

REPORT TO: POLICY AND RESOURCES COMMITTEE - 14 NOVEMBER 2005

REPORT ON: PAYING FOR CONNECTIONS TO THE WATER AND SEWERAGE NETWORKS

REPORT BY: ASSISTANT CHIEF EXECUTIVE (COMMUNITY PLANNING)

REPORT NO: 669-2005

1. PURPOSE OF REPORT

To advise Committee of a consultation document from the Scottish Executive on Paying for Connections to the Water and Sewerage Networks, and to recommend a response.

2. RECOMMENDATIONS

It is recommended that Committee

- (i) welcome the statement in the consultation document that Scottish Water will have a clear, and funded, objective to provide for all strategic water and sewerage capacity in the investment period 2006-2014, and will continue to make a contribution towards the cost of new connections to the water and sewerage networks.
- (ii) agree a response to the detailed policy proposals contained in the consultation document as set out in Appendix 1 to this report

3. FINANCIAL IMPLICATIONS

This report in itself has no direct financial implications for the Council. However, the proposals and draft regulations set out in the consultation document will affect responsibility for the funding of new water and sewerage infrastructure and could have an impact on Council budgets if extended to non-domestic as well as domestic properties.

4. LOCAL AGENDA 21 IMPLICATIONS

The report has an impact on a number of key Local Agenda 21 themes, 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

None

6. BACKGROUND

- 6.1 The Scottish Executive has published a consultation document called 'Connecting to the System : Consultation on Paying for Connections to the Water and Sewerage Networks'. A copy of the consultation document is available from group secretaries and in the members' lounge.

- 6.2 The consultation document sets out proposals and draft regulations which will result in a change to the way Scottish Water contributes to the costs of new connections from domestic properties to the public water and sewerage networks.
- Developers will pay for the immediate connection from a property to where it joins a water main or sewer
 - Scottish Water will be responsible for meeting all requirements for strategic infrastructure
 - In between these two responsibilities, the cost of new local infrastructure will be divided in a way which reflects the costs and benefits to both Scottish Water and the developer, in that Scottish Water will meet the costs up to a limit based on the future income which the new connections will bring, while the developer will meet any costs above this limit. Currently, Scottish Water makes contributions up to a maximum value of £500 for water connection to new and existing properties; £1,000 for sewerage connections to new properties; and from around £2,000 to £6,000 for sewerage connections to existing properties, depending on their Council Tax banding. Under the new proposals, Scottish Water's contribution will be determined by a formula which takes into account the income which they will receive from the property; the number of years for which the infrastructure will provide a benefit; and the cost of borrowing money to provide the contribution at the outset. The consultation document suggests this is fair to new and existing customers.
- 6.3 The regulations will also have the effect of clarifying the point at which Scottish Water is to make its contribution towards new connections, so it does not invest in advance of need, for example at a point when a development may be delayed, cancelled or less extensive than originally envisaged.
- 6.4 Overall, the consultation document states that the proposed regulations will continue Scottish Water's duty to make significant contributions to the costs of new connections to the public networks, but will give developers a clear understanding of the costs they will have to meet where the requirement for new local infrastructure is substantial.
- 6.5 The Scottish Executive has invited written responses to the consultation document by 17 November, following which a report on the outcome of the consultation process will be produced early in 2006. The final regulations are intended to come into effect in April 2006.

7. DUNDEE CITY COUNCIL'S RESPONSE

- 7.1 In September 2003, the Planning and Transportation Committee considered a report on Scottish Water Reasonable Cost Contributions, which expressed concerns that Scottish Water might not in future make any contribution towards the cost of connection to the water and drainage network, and that this would have an adverse effect on development in Dundee. It is suggested, therefore, that Committee should welcome the confirmation in the consultation document that Scottish Water will continue to make a contribution and that the proposals set out a basis on which this can be calculated consistently, at least in the case of domestic developments.
- 7.2 In September 2004, the Planning and Transportation Committee considered a report on the Scottish Executive's consultation paper 'Investing in Water Services 2006-2014'. This report expressed concern about the increasing requirement for developers to fund

water and sewerage infrastructure improvements, and concern that the availability and cost of providing such infrastructure was increasingly dictating the pattern and phasing of development, rather than broader land use planning considerations. It is suggested, therefore, that Committee should welcome the clarification in the consultation document that Scottish Water will be responsible for meeting all requirements for strategic infrastructure. The document states that "Scottish Water has been set an investment objective for the period 2006-2014 to meet the strategic capacity requirements of all anticipated new development. This means that Scottish Water will be funded to ensure that there are no constraints in this type of infrastructure".

