

Chichester District Council

Planning Committee

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New charging procedure for water and wastewater connections and network capacity upgrades

1. Contact

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2. Recommendation

- 2.1 That the Committee notes the change in Ofwat procedure for the provision of off-site water and wastewater infrastructure, connections for first time and network capacity upgrades affecting new development in the Local Plan area.

3. Background

- 3.1 The Water Industry Act 1991 (Water Act) sets out the legislative framework for the operation of water and sewerage companies. It requires water companies to develop and maintain the system of water supply such that it can make supplies available to persons demanding them. It requires sewerage companies to provide, improve and extend a system of public sewers to ensure an area is effectually drained.
- 3.2 The Water Act allows statutory providers to make an infrastructure charge as a contribution to the overall costs of developing and maintaining the water supply and sewerage networks in accordance with the statutory provisions above. The charges are payable where new or existing premises are connected for the first time to the public water supply or to a public sewer.
- 3.3 A new national charging strategy was introduced on 1 April 2018 for the provision of fresh water and disposal of wastewater to service new developments. This report relates specifically to the wastewater part of the new charging arrangements adopted by Southern Water, as wastewater capacity is of particular interest and relevance in the Local Plan area.

Outline of previous measures for wastewater infrastructure provision

- 3.4 Prior to 1 April 2018, developers were required to pay a standard charge for all new wastewater connections, and a bespoke charge for any off-site works required to deliver sufficient capacity in the network. Charges for new connections were payable at the time of connection.
- 3.5 Any off-site upgrades were investigated, costed and built on a site-by-site basis (known as the requisition process) under S98 of the Water Act. The developer was required to pay the cost of the requisition works and for the design and construction process to deliver the specified works. The associated charges and the schedule of works could be significantly different between the initial estimate stage and detailed design stage. Payments were made in instalments and interest was applied.
- 3.6 Planning conditions would typically seek the delivery of any necessary off-site works prior to first occupation or first use of the new development, in accordance with a scheme to have been first submitted and approved by the Local Planning Authority prior to commencement of works on site.
- 3.7 This process has led to difficulties on some development sites whereby developers have made relevant contributions but the associated upgrades by Southern Water have not been implemented soon enough to accommodate those proposals connecting to the network.

4. Outline of the new charging strategy

- 4.1 The new charging structure was introduced on 1 April 2018 across the country. Each local water and wastewater provider now set their own standardised charges which reflect their individual circumstances.
- 4.2 The aims of the new charging structure include:
 - Providing clearer, more predictable and stable charges for customers
 - Enabling developers to estimate infrastructure costs more accurately at an earlier stage of development
 - Allowing water companies to set their own charges which will be tailored to their needs

- Ensuring that developers do not pay for pre-existing issues, and only pay on a pro-rata basis
- Encouraging the statutory providers to review and plan for development growth more holistically under a five year investment plan.
- Enabling the statutory provider to deliver strategic, joined-up solutions where there are multiple development sites coming forward, rather than a succession of smaller schemes
- Enabling the statutory providers to recover fair and proportionate contributions from new connections to the infrastructure required to respond to growth

4.3 Ofwat, the governing body, advocates early engagement between the statutory providers, Local Planning Authorities, developers and other infrastructure providers to identify and enable the delivery of development schemes. Ofwat also set the maximum charges that can be levied by the statutory undertakers under the new procedure.

4.4 Under the new standardised charging structure, there are two distinct charge categories: site specific charges and network reinforcement charges.

Site specific charges - wastewater

4.5 These site specific charges comprise new connection charges and (revised) requisition charges. New connection charges are required to connect a premises to the public sewer. Requisition charges under the new system are payable to make a connection from new development to the nearest point of connection on the existing mains network. Site specific charges are also itemised for other works on site including the diversion of an existing sewer.

4.6 Most of the site specific charges have been standardised and are published online. The charges are updated annually, with new charges published on 1 April each year.

