

INTRODUCTION

This paper seeks to provide Water Forum members with an overview of our approach to supporting growth within our water and waste water systems as a consequence of housing and economic development. This should allow members to fully engage with and challenge the customer focused nature of our PR19 growth strategy.

It includes an introduction to our Developer Services function and a summary of our current performance and the main challenges we face, particularly in light of the well-publicised national shortfall in new homes. It also sets out the customer engagement and research that underpins the creation of our strategy.

The paper will be supported by a brief presentation at the Water Forum on 26 January which will highlight key elements of the strategy.

Our Developer Services Functions

Northumbrian Water provides services to our developer customers in the North East, where we offer water and waste water service and in Essex and Suffolk where we offer a water only service. We do this through a single business wide Developer Services Team created in 2017 to ensure consistency with local resources based in both the north and the south. In particular, we support the delivery of around 7,800 new homes in the North and 5,200 in Essex and Suffolk annually. Having a robust and long term approach to planning is vital to ensure that our assets have the capacity to support the construction of these homes in a timely manner with no detrimental impact on service to our domestic or commercial customers or any other aspect of our performance.

This update is complementary to and should be read in conjunction with our Water Resource Management Plans 2019, and PR19 Waste Water Service and Water Quality updates which have were presented to the Forums in November and Resilience and the long-term update to be presented in January.

Within those updates members will have noted our current performance as well as ambitious targets within our PR19 plans for each service. It is absolutely vital that our approach to growth is completely aligned with these targets particularly in relation to:

- Water resource
- Water network capacity
- Pressure management
- Waste water treatment compliance
- Waste water pumping station capacity
- Sewerage network capacity
- Management of surface water
- Collaborative working opportunities

Having a clear line of sight of future growth is an essential part of our approach to ensuring our assets continue to operate efficiently and without detrimental impact upon the environment. It also allows us to plan our capital investment to ensure we are able provide new infrastructure to support growth at the point it is needed.

The provision of all utility companies' infrastructure has been brought into sharp focus in the past three years by central government with the publication of:

- *Better Connected*
- *The Housing and Planning Bill*
- *Fixing our broken housing market*

Each of these documents identifies that national house builders have expressed concerns that the timing and availability of critical infrastructure and the ability to connect to systems is causing a delay to the delivery of much needed housing.

Water UK and Ofwat have responded to these challenges together and this led to the establishment of an Infrastructure Policy Group which Northumbrian Water's Waste Water Director was asked to chair. This initially led to the publication of a "Developers' Charter" which included a nationally agreed set of developer services metrics for the provision of water mains and service connections and the provision of similar waste water services.

The results have been collated and published by Water UK on a quarterly basis in the form of an industry-wide league table which has seen a significant improvement in levels of attainment against each of the metrics across the industry. This is however a purely quantitative measure and does not include several other key factors such as:

- Delays in the planning of infrastructure
- Value for money
- Developer satisfaction

The remainder of the update will now focus on each of these areas and identify what we have done so far, the drivers behind that and what the next steps are likely to be.

Current performance against Developers' Charter levels of service

We are currently industry leading in the provision of waste water developer services and have achieved 100% scores in 4 of the last 5 quarters. However, this is an area of real competition as virtually all companies are achieving >99% performance in this area.

On the Water metrics we are currently lower quartile and whilst our performance has improved from 84% attainment in 2015 to a current 97% we remain lower quartile as other companies are achieving around 99%. We continue to focus on improving this service and as part of our Intelligent Asset Management Programme we have reviewed our end to end processes to create alignment between our Northumbrian and Essex and Suffolk teams.

Supporting growth within the planning process

Although water companies are not a statutory consultee within the planning application process we are for the Local Plan making system and we have long recognised the value that full company engagement with our Local Planning Authorities brings.

During AMP6 we have been involved with and provided data in support of the development of local plans across our regions. This includes:

- Strategic Flood Risk Assessments
- Water Cycle Studies
- Strategic Housing Land Availability Assessments
- Housing and Employment Land Availability Assessments

The benefits of this engagement are wide-ranging and include:

- Providing the company with an excellent line of sight on the location, numbers and phasing of housing and economic growth.
- The ability to identify areas of current incapacity within our networks to support such development and agree delivery timescales for new infrastructure.
- Positively influencing planning policies in favour of sustainable flood risk management, water quality and water efficiency.
- The opportunity to attend public consultation events alongside Local Planning Authority colleagues to hear and respond to the concerns of our customers regarding the perceived impacts of development.
- Receiving excellent growth data to support the development of our Drainage Area Studies and our Water Resources Management Plan.
- The opportunity to identify collaborative working opportunities where infrastructure to support development can reduce flood risk elsewhere in the catchment.

