

**REPORT TO: PLANNING AND TRANSPORTATION COMMITTEE
27 SEPTEMBER 2004**

REPORT ON: WATER SERVICES CONSULTATION

REPORT BY: DIRECTOR OF PLANNING AND TRANSPORTATION

REPORT NO: 616-2004

1 PURPOSE OF REPORT

- 1.1 To seek the Committee's approval for comments to be submitted to the Scottish Executive in response to the consultation paper Investing in Water Services 2006-2014 and to bring to the Committee's attention concerns regarding the general issue of infrastructure funding to enable development.

2 RECOMMENDATION

- 2.1 It is recommended that the Committee
- notes the content of this Report and approves the contents of Appendix 1 to this report as Dundee City Council's response to the Scottish Executive on the document Investing in Water Services 2006-2014;
 - remits the Director of Planning and Transportation to communicate to the Scottish Executive the concerns raised in this Report in respect of the funding of water and sewerage infrastructure to enable development; and
 - submits representations to the Scottish Executive regarding the need for special consideration to be given to the funding of Dundee's water and sewerage constraints in order to ensure the provision of necessary infrastructure to facilitate the implementation of land use planning in accordance with the statutory development plan.

3 FINANCIAL IMPLICATION

- 3.1 There are no direct financial implications for the Council arising from this Report. However, the implementation of some of the proposals in the consultation documents will have an impact on Council budgets.

4 LOCAL AGENDA 21 IMPLICATIONS

- 4.1 The consultations on water services are relevant to a number of Key Themes in Dundee 21 including, resources are used efficiently and waste is minimised, pollution is limited to levels at which natural systems can cope, access to good food, water, shelter and fuel is available at reasonable cost, and health is protected by creating safe, clean and pleasant environments.

5 EQUAL OPPORTUNITIES IMPLICATIONS

- 5.1 There are no equal opportunities implications arising from this report.

6 BACKGROUND

- 6.1 The Scottish Executive has issued two consultations relating to water services. The first paper, **Paying for Water Services 2006-2010**, invites views on the principles that might be applied in setting water and sewerage charges in the period 2006-2010. It sets out options for how the costs of delivering Scottish Water's objectives should be shared out among different customer groups. The Council's Policy and Resources Committee has considered a report on this consultation document.
- 6.2 The second paper, **Investing in Water Services 2006-2014 (The Quality and Standards III Project)**, seeks views on the scale and content of investment in water and sewerage services in the period 2006-2014. This consultation, along with other research and extensive analysis of investment needs, will inform Ministers' decisions on the establishment of an affordable and deliverable investment programme for the industry over that period. Appendix 1 of this report contains general comments and responses to key questions raised in this consultation document. The Committee is asked to approve this Appendix as the Council's response to the Scottish Executive.
- 6.3 In addition this report focuses on key land use planning considerations raised by the consultation documents, and indeed the broader issue of how infrastructure to enable new development should be funded.
- 6.4 Development is increasingly being constrained by lack of capacity in the public water and sewerage network. There are areas in Dundee where investment is required to enable development to progress. It is important therefore, that the Council participates in the broad debate on the funding of water and sewerage infrastructure.
- 6.5 Current legislation requires Scottish Water to provide a domestic connection to new development where it is practical to do so at a "reasonable cost". Any shortfall between the full cost of water and sewerage services provision and reasonable cost currently requires to be met by the developer.
- 6.6 It is proposed however, that in future Scottish Water will not make any contribution towards the cost of connection to the water and sewerage network. In terms of increasing the capacity of the network, the options are that it be funded from the water investment programme, which is paid for by water charge payers, or by contributions from developers.
- 6.7 The Executive is concerned that increasing customer charges to cover all the costs of providing new capacity at a time when charges will have to rise to deliver improved quality on the existing networks would be unreasonable. It proposes therefore, that over the period 2006-2010 customers would be expected to meet all the costs of maintaining, operating and upgrading Scottish Water's infrastructure at current levels of capacity, so as to meet the quality standards to be set by the Executive through the Quality & Standards III Project. In addition, customers would be expected to meet the cost of expanding Scottish Water's strategic capacity, in terms of developing new reservoirs and treatment works, as these are major, long-term assets that are necessary to secure future services for existing customers, which clearly are not attributable to any single development proposal.
- 6.8 However, insofar as expenditure is required to provide additional capacity for specific local developments, the developer advancing the proposal would be expected to

meet the cost of the additional capacity, for example by providing new or improved local distributions networks, service reservoirs or pumping stations.

