

## CAIRNGORMS NATIONAL PARK AUTHORITY

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**Title: CONSULTATION RESPONSE TO PAYING FOR WATER SERVICES 2006-2010**

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### **Purpose**

The aim of this document is to seek the Board's approval on the proposed response to the Scottish Executive's consultation on Paying for Water Services 2006-2010 - on the principles of charging for water services prior to 12th October 04.

### **Recommendations**

That the Board:

- approves the paper and it will then be forwarded to the Scottish Executive before the 12th October 04.

### **Executive Summary**

The consultation document is summarised with the following points that;

The CNPA considers that the following core principles should guide future policy on charging for water services –

- Charging mechanisms should encourage a much greater emphasis on water conservation and reuse than is currently the case.
- Charging mechanisms should recognise the need for effective cross subsidisation so that water users in different parts of urban and rural Scotland are subject to the same basic charging system and levels of charges.
- Charging mechanisms should be socially just and based primarily on ability to pay.
- Income from charges should form only an element of total revenue, with a substantial balance being funded from general taxation to reflect the broad based public benefits that accrue from investment in water services.

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**PAYING FOR WATER SERVICES 2006 – 2010  
CAIRNGORMS NATIONAL PARK AUTHORITY CONSULTATION RESPONSE**

**Overview and Summary**

- 1 The Cairngorms National Park Authority (CNPA) welcomes this consultation and endorses the need for effective charging arrangements for water services in order to underpin the very substantial continuing programme of investment that is required in Scotland, especially in rural areas. This paper should be read in conjunction with the CNPA's response to the Investing in Water Services 2006-2014 consultation. The response is also influenced by the CNPA's four aims which are:
  - To conserve and enhance the natural and cultural heritage of the area;
  - To promote sustainable use of the natural resources of the area;
  - To promote understanding and enjoyment (including enjoyment in the form of recreation) of the special qualities of the area by the public; and
  - To promote sustainable economic and social development of the area's communities.
  
- 2 The CNPA considers that the following core principles should guide future policy on charging for water services –
  - Charging mechanisms should encourage a much greater emphasis on water conservation and reuse than is currently the case.
  - Charging mechanisms should recognise the need for effective cross subsidisation so that water users in different parts of urban and rural Scotland are subject to the same basic charging system and levels of charges.
  - Charging mechanisms should be socially just and based primarily on ability to pay.
  - Income from charges should form only an element of total revenue, with a substantial balance being funded from general taxation or long term borrowing to reflect the broad based public benefits that accrue from investment in water services.

## Responses to Specific Consultation Points

**Consultation Point 1:** You are invited to comment on the principles outlined above that the Executive proposes should underpin charge limits and charges schemes in the period 2006-2010. In particular you are asked to indicate whether you agree that:

- i Charges should be set to recover the full costs incurred by Scottish Water in providing public water and sewerage services.
- ii Charges for households should be set with a view to ensuring that they are as affordable for low-income households.
- iii All charges should be set on a harmonised basis, so that customers in the same group and using the same services should pay for the services at the same rate, irrespective of where they are in the country
- iv Subject to making charges affordable for low-income households, harmonised charges to a particular group should be set to recover as closely as possible the fixed and variable costs of serving that group.
- v All significant changes in charge levels arising out of the application of these principles should be introduced gradually during the period 2006-2010, and beyond in the most significant of cases

- i The CNPA does not support this principle. The benefits of investment in water services are diverse and accrue to society as a whole as well as to individual householders. In the CNP, for example, higher levels of investment would deliver substantial environmental and socio-economic benefits of significance to all. For this reason the CNPA considers that a substantial contribution from general taxation would be appropriate. Consideration should be given to funding provided by long term borrowing to allow the costs of the infrastructure programme to be spread over a longer time period.
- ii The CNPA supports this principle. Charges should be set with safeguards to ensure affordability to low income households.
- iii The CNPA supports this principle. Costs in some rural locations can be substantially higher than in urban locations, and there is a need for effective cross subsidisation in order to harmonise charges.
- iv The CNPA does not support this principle (see comments above).
- v The CNPA supports this principle.

**Consultation Point 2:** If you do not agree that the principles outlined above provide an appropriate basis for setting charges, which principles would be appropriate and why?