- 7.3 The consultation document sets out a number of detailed policy proposals intended to give effect to the principles set out in paragraph 6.2 above, along with a number of key questions on which the Executive has invited comments. These questions are set out in Appendix 1 to this report, along with a suggested response from the Council shown in bold type. In general, it is suggested that the proposals represent a reasonable balance between the interests of Scottish Water and the developers of domestic properties. The Council's main concern would be if the proposals were extended to non-domestic properties, which could have an impact on projects such as schools, community facilities and the development of serviced land for economic development. The suggested response therefore argues against extending the proposals to non-domestic developments and suggests that if similar arrangements were to apply then provision should be made to assist local authorities in the same way as Communities Scotland are to be assisted to cover the impact of the proposed regulations on affordable housing developments.

8. CONSULTATIONS

The Chief Executive, Depute Chief Executives, City Architectural Services Officer and Directors of Planning and Transportation, Economic Development and Housing have been consulted on this report.

9. BACKGROUND PAPERS

Connecting to the System: Consultation on Paying for Connections to the Water and Sewerage Networks.

Scottish Executive Paper 2005/19

Report No 616-2004 to Planning and Transportation Committee on 27 September 2004: Water Services Consultation

Report No 611-2003 to Planning and Transportation Committee on 29 September 2003: Scottish Water Reasonable Cost Contributions

Chris Ward

Assistant Chief Executive (Community Planning)..... 09/11/2005

APPENDIX 1

Connecting to the System: Consultation on Paying for Connections to the Water and Sewerage Networks.

Suggested Response to Consultation Questions

Question 1

Do you agree that Scottish Water's contribution should be targeted at all local infrastructure, with developers funding immediate connections and Scottish Water funding strategic capacity?

Yes, this seems a reasonable approach, and addresses concerns previously expressed by the Council that a lack of contribution by Scottish Water would have an adverse impact on development in the city

Question 2

Should the regulations define Scottish Water's contribution towards domestic properties only, or domestic and non-domestic properties?

Although there is a case to be made for extending the regulations to non-domestic properties on the grounds of transparency, the Council agrees with the consultation document in acknowledging the difficulties of agreeing a standard equitable formula which could be applied to calculate a reasonable contribution from Scottish Water, given the diversity of non-domestic properties and the range of public policy issues involved in such developments. The Council feels that developments such as schools, community facilities and servicing of land for economic development give rise to more complex issues regarding the level and timing of reasonable cost contributions than is the case with domestic developments.

Question 3

If the regulations were to define reasonable cost for non-domestic properties, what method do you suggest should be used?

There is no obvious method which would take account of all the factors involved.

Question 4

Do you agree that Scottish Water's contribution should be limited to an amount based on future income from that connection and payable only when a development is well advanced?

Yes, this principle is reasonable, but careful consideration will have to be given to the equity of the factors used in the contribution formula.

Question 5

Do you have any comments on the proposed basis for calculating Scottish Water's reasonable cost contribution?

The principle behind the formula is reasonable but how it works in practice will depend on the factors taken into account in setting the variables, and these may need to be kept under review to ensure that the outcome retains the desired balance between the interests of Scottish Water and developers.

Question 6

What factors should be taken into account in setting the variables in the contribution formula in relation to the number of years and the cost of borrowing?

The Council welcomes the proposal in the consultation document to seek advice from the Water Industry Commission before finalising the figures. In particular, the Commission should consider whether basing the formula on 12 years' income (as suggested in the consultation document) is an accurate reflection of the likely life expectancy of the infrastructure provided and the length of time before further maintenance will be carried out.

Question 7

Do you agree that connections for new properties and existing properties should be treated equally? If not, what approach would you suggest and why?

Yes, it seems reasonable to treat new and existing properties in the same way.

Question 8

Do you have any comments on the implications of the draft regulations on development constraints?

It is not anticipated that the detailed proposals on the division of local infrastructure costs will have a major impact on development constraints, but the Council welcomes the statement in the consultation document that Scottish Water will be funded to achieve its objective that the strategic capacity requirements of all anticipated new development in the period 2006-2014 will be met.

The consultation document suggests that provision will be made to Communities Scotland to cover the impact of the proposed regulations on affordable housing developments. If the regulations are extended to non-domestic developments, similar provision should be made for local authorities and others acting as enablers to social and economic regeneration.

Question 9

What, if any, provision on reserving capacity would you support and why?

The Council believes that development should be led by land use planning considerations rather than the existence of infrastructure, and would be concerned at any provision which allowed a developer to reserve capacity for substantially delayed development in a way which would undermine the public nature of the water and sewerage network or disadvantage other developers and the public interest.