In simple terms, by being proactive in the broader planning process, we give ourselves time to plan that would not be available if we simply waited for planning applications; at this point many of the opportunities would have been missed.

We have seen the benefits of this approach in a variety of ways including:

- Greater than 99% of planning applications being supported first time.
- A capital plan of network and treatment upgrades which is broadly aligned to Local Planning Authority and developer expectation.
- Significant reductions in the volumes of surface water being discharged to our networks as a consequence of the robust planning policies we have helped to develop in support of a “separate, minimise and control” philosophy.
- Full involvement in the development of master plans for strategic housing sites in areas including Newcastle, Gateshead and North Tyneside.
- The identification of two major collaborative working opportunities which facilitate housing delivery in a manner which also addresses customer concerns regarding flood risk and environmental performance.
- Regional and national recognition of our excellence in this area by The Royal Town Planning Institute and the Home Builders Federation.

Collaborative working

Within our waste water service update in November we included a section on our commitment to collaborative working and in particular the work of the Northumbria Integrated Drainage Partnership (NIDP), which is a regional partnership consisting of 13 Lead Local Flood Authorities and the Environment Agency (EA). This is a forum that is recognised as leading nationally and was established by ourselves alongside our partners a number of years ago.

We have always recognised that this initial ‘group membership’ was merely a starting point and that as the partnership matures it will be vitally important to bring a greater number of partners to the table including developers. With this in mind we reorganised our team to focus the efforts of one of our Developer Services Project Managers on ensuring that opportunities as a consequence of development are identified at the earliest possible opportunity. Two great examples are:

Morpeth Strategic Sewer

The North Morpeth Strategic Sewer project aligns planning priorities with water management to facilitate the development of nearly 2,000 homes in Morpeth. The project also future-proofs the sewer system to provide a foul drainage solution for additional sites that may come forward in the future.

As part of the development proposals, it was necessary to identify a sustainable drainage strategy for foul flows from each development site. Available options included the construction of individual sewage treatment works, with the discharge of treated effluent into adjacent watercourses, or the construction of long sections of individual sewers to connect each development to the existing sewerage network in the town centre. Both of the options identified had associated social, environmental and economic costs.

A phased drainage master plan was devised that utilised the route of the Morpeth Northern Bypass and planned trunk road for the construction of a new strategic sewer to serve ongoing and planned developments. Having devised a strategy that would serve all of the sites identified for housing, Northumbrian Water and Northumberland County Council liaised with developers and landowners including Taylor Wimpey North East, Northumberland, Tyne & Wear NHS Foundation Trust, Linden Homes, Persimmon Homes North East and the Homes and Communities Agency, all of whom supported the strategic approach and were able to benefit from significant cost savings afforded by a collaborative solution.

By identifying a route for the strategic sewer that utilised the construction of the Morpeth Northern Bypass, it was possible to avoid increasing flood risk in the town centre, reflecting the priorities of existing residents, whilst delivering project efficiencies and minimising disruption by working closely with the Morpeth Northern Bypass team. Of particular importance was the ability of the project to facilitate the removal of an existing private sewage treatment works and avoid the requirement for a number of additional private sewage treatment works on new development sites, preventing the discharge of an estimated 86,000m³ of treated effluent to a small tributary watercourse.

The project recently won the Royal Town Planning Institute North East Award for Planning Excellence.

Murton Gap

The area surrounding Murton Village in North Tyneside, known as Murton Gap, is the location of a strategic allocation in the North Tyneside Local Plan that is proposed to deliver 3,000 new dwellings. The surrounding area has a history of flooding from a number of sources, including surface water runoff and the sewer network. As a result, initial discussions did not identify a suitable surface water drainage strategy for the development site, and local residents and action groups submitted a series of objections to the development on flood risk grounds.

By working closely with North Tyneside Council as both Local Planning Authority and Lead Local Flood Authority, as well as with landowners and developers, a collaborative approach was identified that provided a sustainable surface water outlet for the development site and reduce the risk of surface water and sewer flooding downstream, in addition to reducing the amount of surface water that is unnecessarily treated at Howdon sewage treatment works.

By engaging in the collaborative surface water management project, the developers were able to grant rights of access across land to lay pipes and even offer land for above ground flow attenuation, which otherwise may have been difficult to secure.

This led to all of the parties, including the developers, entering into a statement of common ground which demonstrated that the development could be delivered in a way that significantly reduced existing flood risk and that all parties were committed to its delivery. As a result of this collaborative approach, the matter of the strategic development site progressed in the examination in public of the North Tyneside Local Plan without further objection on flood risk grounds. During this period we worked with the group of objectors who accepted that whilst they did not support the development, there was betterment in terms of flood risk.

