

CAIRNGORMS NATIONAL PARK AUTHORITY

Title: **CONSULTATION RESPONSE TO INVESTING IN WATER SERVICES 2006-2014 THE QUALITY & STANDARDS III PROJECT**

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Purpose

The aim of this document is to seek the Board's approval on the proposed response to the consultation on Investing in Water Services 2006 - 2014 The Quality & Standards III Project 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 report would benefit from a breakdown of costs by geographic area both for historic and Q&SIII funding.
- Consultation with partners when developing its programme and prioritising slippage projects
- Scottish Water look at reviewing their water charging system for metered customers
- Water charges are kept affordable
- To promote the conservation of water in relation to both business and domestic use or suggest innovative solutions to developing houses in the countryside which will be less dependent on mains infrastructure for water and sewerage
- Increased investment to Communities Scotland towards Housing Associations to expand the system where this is not available
- That Scottish Water take a more transparent view on where the likely investment has been and will be targeted
- Consider the public sector funding the infrastructure and clawing back these costs over a phased period of time as development takes place
- Use of additional resources from reduced Council tax in priority areas
- Consider changing their policy on lack of increased capacity in rural areas as this is constraining development especially in the Park area.
- Reconsidering the 'reasonable cost' benchmark as this seems to mitigate against rural investment

- If developer contributions are forthcoming there is capacity in the system to allow them to connect.
- Consider social housing providers as different from private developers when it comes to paying for increased capacity
- A balance is met between what is necessary for drinking water legislation and what the country can afford.
- Consider climate change and its effects on sewers, flooding and new housing

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

Background

1. The Cairngorms National Park Authority has four aims:
 - 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 growing popularity of the Cairngorms area amongst home buyers has placed considerable pressure on the available housing stock. The population of the area rose by 6% between 1991 and 2001, in contrast to the national trend, which shows a population decline throughout Scotland. Over the same period, the number of households in the Cairngorms has risen by 19%. These two factors mean that the pressure on the existing available housing stock is likely to increase.
3. The natural environment of the Cairngorms area makes it attractive to holiday/second home buyers; and being close to, and enjoying good road and rail links to areas such as Aberdeen, Inverness and Perth, has increased its appeal to those travelling into town to work daily. In addition, with the creation of the National Park, its popularity looks set to grow amongst people who would like to live there, further increasing pressure on the housing market.
4. There are also constraints on the supply of new housing which are further barriers to meeting local housing need. These include, varying across the area: the lack of land available to develop housing; infrastructure constraints for example lack of water and sewerage; local objections to new development; and a lack of public sector funding for housing investment.

As one of the main constraints to building housing, both public and private, in the area is the lack of water and sewerage the Cairngorms National Park Authority (CNPA) welcomes the opportunity to respond to this consultation as it is important to them.

INTRODUCTION

The first consultation point is that Scottish Water's key aim is to produce a cost-effective, deliverable, affordable and sustainable water industry investment programme.

5. This seems to be in line with two of the Park's aims to promote sustainable use of the natural resources of the area and promote sustainable economic and social development of the area's communities. However, the CNPA cannot agree with all the points raised and will go on to discuss, which in principle we support and those we disagree with and suggest solutions.
6. We would agree that the key aim should be to produce cost-effective, deliverable, affordable and sustainable water but we would argue where and in conjunction with whom?
7. In the introduction we were disappointed that there was no breakdown of the programme that would indicate where and how much funding would be spent in each area of Scotland. A rough calculation indicated the budget to be between £8 and £10 billion over the 8 years. It would have been beneficial to indicate the total budget and what this cost may mean to the consumer, whether a business or householder and where this investment was going to be made each year.
8. The Authority would suggest that successful programme management always includes an element of slippage to allow it to be deliverable. Unfortunately the paper did not indicate how Scottish Water was going to negotiate with its partners to prioritise its programme or substitute projects as and when required over the timescale.
9. The Authority has responded to the Paying For Water Services 2006-2014 - A Consultation On The Principles Of Charging For Water Services on the issues of affordability and would disagree that the current charging system is in the correct format.
10. The Authority is, therefore, concerned to note Scottish Water's proposal to continue with the same charging regime where customers' supplies are measured, they would pay relatively high fixed charges and relatively low charges for each unit consumed. It may be of more economic long term benefit to lower the standing charge and raise the consumption charge for customers to encourage users not to waste water. Also, high standing charges may be detrimental to small businesses as they cannot afford the charges and it is often quoted as being a factor in them closing.
11. The Authority believes that adding higher water charges to the Council Tax charge will add pressure to every household. The amount of the charge will raise the issue of affordability and it would seem reasonable to expect Scottish Water to set charges which are affordable not only for low income households but for everyone where ever they live.
12. Under the CNPA's second aim to promote sustainable use of the natural resources of the area, the Authority has an interest in whether Scottish Water intends to promote the conservation of water in relation to both business and domestic use or suggest innovative solutions to developing houses in the countryside which will be less

dependent on mains infrastructure for water and sewerage? It would be useful to have some solutions to these issues in the paper as people could have a financial incentive to reduce usage.

