



Ref 2.7

# PR19 Developer Services Business Plan

September 2018

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## 1. Introduction

### 1.1. Background

We are fully committed to provide the very highest standards of service and value for money to customers through our Developer Services team. We recognise that supporting 'growth' of new housing, commercial and industrial development is a key part of our wider service.

We have developed a sector leading Developer Services provision that is focused on delivering what matters to this important segment of our customer base. Fundamentally, we achieve this by listening carefully to the views of developers, and of other organisations providing related services such as local planning authorities and social housing providers.

It is our aim to continue to build on the success of our current offering which delivers the following:

- A fully integrated water and sewerage developer services function, with an account management focus, covering the whole spectrum of services from the local authority planning interface to the delivery of connections 'on site'.
- A focused engagement process with developers. In addition to account management we hold developer forums across our operating area every 6 months, first and foremost to receive feedback on our performance, and secondly to update them on service improvements or innovations (see Section 2).
- In addition to our 6 monthly forums we host engagement and surgery sessions on specific areas of change or activity to support and improve the knowledge and awareness of our customers. We typically host 4 of these sessions per year.
- Water UK Levels of Service – we are the only company to maintain 'upper quartile' performance for both water and sewerage measures since the introduction of this 'industry league table' in 2015 (see Section 3).
- Innovative service offerings for developers - including 'Guaranteed Standards' for all WaterUK Levels of Service activities (developed with input from developers), a financial incentive scheme for developers who remove surface water from our wastewater networks during the course of their projects, and a 'refund' scheme on sewer modelling costs when schemes proceed to 'build' (see Section 4).

Our Director of Business Customer Services leads our Developer Services team and is responsible for regular personal liaison with Director level contacts within the 'developer community' in our operating area.

We also fully recognise this is an area where developers have a choice in terms of who provides new connection services. We therefore ensure all customers are made aware of the options for others to provide these services such as 'Self Lay' providers active in our area.

The efficient and timely provision of water and sewerage connections and support to all new development is a crucial part of our role, both in providing great services to our developer customers and in supporting the broader economy within our operational area and beyond.

It therefore supports two of our customer promises in particular (in bold below), but cuts across all of these outcomes:

Our customer promises:

1. Safe, clean water for all;
2. Safeguard our environment for future generations;
3. Put things right if they go wrong;
- 4. Personal service that's right for you;**
5. Fair bills for everyone; and
- 6. A better future for all our communities.**

Our dedicated and industry-leading developer services team provides customers and all stakeholders with a single point of contact for all our services related to development whether it be new housing, commercial or industrial development. The team also supports the delivery of major infrastructure projects such as the proposed M4 relief road, the new Wylfa Nuclear Power Station and the already commenced electrification of the Cardiff to London train line and the A465 Heads of the Valleys road dualling scheme.

## 1.2. Legislative context

In both Wales and England we have the status of a Special Consultation Body when local authorities are preparing their respective Development Plans, and in Wales we have recently become a Statutory Consultee for planning applications. The latter has formalised the importance of water and sewerage matters in the planning process and has helped reduce incidents of developer customers approaching us late in the process. We are now engaged far earlier which allows time to address any issues collaboratively and cuts delays in commencing the development and reduced costs for all concerned.

As a Statutory Consultee we have to submit an annual report to the Welsh Government on our performance and for the first year (2016/17) we were the best performing Statutory Consultee.<sup>1</sup>

The legislation surrounding developer services has also changed as a result of the Welsh Government's own priorities and is no longer aligned with England in parts. This divergence is likely to increase over the next few years with Schedule 3 of the Flood and Water Management Act 2010 coming into force in Wales (SuDS Approval Bodies and Sustainable Urban Drainage Systems for all new development) and the Ofwat 'Adoption Codes' for both water and sewerage self-lay activities, on top of different charging arrangements. When full details are available we will do a thorough impact assessment so as to ensure we are fully compliant while continuing to provide the best services to customers.

The implementation of the Wales Act 2017 will likely result in our developer customers (and ourselves) in Wales and England having to comply with the respective government legislation, given that the 'wholly or mainly' principle will be replaced with the country boundary.

