

## **EAST AYRSHIRE COUNCIL**

**DEVELOPMENT SERVICES COMMITTEE: 03 MAY 2005**

### **INVESTING IN WATER SERVICES: INVESTMENT OBJECTIVES AND CHARGING PRINCIPLES**

#### **Report by the Executive Director of Development and Property Services**

#### **1. PURPOSE OF REPORT**

- 1.1** To provide Committee with an update on the Quality and Standards III (Q&S III) process by summarising, insofar as they relate to future development requirements, statements released by the Scottish Executive on Investing in Water Services: Objectives for 2006-2014 and Principles to be Applied in Charging for Public Water and Sewerage Services in Scotland 2006-2010.

#### **2. BACKGROUND**

- 2.1** As part of Scottish Water's next investment programme (Q&S III), the Scottish Executive carried out two formal consultations during July – August 2004. A report detailing the content of the consultation papers and responses was approved by committee on 5 October 2004. Scottish Ministers having considered all of the responses to these consultations as well as advice on the investment requirements identified by the Q&S III Board, Scottish Water's Initial Strategic Business Plan and the findings of detailed customer research have released a statement outlining the investment objectives and charging principles that will underpin Q & S III.

#### **3. INVESTING IN WATER SERVICES: OBJECTIVES 2006-2014: STATEMENT BY THE SCOTTISH EXECUTIVE**

- 3.1** Scottish Ministers have identified a number of Essential Investment Issues that need to be addressed through the Strategic Review of Charges for the period 2006-2010. These are Capital Maintenance, Improving the Environment, Improving Drinking Water, Development Constraints, Tackling Malodour at wastewater treatment works and Addressing Sewer Flooding. The most pertinent issue relative to this report is Development Constraints. In relation to this issue the objective to 2014 is to "Provide sufficient strategic capacity to meet the requirements of all estimated new development."
- 3.2** It is recognised by Ministers that including provision for additional capacity within the public network is important if communities are to be allowed to grow through new housing and commercial developments. Historically, Scottish Water was expected to fund all infrastructure requirements arising

from new development where reasonable cost guidelines were met. However, Ministers wish to bring forward arrangements whereby Scottish Water will be responsible for the removal of constraints caused by lack of capacity at a *strategic* level. Where a particular development requires additional local capacity which is not being addressed by other areas of the programme, Ministers intend that the cost of providing this should be met by the developer. Accordingly it is proposed that new regulations under the Water Environment and Water Services Act 2003 will be brought forward by Ministers so that this can be delivered (see section 4 below).

- 3.3 An estimate of the scale of new development within the period 2006-2014 has been calculated using an analysis of Scottish Executive Housing Trends data along with an assessment of likely development anticipated by local authorities. On this basis it is estimated that an additional 120,000 new homes and 4,050ha of commercial land will require to be connected to the public water and wastewater network across Scotland by 2014. No figures are provided for individual Council areas.
- 3.4 Ministers have stated that during the period 2006-2010, Scottish Water should establish plans to deliver strategic capacity to allow half of the total amount of new homes expected i.e. 60,000 and half the amount of new commercial land i.e. 2,025 ha to be developed. During the period 2010-2014, the statement states that plans will be established to deliver the remaining half of new homes and commercial land. In addition from April 2006, Ministers will require Scottish Water to publish annually a document outlining their strategic network capacity and development plans.
- 3.5 Ministers also require that delivery of these investment requirements should be informed by the quality investment programme, the spatial priorities identified in the National Planning Framework and development priorities identified by local authorities in their Structure and Local Plans.

#### **4. PRINCIPLES TO BE APPLIED IN CHARGING FOR PUBLIC WATER AND SEWERAGE SERVICES IN SCOTLAND 2006-2010: STATEMENT BY THE SCOTTISH EXECUTIVE**

- 4.1 The statement confirms that no grants will be made available to Scottish Water to fund their capital programme in order to keep up efficiency levels. Instead, a capped amount of borrowing will be made available. The statement emphasises that the programme must be delivered without the need to increase average charges by more than the rate of inflation during 2006-2010.
- 4.2 The section on "Paying for Increased Local Capacity" details how future development is to be funded. Within this Scottish Water's infrastructure is divided into four parts:

Part 1: Connections from the boundary of individual premises to the public system

Part 2: The water pipes and sewers that connect developments to the trunk mains and sewers

Part 3: The local infrastructure, such as trunk mains and sewers, service reservoirs and pumping stations

Part 4: Strategic assets, such as raw water intakes, water impounding reservoirs, aqueducts and treatment works.

