



Scottish Water Investment Programme – From One Crisis to Another?

1. Following an extensive consultation exercise last year the Deputy Environment Minister, Lewis Macdonald, made a statement in the Scottish Parliament on 9 February in relation to the funding and priorities for Scottish Water's investment programme in the period 2006 – 2014.
2. It is clear, and hardly surprising given the huge public and political pressure put on them, that Ministers have acknowledged the seriousness of the development constraints issue and have made it a policy and investment priority for the next programme period. Homes for Scotland was very much at the forefront of the lobbying and campaigning on this matter and we feel that we can certainly take much of the credit for this shift in policy priorities.
3. On top of this there is an evident acceptance by Ministers that the overall level of capital expenditure by Scottish Water must be increased, as shown by the decision, previously ruled out as an option in the consultation document, to feed some £200m per annum into this programme from the Executive's own budget on top of normal revenues from water charges.
4. However, it is as yet too early to gauge what the practical effects and benefits of all this will be. Discussions with Scottish Water and the Scottish Executive are underway and we are scheduled to meet with the Minister later this month. The position may become clearer then but there are three points of real concern that have already been stressed in our public statements and informal dialogue with Executive officials.

120,000 New Homes

5. Great concern has been expressed publicly and privately at the repeated reference by the Minister, and in the Executive's statement, to Scottish Water being resourced to support the construction of 120,000 new homes in the 2006 –2014 period. **Although apparently a large figure this only equates to 15,000 new homes per annum, which is only some 60% of current levels, far less production at the increased build levels for which we consistently argue.**

6. This figure does not appear by accident. It is the build level that the Scottish Executive argues is needed for new household formation. But of course new home building happens in response not simply to basic need arising from household formation. The industry builds to demand arising from a range of factors including economic development, population shift and in-migration, and the natural personal and family aspirations of people throughout Scotland.
7. To plan ahead on the basis of only 15,000 new homes per annum would neither be sensible nor politically acceptable. We all know that in practice build levels will heavily exceed this figure and the alternative is simply unthinkable, with a housing shortage on an enormous scale and unemployment of over 20,000 in the construction industry. Is this really the basis on which Ministers want us to be planning? We need to see Scottish Water realistically resourced, from the outset, for at least current build levels. In 2004, for instance, over 26,000 new homes were started.

Programming of Work and Prioritisation

8. The huge backlog of work needed to relieve development constraints is going to take years to overtake, making it essential that this happens on a well planned basis that takes full account both of community needs and forward development proposals. This programming and prioritisation is proving to be very sensitive to the point where **neither the Scottish Executive nor Scottish Water will accept “ownership” of the programming and prioritisation of the work.** This quite unacceptable situation must be resolved without delay, given that we are talking of a programme due to start less than a year away.

Developer Contributions

9. As anticipated, the Minister announced the introduction of a new scheme of developer payments, essentially for all off-site works attributable to the development. Preliminary estimates, reflected in the funding provision to Scottish Water, are that an average contribution of £3000 - £5000 per house may be involved. The detail of the scheme is awaited but in the short term, for developments where the land is already owned or contracted, the net result will simply be increases in house prices and a further blow to affordability.