- 3 The CNPA considers it vital that the broader public socio economic and environmental benefits of investment are recognised and reflected through an appropriate contribution from general taxation. The CNPA is deeply concerned that the principles as proposed

could lead to substantially higher charges in some rural areas, making further development in those communities much more difficult, if not impossible. The principle of fairness proposed in relation to affordability for low as against high income households should also apply to rural as against urban households. There should be no concession on Water and Sewerage charges for second homes since these homes benefit from the investment in infrastructure even though they do not make the same use of the service. The additional funds raised should be returned in the areas where they are raised or used to fund housing in these areas.

- 4 To help the Scottish Executive deliver on its international commitments on sustainable development, Scottish Water along with all public bodies/agencies must set sustainable development at the heart of its business. Therefore, it is difficult to reconcile Scottish Water's high fixed charges and low consumption charges for a finite resource like clean water with these sustainability commitments. Allied to this is a strong and clearly defined strategy to promote wise-use and water conservation/efficiency measures for households and businesses.

**Consultation Point 3:** If it is established that there are significant cross subsidies between customer groups, should these be retained, or withdrawn gradually over time?

- 5 The CNPA considers that cross subsidies are a vital part of delivering socially just water charges. However where cross-subsidies appear to conflict with the principle of social justice, for example cross subsidy from low volume users to high volume or low income to high income users, these should be withdrawn.

**Consultation Point 4:** Should a new system of better targeted discounts for low-income households be funded from the savings that would be generated by abolishing the discounts currently granted to single adult households and in respect of second homes, or should the current system of discounts be retained?

- 6 The CNPA strongly supports this proposal. On average 27% of households in the CNP are second homes, and by taking up capacity in the system they inhibit local development where capacity is constrained and increase the need for further investment. Additional income from abolishing discounts should not only be used to cross subsidise to poorer households, but also be used to service increased long term borrowing to invest in areas where second homes exist in large numbers and lack of water and sewerage capacity constrains the development of affordable housing.
- 7 No discount should be applied to annual charges for holiday homes if the cost of providing the water supply has been partly paid from the public purse because borrowing to provide the service initially will involve annual re-payments and interest and these costs should be spread equitably over all who benefit from the supply.

**Consultation Point 5:** Should the current arrangements for charging non-household customers for surface and highway drainage be retained, or should preparations be made to establish by 2010 banded charges in respect of these charges?

- 8 The CNPA considers that surface and highway drainage is a general public good and should be funded from general taxation.

**Consultation Point 6:** Should un-metered non-household premises continue to pay by reference to rateable value, or should they become metered, or should preparations be made to enable these premises to be charged by reference to a system of bandings to reflect broad consumption levels?

- 9 The CNPA would prefer to see a shift towards metering for non-household premises in order to encourage water conservation and more closely reflect cost. A change to low standard charges and higher charges for consumption would also benefit businesses and the environment by lowering their overheads and encouraging water conservation.

**Consultation Point 7:** Do you agree that the Executive has identified the main factors that should have a bearing on the amount of borrowing provision made available to Scottish Water? If not, which other relevant factors should be taken into account?

Do you agree with the Executive's analysis that to fund all enhancements from borrowing is unsustainable, but that to fund none would not strike the right balance between today's charge payers and tomorrows? If so, do you consider that allowing Scottish Water's debt to remain broadly constant in real terms would strike the right balance? If not, which level would strike the right balance and what implications would that balance have for wider public expenditure considerations?

- 10 In general the CNPA agrees with this. However, the legacy of the past under investment combined with the cost of enhanced standards means that there will be a need for significant investment for the foreseeable future, which cannot be serviced by charges alone. It should be emphasised that investment in water infrastructure involves very long time horizons, and borrowing arrangements should be made on equivalent time periods to reflect this.

**Consultation Point 8:** Do you agree that developers should be expected to meet the cost of providing increased local capacity, where this is necessary to take forward their proposed developments? If not, should all customer groups meet the cost of removing development constraints equally, or should particular customer groups be required to bear the cost? If the latter, which customer groups should bear the costs and why?

- 11 The CNPA considers that as a general principle the cost of new investment should be met from long term borrowing, and that the cost of servicing or gradual writing off the initial cost should be charged across all users in accordance with the principles outlined above. Please see CNPA's response to Investing in Water Services 2006-2014 annexed at Point 9 where the suggestion is made for the public sector to front fund the infrastructure and claw back these costs over a phased time as development takes place.

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