

**REPORT TO:** POLICY AND RESOURCES COMMITTEE – 11 JUNE 2001

**REPORT ON:** THE WATER SERVICES BILL – CONSULTATION PAPER

**REPORT BY:** DIRECTOR OF CORPORATE PLANNING

**REPORT NO:** 354-2001

## **1 PURPOSE OF REPORT**

- 1.1 To advise Committee of the proposals contained in the Water Services Bill Consultation Paper issued by the Scottish Executive and to recommend the Council's response as outlined in Section 7.

## **2 RECOMMENDATIONS**

- 2.1 To approve the comments in Section 7 as the basis of Dundee City Council's response to the Water Services Bill Consultation Paper.

## **3 FINANCIAL IMPLICATIONS**

- 3.1 This report has no direct financial implications for the Council.

## **4 LOCAL AGENDA 21 IMPLICATIONS**

- 4.1 The Water Services Bill relates directly to Local Agenda 21 themes including Resources are used efficiently and waste is minimised, Pollution is limited to levels at which natural systems can cope; Access to good food, water, shelter and fuel at a reasonable cost, Access to facilities, services, goods and people is not achieved at the expense of the environment and are accessible to all.

## **5 EQUAL OPPORTUNITIES IMPLICATIONS**

- 5.1 The Water Services Bill aims to introduce affordability measures which ensure that all members of the community have equal and affordable access to this essential resource.

## **6 BACKGROUND**

- 6.1 In June 2000, the Scottish Executive published a consultation paper 'Managing Change in the Water Industry'. This paper outlined the Executive's response to the 1998 Competition Act and its implications for the Scottish Water Industry. It has subsequently issued The Water Services Bill : The Executive's Proposals in March 2001 which introduce its proposals for the reform of the Scottish Water Industry and follows on from the announcement in February 2001 of plans to merge the three Scottish Water Authorities into one, to be known as Scottish Water.
- 6.2 The introduction of the Competition Act 1998 raised a number of issues in relation to the Scottish Water Industry including:
- the possibility for private operators to move into the Water Industry on a much larger scale than before
  - the potential cherry picking of the most lucrative customers
  - questions as to the ongoing funding of improvements in and maintenance of infrastructure where the most lucrative customers are supplied privately

- the ability of the Scottish Water Authorities to compete on the wider market

### 6.3 **In summary the Scottish Executive makes the following proposals.**

- 6.3.1 **The creation of Scottish Water** – the three existing authorities are to be brought into one.
- 6.3.2 **Increased commercial freedom** – the Water Authorities in Scottish Water itself will be given a general power to enter into commercial ventures subject to guidance from Scottish Ministers.
- 6.3.3 **Removal of unlawful connections** – an express power will be given to the existing Water Authorities and to Scottish Water to remove unlawful connections.
- 6.3.4 **Express power to permit common carriage and brokerage** – the new Bill will grant authority to expressly permit common carriage over public networks.
- 6.3.5 **Clarification of the responsibility for the cost of developments** – authorities are to be asked to set up network development plans in consultation with regulators, local authorities and other interested groups to provide a framework for new developments and improvement in rural areas to the public network.
- 6.3.6 **Criminal liability for the supply of unfit water and for causing harmful discharges** – new entrants will be guilty of an offence where they are responsible for the supply of water unfit for human consumption on the public networks or causing a harmful discharge.
- 6.3.7 **Supplier of last resort** – new entrants are not to be allowed to disconnect domestic customers who fall behind with payments. Scottish Water, when it comes into being, will be obliged to be the supplier of last resort in respect of domestic services.
- 6.3.8 **Banding of charges** – the current link between domestic charges and Council Tax bands is to be placed on a statutory footing. (The link is with Council Tax bands rather than levels i.e. residents of neighbouring authorities who are in the same Council Tax band would pay the same water charge, even though Council Tax levels are different).
- 6.3.9 **Licensing regime** – a licensing regime is to be introduced for new entrants which will protect public health, environmental protection and social policy objectives which the Executive is anxious to support.
- 6.3.10 **Promotion of customers' interest** – the Water Industry Commissioner is to be given the general function of promoting the interests of all customers on the same terms as existing water authorities' customers.
- 6.3.11 **Drinking Water Quality Regulator** – this position will be created to ensure that all suppliers meet the requisite standards of drinking water quality.

6.4 It is expected that royal assent to the Bill will be granted early in 2002.

## 7 **DUNDEE CITY COUNCIL'S RESPONSE**

- 7.1 The Executive's principal aim in framing these proposals is warmly welcomed. It is critical that competition works in the interests of all customers and does not undermine arrangements to protect public health, the environment and social objectives.

## **7.2 Establishing Scottish Water.**

- 7.2.1 The proposal to create a single authority is supported and in particular the desire to allow domestic charges to be harmonised across Scotland removing the current discrepancy between charges in the north and the rest of the country. Irrespective of the degree of investment in infrastructure required, the cost across Scotland should be shared equally among all customers including non-domestic customers.
- 7.2.2 The Council welcomes the requirement on Water Authorities to consult local authorities and other interested groups about the impact of their plans on local communities and would encourage authorities to be innovative in the approaches they adopt to ensure that such consultation is meaningful and influential. To reinforce local responsiveness we propose that Water Industry Consultative Committees would be strengthened by including local representation and would suggest that local authority representatives would undertake this function effectively.

## **7.3 Equipping the public industry to compete.**

- 7.3.1 Given the Council's long held commitment to Local Agenda 21 principles there is support for the Executive's belief that clear powers are required to address public health and environment protection considerations. The provisions to remove connections that are unlawful or are being used for illegal or unauthorised purposes are endorsed.
- 7.3.2 Network development plans will be essential in establishing priorities and implementation timescales for developing infrastructure. It is suggested that these should be produced no less frequently than every three years.

## **7.4 Safeguarding public health, the environment and social objectives**

- 7.4.1 The Council fully endorses the intention to introduce criminal liability for new entrants who gain access to the public water mains and supports a proposal to enable the procurator fiscal to prosecute anyone whose discharges cause harm on leaving the local authorities' pipes.
- 7.4.2 Dundee City Council is committed to challenging poverty and social inclusion and therefore welcomes the Scottish Executive's position that protecting public health is essential and that disconnection of domestic premises by the Water Authorities should not be permitted in cases where customers are in arrears with charges. The fundamental importance of the water supply to individual households is reflected in the Executive's proposal that the Water Authority be established as a supplier of last resort and this is fully endorsed by the Council.
- 7.4.3 The link between domestic charges and Council Tax bands is a vital one and should be placed on a statutory basis as proposed. The Council would be concerned to ensure that the use of meters is not targetted in response to non-payment of bills or arrears and charges.

## **7.5 Other Issues**

- 7.5.1 The Council takes this opportunity to reinforce its comments during previous consultations on the water industry that:
- water services should not be run for profit
  - the option of 'mutualisation' should be examined

7.5.2 The Council believes that Dundee would be an ideal location for the new Scottish National Water Authority.

## 8 **CONSULTATION**

All departments were consulted in the preparation of this report.

## 9 **BACKGROUND PAPERS**

None.

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Date