



Response to Scottish Executive Consultation on “Paying for Water Services 2006 –2010”

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.
 - (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. 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 Points 1 and 2

Homes for Scotland does not believe that all of Scottish Water's costs should (or can) be met through charges to customers rather than through general taxation. This is not argued on the basis of accounting principles or on grounds of equity. It simply seems inescapable that to implement and fund through charges the full investment programme identified as necessary, and which we support, in "Investing in Water Services 2006 – 2014", would imply a level of increases in charges that will be quite unacceptable both politically and in practice.

We believe that there is a clear case for funding much of the investment programme through general taxation particularly where, as in relation to removal of development constraints, the problem arises because of inadequate investment or poor political decisions in the past.

Consultation Points 3 – 6

No comments

Consultation Point 7

The objective of Homes for Scotland is to see the full investment programme identified as being necessary carried out in the period 2006 – 2014. The correct balance between funding through borrowing or charges is not a matter on which we wish to express a view. As noted above, however, it is our belief that whatever balance is struck the impact on charges is prospectively too high and that some funding through general taxation is essential.

Consultation Point 8

Homes for Scotland rejects the proposal for developers to contribute to the cost of increasing local capacity, for a number of reasons:-

- no reasoned case for such a change has been set out for what simply seems a convenient and easy way to subsidise Scottish Water's investment programme
- the argument that such an arrangement brings practice into line with England and Wales is a curious one from an Executive that makes a virtue of seeking Scottish solutions to Scottish problems
- it must be understood that this further additional cost (on top of an increasing number of others from local authorities) will be met by the land seller and/or house buyer, not by the developer. Land will become scarcer or house prices will rise and cut across the Executive's stated objective of securing more affordable homes. The impact on provision by and for RSLs will be significant.
- much more information is needed about how the proposed new system would work in practice at site and locality level. What methodology would be used to determine where contributions are needed and at what level? The assumption has been made (para 4.11 of "Investing in Water Services 2006 – 2014) that in total developers will contribute half of the cost of removing constraints on development but it is not clear how this figure has been arrived at.
- further consideration is needed about the mechanics (and possibly the legalities) of developers effectively buying or reserving capacity in future asset capacity improvements by Scottish Water, since assets such as waste water treatment plants cannot simply be increased incrementally to meet the needs of an individual development

- partly for this reason, but also because of the sheer scale of demand on Scottish Water's resources, there is nothing to suggest that such a system of developer contributions will in itself bring any development nearer to fruition. There will be sensitive and difficult issues of geographic and strategic priority to be resolved. If Scottish Water's programme is to be shaped by the National Planning Framework (para 4.12 of "Investing in Water Services 2006 – 2014) how will this be influenced by the location of development proposals and the availability of developer contributions? How, moreover, does this sit in relation to the primacy of the development plan as a vehicle for targeting development?
5. Homes for Scotland is willing to engage with the Scottish Executive on the issues identified above.

Edinburgh
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