

KENT COUNTY COUNCIL

KENT UTILITIES ENGAGEMENT SUB-COMMITTEE

MINUTES of a meeting of the Kent Utilities Engagement Sub-Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Friday, 27 January 2017.

PRESENT: Mr R J Parry (Chairman), Mr G Lymer, Mr M E Whybrow, Mr R H Bird and Mr A Terry

ALSO PRESENT: Mr M A C Balfour, Ms S Irgin and Mr P Kent

IN ATTENDANCE: Mrs K Stewart (Director of Environment Planning and Enforcement), Mr A Turner (Principal Regeneration & Projects Officer) and Mr J Cook (Scrutiny Research Officer)

UNRESTRICTED ITEMS

7. Minutes of the meeting held on 27 July 2016

(Item 4)

RESOLVED that the minutes of the meeting held on 27 July 2016 were an accurate record and that they be signed by the Chairman.

8. Presentation from Ofwat - water sector regulator

(Item 5)

1. Sally Irgin attended to provide an update on the work of Ofwat. Ms Irgin is a Director of Ofwat's Casework Programme which is the organisation's front line service for customer complaints about water companies. It is also the part of the organisation responsible for determining disputes and taking formal enforcement action where Ofwat has powers to do so. Over the last three years Sally has led Ofwat's work on developer-related disputes and a specific project working with water companies to improve their delivery of services to their developer customers.
2. Ms Irgin outlined the background of Ofwat to the Committee, explaining that it served as the independent economic regulator of the water and sewerage sectors in England and Wales. They had defined duties and responsibilities set out in legislation requiring them to protect customers, enable efficient, well-run companies to finance their functions and to ensure long-term resilience. These functions were exercised within the framework of published Government policy. Their vision for the water sector was one where customers and society had trust and confidence in the vital public water and wastewater services.
3. Outlining the scope of their work, Ms Irgin stated that Ofwat regulated ten regional monopoly companies, eight local water only monopoly companies, five new appointees and a growing number of retail licensees. Ms Irgin explained that they worked on an outcome focuses approach which was supported by a toolkit designed to address the various challenges within the sector. The focus was

always on finding a co-operative solution through liaison and engagement between customers and providers prior to the consideration of formal intervention.

4. In relation to water company engagement with developers, Ms Irgin explained that historically there had been limited and varied recognition by water companies of developers as customers and this hampered effective joint planning and co-operation. This was exacerbated by inconsistent levels of service and sometimes complicated where the competitive market has not been as effective as it could be. The complex charging regime has presented difficulties for the development sector and caused concerns in relation to housing growth. There was limited precedent in law for handling disputes which sometimes slowed the process and caused greater frustration for customers and water companies. However, Ms Irgin reassured the Committee that good progress had been made by all parties in responding better to issues and resolving disputes more quickly.
5. Ms Irgin highlighted the significant benefit brought about by the introduction of the voluntary standards for measured performance. She explained that 24 levels of service measures had been agreed by WaterUK in consultation with customers and water companies. This provided transparent comparison of performance for the first time and the resulting company league tables have produced a strong reputational incentive. This work had helped support the provision of more resources around development work as well as encouraging significant improvements in performance. Ofwat was also able to make more effective interventions earlier on by targeting particular areas of poor performance, getting assurance on numerous improvement plans from various companies.
6. Focusing on performance improvement, Ms Irgin explained that the improvement had been substantial following the introduction of voluntary performance measures, with rises from 42% up beyond 90% in some cases as well as a general shift up in performance across all water companies. She noted though, that the level of improvement had been less stark among sewerage companies.
7. Ms Irgin highlighted that the area of new connections was one of the few parts of the sector currently open to competition but noted that the effectiveness of this was variable across the country. She explained that developers could choose to have new infrastructure provided by local monopoly companies, accredited self-lay organisations or a new appointee, however it was explained that the monopoly water company would always have to provide some non-contestable services. Ms Irgin continued to outline the work undertaken in promoting market competition including the publication of general expectations under competition law in 2014, binding commitments arising from a new connection case linked to Bristol Water in 2015 and continued work on challenging companies on how much information they provide to customers and competitors.
8. In a positive update, Ms Irgin explained that ongoing work with all parties on the new charging regime was hoped to bring greater stability and parity to the sector and improve the capacity for long term strategic planning for new developments. She also highlighted the good progress made across the board by water companies in being more engaged with Ofwat and their customers. Ms Irgin noted that housing growth was a key factor for long term planning and improvement in the sector but reiterated that progress on this had been good and