There are two principal differences in legislation between Wales and England already in place. The first is mandatory sewer adoption requirements (Section 42 of the Flood and Water Management Act 2010) that prevent anyone constructing and connecting new sewers or lateral drains to a public sewer unless they are the subject of a sewer adoption agreement

under Section 104 of the Water Industry Act 1991. In addition, new foul sewers have to comply with the Welsh Ministers Build Standards for Foul Sewers. These currently apply to all of developer customers operating in our area. However, with the implementation of the Wales Act 2017 customers in England may no longer have to comply with these requirements.

The second is the introduction of the Fire Sprinkler Measures by Welsh Government that requires all new houses including existing property conversions (such as from a house to a number of flats) to be fitted with fire sprinklers. While this does not relate to any of our statutory duties (it is actually a Building Regulations requirement), we are by default expected by developer customers to provide sufficient water flow and pressure to these sprinkler systems. The result of this measure has meant that we have changed our water connection arrangements to support as far as possible our developer customers and this has included provision of improved guidance and support on an ongoing basis. However, in many instances our water network is not able to provide the high flows and pressures required for these fire sprinkler systems (which are well above our water supply duties to domestic customers) which frustrates developer customers as this normally results in more expensive fire sprinkler solutions to be installed.



### 1.3. Economic and population growth in Wales

We play a pivotal role in supporting economic development and growth whether this be housing, commercial or industrial development. The rate of population growth in our operating area as a whole is relatively stable at approximately 10,000 per year, or 0.3%. We are planning for 43,700 new homes to connect to our water and sewerage networks during the five years of AMP7. Economic growth has recovered since the financial crisis of 2007/8 during AMP6 and is projected to continue. We are forecasting 1,700 new business connections to our networks in AMP7.

The numbers of each type of application received during the last reporting year are provided below – more than 25,000 in total.

	APS	BOS	ESA	NCS	NCW	PLA	PLS	PPA	PSA	PSD	PSR	WMD	WMR	Grand Total
January	1	352	1	151	891	634	196	58	120	20	1	17	23	2465
February	1	352	1	123	914	557	214	57	101	21		15	24	2380
March		357	2	111	473	525	224	76	105	39	3	22	24	1961
April		378	2	146	555	383	177	47	96	28		16	14	1842
May		379	2	117	587	481	222	69	97	26	2	5	15	2002
June		483	4	154	662	702	218	55	132	27	2	34	19	2492
July		387	3	186	469	698	209	52	109	18	7	14	14	2166
August	1	357	6	150	552	512	208	68	109	17		18	13	2011
September		327	4	131	639	564	186	64	127	20	3	13	11	2089
October		401	3	139	671	574	202	89	115	22	8	39	20	2283
November	1	288	1	132	808	651	219	61	83	28	2	14	18	2306
December		265	1	122	420	463	173	40	61	16	3	18	12	1594
<b>Grand Total</b>	<b>4</b>	<b>4326</b>	<b>30</b>	<b>1662</b>	<b>7641</b>	<b>6744</b>	<b>2448</b>	<b>736</b>	<b>1255</b>	<b>282</b>	<b>31</b>	<b>225</b>	<b>207</b>	<b>25591</b>

**Table 1: Number of applications received in 2017/18**

Key:	APS	Abandoning Public Sewer	PPA	Pre-Planning
	BOS	Build Over Sewer	PSA	Proposed Sewer Adoption
	ESA	Existing Sewer Adoption	PSD	Public Sewer Diversion
	NCS	New Connections - Sewer	PSR	Public Sewer Requisition
	NCW	New Connections - Water	WMD	Water Main Diversion
	PLA	Planning	WMR	Water Main Requisition
	PLS	Plan Sales		

We monitor the level of support we provide to all forms of development seeking planning permission. (We believe other companies do not do the same so we cannot compare our performance across the industry). We now positively support more than 98% of all housing units seeking planning permission. The majority of those not supported (2%) are due to safety concerns reflecting conflicts with our assets, rather than capacity constraints. Whilst our performance of supporting development is strong we continue to look at ways of improving our track record even further, in particular ensuring that we facilitate development without unnecessary delay.

A number of significant infrastructure schemes are underway across our operational area which include the new nuclear facility at Wylfa on Anglesey, the proposed M4 relief road around Newport, the electrification and improvements to the Cardiff to London railway line including all South Wales Valley lines and the dualling of the Heads of the Valleys A465 road to name a few. All of these schemes require significant input and support from us to ensure the water and sewerage services provided to household and non-household customers are protected, while also meeting the needs of the infrastructure project concerned.



