

Investing in and paying for your Water Services from 2021: final consultation

Summary of responses

July 2020

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Introduction

The Strategic Review of Charges is the process undertaken by the Water Industry Commission for Scotland (WICS) - the independent economic regulator of Scottish Water - to determine the charges payable by Scottish Water's customers for the next regulatory period.

Scottish Ministers must make 2 specific inputs to the Strategic Review in the form of statements, which set out:

- the Principles that should underpin charges for water services; and
- the Investment Objectives which will define the standards of services to be delivered in the 2021-27 period.

The Strategic Review of Charges for 2021-27 was initiated by Ministers in January 2017 and an initial consultation, on the draft Principles of Charging statement and Investment Objectives, undertaken in 2018.

Responses to the initial consultation were considered, alongside the findings of other activities associated with the Strategic Review, to revise the proposed policy framework for 2021-27.

Final draft documents were then published in the “Investing in and paying for your water services from 2021: Final Consultation” document in January 2020. This engagement paper sought the views of customers and stakeholders on areas of the policy framework that had been updated since the initial consultation. This report provides a summary of the feedback received.

Consultation Overview

The consultation was launched on 13 January 2020 and ran for 12 weeks, closing on 5 April 2020.

Respondents were asked 7 questions, which sought views on areas of the policy framework that had developed since the initial consultation in 2018, particularly around:

- Improving support for customers facing difficulty paying their bills.
- Bringing certain vacant dwellings in to charge.
- Meeting the costs of providing additional capacity to support development.
- Responding to the climate emergency.
- Creating a long term vision for Scotland's water industry.

The number of responses received are summarised in the table below:

| Type of Organisation | Number |
|-------------------------------------|---------------|
| Members of the public | 5 |
| Businesses | 1 |
| Local authorities | 2 |
| Charities/voluntary organisations | 1 |
| Water Industry Organisations | 6 |
| Representative Bodies/Organisations | 5 |
| Total | 20 |

Responses from water industry organisations included those from Scottish Environment Protection Agency (SEPA), Citizens Advice Scotland (CAS), Scottish Water, the Water Industry Commission for Scotland and the Drinking Water Quality Regulator (DWQR).

Responses from representative bodies and organisations included those from the Society of Chief Officers of Transportation in Scotland (SCOTS), Convention of Scottish Local Authorities (COSLA), Homes for Scotland, Institute of Revenues Rating (IRRV) and National Farmers Union Scotland (NFUS).

Many organisations noted that they had only responded on areas of the policy framework, which were either in line with their statutory functions, or had implications for their organisation, or the groups and communities they represent.

Overall Summary

Overall, there was broad agreement that the final draft Principles of Charging and Investment Objectives were appropriate for the 2021-27 regulatory period.

Key areas of feedback related to the affordability of water charges, the changes proposed to the vacant exemption scheme and the detail associated with the proposed arrangements for paying for additional capacity. These topics are explored in more detail in the analysis of responses below.

Some respondents noted they would welcome the opportunity to engage with the Scottish Government in finalising various elements of the proposed policy framework for the 2021-27 period.

The COVID-19 pandemic was also mentioned by a number of respondents, who commented on the impacts this could have on customers and the water sector, which may result in a need to further review the policy framework outlined in the final draft documents.

Analysis of Responses

Question 1: Do you agree that the final draft Principles of Charging are appropriate for the next regulatory period?

11 of the 20 respondents answered 'yes', 3 answered 'no', 4 did not answer the question directly but offered a comment, and 2 chose not to respond.

Overall, there seemed to be broad agreement that the Principles of Charging were appropriate for the next regulatory period. However, some respondents noted their support was subject to further detail being developed around certain principles, particularly those associated with paying for additional capacity.

There were a number of specific comments from Water Industry Stakeholders, including those from CAS, who believed that the Scottish Government should commit to an additional principle on affordable charges. SEPA confirmed it would like to see business charging mechanisms introduced to incentivise the retrofit of sustainable urban drainage systems.

All 3 of the respondents who answered 'no' offered comments. These covered:

- the affordability of charges;
- green energy targets and why customers were being asked to fund them;
- water meters, asking if they would be installed to ensure heavy users are charged more; and
- how to deliver the best outcome for the environment and highlighted a need to write policy which looks beyond compliance.

Question 2: Do you agree that the level of financial support provided for households that receive Council Tax Reduction (CTR) should be increased?

7 of the 20 respondents answered 'yes', 2 answered 'no', 3 did not answer the question directly but offered a comment, and 8 chose not to respond.

Most of those who responded to this question supported the proposal to increase the level of support provided for households that receive Council Tax Reduction (CTR).

COSLA welcomed the proposal, but asked that the Scottish Government work with Local Authorities to communicate the change to households and to promote the Water Charges Reduction Scheme more generally.

A number of the responses included comments on wider affordability policy, stating it should:

- support those customers least able to afford water and sewerage charges;
- be subject to review;
- be based on income; and
- be considered in light of wider Scottish Government policy, such as the commitment to consider a replacement for the current Council Tax system.

A couple of respondents also noted that the collection and debt recovery practices should protect the most financially vulnerable customers. CAS also suggested that Scottish Water should consider offering direct support for customers in serious debt.