she reassured the Committee that larger scale development work was now a greater priority and considered more broadly by Ofwat.

9. Responding to questions from Members, Ms Irgin explained that they were still working on level of service metrics for development but that these were expected in the near future. She also explained that Ofwat's role included both advisory work in the sector as well as enforcement, with their approach focused on applying the principles of fair and appropriate practice, promoted through effective communication with and between companies and customers. She reassured the Committee that the continuing improvement in relationships between the key parties had allowed for quicker resolution of issues through informal communication rather than official enforcement activity. She explained that Ofwat should be the last resort for resolving disputes as it was hoped that good understanding of the expected standards and the emphasis on fairness within their principles meant that informal resolution would be more common in future.
10. Responding to a question, Ms Irgin explained that KCC could best assist in supporting development and relevant improvement in the water sector by engaging with both parties, facilitating communication and encouraging advance notice of plans through joint strategic planning. She highlighted examples where developers had shared sensitive information with water companies to ensure long term infrastructure planning was possible but she emphasised that this only happened where there was trust between the parties.
11. Responding to a Member question, Ms Irgin explained that resilience was a new statutory duty for Ofwat and that they were working assessing the issues. She advised that there were still complaints regarding planning for sewage due to the problems caused by over-connection and that disputes still arose when the relevant infrastructure was not organised in advance. Similar to the Ofwat's advice regarding water companies, Ms Irgin confirmed that better relationships were needed between sewage management and developers on forward planning. She explained that where insufficient provision or provision that lacked appropriate resilience was reported, Ofwat could examine it as an enforcement issue.
12. Mr Balfour, as Cabinet Member for Environment and Transport, commented that there remained a risk that lack of resilience could lead to further health risks and significant damage to property but he believed the focus should be on improving management of these issues rather than examining the infrastructure elements. Clarifying the response capacity, Paul Kent of Southern Water, explained that assessments of all assets were undertaken on a criticality and risk basis and this analytical approach was used to consider and justify investment. He explained that in some cases of severe weather in recent years, back-ups or redundancies were in place but failed to work due to maintenance or technical issues and he confirmed that this was being addressed. To reassure the Committee, Mr Kent explained that the switch to back-up systems should be automatic and would therefore not require a maintenance crew to implement and that in addition to the core systems, around five or six mobile generator units were stationed at the Aylesford depot, ready for deployment in relevant situations. This response was also supported by the provision of tankers supplying fuel where the mobile generators could not provide the necessary resilience. He agreed with the Committee that the very severe weather in the winter of 2013/14 stretched their

response beyond capacity and advised them that this had been taken into account in future planning.

13. Ms Irgin advised the Committee that Ofwat was not prescriptive on operational matters but that they expected companies to meet their duties. She reiterated that KCC's support would be most beneficial if it was focuses on encouraging and facilitating early discussions between developers and water companies. Ms Irgin again commented that it was hoped that the new charging scheme would support better engagement and greater fairness as it would be more transparent and accessible as part of long term strategic planning which worked well for both developers and water companies.
14. Responding to questions from Director Katie Stewart, Ms Irgin explained that water companies had been working on a system of measuring effective communication through satisfaction and price control metrics and that Ofwat were keen to engage with this activity. Ms Irgin explained that the new charging model should improve communication and transparency; the old charging system was based on primary legislation and was very complicated while the new approach was to be based on principles of fairness, with an expectation that companies would work with customers, including developers, to set up a fair charging scheme. Linked with this was the issue that charging rates were not varied based on the scale of relevant projects, with costs not necessarily changing between small building work and large scale developments. Again Ms Irgin advised that this issue should be addressed in the new model.

