

By: Matthew Balfour, Cabinet Member for Environment and Transport
Katie Stewart, Director of Environment Planning and Enforcement

To: Kent Utilities Engagement Sub-Committee

Subject: Background information

Classification: Unrestricted

Summary: The Utilities Engagement Sub-Committee has been established to examine how utility provision can better support growth in Kent. There has been some progress made in developing relationships with the utilities, in the first instance the water utility companies, through a programme of liaison meetings, noting the need to more effectively bring about real change.

Introduction

1. On 6th June the KCC Scrutiny Committee resolved to establish a Kent Utilities Engagement Sub-Committee to improve utility provision to support sustainable growth across Kent and Medway.
2. This paper summarises:
 - (a) A broad overview of the relevant contextual issues that need to inform the Sub Committee's work;
 - (b) An overview of KCC's work to date to understand any issues with utilities provision and engagement already in place with the water utilities;
 - (c) Further background reading on utilities provision in the UK.

Overview and contextual information

3. The Kent Growth and Infrastructure Framework (GIF) sets out the scale of the planned growth up to 2031 and the infrastructure investment that will be needed to ensure that this growth is sustainable. The total cost of the entire infrastructure requirements has been estimated at £6.74 billion and there is currently a remaining funding gap of about £2bn. Utility infrastructure forms part of the total cost and is funded through a combination of customer bills and charges to housing developers.
4. Problems regarding the timely provision of electricity, gas, water, wastewater and telecoms infrastructure to support growth in Kent have persisted for many years

and, although there may be some locally specific issues, the problems are part of a national issue.

5. A fundamental problem appears to be that the developers of housing and commercial buildings need to respond quickly to changing demand and market prices but this sits uneasily alongside inflexible, highly regulated infrastructure planning model of utility companies that requires certainty and long term planning to avoid wasted investment and ensure just-in-time delivery. Utility companies look to local planning to help anticipate infrastructure needs but this does not provide the level of certainty that they need.

6. Increased competition is expected to deliver better utility services overall and the economic regulators (Ofgem, Ofwat and Ofcom) are looking to bring competition to bear on the provision of utility connections for new developments by allowing third party connections providers to compete in the market. This approach appears to be working for the gas sector but the introduction of competition has been slow in the electricity sector and is very poorly developed in the water, wastewater and telecoms sectors.

7. In December 2014 the Department for Communities and Local Government produced a report entitled 'Better Connected' that covered electricity, gas, water and telecoms and included a set of detailed monitoring indicators, standards and compensation schedules. It was followed shortly afterwards by a set of voluntary standards for the water industry which appears to have had a transformational impact on developer services in that sector. For the water industry, the development of these standards was led by the industry body WATER UK.

8. Further background reading on utilities provision in the UK is provided at **Appendix 1**.

9. Despite these advances in introducing competition and guidance, there remains a strong sense from districts and developers alike that the provision of utilities remains a key barrier to sustainable growth across Kent.

Experience to date

10. Recognising the fundamental connection between the sustainable growth and utilities agendas, KCC has made some progress over recent years to identify the specific issues arising from utilities provision in Kent, and has started to make some progress in engaging with the utility companies, and with water companies in particular – experience which provides a useful platform for the Sub-Committee to consider the scope of its work.

Identifying the issues

11. In September 2012 KCC held an Infrastructure Summit entitled 'Action for Growth'. At this event concerns were raised, primarily by developers, about the responsiveness of utility companies to construction timetables of developers.

12. This was followed up in discussions with the Kent Developers Group (KDG) in 2013, and subsequently, KCC commissioned a survey of developers by the policy think tank 'Localis'. This work was further followed up at the 2014 Kent Construction Expo with a discussion workshop and exhibition stands for competitor utility services companies. A note of this session is included at **Appendix 2** to provide an indication of the issues raised by representatives.

13. More recently a workshop was held with KDG and other organisations on 5th April 2016. This was effective in drawing out some of the issues faced by developers however it also became apparent that each company's experience differed to a considerable degree. A follow-up survey has been completed and the report is due very shortly. The note of this meeting is included at **Appendix 3**.

14. Further, in the course of developing and since refreshing the Kent and Medway Growth and Infrastructure Framework, there has been initial engagement with the district planning teams in understanding particular issues and themes facing the local planning authorities across Kent in facilitating development and the role that utilities can and should play in such growth. In a similar way to developers, it is clear that there is a perception that utilities serve more often to block or delay new development than facilitate or enable growth; however, there is a real need to unpick where the real issues are, and what specifically the cost/impact of such issues are, as well as potential solutions.

Collaboration and partnership working with water utility companies

15. When the water companies' Water Resources Management Plans (WRMPs) were first opened to public consultation in 2006, KCC took the opportunity to respond robustly and this led, in 2008, to KCC challenging South East Water's (SEW) plan at a public inquiry. This was a costly and partly unsatisfactory process for all the parties involved, but it was also the catalyst for developing a more constructive collaboration with SEW that has since been replicated with Southern Water and Affinity Water and broadened beyond resource planning to include the companies' developer services functions, early information on major developments, updates on major water company projects, and other issues of mutual concern. This collaboration is conducted through regular high-level liaison meetings.