Network reinforcement charges - wastewater

4.7 These charges are used for any work needed on the existing network to provide capacity for development-related growth, such as:

- Enlarging existing pipes or providing new larger pipes to increase capacity for a specific development, or further expected growth in the future

- Upsizing existing or proposed pumping stations
- Providing new cross-connections to increase network capacity

4.8 The network reinforcement charge is now identified as the “infrastructure charge”. This charge will be paid by every new property that is connected to the mains network, and is calculated on a “per dwelling” basis. Non-residential development will be charged in accordance with equivalent domestic rates. The charges for this area are set by Southern Water and are a fixed sum of money for wastewater connections. Charges will be reviewed annually to take effect on 1 April.

4.9 The New Infrastructure Charge for wastewater for 2018/2019 is as follows:

Development size <20 = £550 per property

Development size ≥20 = £765 per property

4.10 The New Infrastructure Charge for wastewater for 2019/2020 has now been published by Southern Water and will remain as stated for 2018/2019.

4.11 The previous wastewater connection charge was £379.62 per dwelling. The new connection charge includes an allowance for off-site works and to cover costs over a rolling 5 year period. Network upgrades to provide capacity for future growth will now be paid for directly by Southern Water, rather than on a case-by-case basis by developers.

4.12 Charges will still apply for technical consents under the Water Act and specific construction related charges such as new sections of pipework and new or replacement manholes. The requisition process will still apply, but it will only be used for connecting the new site to the nearest point of connection in the network, not to increase capacity.

4.13 Southern Water will remain responsible for new resources and treatment assets, including network pumping stations, wastewater treatment works, reservoirs and intake and source pumping stations for fresh water.

4.14 Payments will be required either when the connection is made to the network, or upfront. Southern Water will give the applicant the choice on which approach best suits their needs.

Transitional arrangements

- 4.15 All developments that are being connected to a water main or sewer under the requisition process will be charged using the previous charging scheme. After 1 April 2018, all new requisitions for connection will be charged in accordance with the new infrastructure charging scheme.

5 Implications for the Planning Process

- 5.1 The change in procedure from developer funded sewer requisitions to standardised charging represents a change from a reactive approach to that of a greater reliance on forward planning. Whilst this is a positive move on the whole it will have the following implications within the planning process:

Consultation with Southern Water

- 5.2 Major development proposals will still be the subject of consultation with Southern Water – to establish whether the principle of the proposal is acceptable. However future capacity in the network will be the subject of the water authority's planned timetable of upgrades (its 5 year plan), facilitated by the new infrastructure charge and bespoke design solutions for individual developments will no longer be sought.

Development where capacity in the network is limited

- 5.3 Where development would exceed capacity in the network and there would be a delay in the programming of upgrades by Southern Water (for example development that is outside of the Development Plan and would not have been programmed for by Southern Water), it is likely that temporary on-site solutions may be required of developers to ensure adequate wastewater drainage is provided for in the intervening period.

Control through planning conditions

- 5.4 Where Southern Water confirm that capacity for a development will be facilitated by planned upgrades to the existing network within their 5 year plan it will not normally be reasonable or necessary to require those details to be secured by condition. However where temporary (or permanent) on site measures are required due to a lack of capacity in the network until such time as planned upgrades are undertaken off site within the network, it will remain necessary to secure such details by condition, if the information is not provided with the planning application itself.

5.5 There is likely to be conflict on some sites with the requirements of planning conditions imposed before 1 April 2018. For example:

- Conditions seeking details of off-site upgrades to be agreed prior to commencement
- Conditions requiring all off-site upgrades to be completed prior to first occupation
- Where conditions have been discharged on the basis of specified off-site upgrades under the requisitions process and the development is now eligible to pay the standard charge, which could be invested in alternative works.

5.6 The use of conditions dealing with wastewater provisions will need be reviewed accordingly.

Policy and infrastructure proposals for network growth

5.7 The Council (and neighbourhood planning groups) will need to continue to liaise with Southern Water to stress the importance of the timely delivery of infrastructure to support growth within the Plan area, particularly for sites allocated in the Development Plan, and to avoid detrimental impacts on local residents and the environment.

5.8 However the new charging scheme should encourage and allow Southern Water to look more holistically at development and growth in the Plan area and be proactive about delivering additional capacity in a timely manner to support planned growth. This will be an advantage in the longer term.

6 Background papers

6.1 Ofwat Charging rules for new connection services (English undertakers)