RESOLVED that the Committee thank Ms Irgin for a very informative presentation and for her clear answers to questions from Members and KCC staff.

9. Presentation from Southern Water *(Item 6)*

1. Paul Kent attended to an update from Southern Water. Mr Kent is the Environment and Wastewater Strategy Manager, accountable for identification of expenditure requirements of above and below ground wastewater assets, to maintain and improve performance. He is also responsible for agreeing environmental improvements required to meet legislative drivers. Developing an integrated catchment approach to delivering environmental improvements. Also responsible for identifying future investment requirements arising from development and growth in the southeast.
1. Mr Kent provided an overview of the activities of Southern Water, notable that Southern Water take nearly 70% of its water from underground sources, called aquifers, 23% from rivers and 7% from storage reservoirs. Each day, it treats and recycles 718 million litres of wastewater at 365 treatment works after it is pumped through a network of 2,375 pumping stations and 39,600km of sewers. Mr Kent also commented that Southern Water operated in a crowded market place and that it was unusual for so many companies to be active in the area covered by the south east.
2. Mr Kent explained that Southern Water had a statutory duty to provide service; regardless of the level of capacity and that this had led to issues where excess demand has had negative consequences for the water and sewage network. He

noted specific examples such as Headcorn developments where local factors had to be taken into account when planning and arranging large scale developments with water and sewage connection requirements.

3. Mr Kent clarified that Southern Water did not have a formal role with the planning process but he advised that effective planning of work and developments in terms of water needs was critical to allowing smooth and timely implementation when required. He noted that where capacity was already at maximum, new developments would necessitate new investment and that this could only be facilitated when reliable information was available through effective forward planning with developers and planning authorities, emphasising that planning certainty was vital for Southern Water to justify additional investment, lest money and time be wasted on works that go unused. He explained that information sharing and joint working with partners, local authorities and developers had improved but there remained room for improvement. He highlighted the Ebbsfleet Garden City project as an example where initial capacity and connection requests were received but not implemented at the time due to the investment required, which had been proved a correct decision given that the works were still not needed several years later.
4. To support better communication and effective planning, water companies had been trying to make connections to the system conditional on various factors within developments and planning applications. Mr Kent advised that raising the eventual utility needs and related work time and cost investment at an early stage had been beneficial in ensuring developers were able to plan their projects more effectively. Linked with this, Mr Kent explained that progress had been made on ensuring better communication over connection work and prices too place with developers at an earlier stage and this the planned progression to a flat rate system for connections was expected to make the process even better and more transparent in the future. He hoped that this would allow better long term work planning to avoid historic issues where it had been difficult for water companies to meet developer timetables due to short notice.
5. Mr Kent provided a summary of development work in Kent, with reference to Otterpool, Whitfield and Ebbsfleet. In the case of Otterpool, Mr Kent explained that a large strategic solution had been required as the treatment works in Shepway would not be able to support the development, so work was planned for Hythe. Regarding the Whitfield development, Mr Kent explained that Southern Water were currently updating the Drainage Area Plan, which then allow an appropriate solution to provide effective drainage and support a whole development approach rather than piecemeal reactive problem solving. Mr Kent noted that the scale of the Ebbsfleet Garden City project required a significant strategic solution to providing a sewerage system and wastewater treatment works and that this was being worked on in partnership with the Ebbsfleet Development Corporation.
6. In terms of securing water resources, Mr Kent advised the committee that effluent re-use would be permitted from 2022 and that this was expected to help support better use of resources and avoid unnecessary waste. Other improvements planned around securing resources were considered in terms of investment cost and their environmental impact.