ESTABLISHING FUTURE INVESTMENT NEEDS

In Section 2 the main issue to be addressed is the baseline for future investment needs. To do this Scottish Water has established working group covering:

- *Maintenance and extension of water/wastewater networks;*
- *Environmental issues;*
- *Drinking Water Quality and Water Resources;*
- *Additional Customer Service Issues*

And consulted with a range of stakeholders. Further detailed work is ongoing to refine costs, assess benefits and risks and pull individual investment requirements into overall investment programme for each area.

The questions being asked in the paper are as follows:

- *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 in the regulatory period or invest over a longer period), and, if not, should there be?*
- *What level of priority should be attached to the individual investment requirements?*

13. The underpinning question to Consultation point 2 is do we agree that these are the correct questions each working group should use to assess each individual assessment option?
14. The Authority has responded to the Paying For Water Services 2006-2014 - A Consultation On The Principles Of Charging For Water Services on whether it is legitimate for customers alone to pay for the investment under consideration. The Authority feels there are already some areas where general taxation could assist, as there are aspects of double subsidy in relation to housing benefit and public funding to Housing Associations. It is suggested that the funding towards the Water Industry could go straight to Communities Scotland as additional funding to assist with infrastructure costs.
15. The CNPA notes that there is mention of Quality & Standards I and II in this section of the paper with £1.8 billion being stated as having been spent during Q&S II. If planning assumptions are to be realistic and transparent it would have been useful to track the spend of the previous 6 years and give an account of where and on what works this funding had been spent. This would reassure customers that in allocating Q&S III it was building on historical works and spend.

16. As stated in answer to Section 1 CNPA would want to see cost effective options and planning assumptions to offer value for money. Whether this programme has the required flexibility remains to be seen, as there is no indication of the geographical spread or likely allocation of projects. It is, therefore difficult to prioritise individual investment requirements.
17. In summary, careful consideration must be given to how the funding is distributed taking into consideration the points raised above including transparent programming of funding and sharing that in the public domain.

MAINTAINING SERVICE STANDARDS (CAPITAL INVESTMENT)

This section stresses the high cost of maintaining the level of service (with no expansion) and suggests areas where even more funding could be spent. These areas are to improve water quality, reduce leakage rates, and reduce the numbers of failing wastewater treatment works and rates of flooding and sewer collapse.

Consultation points 3, 4, 5 relate to maintaining serviceability levels as an essential objective for Quality and Standards III and what the most important serviceability standards are.

18. The CNPA would agree that maintaining water serviceability levels is important, however they are constrained by keeping the system the same and there being no room for expansion. Also, as water is one of Scotland's assets the CNPA would not want to see it leak away or be wasted. Again, it is difficult to prioritise if there is no indication of where works have been carried out in the past and may be carried out in the future.
19. CNPA's second aim is to promote the sustainable use of natural resource of the area. The CNPA would, therefore, ask has Scottish Water taken climate change into consideration where water availability may change affecting both lack of and over abundance of water. Also if a large number of houses are built in a location has the long term view been taken whether there will be sufficient water for their needs in the future?

EXTENDING PUBLIC WATER & SEWERAGE NETWORKS

Consultation points 7, 8 and 9 in section 4 of the consultation looks at the detailed modelling work to inform the viability of strategic sites in the structure and local planning process and whether the investment programme include provision for new connection where the costs to customers exceed those that are currently considered 'reasonable' and who should pay for these.

20. From the paper it seems that Scottish Water operates two different approaches to assessing 'reasonable' cost depending on whether domestic connection is sought for new build housing or for connecting to an existing property for the first time. Firstly 'developers' are not the same, and different considerations must apply to social housing providers as opposed to private developers building houses for sale. Whilst it would not appear to be sensible to use public money to subsidise private developers' costs, charging more may inflate house prices even further in some areas. As previously stated the Authority feels there are already some areas where general

taxation could assist, as there are aspects of double subsidy in relation to housing benefit and public funding to Housing Associations. Also, the funding for the Water Industry could go straight to Communities Scotland as additional funding to assist with infrastructure costs.

