



**Northern Ireland  
Assembly**

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**COMMITTEE FOR  
REGIONAL DEVELOPMENT**

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**OFFICIAL REPORT  
(Hansard)**

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**Water and Sewerage Services  
(Amendment) Bill**

21 October 2009

# **NORTHERN IRELAND ASSEMBLY**

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## **COMMITTEE FOR REGIONAL DEVELOPMENT**

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### **Water and Sewerage Services (Amendment) Bill**

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**Members present for all or part of the proceedings:**

Mr Fred Cobain (Chairperson)  
Miss Michelle McIlveen (Deputy Chairperson)  
Mr Cathal Boylan  
Mr Allan Bresland  
Mr Willie Clarke  
Mr Tommy Gallagher  
Mr Danny Kinahan  
Mr Raymond McCartney  
Mr Ian McCrea  
Mr George Robinson  
Mr Brian Wilson

**Witnesses:**

The Minister for Regional Development (Mr Murphy)

Mr Andrew Grieve       )  
Mr John Mills            ) Department for Regional Development  
Ms Lian Patterson       )

**The Chairperson (Mr Cobain):**

Good morning, Minister.

**The Minister for Regional Development (Mr Murphy):**

I thank the Committee for its invitation to discuss the Water and Sewerage Services (Amendment) Bill, which has been laid before the Assembly. I also thank the Committee for its

support during the Second Stage, where the Chairperson and Deputy Chairperson spoke in favour of the principles of the Bill.

As members are aware, the Bill is not lengthy. It is a technical matter to extend the ability to put the payment for the investment in water and sewerage services on a sound footing. As I said to the House during the Second Stage, there are no implications for decisions taken about funding water and sewerage by the Executive in the longer term, but it was necessary to continue the provision for the payment of a subsidy. The only circumstance in which the Executive would not have to pay a subsidy on behalf of customers of Northern Ireland Water (NIW) is if full payments were to be introduced from April 2010. I do not believe that that is the right decision in the current economic climate. I assume that that view is shared, given the support from the Committee.

During the Second Stage debate, the Chairperson said that the Committee would seek clarification on the financial impact of ongoing deferral. We are happy to provide that clarity today. Naturally, there is an acceptance both at Committee and Executive level that the level of investment in water and sewerage services is necessary. That was verified by the Independent Water Review Panel report that was produced some time ago under Professor Paddy Hillyard. If customers are not meeting that cost, it falls to the Executive to do so. The alternative is to stop funding the service, which is neither acceptable nor realistic.

The cost to the Executive of subsidising customers depends on decisions that are taken. Assuming that things stay as they are, costs will be around £1 billion. We can give a more accurate breakdown of the figure if the Committee so wishes. The figure is contingent on a number of things. There is a drive for efficiency savings in the service, an ongoing discussion as part of the PC10 process, and other issues with the Treasury relating to the ongoing deferral, all of which may have an impact on the cost. At the moment, the estimated cost roughly divided over the next three years is £1 billion. We can provide a breakdown of the figure, with the caveat that there are other issues that may have a more negative or positive impact on the cost.

We are also engaged with ministerial colleagues. One issue to be discussed at the Executive meeting tomorrow is the Budget for 2010-2011, and the cost of water and sewerage services is one of the issues that will be raised. I will set out the funding required to maintain and improve the services to customers, to keep the infrastructure up to date, and to invest in order to meet

mandatory standards. Failure to do so could impact on many other services.

The final allocations and decisions on how water and sewerage services will be funded is a matter for the Executive; it is not the purpose of the Bill, as I said during the Second Stage debate. Questions will inevitably arise regarding the financial aspects, but the clear purpose of the Bill is to allow us to continue to provide the subsidy to NIW. I welcome the support of the Committee to carry out that process.

