

Notes of a meeting of the Cabinet Scrutiny Committee Informal Member Group on Southern Water Draft Business Plan 2010-2015 held on Monday 2 March 2009.

Present: Ms S J Carey, Mr I S Chittenden, Mr G A Horne MBE, Mr R J E Parker

Also present: Mr C Kneale, Corporate Planning Manager, Southern Water

Officer: Mrs A Taylor, Research Officer to the Cabinet Scrutiny Committee.

1. Southern Water Draft Business Plan 2010 – 2015

Terms of Reference

- (1) This IMG was established by the Cabinet Scrutiny Committee at its meeting on 10 December 2008 to examine Southern Water's Draft Business Plan for 2010 – 2015.

Discussion

- (2) Mr Kneale explained that the draft Water Resources Management Plan, which was a 30 year plan aiming to meet future demands, had been published last year for public consultation. This was the first time the public had been consulted on the plan and feedback received indicated that investment for growth and new development was of importance to Southern Water's customers.
- (3) Mr Chittenden asked Mr Kneale to clarify the extent of Southern Water's responsibility in relation to water supply and wastewater treatment around Kent. Mr Kneale referred to page 5 of the Water Resources Management Plan which showed that Southern Water was responsible for the wastewater treatment of most of Kent and the water supply for the Dartford, Gravesend, Medway and Thanet areas.
- (4) Mr Kneale explained that Southern Water had a programme to alleviate flooding but in relation to surface water run-off there were often difficulties in determining who owned the land, there was a definitive map of public sewer ownership which should be available from KCC's Highway Service (Southern Water are liaising with KCC Highways over the definitive map). The Government had recently announced that private sewers would transfer into the ownership of Southern Water from April 2011.

See <http://www.defra.gov.uk/ENVIRONMENT/water/industry/sewers/> for more information

- (5) There was a balance to be met between the water resources available (i.e. supply), which was determined by historical drought years, and the demand forecast, which was determined by the population and an increase in water use. There was a statutory requirement on Southern Water to supply, to domestic customers, drinking water and to provide water to remove waste.
- (6) Mr Horne asked whether climatic conditions could lead Southern Water to restrict the supply of water, Mr Kneale confirmed that Southern Water could not restrict supply for essential domestic use but it could be restricted for non essential car washing and garden watering purposes.

- (7) Mr Parker asked why there was no standard charge for water charges, Mr Kneale explained that if properties were not on a water meter charges were based on the rateable value of the property.
- (8) Mr Horne questioned whether as a private company Southern Water could invest in other activities to make money for the company, Mr Kneale confirmed that it could, but it was the choice of the company not to as leisure activities were not commercially viable for a company like Southern Water
- (9) Mr Chittenden referred to page 19 of Southern Water's Draft Business Plan and the fact that Southern Water had the lowest leakage rate per property of all the UK Water and sewerage companies. There was still the view that leakage should be reduced further and Southern Water's network replacement since 1991 was low in comparison to other companies.
- (10) Mr Chittenden queried the increase to bills set out on page 5 of the Draft Business Plan. Mr Kneale confirmed that price increases were determined by OFWAT, and the next price determination would be published in November 2009, any profits made by Southern Water went towards funding the investment programme. Mr Horne asked Mr Kneale whether he thought that the increase was acceptable – Mr Kneale responded by saying that any increases were driven by the phasing of investments.
- (11) Mr Parker stated that he did not see how there would ever be any competition in the water industry. Mr Kneale explained that there would be eventually, the water companies were originally privatised because there was a lack of investment and the Government couldn't afford to fund improvements to the networks. Large commercial companies using over 50million litres of water per year could already chose their water supplier – it was the intention of the water industry regulator OFWAT to increase this choice.
- (12) Ms Carey asked how Southern Water found working with Kent County Council, particularly the Highways Service, and how customers should resolve problems, particularly long term problems. Mr Kneale confirmed that he had consulted his colleagues and the relationship with Kent Highways Service was very good and long term problems with Southern Water services should be addressed to the Customer Services Director. In response to a further question from Ms Carey Mr Kneale stated that the UK Drinking Water Inspectorate report confirmed very high quality water.
- (13) Mr Parker asked how Southern Water was planning for the future, an increase in houses would bring an increase in consumption and whether there were plans to bring in additional water. Mr Kneale explained that Southern Water was aiming for a 10% reduction in usage through universal metering rather than an increase in supply and there were no plans to bring in additional supply up to 2015.
- (14) Mr Horne raised the issue of green programmes focusing on a reduction in water usage and Mr Kneale explained that new properties were the opportunity to install water saving measures and reduce water usage.
- (15) Mr Parker asked whether Southern Water had any schemes for elderly or low income families who could not afford to replace their bath with a shower system, for

example, but who might want to install water saving measures. Mr Kneale confirmed that Southern Water had tried such schemes in the past but they had struggled to find an adequate uptake of the offers. Building regulations did not require water efficient measures, it was a voluntary process, most customers were unmetered and so there was no real incentive to use less water.

- (16) Ms Carey asked whether metered houses could have a system allowed for a level of lower cost water depending on usage. Mr Kneale confirmed that a pilot 'rising block' tariff system was being trialled in Ashford (by South East Water) that mirrored similar electricity schemes. As universal metering was introduced and technology improved metering would provide further opportunities, in the meantime there was a need to change residents' behaviour.
- (17) Ms Carey referred to page 22 of the draft business plan and mains drainage scheme. Past experience highlighted occasions where residents were initially pleased with the mains drainage scheme but refused to pay the connection charge when the scheme was complete as it was increased substantially. Ms Carey asked whether Southern Water could provide an assurance to customers at the start of a mains drainage scheme of the cost of connection that would not increase once the scheme was complete. Mr Kneale explained that mains drainage schemes were mostly driven by environmental concerns such as leaks from cess pools causing pollution. OFWAT stated that if a new sewer was laid the cost should be met by the resident; there was no method for subsidy.
- (18) Mr Horne asked about fluoridisation and whether Southern Water had any plans to introduce it. Mr Kneale confirmed that there were no plans but that the health authority could make a determination to require that fluoridisation was implemented.
- (19) Ms Carey commented that Southern Water seemed very focussed on core business, Mr Kneale confirmed that that was the case, there was a history of Southern Water being involved in many additional activities but the bottom line was that there were plenty of other companies who could undertake the activities in a more effective and efficient manner.
- (20) Ms Carey asked about the strategic relationship with KCC and Mr Kneale confirmed that it was a good one and that a Water Forum existed to inform officers at KCC and Southern Water.

Conclusion

- (21) Members of the IMG:-
 - a. Thanked Mr Kneale for attending the IMG and for answering Members questions.
 - b. Thanked Mr Kneale for his kind offer to answer further queries Members might have.
 - c. Request that Kent Highway Services confirm that they have a copy of the definitive map of public sewer ownership and that this is available for inspection by the public.