## 2. Customer engagement

Relationships and engagement with our developer customers is critical and we do this on a regular basis using various methods including:

- Key account meetings (typically monthly with our repeat customers)
- Quarterly newsletters;
- Developer Forums which are held six-monthly in north and south Wales;
- Regular customer group forums (e.g. social housing providers);
- Monthly account meetings with key customers; and
- Surgery Days where customers can attend our offices for any support/queries or training.
- Subject matter seminars (e.g. mandatory sewer adoption requirements and domestic fire sprinkler support).

We have strong positive relationships with our repeat developer customers including national and social housing providers. Many of them tell us they regard Welsh Water as their 'provider of choice'. This is fundamentally based on the service they receive from us and the positive relationships we have with them.

Many of the services relating to providing new water and sewerage infrastructure are contestable and we ensure all of our customers understand the choices available to them so that they can select the most appropriate option for their project. To this end we also support the 'Self-lay' providers active in our area, which has included assisting a few of them to achieve Water Industry Registration Scheme (WIRS) accreditation.



### 3. Customer service performance

#### 3.1. Measuring performance

Our quantitative performance is measured in accordance with the WaterUK Developer Levels of Service that was introduced in April 2015. We have been the highest and most consistent performer across the industry and have been an upper quartile performer since April 2015 for every quarter for water measures and every quarter except two for sewerage measures. In 2017/18 we completed a total of 25,711 Levels of Service activities (2016/17 – 25,617) with 99.69% completed in target (2016/17 – 99.44%).

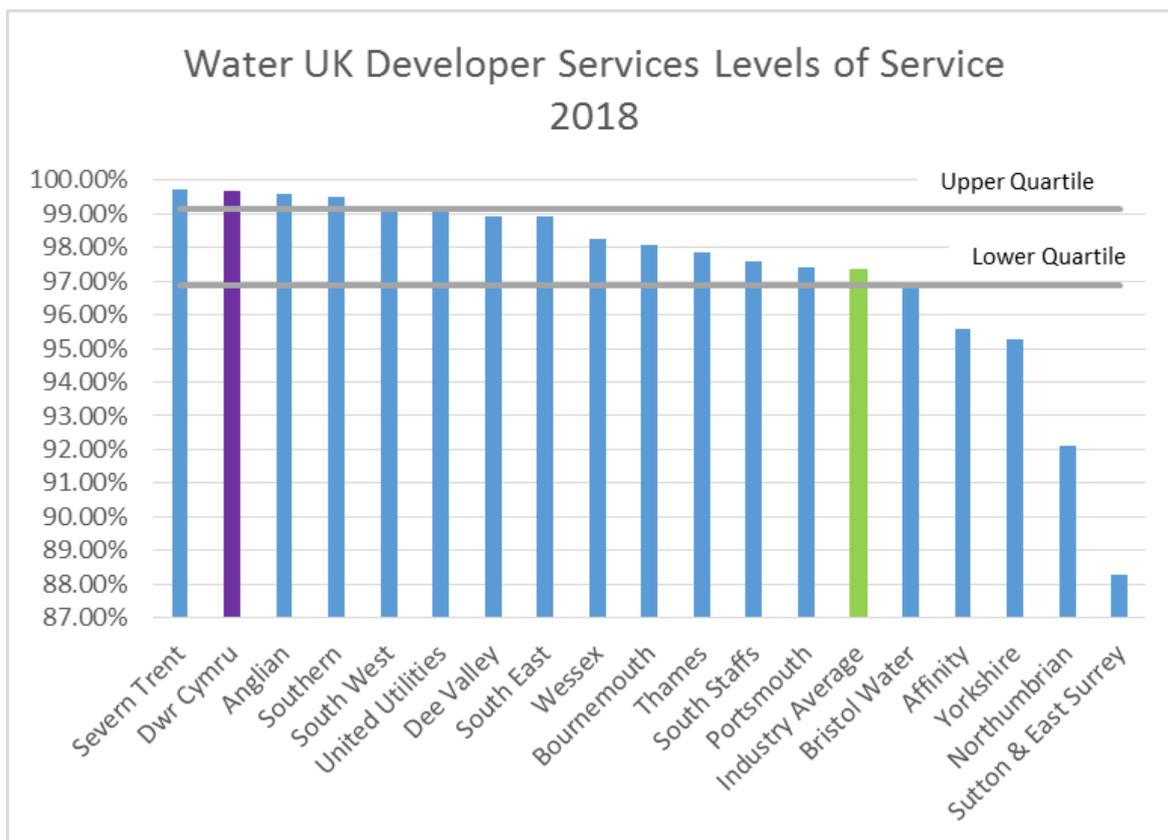


Figure 1: Developer services levels of service performance, year to date<sup>ii</sup>