**The Chairperson:**

The Committee recognises that this is enabling legislation. However, the Committee is concerned about the downstream consequences of enabling the Executive to defer water charging, possibly to the end of the mandate. We have previously asked questions on issues such as funding, VAT, NIW, and the financial consequences of the Treasury's threat to take NIW back into the public sector. We asked John Mills those questions a couple of weeks ago, and we would like some clarification. If the enabling legislation is passed, all of those issues will need to be addressed, so the Committee needs clarification on them.

**The Minister for Regional Development:**

One of the Department's difficulties in providing clarity on those issues is that we have to talk to the Treasury through the Department of Finance and Personnel (DFP). The Treasury took a certain position on the initial deferral decisions made by the Executive. It did so on the basis that it believed that customers would have to pay for water at some stage.

I do not know the Treasury's current position, because I have not been speaking to it directly. DFP speaks to the Treasury, and DRD works closely with DFP, because we want the Executive to take decisions on water and sewerage policy rather than have negative consequences coming from the Treasury. Perhaps John or Lian can provide the Committee with an update. I know that the Committee has invited DFP officials to talk about the matter, but, unfortunately, the Treasury's current position is unclear.

The Treasury's position will not depend on the outcome of the Water and Sewerage Services (Amendment) Bill, because it is technical and allows the current situation to continue. The Treasury's position will probably depend on the decision made by the Executive on the funding of water and sewerage services. Obviously, we want clarity from the Treasury, because that will

inform the Executive's decision. However, I have not received clarity from the Treasury, because I have not spoken to it directly; DFP has been speaking to the Treasury, and my Department has been speaking to DFP.

**Ms Lian Patterson (Department for Regional Development):**

The situation is as the Minister described. We are working closely with DFP officials on the matter, but, ultimately, the direction that the Treasury takes on that and on reclassification will be driven by the final decision that the Executive take on the wider policy on water charging. In many ways, that is a separate issue to the narrowness of the Bill. It is linked to the wider picture of water policy.

**The Chairperson:**

The Committee knows that this Bill is a piece of enabling legislation; we are agreed on that. We are concerned that, once the power is given, it cannot be taken back: once the Bill goes through the Assembly, the power will pass to the Executive. We are concerned about the ramifications.

The purpose of the Bill is to give the Executive the power to defer water charges. If the Bill is enacted, water charges will be deferred. There are financial consequences involved, and the Committee wishes to know what those consequences will be if the Bill is enacted. I do not agree with giving someone power to do something without knowing what the outworkings will be. That is the clarification we seek. Let us work from the premise that the Executive will defer water charges. Based on that, what will be the financial outworkings?

**Ms Patterson:**

Returning to the Bill as empowering legislation, the only reason that the Bill would not be needed would be if 100% water charging were to be introduced from April 2010. That is clearly not the Executive's position. Since last year, it was always intended that water charging would be phased in, so the only condition that would mean that the enabling power would not be needed would be if 100% were to be introduced. Any other option or consequence to be debated by the Executive would require the enabling power to be made.

**The Minister for Regional Development:**

That is correct; this Bill enables and gives freedom to the Executive to take a decision on how water and sewerage services will be funded. However, to take that decision, the Executive will

need to be aware of the implications. The Treasury has not told the Department for Regional Development what implications there would be if the Executive were to decide to defer charges for the foreseeable future. We have not received a clear statement from the Treasury on how it would view that aspect. However, for the Executive to take that decision, they will have to be clear as to the consequences, and I appreciate that that leaves the Committee in the position of not being entirely sure.

Practically all of the Committee's members are from parties that are represented on the Executive, and the Executive will have to be clear about the financial consequences. Our job, in bringing the matter to the Executive will be to bring a clear sense of the costs and financial implications of certain decisions.

**The Chairperson:**

Will the Committee have an insight into the matter before the Executive make their decision? What will be the role of the Committee when the decision is made to either defer or implement water charges?