Those who disagreed with the proposals did not provide any comments.

Question 3: Do you agree that the eligibility criteria for this financial support should be extended to include all those in receipt of Council Tax Reduction (CTR) and some other form of Council Tax Discount?

7 of the 20 respondents answered 'yes', 2 answered 'no', 1 did not answer the question directly but offered a comment, and 10 chose not to respond.

Most of the respondents who answered this question welcomed the proposal to extend the eligibility criteria to cover those in receipt of CTR and some other form of discount.

Those who provided comments believed the scheme could go further and again noted that affordability policy should be based on income, to ensure it is able to identify and support those customers who need it most.

Whilst in favour of the proposals, IRRV noted that the change would create additional confusion for some taxpayers, which would ultimately add to the resource requirements of Local Authorities in dealing with customer queries.

Question 4: Do you agree with the proposals regarding charging at vacant dwellings?

7 of the 20 respondents answered 'yes', 3 answered 'no', 3 did not answer the question directly but offered a comment and 7 chose not to respond.

Most of those who answered this question seemed to welcome the proposal. Some respondents noted that there was no cost justification for a vacant property to be exempt from charges and some that it would more closely align the household charging regime with that for business premises.

Others supported the proposals, but provided specific examples of vacant properties that would be classed as new, empty or under repair, but which they believed should remain exempt.

Some respondents noted that these proposals would require changes to Local Authorities IT systems and had the potential to increase billing and collection costs and resource requirements to deal with customer queries.

IRRV supported the proposals, but noted the change could increase costs for Local Authorities that hold their own housing stock and other Registered Social Landlords, where properties are vacant between tenancies. This could also impact customers in rented accommodation, who may have overlapping liabilities between tenancies.

COSLA acknowledged that the proposal was understandable, but thought it should be considered in the context of wider Scottish Government policy, such as the commitment to consider a replacement for Council Tax. Their response also encouraged the Scottish Government to work with Local Authorities to communicate these changes to households.

Two of those who disagreed with the proposals suggested that if there were no residents in a property, there should be no charge for services.

Question 5: Do the revised arrangements provide a suitable basis for financing the provision of additional capacity in existing network assets to meet the needs of development?

10 of the 20 respondents answered 'yes', 0 answered 'no', 3 did not answer the question directly but offered a comment and 7 chose not to respond.

There was broad support for the revised arrangements, though some respondents included comments on the methodology that would be used to set the 'Infrastructure Charge' and the associated investment limit. This included the need to ensure costs are fairly allocated between Developers and Scottish Water, that the charge and limit are set in a manner which encourages water efficiency and sustainable surface water management, and that they do not become a barrier to small scale development, or the delivery of new housing sites.

Respondents were also keen to ensure the revised arrangements offered value for money for customers, would not delay development and would support sustainable economic growth in Scotland.

Homes for Scotland noted that they would welcome an opportunity to work with the Scottish Government, Scottish Water and WICS to finalise these arrangements.

Question 6: Do the key policy objectives provide a sound basis upon which to plan the delivery of services from 2021?

12 of the 20 respondents answered 'yes', 1 answered 'no', 2 did not answer the question directly but offered a comment and 5 chose not to respond.

There was broad agreement that the Investment Objectives provide a sound basis upon which to plan the delivery of services from 2021.

Those who responded 'yes' welcomed the addition of the long term outlook and the inclusion of the Water Sector Vision. A number welcomed the reference to the need to respond to the Climate Emergency, the plans to develop an asset management strategy and the need for Scottish Water to work in partnership with others, for example to deliver blue/green infrastructure.

Homes for Scotland suggested the objectives could also be strengthened to position Scottish Water as an enabler of housing development. Meanwhile, CAS supported the Objectives, but noted there was a need for future charging policy to address how

some of the long term, complex issues that are facing the industry will be solved and funded.

The respondent who answered 'no', noted a concern that there were no clear drivers for the delivery of low carbon solutions in the water sector.

Question 7: Please include any other comments you wish to make on 'Investing in and paying for your water services from 2021: Final Consultation' below:

A number of respondents took the opportunity to reiterate earlier comments on the affordability of water charges and the need to introduce robust, sustainable arrangements that would identify and support those most in need.

Some commented on the longer term challenges facing the industry. This included the need for Scottish Water to deliver sustainable solutions, to work in partnership with other organisations, and to avoid shocks to charges for future customers as they are addressed.

A couple of organisations welcomed the review of the current application of Rateable Value as a basis for charging for surface water drainage, alongside the need for charging arrangements to adapt in the near term in order to address situations where customers had taken significant steps to reduce their demands on Scottish Water's infrastructure.

Some also acknowledged the global COVID-19 pandemic had been declared during the consultation and noted there may be a need for the policy framework to be re-evaluated once its impacts are better understood.

Conclusion

The consultation showed that there is broad support for the final draft Principles of Charging and Investment Objectives and illustrated that a number of respondents would welcome the opportunity to be further engaged, as the details are finalised.

It is recognised that the policy framework will need to be further reviewed, once the likely impacts of the COVID-19 pandemic are better understood.

Water Industry Team
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