



Response to Scottish Executive Consultation on “Investing in Water Services 2006 – 2014”

General Observations

1. Homes for Scotland is the representative membership body for the house building and residential development industry in Scotland. Membership includes all major house building companies and Homes for Scotland members build over 90% of all new homes in Scotland.
2. Against that background Homes for Scotland has a particularly keen interest in the investment programme and priorities of Scottish Water and welcomes the opportunity to comment on “Investing in Water Services 2006 – 2014”. Our interest has been sharpened by a number of recent developments of substantial concern to the industry, including:-
 - (a) the unprecedented and highly damaging (to the wider economy as much as to our industry) lack of any provision in the current Scottish Water investment programme (Q&S II) of investment to serve the needs of new development and the redevelopment of our communities and inner city areas. It simply beggars belief how Ministers could have approved, or been advised to approve, a Q&S II programme on this basis, whatever wider priorities were dominating the programme. The current problem is a direct result of decisions taken at that time.
 - (b) the resultant development constraints affecting hundreds of communities and development sites in Scotland. Although with some adjustment to build programmes, and as much assistance as Scottish Water is able to offer within the regrettably inflexible regulatory regime imposed on Scottish Water by SEPA, the immediate consequences for the industry can be mitigated the medium and longer consequences cannot be overstated.

- (c) the seriously detrimental impact of all of this on the development planning framework in Scotland on which local authorities and communities have rightly placed great store and within which our industry has always worked and believed others were working. Scottish Water has adopted its own approach to the planning system which is jeopardising its integrity and validity.
 - (d) the clear statements by the Water Commissioner that Scottish Water is not successfully planning and executing its current investment programme let alone a larger one in future.
3. Providing the new homes that people in Scotland need and want is an issue of substantial social and economic importance and the industry is very aware of its importance in the social and economic fabric of the country. We have stressed in recent consultations on the planning system that we look to the Scottish Executive to facilitate rather impede us in meeting this objective. We take this same philosophy into responding to the current consultations on Scottish Water's investment programme and will be critical where we believe this is not likely to be the case.
4. Before dealing with the numbered consultation points there is an overriding issue that must be addressed. The consultation paper sets out a series of investment needs for Scottish Water in the 2006 – 2014 period that total £8.5bn, ie over £1bn per annum. This is more than double the level of Scottish Water's current investment programme and raises a number of critical questions, including:-
- can a programme at this level be delivered by Scottish Water and the civil engineering industry in Scotland?
 - if not, or if it is not Ministers' intention to approve a programme at that level, what priorities will be adopted for a scaled-back programme, since it is this very priority-setting process, placing investment for new development at the lowest level of priority, that brought about the present development constraint crisis? It would be unacceptable to have a repeat of the situation that gave absolute priority to what was deemed statutory and no priority (or funding) to what was deemed non-statutory.
 - how can a programme at this level be funded, since the increase in water charges this would imply seems unthinkable?

The clear implication is that if the programme is not to be implemented at the full £8.5bn level then there must be a further public consultation on priorities and on the project-level detail of the investment programme that will be approved.

5. Homes for Scotland does not wish to respond on all consultation points. Instead we wish to concentrate on a number of key issues of importance to the residential development industry.

Consultation Point 1

The stated key aims, whilst worthy and unobjectionable in themselves, do not recognise the real need to see Scottish Water's investment programme as a key driver and catalyst in the wider economy. This criterion must be added.

Consultation Point 2

The working groups established by the Scottish Executive are working effectively and on the right basis. But the key decisions on the quantum of the programme, and on the priorities to be adopted by Scottish Water, will be taken by Ministers. More transparency than hitherto in this process is essential on a matter of this importance.

Consultation Points 3 - 5

No comment

Consultation Point 6

As noted above this is an absolutely key matter for our industry and for the community more widely. Paragraphs 4.7 – 4.11 in the consultation paper paint an extremely serious picture of need and prospective problems for the country which Homes for Scotland can confirm from its own member companies' experiences both on current development sites and in planning ahead in conjunction with local authorities.

Indeed, we believe that the figures given in para 4.8 are at the lower end of what may be needed, especially if new house building increases by as much as 25%, as most interests believe it should if we are to tackle the current housing shortage that is fuelling price inflation and exacerbating issues of affordability. Moreover, new sites, probably also constrained, will need to be identified by planning authorities and our belief is that the position will prove to be more serious, and potentially longer-term, than is suggested in the paper.

The issue is not so much whether to do this work to remove constraints on all new development but the potential social and economic cost to the country of not doing it. Homes for Scotland calls for a commitment to be given that all of the £1bn of work needed to remove all known constraints will be undertaken during the 2006 – 2014 period, whatever the size of the overall investment programme approved by Ministers.

As to funding such work the options offered in Consultation Point 6 are much too narrow. It is very arguable that the cost of removing development constraints, and dealing with past under-investment in the necessary infrastructure, should neither be visited on current chargepayers nor met through reduced expenditure elsewhere in the investment programme. These costs arising from poor political decisions in the past should be met from general taxation, an option that seems not to be adequately discussed in the consultation paper.

Consultation Points 7 – 19

No comment, except to say that it is unrealistic and oversimplistic to repeatedly offer respondents a stark choice on each issue between higher charges and reduced expenditure under other headings. Few respondents will be qualified to make such judgements and in any event there is an inter-relationship between expenditures and priorities that is not being recognised. Moreover, it seems likely to have been such a “black and white” approach that caused the current difficulties over development constraints.

6. Homes for Scotland will be willing to engage further with the Scottish Executive on relevant matters, and particularly as to the programming and funding of work to remove the development constraints which we believe to be one of the most serious issues facing our industry and communities throughout Scotland.

Edinburgh
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