**The Minister for Regional Development:**

I will be happy to discuss the timing with the Committee. If decisions are to be made, I will be happy to discuss the process with the Committee. It is our obligation to involve the Committee, and we have attempted to do so as much as possible. At all stages, the Department has allowed officials to come to the Committee, and I have come here whenever I have been invited to discuss issues.

**The Chairperson:**

We appreciate that.

**The Minister for Regional Development:**

When we have made significant decisions or have consulted on significant decisions, I have made statements to the Assembly and answered questions. I want to involve the Committee fully in any process that develops from this. If the Executive make certain decisions, I will be happy to discuss the Committee's position in the sequence of such a process.

**Miss McIlveen:**

Part of my question was about the Committee's position in the procedural sequence of events if the Executive make a decision on the introduction of water charges. The Minister has gone some way towards answering that.

Last week, NIW gave evidence to the Committee, and we tried to tease out the cost billing. Do you have a current best estimate for that?

**The Minister for Regional Development:**

Do you mean a best estimate for the cost of introducing billing?

**Miss McIlveen:**

Yes.

**The Minister for Regional Development:**

Andrew or John may have an estimate for that.

Obviously, there was a cost from the Executive's decision to introduce 50% charges for non-domestic customers. That has not gone up to 100%, because we decided to defer that rise. I am not sure of the estimated cost for billing.

**Mr John Mills (Department for Regional Development):**

I am not sure whether the question relates to the actual cost of introducing a billing regime.

**Miss McIlveen:**

It does.

**Mr Mills:**

The cost will depend on what type of billing regime is introduced. The independent review recommended billing on the basis of capital values. As there is already a capital-values system for rates, billing on that basis would be less costly than billing on the basis of the surface area of a house. Assuming that billing were to be introduced in line with the Independent Review Panel's recommendation, there would be costs in the order of £5 million to £10 million.

**Miss McIlveen:**

There was also an issue about data sharing and a worry that your current data is no longer accurate. Is there a lead-in time before anything can be done on that?

**The Minister for Regional Development:**

Again, that depends on the Executive's decision. Indeed, there would be a series of decisions. If the Executive decide to ask for household contributions, the basis on which people will contribute will have to be decided. As John said, it could be on the basis of capital values, which is firmly linked to the current rate collection approach, so links would have to be established with Land and Property Services. If contributions were calculated on another basis, different links would have to be established.

There are issues with the data that NIW inherited from the Water Service, and those have caused problems. There is a continuing process to try to make the data as accurate as possible, and it is incumbent on NIW to do that.

If the Executive decide that they will continue to pay the subsidy to NIW for the foreseeable future, those issues will not arise. Much depends on the sequence of decisions.

**Mr Gallagher:**

I understand that the Department is working with DFP, which, in turn, is working with the Treasury. From what the Minister said, I take it that his preferred position is to continue paying the subsidy to NIW after April 2010. If the Executive take that decision, will that be all right with the Treasury? What I want to be clear about is as follows: if the Executive take the decision to defer water charging until after 2010, is the Treasury going to extend that facility beyond 2010?

**The Minister for Regional Development:**

The Executive's last decision on the matter was based on discussion with the Treasury, and on the agreement that the Treasury would accept deferment for the period that the Executive had indicated. If we get into a situation of further deferring water charges, we will obviously have to speak to the Treasury again. I am not sure whether the Treasury would insist on the introduction of charging or recognise that we are, like every other area and system of government, struggling with budgetary issues.



There is no clarity, because no proposal has been put to the Treasury yet. It has not been told that the Executive are minded to continue with another deferral, or that they are minded to take another approach, and it has not been asked for its view in relation to that. All we can do is work closely with DFP to ensure that we get a proper sense of how that is viewed and to ensure that, whatever decisions the Executive take in relation to that, they are properly informed. However, no one has proposed a further deferral to the Treasury or asked for its views on that. The Treasury has given its view on how it would approach that up to a certain point, but not beyond that.