An independent audit was commissioned by WaterUK to review compliance with the Levels of Service system and consistency of approach across the whole industry. CH2M were the appointed auditor and Welsh Water were deemed a ‘model company’, with zero non-conformities. This provides our customer and stakeholders reassurance that our reported performance is in line with our actual high levels of service delivery to customers.

We also appoint a specialist research company (Strategic Research & Insight) to conduct an independent qualitative developer customer survey every year and have recently concluded our fourth survey of this type. Each year we have increased customer satisfaction and trust in the services and support we provide to them and our honesty and trust levels are now at over 95%.

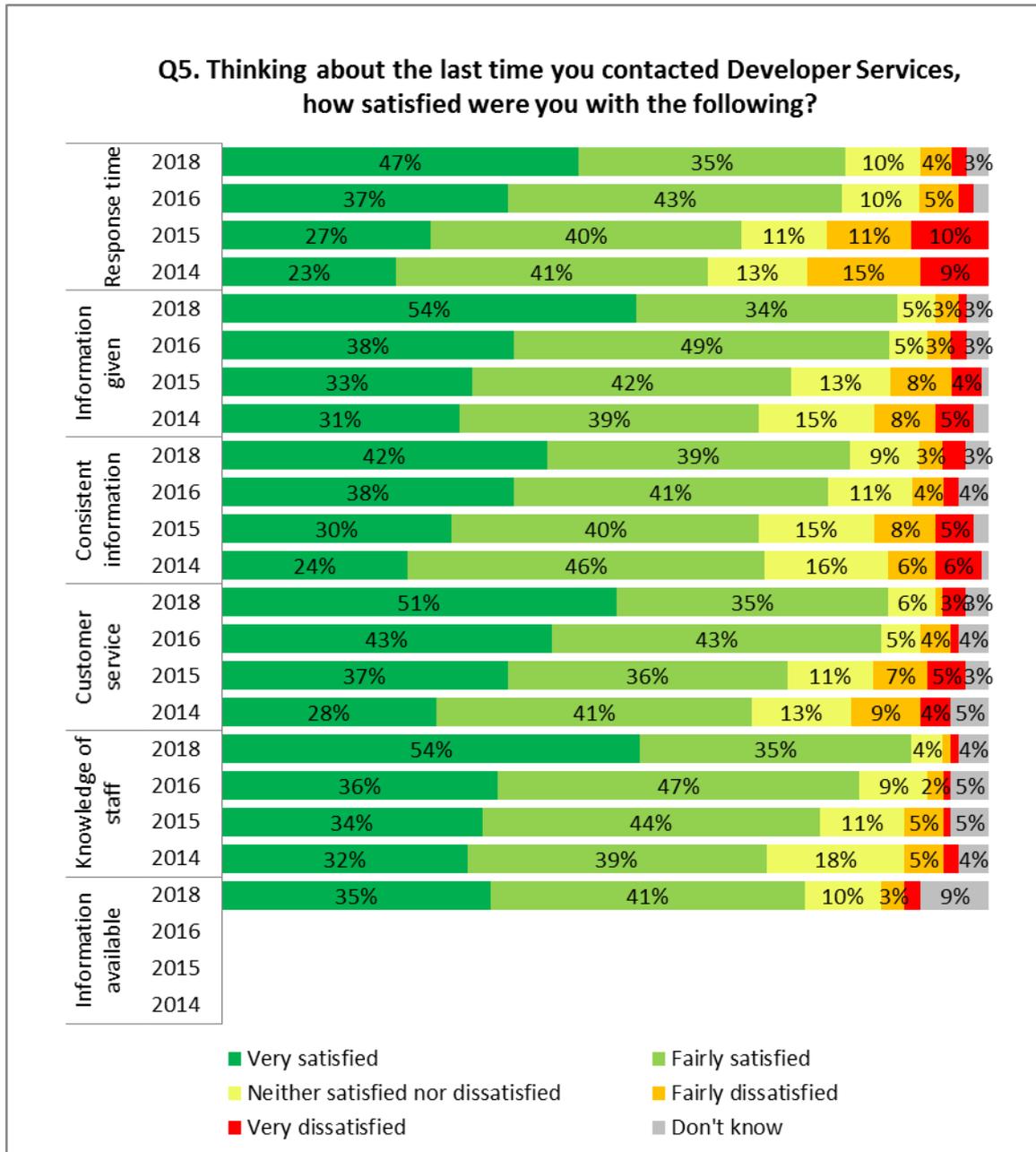


Figure 2: Customer satisfaction survey results, 2018 (Strategic Research & Insight)

