

## 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 Monday, 27 February 2017.

PRESENT: Mr R J Parry (Chairman), Mr R L H Long, TD (Vice-Chairman), Mr I S Chittenden, Mr G Lymer, Mr T A Maddison and Mr F McKenna

ALSO PRESENT: Mr R Bishop, Mrs R Baker, Mr C Hollamby, Mrs J Osborn and Mr C R Pearman

IN ATTENDANCE: Mrs K Stewart (Director of Environment Planning and Enforcement), Mr A Turner (Water Resources Manager) and Mrs A Taylor (Scrutiny Research Officer)

### UNRESTRICTED ITEMS

#### **10. Welcome & Introduction**

*(Item 1)*

The Chairman welcomed those present to the third meeting of the Kent Utilities Engagement Sub-Committee. Following invitation from the Chairman; Sub-Committee Members, Guests and Officers gave a brief introduction to their role.

#### **11. Minutes of the meeting held on 27 January 2017**

*(Item 4)*

RESOLVED that the minutes of the meeting held on 27 January 2017 were an accurate record and that they be signed by the Chairman.

#### **12. Technical & Development Service Presentation**

*(Item 6)*

1. Robin Bishop, Managing Director of Technical and Development Services Group Limited (TDS) explained the background of TDS to Members of the Sub-Committee. Mr Bishop was the Managing Director of TDS which supported the construction sector and engaged with the utility sector on behalf of developers to assess market competition, fair pricing and project feasibility. Mr Bishop came from a technical background and TDS had 4 regional offices and one headquarters and covered the whole of England and Wales. There were differences in the working practices of developers and utilities companies across the country.
2. Mr Bishop explained some of the problems faced by developers, including:
  - a. Water and sewerage element – companies unwilling to vary standard costings

- b. Sewerage companies responding that there is no capacity for developments
  - c. Companies unwilling to forecast and making no provision for development sites therefore resulting in additional costs
3. Mr Bishop highlighted a development for which South East Water had identified the area and brought schemes forward but Southern Water had stated that there was no capacity. Delays arose where utilities companies did not forecast until there was some certainty about developments. Some schemes took 12 months to design and another 12 months to start work. This was stopping developments moving forward in a timely manner, developers were sitting on the land because there wasn't the infrastructure to go forward, and utilities companies would prefer the developers to fund the schemes.
  4. It was considered that utilities companies could be more open and amenable to discussions. However there was a good relationship with South East Water.
  5. There was a discussion around the responsibility for clearing sewers, for example. It was considered that some utilities companies used the developers to improve their networks. Developers could use S106 agreements to connect to sewers; companies wanted a clause in planning consents to ensure developers took responsibility for connections.
  6. It was thought that capacity was not as issue, money was being spent upsizing sewers for storm conditions. Members considered that when looking at the big picture there were elements of the system that were not working, but were water companies in breach of their statutory duty in any way? Mr Bishop explained that his company did challenge utilities regulators on behalf of developers where there were problems. Water authorities needed to be more forward thinking. There was a need to allow for future development and future expansion, utilities companies often blamed the local authorities and their lack of housing policies preventing them from forecasting need.
  7. Mr Bishop also alerted Members to highways insisting on dual networks because they did not want services crossing the main highways. This was doubling up on cost.
  8. The Chairman offered that the sub-committee write to the Government Minister explaining that there were requirements to build houses but there were some major inhibitors.
  9. Q: do you think the new charging regime will benefit both large and small developments equally? Mr Bishop stated that he did not think it would benefit equally, he had been told that charges would vary, it was considered that infrastructure charges needed to be stabilised across the county.
  10. Mr Pearman, who was substituting for the Cabinet Member, stated that there were huge complexities surrounding the issues and utilities in general. They were under public ownership without a business focus. He considered that the situation would remain unless it was cracked. If the situation resolved would Mr Bishop's company go out of business? Mr Bishop responded by explaining that in part, yes but partly TDS was in business because the issues had got more

complex. TDS was working alongside bigger consulting engineers who didn't understand the legislation/regulations. TDS was trying to get the best value for developers and would challenge where there were high prices. There was a gap in the market place between large developers and smaller developers and that gap was growing. There was also a shortfall in finding staff to work on developments that understand the complexities of the issues.

11. A Member asked whether there was a body with statutory power and a relevant framework encompassing all issues to direct questions to? Mr Bishop explained that there was not a body overseeing all companies, there were regulators which were fairly toothless. Members considered that there were too many regulators, which were toothless and only looked after their own companies.
12. One Member asked whether the Ebbsfleet Development Corporation helped? Mr Bishop explained that it did help and was a positive way forward.
13. In response to a question about the regulators and what would make them more powerful Mr Bishop suggested that independence might make them more powerful. Other Members agreed that a statutory regulatory body was necessary and asked whether there was any way Mr Bishop could assist in lobbying Government to ensure statutory body. Mr Bishop explained that he did lobby Government, frequent changes to Government ministers made this more difficult.
14. One Member considered that the only alternative was to make the market work properly and this was a challenge.
15. In response to a question about good practice Mr Bishop highlighted Seven Trent which had changed its way of working, and its culture.

RESOLVED that the Committee thank Mr Bishop for a very informative presentation and for his clear answers to questions from Members.

### **13. South East Water Presentation**

*(Item 5)*

1. Rachel Baker, Developer Services Manager gave a presentation to Members of the Sub-Committee which can be viewed [here](#).
2. She explained that the estimating and planning was undertaken within South East water and delivery by Clancy Docwra.
3. South East Water carried out internal work to change their internal developer services. This changed the idea that the developer was not a customer; previously the company did not believe that developers were customers. Customer engagement was crucial.
4. South East Water were involved in start-up meetings, houses were being built very quickly and there was a need to ensure work reflects timescales.
5. Mrs Baker explained that there were not many self lay organisations (SLOs) in the South East (5% of schemes), South East Water had been trying to work out why. It was found that developers felt that they weren't treated in same way as water customers, so South East Water built a system to log discussions.

