

Report to:	Overview and Scrutiny Committee - Regeneration and Skills	Date of Meeting:	13 March 2018
Subject:	Update on United Utilities Increase in Surface Water Charges to Schools		
Report of:	Head of Corporate Resources	Wards Affected:	All
Cabinet Portfolio:	Cabinet Member Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	No	Included in Forward Plan:	No
Exempt Confidential Report:	No		

Summary:

To update members of Overview and Scrutiny Committee from resolutions made at the 4 July 2017 meeting.

Recommendation(s):

It is recommended that

1. The Senior Democratic Services Officer writes to the Strategy and Regulation Officer at United Utilities to thank him for his letter stating United Utilities commitment to maintaining their own policy on reduced drainage charges.
2. The Senior Democratic Services Officer re-contacts The Department for Environment, Food and Rural Affairs (DEFRA), Department for Business, Energy and Industrial Strategy (BEIS) and other relevant bodies to arrange a meeting offered to discuss their concessionary scheme and the setting up of a SALIX style funding options for Surface Water drainage reduction schemes.
3. The Senior Democratic Services Officer contacts OFWAT and United Utilities to establish their involvement in further discussions with DEFRA and other relevant bodies.

Reasons for the Recommendation(s):

To conclude the opportunities for nationally equitable charges for Sefton (and NW) schools which have thus far delivered a 50% reduction in proposed charges by United Utilities and approx. £400K avoided charges to parks/greenspaces and cemeteries.

Alternative Options Considered and Rejected: (including any Risk Implications)

What will it cost and how will it be financed?

(A) Revenue Costs

There are no direct financial implications arising from this report.

(B) Capital Costs: N/A

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets): None
Legal Implications: None
Equality Implications: None

Contribution to the Council's Core Purpose:

Protect the most vulnerable:	not applicable
Facilitate confident and resilient communities:	not applicable
Commission, broker and provide core services:	not applicable
Place – leadership and influencer:	not applicable
Drivers of change and reform: securing equitable charging structure for water will be beneficial to all areas of Council business and schools.	
Facilitate sustainable economic prosperity:	not applicable
Greater income for social investment:	not applicable
Cleaner Greener:	

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources has been consulted and his comments have been included in this report (FD5066/18)

Head of Regulation and Compliance (LD4350/18) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Implementation Date for the Decision

Immediately following the Overview and Scrutiny meeting

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Appendices:

There are no appendices to this report

Background Papers:

Overview and Scrutiny Regeneration and Skills

04 July 2017

1.0 BACKGROUND

1.1 The Senior Democratic Services Officer wrote to DEFRA, OFWAT and United Utilities outlining:

- The Committee's disappointment that community assets such as parks, cemeteries and schools are still not formally recognised in DEFRA's Concessionary Scheme guidance and therefore there is concern that United Utilities could retract its policies at any point.
- To recognise whilst the United Utilities proposed solution for schools is welcomed, that it falls short of a fair solution for schools in the North West set against the national situation.
- To arrange a joint meeting at DEFRA's Offices as offered by Carol Skilling, the Water Services Head of Consumer Protection via letter, 6th March 2017.

1.2 DEFRA did not respond to this request.

1.3 United Utilities responded and offered to visit Sefton for a meeting and made arrangement with OFWAT to also attend. This meeting subsequently took place on 16th November at Bootle Town Hall.

2.0 UNITED UTILITIES MEETING – 16 NOVEMBER 2017

2.1 The continued omission of parks, cemeteries and schools from DEFRA's concessionary scheme and the concern that United Utilities policy could be retracted was raised. United Utilities reiterated their commitment to retaining their own policy. Furthermore, it was clear that their own policy was accepted by both OFWAT and DEFRA however, it was concluded that it was still vulnerable to changes beyond United Utilities control in future.

2.2 United Utilities have put in writing to this Committee their commitment to their own policy, which can now be shared amongst the North West cohort of Local Authorities [Appendix 1].

2.3 However, in conclusion to the meeting it was noted that DEFRA could still make further allowance and include certain community assets in their concessionary scheme. On this basis, DEFRA should be contacted once again to arrange a meeting at their London offices as originally offered.