7. Mr Kent outlined the consideration of Drainage Strategy in that it involved looking at longer term risks and relevant action plans. This work included consideration of partner activities to support strategic links with key partners on long term planning.
8. Members thanked Mr Kent for the detailed presentation and for providing a good overview of Southern Water activities. A Member raised a local issue for progression outside of the meeting.
9. Responding to questions from Members, Mr Kent explained that there was no national agreement between companies on sharing or managing water supplies given the significant infrastructure required to transport it around the country but he advised that positive co-operation on a regional basis did take place and was beneficial. Ms Irgin commented that historically there had been less water trading between companies than might have been expected but that this was expected to change in future. She confirmed that links between companies in the south east looked promising.
10. In answer to a Member question about local plans, Mr Kent explained that there were future plans being considered that would make water companies statutory consultees but clarified that at present the focus was on water companies being more responsive to customer need. He advised that Southern Water were working Arun Council on development areas to build draft solutions at the early planning stage. This work being highlighted as good evidence of the benefit of developers sharing proper forward plans early on.
11. Members discussed the benefits of metered water systems, noting the positive development that 92% of Southern Water's customers were metered. Mr Kent explained that the majority of those not yet converted to metering lived in properties where there were significant physical barriers to individual meter installation.
12. Responding to a Member question on water pollution the level of investment required to address this issue, Mr Kent explained that the Water Resources Management Plan was in place and it considered all possible options for minimising pollution issues. The plan refined the list of viable options down on realistic implementation prospects based on their cost and environmental impact framework.
13. In answer to a Member question about other best practice in engagement with utility companies, Mr Kent advised the Committee that Kent was leading the way at present and should be regarded as the source of best practice. He noted that the Kent Utilities Engagement Sub-Committee was a positive new development that could be beneficial in other areas. Mr Kent also highlighted the positive work of KCC Officers and the Cabinet Member for Environment and Transport in maintaining good ongoing engagement with the relevant partners and that this supported the drive towards better communication and improved understanding.
14. Responding to a question from a guest attendee from another local authority, Ms Irgin and Mr Kent explained that water companies are expected to work with planning authorities through early discussions and effective information sharing. It was noted that the legislation is not prescriptive regarding how this engagement

should take place or which parties should be responsible for all relevant payments. Ms Irgin explained that serious disputes in this area were caused by lack of communication, where conditions or charges had been imposed without prior discussion. It was noted that the lack of detailed process requirements within the legislation led to issues such as the requirement to continue providing additional sewage connections despite ongoing flooding activity. Mr Balfour commented that this issue was common across the utility sector due to the weak legislation but that better engagement was helping to identify solutions agreeable to all parties.

15. Members discussed the issue of long term sustainability in relation to water use. It was noted that Mr Turner was working on this issue for KCC and the committee was reassured by Ms Irgin and Mr Kent that Ofwat and water companies were working toward ensuring a more appropriate and efficient use of water based on the needs of the customer. This linked to consideration water purification practices, including the ongoing problem of micro-plastics which had been highlighted in a report on the impact of cosmetics waste which was due to be released later in 2017.
16. Mr Kent advised the committee that Southern Water was committed to improving communication and partnership work to allow for better service delivery, including development activity. He re-iterated that the KCC's work on engaging with utilities was positive and that it was useful to get more feedback relating to customer expectations and ways to improve communication with developers. Mr Turner raised the idea of arranging single points of contact from water companies, developers and planning authorities. Mr Kent referenced the Ebbsfleet development which had included good engagement activities with dedicated staff focused on making links with relevant partners. Ms Irgin noted that some water companies used account managers to support engagement and liaison activities.
17. Members and guests agreed that the meeting had been very positive and that KCC should continue its work to support improved engagement between utility companies, developers and local authorities.

RESOLVED that the Committee thank Mr Kent for his useful presentation on Southern Water's activities in Kent and for answering questions.