**The Chairperson:**

I would like to press you on that point, because it is something on which I would like clarity. The Bill is giving power to DRD; is that correct?

**The Minister for Regional Development:**

The Bill actually gives power to the Executive, because it is the Executive who will pay the subsidy. The subsidy is paid through DRD, but it is the Executive who pay the subsidy.

**The Chairperson:**

Is the power for DRD?

**Mr Mills:**

Technically it is actually a requirement on DRD to make a subsidy available to NIW that is equivalent to the amount that customers would have paid had they been paying.

**The Chairperson:**

Therefore, the Bill is enabling DRD; is that correct?

**Mr Mills:**

It is requiring DRD.

**The Chairperson:**

I am speaking from the Committee's point of view, because, obviously, this is a matter for your Department, Minister. Let us run through the sequence. The enabling power is passed, and the

Executive decide that they are going to defer water charging until 2011. That decision will be taken by the Executive, and we are happy, from a financial point of view, that it will be done in that way. Will you outline how the Committee for Regional Development fits in to that process, and how it can hold the Department to account over the consequences of that decision?

**The Minister for Regional Development:**

I am not sure whether your concern is that DRD may be left carrying the can.

**The Chairperson:**

No: I have a concern that, if the Executive take a decision to defer water charging until 2011, there will be major consequences for the DRD. Although the decision will be for the Executive to take, and the Executive may find the finance from somewhere, the outworkings of the decision will have an impact on DRD. Where is the Committee's role in that? If the Executive take the decision, then who will hold the Executive to account for that decision, and how will the Committee for Regional Development play its role in scrutinising the Department? The issue of VAT will be one for the Department. Whether NIW reverts back to the public sector is a matter for this Committee. There is a dichotomy of issues that I am not absolutely clear about.

**The Minister for Regional Development:**

In relation to costs, I have always argued, and will continue to argue, that any costs that flow from an Executive decision will be consequences for the Executive, although technically there is no such thing as an Executive cost. I will continue to make that argument, and I have been largely successful in making it to date. If there is a cost implication of the Executive's decision, whether in relation to VAT or anything else, it should not be left to DRD to bear that cost. If the Executive takes a decision in the foreseeable future on how water and sewerage services are to be funded, it would be the final decision made in relation to the panel's report, and there would be a commitment to consult on that. Obviously, the Committee would have a key role in the consultation process on the panel's report.

We have consulted on some aspects of it but not on others, including how water and sewerage services are paid for. If the Executive's decision is to continue to pay for those services for whatever period in the future, and that has implications for the status of the company, it will become part of the consultation process on the panel's report in which the Committee would have a key role.

**The Chairperson:**

Would the Committee come into play, along with the Department, at the consultation stage?

**The Minister for Regional Development:**

Yes; I imagine that it would. It becomes part of the consultation that flowed from the Hillyard report, because it would be the final set of decisions in relation to that. Obviously, the Committee has a key role in that.

**The Chairperson:**

Therefore, as regards all the issues around — and I am sorry for labouring the point, Minister, but I think that it is important —

**The Minister for Regional Development:**

That is fine. I appreciate that there is a degree of uncertainty. The Committee is entitled and expected to play its role, and it wants to play its role.

**The Chairperson:**

It is our view that the Executive will carry the financial burdens for issues around the reclassification of the company, VAT and so on. Naturally, the Committee will be involved in the consultation and then with DRD and DFP about how the outworkings of the Executive's decision —

**The Minister for Regional Development:**

Yes; I would expect that.

**The Chairperson:**

Is that before the decision is actually made?

**The Minister for Regional Development:**

I would expect that that would be the case. As I said, the Committee is one of the key consultees — if not the key consultee — in a consultation process. At the end of that process, decisions will be taken on the basis of the outcome of the consultation.

**The Chairperson:**

That is reassuring. I am sorry for labouring the point.

No one else has any more questions, Minister, so I thank you very much for your time.