6. Mrs Baker was part of the Charging Subgroup which was developing the new charging system for water connections. It was made up of water companies, DEFRA, Water UK lawyer, and a Member of HBA and HBF. The group has looked at options and aims to build a model to find best way for industry to charge, key is transparency and consistency. It was thought that many developers were blind to the cost of new charging regime.
7. Regarding illegal connections, this was not a big problem for South East Water but it was a huge issue for Thames Water with 6000 illegal connections per year, from developers or members of the public.
8. Mrs Baker explained that she could understand the hesitancy of other companies but South East Water was still trying to be as proactive as possible. Developers asked what capacity was available and South East Water would respond so developers could begin building so not to hold up site.
9. With regards to assets department – South East Water had a 5 year plan and water resources had a 25 year plan. Developers made initial contact for planning as early as possible. South East water had worked hard to ensure developers realise they are available and that the best option is for developers to come in and talk to them.
10. Issues with new developments – there was due to be a group on 8 March where OfWat would discuss what could be done to lift barriers to lack of competition.
11. A brief discussion was had around Highways and there was surprise that this had not been raised as an issue more frequently as was raised in developer groups.
12. New charging rules would be available in April 2018, and it was thought that this would encourage competition. There was also a Government consultation on Fixing Broken housing market.
13. A Member stated that it would help if others would follow the example set by South East Water. When dealing with major set of developments, what stage did South East Water start planning?
14. It was considered that South East Water did take a risky approach. When planning applications were accepted South East Water started thinking about putting infrastructure in. They would have been aware that site was being developed and would have started increasing capacity on the assumption that the development will eventually go ahead. Looking at sites as early as possible was key.
15. Mr Bishop expressed the view that South East Water were a good example, it was possible to pick up the phone to the relevant officer and have a conversation. Other utilities companies had got rid of developer services, over last 15yrs or more, only point of contact was an email and contact was lost.
16. A Member asked what had driven South East Water to good practice and other utilities were a shambles, it was considered that South East Water saw the problems and dealt with them.

17. Mrs Baker explained that culturally developer services had a much higher profile in hierarchy than before. Directors and Managing Directors had to take ownership and were very aware of developer services. Following further questioning from a Member Mrs Baker explained that South East Water had, previously, got charging wrong and an OfWat review had determined that South East Water had to pay money back and this led to a review and the high profile of developer services.
18. Mr Bishop explained that whilst the interpretation might be that utilities companies were allowed to do something it didn't mean that they should be doing it. A Member asked whether the Council should approach Ofwat or the Government and it was considered that the Government was more appropriate, there was not a consistent approach across the county.
19. Jo Osborn, Head of Communications addressed the Sub-Committee and explained that the long term vision of South East Water was thinking ahead. She explained their Water Resources Management Planning process and the key role that members of their Environment Focus Group play. The current plan focussed on 2015-40. South East Water was looking to reduce demand whilst increasing supply. By 2020 90% customers on water meters. £400million of investment in new water resources.
20. With regards to the Engagement Plan timetable – conversations would feed into next plan. 97% response rate and in Kent 100% local authorities had fed back into local resources team.
21. Mrs Osbourne explained that SEW's draft Drought Plan will be published for consultation by 31 March 2017.
22. South East Water was working with Southern Water and Affinity on drought plan, the more companies work together helped to avoid confusion. There was a regional 'Water Resources in South East' group which included Thames Water, Portsmouth Water and Sutton and East Surrey Water and took a long term view and identified opportunities to work together.
23. A Member asked what happened with developments near boundaries of two water authorities? Mr Hollamby explained that it was possible to have a cross border supply, a decision would be made early on to decide who would feed developments, developers would go and see which company had more water and least off site reinforcement.
24. Following invitation from the Chairman Mr Turner asked a question regarding the 'right to connect'. Southern Water had said that this was a barrier to investing up front. If they did and developers exercise their right to connect, then Southern Water would have no mechanism to recoup their investment costs. Is that fair and to what extent are developers right? Mr Bishop explained that part of the 5 year review process was to identify a pot of money to use for infrastructure (money to invest). Along with infrastructure money Southern Water hold one view and other companies others. There was inconsistency across the country. Mrs Baker explained that regarding infrastructure payment developers would say infrastructure money was for growth, and onsite infrastructure. When developer

lays new water main (Self Lay) South East Water paid asset value, but for sewerage didn't get asset payment but still getting payment from residents. Inconsistency in funding.

25. A Member referred to the Growth Infrastructure Framework, Mrs Osborn responded by saying that it was very helpful and that relationships with Mr Turner and team were working well.

26. A Member referred to run off from developments, Mrs Osbourn explained that South East Water worked closely with highway authorities to ensure that they were as joined up as possible. Mr Bishop highlighted the planning of developments people were taking up their front gardens for parking; this was causing a big problem in older developments.

27. The Chairman concluded the meeting by thanking the witnesses for their time, Mr Bishop was asked to provide a few bullet points to form the basis of a letter to be sent from KCC to Government to try to resolve the issues preventing good working relationships between the utilities companies and the developers.

RESOLVED that:

28. KCC should write to Government to ask appropriate authorities to knit the issues together.

29. Thank witnesses for attending and giving their time to inform and educate Members. Members of the Sub-Committee had every sympathy with the issues raised and would try to see how Members could help.