### 3.2. Complaints

In respect of our developer service written complaints performance we have significantly reduced the number of complaints received in 2017/18 (219) by 48% compared to 2016/17 (420). If you only count those complaints where Welsh Water were actually at fault then we have reduced complaint numbers even further in 2017/18 (68) by 65% compared to 2016/17 (151).

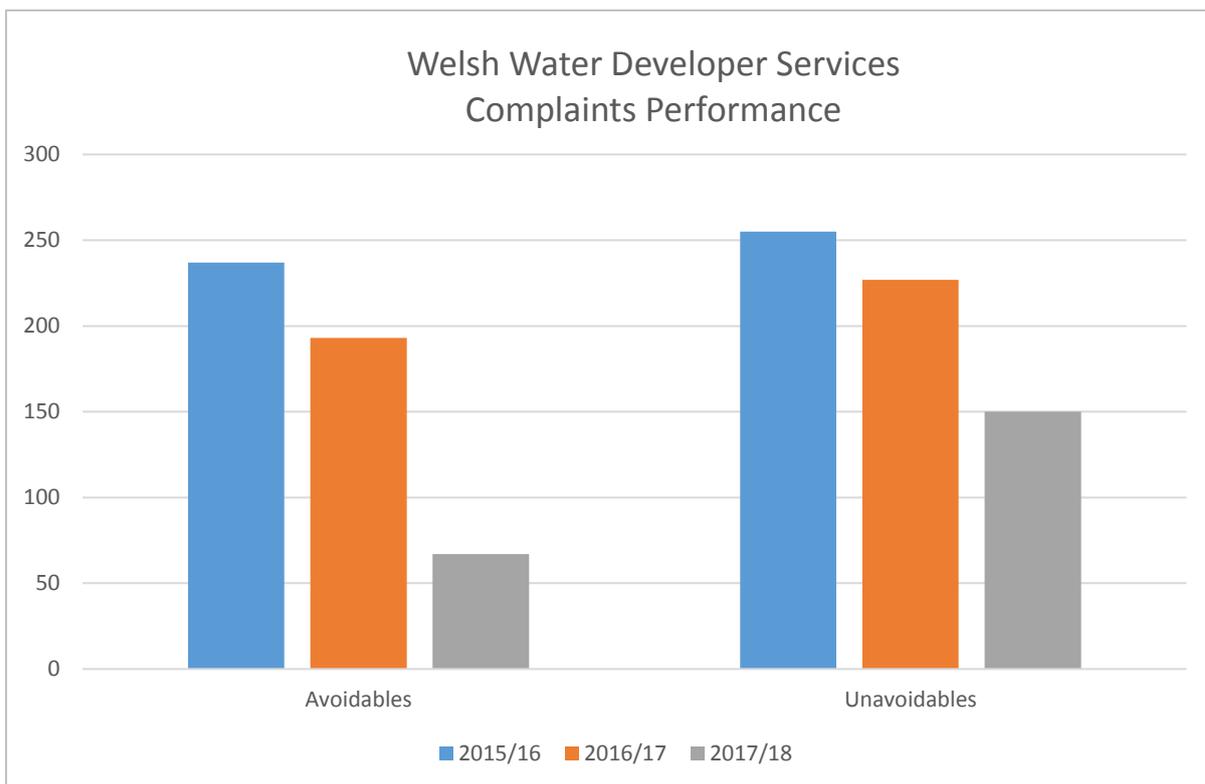


Figure 3: Complaints performance

#### 4. Initiatives and improvement plans for AMP7

We are continually seeking ways of providing a better service for our customers, and addressing issues which regularly delay processes and cause inconvenience or uncertainty. There are a number of initiatives and innovations that we have either recently put in place or are in the process of doing so which will benefit customers and our customer service performance in AMP7. These include the following:

##### 4.1. Building over or near to a public sewer: process review

Our former 'build over sewer policy' was very onerous for both customers and ourselves which was no different to any other sewerage undertakers approach. It would typically take between 3 to 6 months for both parties to complete this process and led to frustration and high levels of complaint and dissatisfaction. However, it did at least afford all parties with clear delineation of responsibilities for both the construction phase and the permanent state once the project was completed.

In 2016 we commenced a full review of our build over policy and process. As a result we have implemented a new set of requirements which were simpler for customers to understand. This process reduced timescales for completion to around 20 working days and in many cases much less by allowing the customer to 'self-serve'. We were the first sewerage undertaker to take this approach and as a consequence complaints have reduced by over 90%. Many other sewerage undertakers in England have adopted the key elements of our policy and process as best practice and we have actively shared our approach with them. We are currently evaluating another range of customer improvements in this area to improve satisfaction and timescales for customers further.

##### 4.2. Extending the surface water adoption policy

Since the introduction of sustainable drainage systems in new developments, developer customers have found it difficult to use such systems when no public body or other responsible organisation has an obligation to adopt and maintain these drainage systems. Taken along with our desire to ensure that new surface water runoff is not connecting to the public sewerage system, managing the resulting tensions can delay development and leave homeowners with liabilities into the future.

We have been tackling the surface water already in our sewerage systems via our Rainscape programme and using different techniques including the use of sustainable drainage systems to reduce surface water flows into the public sewer. We also agreed to adopt two sustainable drainage schemes located on housing sites just over five years ago as a pilot so that we could evaluate these systems and consider their long term viability.

To assist our developer customers, and following our learning of the above, we decided in early 2017 to review our surface water adoption policy and extend this policy to cover certain types of sustainable drainage systems. We also ensure that we are flexible about the storage volumes we will adopt (i.e. extending from 1 in 30 year events up to 1 in 100 year events). This new policy has provided a welcome solution for our developer customers until such time as Schedule 3 of the Flood & Water Management Act 2010 is brought into force which in Wales will likely be January 2019.

#### 4.3. Hydraulic modelling costs

Our pre-planning service provides information to our developer customers on the capability of our assets to serve the new development together with any asset conflict considerations where the proposed development will detrimentally affect our assets structural integrity or prevent us maintaining them safely in the future. As part of this service we can recommend hydraulic modelling to developer customers where we believe this will likely result in reduced infrastructure costs for them with possible reduced timescales as well.

However, developer customers had two issues with paying for hydraulic modelling. The first was a perception that the modelling exercise was to enable us to understand our own assets performance, and they did not feel this was right. We understand this point and have never recommend modelling assessments to developer customers on this basis and have improved our explanation to customers through our Developer Forums and various Guidance Notes. The second issue related to the costs involved which can typically range from £1,000 through to circa £100,000 in a few instances given the scale of development proposed. (The typical average value is around £15,000). We provide modelling assessments 'at cost' and hence we deliver this work as efficiently as possible.

Earlier this year we introduced an approach where we will pay back some or all of the modelling costs if the developer customer proceeds with the development and as a result we receive new water/sewerage revenues from the development. This is undertaken by using the financial model used for calculating the discount aggregate deficit (DAD) for water or sewer requisitions. Broadly this can result in a full refund of a £10,000 modelling assessment or a £50,000 modelling assessment resulting in a customer refund of £40,000 and our approach has been welcomed by developer customers.



##### **Case Study: Coed Darcy development, Swansea.**

Welsh Water's Developer Services team has been working with St. Modwen, a UK-wide developer specialising in regeneration projects, on strategic commercial and housing projects for a number of years. We are their chosen partner and preferred water and sewerage service provider in our region.

St. Modwens current 1,060 acre development project at Coed Darcy, Swansea, includes 4,000 homes, community facilities, four schools, employment space and open leisure space. The development programme will run for up to 20 years, so there are challenges to meet both now and long into the future.