16. For KCC the liaison meetings are attended by the Cabinet Member for Environment and Transport, the Deputy Cabinet Member for Economic Development, the Chairman of the Utilities Engagement Sub-Committee and senior officers.

17. The programme of meetings has so far been focused on the three water companies (South East Water, Southern Water and Affinity Water) that cover approximately 85% for the Kent and Medway area. The water company representatives at the liaison meetings are generally the heads of stakeholder engagement / communications and senior managers for water resources and wastewater.

18. The meetings take place approximately every six months and have been effective in developing an open and constructive working relationship. Over time, this

has meant that KCC is able to challenge the companies robustly and receive timely response on issues of serious concern. Along with working with water companies both strategically in inputting to their Water Resource Management Plans and enabling them to input to KCC strategic plans, these liaison meetings have enabled KCC to understand each company's performance against the WATER UK standards for developer services. This review of developer services performance has become a standing agenda item under which the companies explain the issues that underlie their developer services functions, the measures taken to improve their performance, and their resulting standing in the performance league tables.

19. In the first quarter of monitoring results (April to June 2015) Southern Water and Affinity Water were amongst the worst performing companies and South East Water's performance was slightly above average. One year on, all three companies have over 90% compliance and Southern Water is the best performing company nationally and is now moving on to also investigate the developers' experience of their service.

20. Whilst these improvements are clearly not attributable entirely to KCC's efforts, they highlight the value of KCC's involvement and also the national regulatory frameworks in influencing the performance of utilities.

21. On the back of the progress made in developing positive working relationships with the water companies, KCC is now working to build similar strategic relationships with the energy and telecoms utilities, and a similar model to the water liaison meetings will be put in place.

The Challenges Remaining

22. Despite progress made in building relationships with utilities and starting to gather the evidence as to key issues in the provision of utilities to support new development, there is still a requirement for KCC to promote effectively new ways of working and to exercise effectively influence over the performance of utilities.

23. The formal scrutiny of utilities is the remit of national regulators, Ofwat, Ofgem and Ofcom.

24. Given KCC's duty to facilitate sustainable growth across the county, the Council and thus the Utilities Sub-Committee plays a key role in identifying barriers to such growth and promoting solutions.

25. From all stakeholders, whether the developers, districts or the utility companies, there is a common message that there is a lack of understanding, and a lack of evidence, between all parties in understanding the issues with utilities and the potential solutions.

Recommendations

Members are recommended to:

- Note the context for the Sub-Committee.

Report author:

Alan Turner, Water Resources Manager, EPE.

Tel No: 03000 417187

E-mail: alan.turner@kent.gov.uk

Appendix 1. References and further background reading

Davis Langdon (2011). Utilities Connections: A Guide for Developers.
<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=Getting%20Connected%20Utilities%20Guide%20for%20Developers&ID=4772&RPID=10757047&sch=doc&cat=14673&path=14673>

Department of Communities and Local Government (2014). Better connected: A practical guide to utilities for home builders.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/389772/Better_Connected_Dec14_2.PDF

Housing and Finance Institute (2016). How to build more homes, faster.
<http://thehfi.com/how-to-build-more-homes-faster-march-2016/>

NFB (2011). Utilities survey 2011.
http://www.builders.org.uk/eblock/services/resources.ashx/000/309/966/NFB_utilities_survey_report_2011_web_version.pdf

Ofgem (2016). Competition in connections
<https://www.ofgem.gov.uk/electricity/distribution-networks/connections-and-competition/competition-connections>

Ofgem (2016). Quicker and more efficient distribution connections
<https://www.ofgem.gov.uk/publications-and-updates/quicker-and-more-efficient-distribution-connections>

Water UK, Developer services reports
<http://www.water.org.uk/developer-services/levels-service-latest-reports>

Water UK, Levels of service for water main requisitions and service connections.
<http://www.water.org.uk/publications/water-industry-guidance/%E2%80%A8levels-service-water-main-requisitions-and-service-connections>

APPENDIX 2

Kent Construction Expo 2014
Seminar: Utility Connections for New Developments
Notes of the talks and discussion

<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=Notes%20of%20Expo%20Discussion%20on%20Utilities%20for%20Developm&ID=4774&RPID=10757100&sch=doc&cat=14673&path=14673>

APPENDIX 3

Note of KCC and Kent Developers Group Workshop on Utilities – 5 April 2016

<https://democracy.kent.gov.uk/ecSDDisplay.aspx?NAME=Minutes%20of%20Utilities%20Workshop%20Meeting%20050416&ID=4773&RPID=10757106&sch=doc&cat=14673&path=14673>