- 6.9 The Executive's position that it would be unreasonable for Scottish Water customers alone to meet the full costs of overcoming the water and sewerage constraints that exist across Scotland is supported. However, it is of concern that water and sewerage infrastructure improvements increasingly require to be funded by developers and that it is the availability or the cost of providing this necessary infrastructure that is increasingly dictating the pattern and phasing of development, rather than broader land use planning considerations.
- 6.10 It is through the development planning process that strategies and proposals for the future use and development of land for the benefit of an area should be considered. There is widespread criticism from developers, and local authorities through COSLA over the lack of engagement by Scottish Water in the preparation of Structure and Local Plans by local authorities. This creates a lack of certainty for planning authorities, developers and local communities. Developers frequently find it difficult to factor water services costs into their site valuation calculations and that can have an impact later in the development process when Section 75 Agreements relating to other issues are being negotiated. This issue has been recognised by the Scottish Executive in the recent consultation Making Development Plans Deliver, which proposes that a statutory duty be placed on key agencies, including Scottish Water, to engage in the development planning process to raise the profile and ensure effective delivery.
- 6.11 Whilst this proposal is welcomed, it is a growing concern that the provision of infrastructure to enable development is increasingly the responsibility of the developer. Such infrastructure goes beyond the water and sewerage network and can include major road improvements, affordable housing, education contributions and public open space.
- 6.12 In this regard it is important to recognise that this issue is not confined to private developers. The costs of providing infrastructure will also have to be met by Scottish Executive agencies, including local enterprise companies and Communities Scotland. Given the limited amount of public money available and the requirements to secure value for money from investment, it is possible that the development focus of these agencies will be areas where significant expenditure is not required to overcome infrastructure constraints.
- 6.13 Local authorities too will be affected by this proposal where they are involved in the development of new facilities. In Dundee for example, the servicing of employment land such as Claverhouse Business Park will in future receive no contribution from Scottish Water towards water and sewerage infrastructure.
- 6.14 A consequence of this approach is that developers in different areas will experience wide variation in site development costs, depending on the level of infrastructure provision that is required. This will impact on the ability of planning authorities to secure the benefits of development, particularly if the burden of infrastructure costs is high in areas where the property market is less buoyant.
- 6.15 The proposals for increasing developer contributions towards water and sewerage infrastructure contained in the Water Services consultation documents must be seen within this bigger picture.

- 6.16 Dundee City Council has adopted a philosophy of partnership working with a range of agencies in the implementation of its planning strategies and in the development of individual sites. In this context, the Scottish Executive's proposals are welcomed. However, engaging in a process of consultation is one thing, designing and delivering a planning focused investment strategy is another.

7 CONCLUSION

- 7.1 New development has a critical role to play in ensuring that the economy of Scotland is strong and that the population can access good quality homes, jobs and services. It is therefore in the national interest that planning can guide the right type of development to the right places at the right time. Infrastructure to enable this development must be provided in a manner that is fair to all stakeholders and is deliverable. This necessitates a partnership approach between local authorities, public agencies and private developers based on shared understanding. In this respect, it is vital that the means by which infrastructure to enable new development is funded is a priority for Scotland and that the Scottish Executive show leadership in taking this matter forward.
- 7.2 The regeneration and development of parts of Dundee are being restricted by the lack of an adequate water and sewerage infrastructure. Given the focus on the growth of Scotland's cities by the Scottish Executive, this constraint needs to be highlighted to the Executive in order that they can consider Dundee's funding requirements as a special case.

8 CONSULTATIONS

- 8.1 The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Assistant Chief Executive (Community Planning) have been consulted and are in agreement with the contents of this report.

9 BACKGROUND PAPERS

- 9.1 Investing in Water Services 2006-2014 - The Quality and Standards III Project.
- 9.2 Paying for Water Services 2006-2010.

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APPENDIX 1

INVESTING IN WATER SERVICES 2006-2014 THE QUALITY AND STANDARDS III PROJECT

General Comments

The Quality and Standards III Project (Q&S III) seeks views on the scale and content of future investment in water and sewerage services in the period between 2006 and 2014. It is clear that the investment requirements are massive and that setting priorities will require difficult choices to be made.

The National Planning Framework for Scotland recognises that competitiveness relies heavily on adequate investment in infrastructure. Water supply and wastewater systems are critical elements of this infrastructure. It is important that the Q&S III debate fully recognises this wider context.

The National Planning Framework for Scotland states that investing in water supply and wastewater systems is a key priority for the Executive and that substantial resources have been made available for this purpose. It recognises that the renewal of water and wastewater infrastructure will involve substantial investment over a period of years and that it is important to ensure that the long term investment programme is based on a thorough assessment of needs, including the Executive's priorities for economic development and area regeneration, and is balanced and affordable in terms of water charges.

Within the context of the modernising planning agenda being progressed by the Scottish Executive, planning authorities, through their development planning function, are being encouraged to take a much longer term view. This reflects the National Planning Framework for Scotland that seeks to guide the spatial development of Scotland to 2025.

Against this background, it is questionable whether the framework for considering investment needs that has been adopted by the Q&S III project is appropriate. Water and wastewater infrastructure that will be provided over the period of Q&S III (2006-2014) will have an operational life well in excess of this timescale. That no account is taken of the demand that may be placed on infrastructure beyond 2014 is a major shortcoming.