21. In making investment decisions the paper uses 'reasonable cost' benchmarks as stated in Section 4.15 as the unit cost for first time connections will be higher in rural than urban areas. This would seem to mitigate against rural investment.
22. The consultation also mentions that 'the lack of capacity is a constraint on development in some areas'. In the CNP lack of capacity is a constraint in several villages throughout the Park. All four Local Authorities and many Housing Associations operating in the area as well as local people are well aware that lack of capacity can have a significant impact upon local communities.
23. The high upfront infrastructure costs can be a disincentive to housing providers building both public and private houses for rent and sale. Perhaps consideration should be given to the public sector funding the infrastructure and claw-back these costs over a phased period of time as development takes place.
24. Although the consultation mentions a further allocation of £41m being made available to ease the constraints on new housing and to assist with first-time sewerage in these areas; there has been no specific mention of the communities who are going to benefit.
25. The section on 'accommodating new development needs' mentions the interrelationship between the sewer system and neighbouring watercourses and SEPA's requirement that Scottish Water must demonstrate no detriment to watercourses from development proposals. The CNPA is very concerned that this is upheld as Scottish Natural Heritage is now designating all the tributaries of rivers, which will have a profound effect on development if not handled sensitively. This will possibly mean even higher costs in the Park.
26. The CNPA would agree that it is important that Scottish Water and the planning authorities work closely together on the provision of infrastructure to support new development. It would seem prudent to ensure that if a developer pays a contribution for a site for a water and sewerage connection that this capacity is guaranteed.
27. Finally, there are statutory duties laid out for Local Authorities in their structure and local plan. However there is little advantage in identifying sites along with the local community if Scottish Water Solutions reject them due to lack of capacity or other issues. It is suggested that a Partnership approach is adopted where a good network of negotiation and selection is set up. In the future the Cairngorms National Park Authority will have its Park Plan and Local Plan adopted and we would be very interested in being involved in such a partnership approach. As previously stated, many sites in Badenoch & Strathspey especially, and some other areas in the Park, are constrained by the lack of water and sewerage capacity.

INVESTMENT IN THE ENVIRONMENT

Section 5 of the consultation relates to the investment of resources in the treatment and disposal of sewage in a manner, which protects human health and the environment. In addition, Scottish Water needs to ensure that the largely healthy and diverse aquatic environment of Scotland is maintained and protected, our bathing water area is clean and safe, and where problems exist, they are tackled in a sustainable and effective manner.

This is carried out by having approximately 30 environmental drivers some of which are 'mandatory' and other, which have more 'stringent' guidelines. Along with the Scottish Environmental Protection Agency (SEPA) measures have been identified to deliver the required level of environmental protection.

The process includes sewer systems, waste water treatment plants and other non-water related issues - including sludge disposal, air quality and waste.

Consultation point 10 asks - What should the top environmental priorities be?

28. The CNPA realises that European union directives are put in place to protect people's health and the countryside. The cost of this is estimated as £2,500 million for mandatory standards. The CNPA welcomes that Scottish Water is working towards meeting environmental directives but would suggest looking at what flexibility there is within the timescales and budgets in which they work.
29. The Authority would also like to clarify if Scottish Water has considered sustainable construction where water consumption could be reduced or different types of sustainable urban drainage used? Are there cheaper ways of doing this which address environmental issues?

DRINKING WATER QUALITY & WATER RESOURCES

Section 6 of the consultation highlights the legislation surrounding water. The Water (Scotland) Act 1980 requires Scottish Water to provide 'wholesome' drinking water. Q&S II is investing approximately £320m in improving drinking water quality in line with new quality standards. Q&S III has 26 drivers for drinking water quality, security and emergencies, water resources and miscellaneous. This cost of providing this will cost anything between £1,650m and £3,400m.

Consultation points 12 and 13 ask what should the top drinking quality and water resource priorities be and who should pay?

30. The Cairngorms National Park Authority is of the opinion that a balance must be met between what is necessary and what can be afforded over the 8 years.

OTHER PRIORITIES FOR THE CUSTOMER

The final chapter of the consultation relates to other issues of importance to customers such as odour from waste water treatment works, water pressure, sewer flooding.

The consultation asks if the forthcoming investment programme should include investment on these issues.

31. The CNPA would suggest that these 3 issues are being handled in different ways, as the amount of funding for each is so different. Odour control funding is circa £4m. Funding of £40m to reduce the water pressure problem from 14,942 households to 1,572. The figures for reducing sewer flooding only state the properties, highway areas and other flooded areas but not how many are left on the list at a cost of £240m over 8 years.
32. The CNPA agrees there should be provision for these in their programme.
33. In conclusion, the Cairngorms National Park Authority would like to summarise the following points for their response to the Investing In Water Services 2006-2014 The Quality & Standards III Project consultation paper and would suggest that:
 - The report would benefit from a breakdown of costs by geographic area both for historic and Q&SIII funding.
 - Consultation with partners when developing its programme and prioritising slippage projects
 - Scottish Water look at reviewing their water charging system for metered customers
 - Water charges are kept affordable
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 - If developer contributions are forthcoming there is capacity in the system to allow them to connect.
 - Consider social housing providers as different from private developers when it comes to paying for increased capacity
 - A balance is met between what is necessary for drinking water legislation and what the country can afford.
 - Consider climate change and its effects on sewers, flooding and new housing