#### 4.4. Real-time control

The capacity available in our sewerage systems can be very limited, particularly when they are under extreme pressure due to prolonged or intense wet weather which will only likely to worsen given climate change. These conditions can therefore lead to flooding and pollution. Additional flows from new developments increase these risks occurring. The traditional response would be to reinforce the sewerage system sometimes, at the cost of the developer customers.

We now use 'smart' technology and this in many instances provides a solution to accommodate the new development without the need for expensive upgrades and improves the utilisation of the current assets. This saves the developer customer both money and time where such an approach can be deployed. This approach has been in place for the last three years. It can range from using Smart technology on our assets to connect them together (e.g. two pumping stations) so they can perform to their optimum level and prevent issues such as pollution occurring through to engaging with a broader range of stakeholders to devise an integrated solution such as working with a Local Authority and the developer customer to utilise each other's assets more effectively.

#### 4.5. Collaborative working

Following the significant downturn in housebuilding in particular around 2008 this had a significant impact on commercial viability of development sites progressing and left us with some financial risk as a consequence. The market started to show signs of improving around 2014 and shortly after this we proactively engaged with the developer customers involved in the significant strategic housing developments around our area to understand how we could support them better.

Our desire was to work with these customers collaboratively so that we could better understand their intentions with more certainty and we in turn could provide improved financial certainty and better service as a result.

As a result of this approach a few of our larger customers now work with us in this way and we have a record number of large and strategically important developments progressing with effective and very good relationships underpinning this way of working and we now have increasing numbers of our developer customers wishing to work with us in this way. A number of these customers now see Welsh Water as their provider of choice for water and sewerage services.

#### 4.6. Developer Customer Service Commitment for developer customers

In September 2018 we launched our Developer Customer Service Commitment for developer customers which provides a payment to them should we fail to achieve any one of the WaterUK Developer Services Levels of Service. We believe this is the first and most comprehensive scheme of this type to be voluntarily implemented for developer customers in the water industry and demonstrates our commitment to make sure we deliver an excellent service for customers and where we fail to acknowledge this appropriately. Any failure will generate an automatic payment to the customer by the 15<sup>th</sup> of the following the month together with a letter of apology and an outline of the steps we will take to avoid a repeat of a similar incident.

#### 4.7. Surface water removal incentive

In September 2018 we also implemented our incentivisation scheme that is aimed at encouraging developer customers to remove surface water from our wastewater networks (e.g. brownfield developments, regeneration). This scheme supports our extended surface water adoption policy and Rainscape approach where we will pay a developer customer up to £479 for every new house built where they reduce the demands currently placed on our sewerage system by permanently removing an amount of surface water from our wastewater network.

This scheme not only financially rewards developer customers to do the right thing with surface water but also reduces the likelihood of flooding and pollution in the future and more importantly from a developer customers perspective 'frees up' capacity for future developments and mitigates the need for network reinforcement and avoids charging consequences for the developer customer sector in the medium to long term.

## 5. AMP7 performance commitment

### 5.1. Building on AMP6

During the next five years we will continue to build on the progress made during AMP6, and will aim to maintain and consolidate our industry-leading performance, while continually working to improve our standards of service to customers.

### 5.2. D-Mex performance commitment.

Ofwat is introducing a specific performance measure for AMP7 for developer services – the Developer Services Measure of Experience (D-Mex). We welcome the development of a new measure that aims to facilitate meaningful and fair comparisons between companies on the provision of services to developer customers. Our engagement with Ofwat and other stakeholders on this measure is ongoing. We have a particular concern in ensuring that the definition and methodology for D-Mex appropriately caters for the many significant divergences between England and Wales (in terms of the legislation and regulations that apply to the development sector – see Section 1.2 above) and ensures that comparisons made for companies operating on either or both sides of the border are treated with parity and fairness. We would welcome further dialogue with Ofwat in respect of our concerns in this area and how they might be overcome.

In our PR19 business plan we are targeting an upper quartile level of performance against the rest of the industry, subject to a satisfactory definition and methodology being agreed that allows companies to be compared uniformly and fairly.

## References

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<sup>i</sup> All Wales Planning, Annual Performance Report 2016-17 (Welsh Government)

<sup>ii</sup> <https://developerservices.water.org.uk/public/report/63/q4-2017-18#/water/chart2>