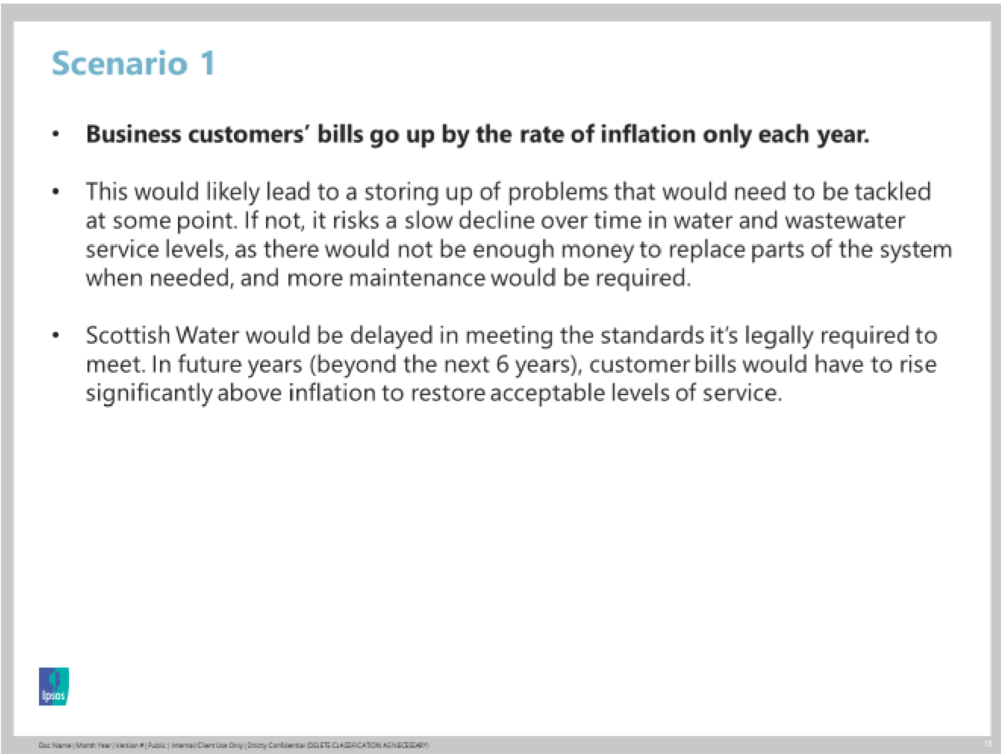
- *Scenario 2: More progress would be possible in tackling climate change and moving towards the target of net zero carbon emissions by 2045.*

- *Scenario 3: There would be more substantial and rapid progress in tackling climate change and moving towards the target of net zero carbon emissions by 2045.*

Business customers

In the business customer dialogues, the pricing scenarios were also presented in two stages. The first time they were presented, the following information was provided:

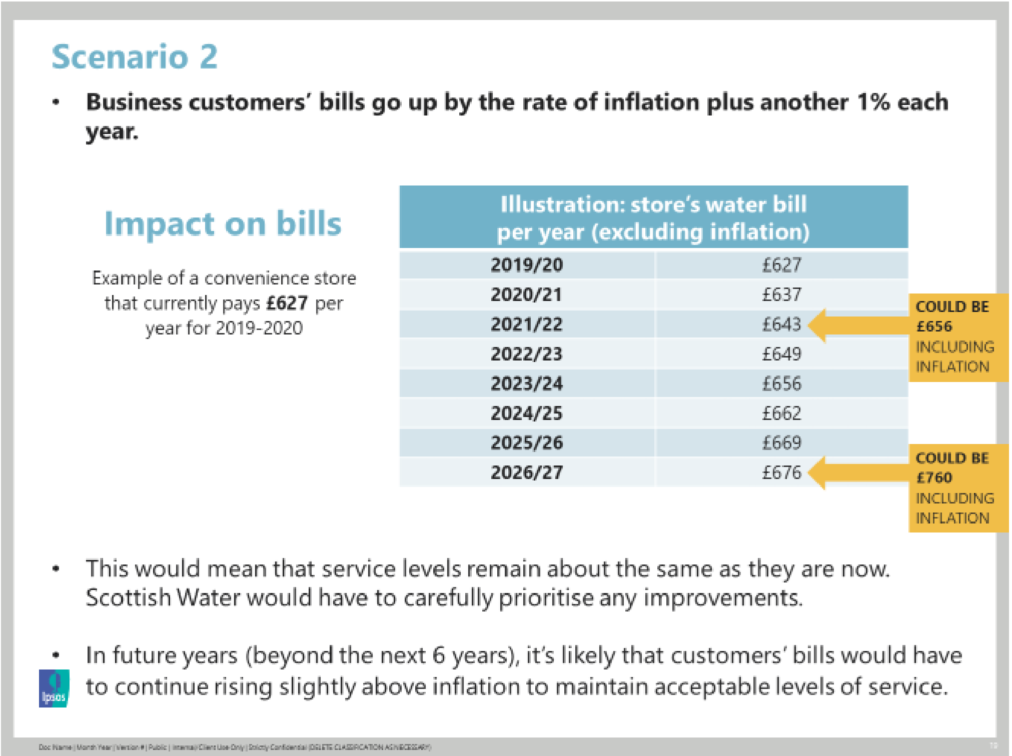
- *I'm going to show you three different potential scenarios for how businesses' bills for their water and wastewater services could change over the next 6 years, and what difference this would make to water and wastewater service levels. These scenarios are not set in stone – we are using them to illustrate the types of decisions that might need to be taken by Scottish Water. Broadly speaking, if wholesale charges go up we would expect businesses' bills to go up in roughly the same proportion, i.e. the wholesale increase would normally be passed on by the LP to the customer.*
- *The scenarios I'll show you DO NOT include inflation. Inflation is the rate of increase in prices for goods and services, and the Office for Budget Responsibility expect a 2% increase each year due to inflation. We can't know that for sure, it may end up being higher or lower. Of course, households will also see their prices change – these scenarios keep the same balance between money raised from domestic customers and non-domestic customers.*
- *SHOW SLIDE WITH SCENARIO 1.*



- *Under this scenario, business customers' bills go up by the rate of inflation only each year.*
- *This would likely lead to a storing up of problems that would need to be tackled at some point. If not, it risks a slow decline over time in water and wastewater service levels, as there would not be enough*

money to replace parts of the system when needed, and more maintenance would be required. Scottish Water would be delayed in meeting the standards it's legally required to meet. In future years (beyond the next 6 years), bills would have to rise significantly above inflation to restore acceptable levels of service.

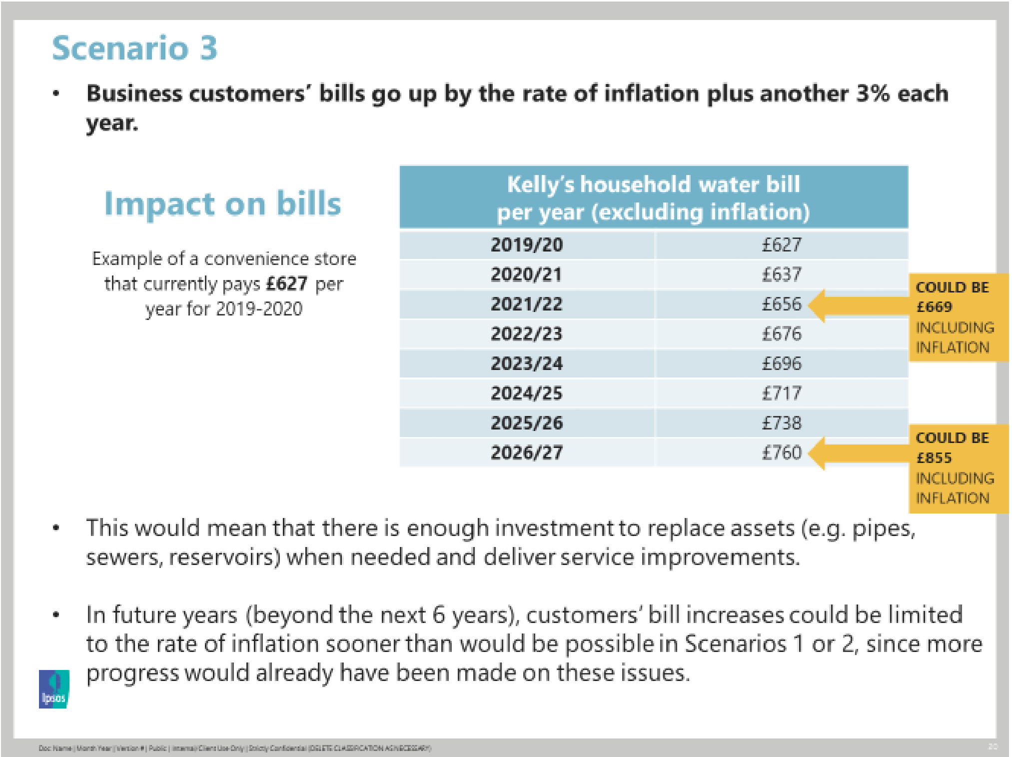
- *SHOW SLIDE WITH SCENARIO 2*.