2.4 Regarding the continued, albeit reduced unfairness of charges for schools, a presentation was made by Sefton Officers on the situation schools still face to reduce their charges.

2.5 Some of the successes within Sefton were highlighted on how our schools have taken actions to reduce their drainage charges in accordance with United Utilities

charging policies, such as simple Sustainable Urban Drainage (SUDS) interventions.

2.6 In the absence of any further concession reduction or investment plan from United Utilities the particular, points were made:

- The remit to assist reduction in drainage charges from April 2017 lies with the North Wests' retailer WaterPlus rather than the wholesaler United Utilities. The new water market currently provides no market options for Sefton Council to procure for schools, despite still spending similar amounts on Surface Water drainage as it does on water consumption charges (approx. £400K on each service)
- United Utilities are prevented from providing further financial support due to the current market conditions. This includes the request to consider a revolving investment fund to facilitate SUDS projects in the same way SALIX funding facilitates Energy investment projects in the Council currently.

2.7 OFWAT showed an interest in the SALIX funding model [Appendix 2] and proposed this to be an option that this Committee should explore for development in conjunction with BEIS as well as OFWAT and the water companies where possible.



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BY EMAIL: Jonathan.Williams@sefton.gov.uk

15 December 2017

Dear Jonathan

Concessionary charges for surface water and highways drainage charges to schools

At our meeting on 16 November 2017 I committed to write to you to confirm in writing United Utilities' views on the compatibility of the concessionary scheme for schools' site area based charges with relevant charging guidance – including Defra's guidance on concessionary schemes for surface water drainage charges – and our view on the longevity of the scheme.

In introducing the concessionary scheme for schools, United Utilities has considered both the Defra guidance on concessionary schemes as well as broader regulatory and policy considerations. These include Ofwat's charging rules and Government's objectives for water charges as set out in its own charging guidance. Taking these into account in the round, we consider that the concessionary scheme for schools being implemented in 2018/19 is compatible with these requirements. Based on our communications with Ofwat and Defra, we understand that they are also supportive of this approach.

In terms of the longevity of the scheme, I can confirm that there are no current plans by U UW to remove the scheme once it has been put in place for 2018/19 and we expect it to remain in place for the foreseeable future. Any future decision to remove a concessionary scheme would not be taken lightly. In view of the impact such a decision would have on affected customers we would want to undertake an impact assessment and consult with stakeholders about the potential implications and what transitional arrangements would be necessary before changes were confirmed. We would also consider these issues carefully in the event that external factors (such as

Cont'd

Jonathan Williams
Sefton Borough Council

15 December 2017

a change in regulation, policy or legislation) mandated a change in charges or concessionary arrangements which we were bound to implement. So far as we are aware no such changes are currently being contemplated.

I trust that this is helpful in providing additional clarity and transparency on our approach on this matter.

Yours sincerely

A handwritten signature in black ink, appearing to be 'JB', written over a horizontal line.

James Bullock
Director of Economic Regulation

Appendix 2

SALIX FUNDING

Salix Finance Ltd. is funded by BEIS the Department for Education, the Welsh Government and the Scottish Government and was established in 2004 as an independent, publicly funded company, dedicated to providing the public sector with loans for energy efficiency projects.

Salix Finance Ltd. provides interest-free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. Sefton Council has operated a Salix invest to save loan fund pot for over 12 years, for its corporate sites to reduce energy consumption. Lifetime savings to date from these investments are now in excess of £1M.

Additional individual one off interest free loans are also available from SALIX through which Sefton Council have delivered street lighting savings schemes.

Recently Salix Finance Ltd responded to a Business, Energy and Industrial Strategy consultation in December 2017 "*Leading by example: cutting energy bills and carbon emissions in the wider public and higher education sectors*".to highlight their successes in Carbon/Financial saving in the Public Sector. In particular, Salix Finance Ltd believes their successful model could be applied to wider areas such as renewables and water saving. Whilst this is welcomed, it is not clear how investment mechanisms would be applicable to SUDS technologies and will form part of the proposed meeting with them.