It is critical that Scottish Water's investment programme is closely allied to land use strategies contained in development plans. In this regard, the Scottish Executive's proposal in the document Making Development Plans Deliver that a duty is placed on Scottish Water to engage in development planning is welcomed.

Many of the questions in the consultation document are framed such that the choice is between higher charges or lower investment in other areas of the water and sewerage infrastructure. However, given the acknowledged importance of adequate infrastructure to the prosperity of Scotland and quality of life of its population, other opportunities for meeting investment demands must also be considered, including further funding from the Scottish Executive. In addition, there may be scope for improvements in efficiency in terms of best value, improved procurement procedures, increased productivity, more efficient use of resources and improved quality control. Limiting the choices available to higher charges or lower investment unreasonably constrains debate on the future funding of water and wastewater infrastructure and is not considered appropriate.

Responses to Questions Raised in Consultation Document

The comments below respond to questions raised in the Consultation Document that are of particular relevance to the interests of Dundee.

Consultation Point 1: The key aim of Quality and Standards III is to produce a cost-effective, deliverable, affordable and sustainable investment programme. Do you think these are the right criteria?

Dundee City Council Response: It is difficult to argue that these criteria are inappropriate. However, the issue of affordability is important. Certainly, to customers who pay for water and sewerage services they must be affordable. The costs must also be affordable for developers who are required to contribute to water and sewerage infrastructure as part of the site development process, particularly in light of the other infrastructure burdens that they are increasingly are looked towards to meet.

The future prosperity of Scotland, including the regeneration of major urban centres, relies on the adequacy of its infrastructure. As a nation we cannot afford not to adequately invest in water and sewerage infrastructure. Therefore, in considering the issue of affordability, there is an overriding need to ensure that sufficient investment is available from all sources, including from the Scottish Executive, to deliver the infrastructure that Scotland needs.

Consultation Point 2: Do you agree that the following are the correct questions that should be used to assess each individual investment option?

- Is it legitimate for customers alone to pay for the investment under consideration?
- Is the proposed investment option the most cost effective available?
- Are the planning assumptions which lie behind the requirement reasonable?
- Is there any flexibility built into the requirement (either to meet a lower standard of compliance or invest over a longer period) and, if not, should there be?
- What level of priority should be attached to the individual investment requirements?

Dundee City Council Response: The issue of prioritising individual investment requirements must be closely linked to strategies and proposals contained in development plans. However, in a situation where resources are insufficient to enable all investment demands to be met in the short to medium term, there may be a greater role for the National Planning Framework for Scotland in setting out the spatial development priorities.

Consultation Point 3: Do you agree that maintaining serviceability levels (as defined in Chapter 3) should be an essential objective of Quality and Standards III?

Dundee City Council Response: There is a lack of detail available on certain serviceability standards and costs. For example, in Dundee leakage from the water supply network is known to be a significant issue. At the same time, due to capacity issues in the water supply network, developers in a part of the City are required to make significant investment in new infrastructure. It may be more cost effective, in the medium to long term, that Scottish Water directs a greater proportion investment in the water supply network to address the issue of leakage, thereby removing the requirement for capacity improvements. It will also address the issue of clean water being wasted and will contribute to sustainable development and the efficiency of the business.

Consultation Point 6: (extending the network to accommodate new developments): We hope to be able to include provision within the forthcoming investment programme to fund the deeper elements of connection. Should this element be paid for by higher charges or lower investment in other areas?

Dundee City Council Response: It is of concern that the availability of water and sewerage infrastructure is increasingly dictating the pattern and phasing of development, rather than broader land use planning considerations. Furthermore, developers in different areas will experience wide variation in site development costs depending on the level of infrastructure provision that is required. This will impact upon the ability of planning authorities to secure the benefits of development, particularly if the burden of infrastructure costs is high in areas where the property market is less buoyant.

There is a need for a broader view to be taken of the potential funding options that exist to enable new development. Among the options that could be considered would be the introduction of a standard charge on all developers to connect to the water supply and drainage network. Revenue raised could be invested in the deeper elements of connection referred to in the question. Greater integration with the development planning process would be necessary to ensure the viability of site allocations and to inform the prioritisation of schemes. This approach would be fairer insofar as this element of development costs would be standardised across different areas.

Consultation Point 7: Where there is a requirement made by local authorities for detailed modelling work to inform the viability of strategic sites in structure and local plan processes, who do you think should fund this work?

Dundee City Council Response: Scottish Water is the statutory undertaker responsible for the water and sewerage network and should, as part of its proposed duty to engage in the development planning process, fund modelling work where necessary.

Consultation Point 18: Do you think that the forthcoming investment programme should include provision to address sewer flooding in addition to that contained under capital maintenance?

Dundee City Council Response: Parts of Dundee, including the City Centre, suffer from sewer flooding after heavy rainfall events. This causes major disruption and can lead to significant property damage. It is therefore appropriate that investment to address this issue is included in Scottish Water's programme.