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12 April 2016

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Mr Gary Hall
Chief Executive
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CHORLEY COUNCIL CORPORATE SUPPORT SERVICES TOWN HALL	
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Dear Mr Hall,

Re: Water charges to schools in the North West

Thank you for your letter of 1 April 2016 regarding the water and sewerage charges for schools in the North West.

We are aware of concerns that some local authorities have around the level of our charges compared to other water companies and last year we met local authorities in our region to explain the basis of our charging scheme. In particular, we set out why charging organisations for their drainage service on the size of the site they occupy is considered a fairer method and better reflects the associated costs and investment required.

Basis of Charging

We do recognise that charges vary between companies and that this is due to differences in the overall level of costs that each need to recover from the homes and organisations they serve and the way in which companies allocate costs between different services (sewerage, trade effluent, surface water highway drainage). Our plans are reviewed on a five-year basis by our economic regulator, Ofwat, as part of the price setting process.

Differences between companies' costs are driven by many factors, including the complexity and condition of their treatment facilities and networks, as well as investment to meet new regulatory requirements, such as improving bathing waters in our region.

Legislation and regulatory guidance requires water companies to make sure that charges are cost reflective and do not discriminate between customers – each company has developed different approaches to meeting these challenges over the years. We implemented that guidance through changes to our charges scheme from 2007 with the phased introduction of site area charges. This led to us charging schools and other premises based upon the size of their site for surface water drainage. As a consequence, bills for other properties reduced as they had previously borne an element of these costs under our previous charging scheme (especially high street shops and offices that had relatively high rateable values, which was the previous method of charge).

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Mr Gary Hall
12 April 2016

It is worth pointing out this change in our method of charging does not increase our revenue. If schools were to now be removed from this method of charging, then those costs would have to be absorbed once again by the wider customer base and would mean increases for households as well as businesses.

Charges for schools in our region

Currently we issue bills for water and wastewater based on metered usage, plus a charge for surface water and highway drainage based on the area contained within the school site curtilage.

We do work with schools to mitigate charges where possible by:-

- conducting a visual inspection of school sites to validate our area assessments;
- education around our charging mechanism and how this applies to different sites;
- exploration to suggest ways of reducing both metered water charges and chargeable site areas, for example, any potential for changing surface types (tarmac to grass) to reduce chargeable areas, and comparison with schools of a similar size to highlight any anomaly in water consumption.

Where appropriate, charges for schools have been adjusted, and where necessary replacement bills have been sent out.

We are keen to continue to work with schools to review charges and will be pleased to do so with the schools in Chorley.

Defra Guidance

In November 2015, Defra published a document "Consultation on the government's charging guidance to Ofwat – Summary of responses", which acknowledged the strength of feeling on this issue – particularly from schools and public sector organisations in the North West of England.

This document stated that the government was reviewing its Guidance to Water and Sewerage Undertakers in relation to Concessionary Schemes for Community Groups for Surface Water Drainage Charges and we are involved in this review.

I am sorry that we cannot currently offer schools a discount on our charges as we are unable to discriminate between customers. As I have mentioned, however, we are very keen to work with all of our customers to help them reduce their consumption – and therefore their bill - wherever possible.

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Mr Gary Hall
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I hope this information addresses your questions. Should you require any further assistance, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John McAdam', with a horizontal line underneath.

Dr John McAdam
Chairman

Copied to: Mr Jonson Cox, Chairman of Ofwat
The Rt Hon Nicky Morgan MP
The Rt Hon Lindsay Hoyle MP
Mrs Seema Kennedy MP