- *Under this scenario, wholesale bills to LPs go up by the rate of inflation plus another 1% each year, and as mentioned earlier, we would expect business customers' bills to go up by the same proportion. The slide shows how much a business might be charged by their water retailer (i.e. Licensed Provider). We have used an example of a convenience store that currently pays £627 each year, and what that business would pay each year for the next 6 years. This is just to illustrate what a 1% rise each year would mean, and is NOT an average or typical example. Have a think about what this would mean for your business's water bill, based on what you pay now. Please note that the amount shown here DOES NOT include inflation.*

- *This would mean that service levels remain about the same as they are now. Scottish Water would have to carefully prioritise any improvements. In future years (beyond the next 6 years), it's likely that bills would have to continue rising slightly above inflation to maintain acceptable levels of service.*

- *SHOW SLIDE WITH SCENARIO 3.*



- *Under this scenario, wholesale bills to LPs and business customers' bills go up by the rate of inflation plus another 3% each year. The slide shows how much our example of a convenience store that currently pays £627 each year would pay each year for the next 6 years. This is just to illustrate what a 3% rise each year would mean, and is NOT an average or typical example. Have a think about what this would mean for your business's water bill, based on what you pay now. Please note that the amount shown here DOES NOT include inflation.*

- *This would mean that there is enough investment to replace assets (e.g. pipes, sewers, reservoirs) when needed and deliver service improvements. In future years (beyond the next 6 years), bill increases could be limited to the rate of inflation only sooner than would be possible in Scenarios 1 or 2, since more progress would already have been made on these issues.*

The **second time** they were presented, the information above was repeated but with the following additional information in relation to Scottish Water's contribution towards the target of net zero emissions by 2045:

- *Scenario 1: Scottish Water would be unlikely to progress as quickly as desired to meet its climate change obligation of moving towards the target of net zero carbon emissions by 2045.*

- *Scenario 2: More progress would be possible in tackling climate change and moving towards the target of net zero carbon emissions by 2045.*

- *Scenario 3: There would be more substantial and rapid progress in tackling climate change and moving towards the target of net zero carbon emissions by 2045.*

Appendix C: Future focus areas

In both the domestic and business dialogues, the future focus areas were presented using posters which included examples of how the focus areas could work in practice, as follows:

Reliable service:

- providing high quality water that tastes good and is safe
- delivering wastewater services that are safe and available to customers all of the time

Tackling climate change: (net zero-emissions by 2045)

- using sewage and sewers to generate heat or electricity, similar to Borders College Campus and the Wastewater Treatment Works in Stirling
- reducing how much energy Scottish Water uses and generating renewable energy
- building things in ways that use less carbon

Protecting water services against the impact of climate change

- using a 'Blue-Green cities' approach to drainage e.g. sustainable drainage systems to help get rid of surface water when there is intense rainfall
- using larger reservoirs during periods of water shortages

Making things last:

- repairing and regenerating infrastructure such as pipes, sewers and reservoirs

Enhancing the natural environment:

- restoring peatland, which helps to improve water quality in streams and reduce carbon emissions, similar to Sandy Loch in Shetland
- preventing the spread of invasive species, such as American Signal Crayfish, which are a threat to native fish and wildlife

Innovative approaches: doing things differently to improve water and wastewater services in Scotland, including investing in new technology

- Development Centres (like those in Bo'ness and Gorthleck) to carry out research and develop ad test new technology
- early warning system for sewer flooding hotspots, by installing batter operated 'loggers' in manholes at locations where sewers have flooded previously, which can monitor levels and flag any problems

Additional appendices

List of further appendices that are provided as separate documents:

Appendix D: Domestic customers discussion guide: Day One

Appendix E: Domestic customer presentation and stimulus: Day One

Appendix F: Domestic customers discussion guide: Reconvened Evening

Appendix G: Domestic customer presentation and stimulus: Reconvened Evening

Appendix H: Business customers discussion guide

Appendix I: Business customers presentation and stimulus

Appendix J: Summary of results from evaluation feedback questionnaires

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