New Charges Scheme (value for money)

Owat has issued regional water and sewerage companies with [New Charging Rules](#) ("rules") that will change the way that we charge for connection services. Typically, connection services include providing water mains, sewers, connections to individual properties, diversions of mains or sewers and work to reinforce water and/or sewerage networks as a consequence of new development.

In August 2017 we published an information document for our customers and stakeholders that will be affected by changes to charges relating to connection services. The document, which was updated in November 2017, provides background information to the proposed significant changes. The document can be found on the following web pages:

<https://www.nwl.co.uk/developers/our-consultation.aspx>

<https://www.eswater.co.uk/developers/our-consultation.aspx>

In recent months we have been engaging with our customers and stakeholders to listen to their views on how our connections services charges may be developed and structured in the future. Reflecting on the feedback we have received during our engagement we are in the process of publishing a new Charges Scheme which will be available on our website from 31 January 2018.

Typically our customers are Developers, Self Lay Providers (SLP) and local water and sewerage companies known as New Appointees (NAV). Developers have the choice of engaging with SLPs and NAVs to provide them with many of the services that we provide.

In our November 2017 document, we signposted customers to Ofwat's [rules](#) and provided some high level information and commentary on the likely changes.

The rules require that any charges that we make should reflect:

- Fairness and affordability
- Environmental protection
- Stability and predictability
- Transparency and customer focused service

The rules also require us to take reasonable steps to ensure that the present balance of charges between developers and other customers prior to the implementation of these rules is broadly maintained.

To enable this to happen it is essential that company infrastructure charges are sufficient to support growth needs to protect existing customers from exposure; and yet not so high as to fail the “fairness and affordability” test set by Ofwat, thus placing additional cost burden upon developers, particularly in communities where viability and affordability of housing is marginal.

We were greatly encouraged that there was support for environmental incentives and 30% of developers stated that they would consider greater focus on water efficiency if incentivised by reduced infrastructure charges. 56% of respondents also stated that they would develop their sites with greater use of sustainable drainage if incentivised by reduced infrastructure charges.

Developer satisfaction

The final strand of Ofwat’s current multi-layered approach to improving Developer Services is one which will introduce a measure of Developer Satisfaction otherwise known as DMex.

In the simplest of terms, if we think of the Developers Charter Levels of Service metrics as a quantitative measure similar to that originally measured by SIM. DMex will bring in a customer satisfaction measure to complement the quantitative scores.

A small working group has been set up by Water UK of which we are part and in the coming months we will be engaging with a range of developers and Ofwat on shaping the format of the survey, its frequency and how it will combine with the Developers Charter figure to produce an overall industry assessment.

PR19 Growth Plan

Given the increased focus on Developer Services activity and the importance of ensuring that our infrastructure is capable of supporting growth this has been an area of real focus within our PR19 preparation. This is all the more important in that we also have to set a new infrastructure charge mid-way through AMP6 which comes into force on 1 April 2018 which needs to meet all of the parameters set by Ofwat.

This was viewed as being strategically important for the business and we identified that it should be senior manager led and of sufficient granularity to be as cost-reflective as could reasonably be predicted.

Our approach has involved:

- Reviews of historic investment in growth across the whole of our asset base.
- Reviews of proposed Local Plan housing trajectories and comparison with actual delivery rates.
- Analysis of Office of National Statistics data on population trends.
- Face to face discussions with developers on any proposed acceleration of their business plan targets for housing.
- Reviews of our refurbishment programmes for water and wastewater pumping stations to identify growth requirements.
- Identification of Drainage Area Studies to be refreshed in areas of high growth potential.
- Water network modelling to identify future areas of network reinforcement.
- Full engagement with Local Enterprise Partnerships (right up to CEO level) to support the economic regeneration of our regions.

Summary

We aim to build on our strong reputation in this area to achieve a minimum of Upper Quartile position across all Developers' Charter and proposed DMex measures.

We believe that we have strong and positive relationships with our developer customers and Local Planning Authorities and that they trust us to deliver infrastructure to meet their needs. Our asset management processes are robust and supported by the best possible growth data which has undergone critical analysis by business experts in development trends and network capacity.

We are opportunity sensing and actively engaging with developers, Lead Local Flood Authorities and Local Planning Authorities and other stakeholder where we believe development proposals can bring wider community benefits or delivered with greater efficiency.

Furthermore, we will expand our existing partnership work with our developer customers to incentivise sustainable surface water management and proactively identify growth-ready development sites that we will promote in terms of wastewater capacity, which will allow us to support the region's economic growth ambitions without delay.

**LES HALL
Developer Services Manager**

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