**4.3** The statement sets out how Scottish Water and developers will be required to contribute to infrastructure costs. During the consultation period views on whether developers should be asked to contribute to costs were invited. Responses were broadly in favour of this and, accordingly, Ministers will bring forward the following regulations under the Water Environment and Water Services (Scotland) Act 2003:

- (i) Developers will be required to meet all Part 2 costs.
- (ii) Developers of sites will be required to meet the net cost of any part 3 infrastructure required by their development. This will be done by establishing a mechanism that will limit the contribution Scottish Water is required to make to the cost of infrastructure to a sum which reflects the additional income they will receive as a result of the new development.
- (iii) Scottish Water will be required to provide all part 4 infrastructure and charges set will include provision for this.

The above regulations will come into effect on 1 April 2006.

## **5. IMPLICATIONS FOR EAST AYRSHIRE**

**5.1** With regard to the provision for new development requirements, the statements are generally positive as removal of development constraint is acknowledged as a priority. It is also made clear that local authorities have a clear role in identifying these priorities. However, some areas of concern remain.

**5.2** The statements do not give an indication of geographical areas for priority investment. Constrained development due to inadequate water and sewerage infrastructure is a problem across much of Scotland and each local authority will be competing for funds. However it is particularly severe in certain areas. East Ayrshire in particular has suffered from considerable underinvestment in the provision of water and sewerage facilities (as previously reported to committee) and it is unacceptable that this was not openly acknowledged in the statement. It is considered that future investment through Q&S III in East Ayrshire must recognise this

underinvestment and the area should receive priority allocations so that future development is not jeopardised.

- 5.3** The Scottish Executive states that 120,000 new homes and 4,050ha of new commercial land will require to be connected to the public water and waste water networks. No process for deciding which areas should receive investment and when has been decided. It is expected that debate on this subject will take place towards the end of 2005. It is a debate that the Council must be involved in to ensure that it receives an appropriate portion of available funds and to avoid a situation whereby the planning process is led by Scottish Water's investment programme. Council representatives attended a conference on the Future for Scottish Water on 18 April and it is clear from the debate that there is at least now a recognition of the need to tackle constraints on development. However, it is clear even at this stage that the level of investment is inadequate.
- 5.4** At its meeting of 5 October 2004, the Manager of the Ayrshire Joint Structure Plan was instructed to co-ordinate a detailed case for additional resources to be made available to Scottish Water to resolve the pressing infrastructure capacity issues that are currently limiting development in major parts of Ayrshire. As part of the process of preparing a detailed case consultants are shortly to be appointed by the Structure Plan Manager, on behalf of the Ayrshire Council's, to prepare a strategic sewer and water infrastructure model for Ayrshire in the context of the housing development figures contained in the draft replacement Ayrshire Structure Plan. It is anticipated that the results of this study should be available in advance of any announcement regarding the details of Scottish Water's 2006-2010 investment programme.
- 5.5** It is clear from the statement that developers will require to contribute more to fund infrastructure than previously was the case. This could alter the development economics of certain sites especially in areas with lower land values such as in the southern part of East Ayrshire and may hinder the Council's regeneration and redevelopment objectives.
- 5.6** It is likely that new water or waste water networks and infrastructure will be of benefit to more than one development. A mechanism for equitable sharing of costs requires to be established. No mention is made of this in the Scottish Executive statement and again this is unacceptable. Some form of partnership between developers, local authorities and Scottish Water is required for this purpose. It is anticipated that the alteration to East Ayrshire Local Plan could play an important role in developing this partnership (in the context of the strategic infrastructure model for Ayrshire) by requiring developers of specific housing and commercial sites to develop and fund joint infrastructure solutions.
- 5.7** Given the huge implications for provision of adequate infrastructure there remains the issue of trying to reduce the amount of water consumed. If

water meters were installed as part of any new development and charging policies were introduced on this basis there would be a potential reduction of water consumption and reduction of the requirement for disposal.

## **6. FINANCIAL IMPLICATIONS**

- 6.1** There are no financial implications for the Council as a direct result of the report.

## **7. LEGAL/AUTHORITY IMPLICATIONS**

- 7.1** There are no direct legal or authority implications for the Council as a result of the report.

## **8. PERSONNEL IMPLICATIONS**

- 8.1** There are no direct personnel implications for the Council as a result of the consultation.

## **9. RECOMMENDATIONS**

- 9.1** It is recommended that Committee

- (1) notes the contents of this report and**
- (2) agrees that a letter incorporating the points detailed in section 5 be submitted to the Scottish Executive and Scottish Water.**

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**Executive Director of Development and Property Services**

25 April 2005 (EF/SA)  
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### **LIST OF BACKGROUND PAPERS**

1. Report to October 2004 Development services Committee, Scottish Executive Consultation papers, Investing in Water Services 2006-2014: The Quality and Standards III Project and Paying for Water Services 2006-2010.

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