

**IMPACT ASSESSMENT OF THE GOVERNMENT'S  
PROPOSALS FOR THE REFORM OF WATER AND  
SEWERAGE SERVICES**

**PART I:  
INTEGRATED IMPACT ASSESSMENT – OVERVIEW**

November 2004



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# Chapter One

## Overview of the Integrated Impact Assessment Tool

### What is an Impact Assessment?

- 1.1 A fundamental requirement of good policy development by Government is to ensure that emerging policy proposals comply with its basic policy objectives, wider initiatives, and with statutory obligations as set out elsewhere in legislation. It is important, when bringing forward policy proposals on specific issues, that the opportunity is also taken to stand back and ensure that emerging policy proposals do not have any unexpected or unacceptable impacts, or which conflict with other aspects of Government policy. To assist in this process, studies, generally referred to as impact assessments, are performed on policy proposals as they are developed. These seek to identify for policy makers the expected impacts of emerging policy options on specific, defined groups or individuals. For example, people of differing community background, those living in rural areas, or businesses and voluntary organisations.
- 1.2 These various assessments are made by drawing upon available quantitative evidence. This may include relevant research either already performed, or specifically commissioned. Qualitative evidence can also provide valuable insights or help to address the limitations of more quantitative research. Consultation with the general public and specific stakeholder groups is an important aspect of the impact assessment process.
- 1.3 Where a policy is found to have a substantial adverse impact on any group or individual, consideration must be given to the scope for the policy to be adjusted to mitigate or lessen the impact before it is implemented. It is therefore important that such impact assessments are performed early during the period of policy development so as to influence and shape the final outcomes.
- 1.4 The Water Reform Programme is a major and wide ranging series of initiatives which have the potential to affect the lives of every person in Northern Ireland in a variety of different ways. This places a responsibility on Government to ensure that an assessment of the impacts of these proposals is undertaken in a focused and co-ordinated way. To assist in this process, the Office of the First Minister and the Deputy First Minister (OFMDFM) has developed an Integrated Impact Assessment (IIA) methodology for use by the various Northern Ireland

departments. It provides an opportunity to gather all the various impact assessments into one place, consider their impacts in a co-ordinated way, and present the conclusions for public consultation in a comprehensive and accessible way. An explanation of the IIA tool can be accessed at <http://www.ofmdfmi.gov.uk/ia/>

- 1.5 The first stage in the IIA process is the screening of policies to decide which, if any, aspects of the policy under consideration should be subjected to further impact assessment. Each proposal is tested against a number of standard preliminary questions that have been developed for each of the impact assessments. These questions and the answers provided to the questions are summarised in a “screening table” (see Table 1 on page 9). The screening process therefore provides a way of identifying which policy proposals are likely to have greatest impact, and which should be subject to further, more detailed consideration. These policy proposals are “screened in”.
- 1.6 The second stage is to perform more detailed impact assessments on the policy proposals that have been screened in. The assessment process draws upon all available evidence, including, where possible, relevant research. An assessment is made whether:
  - the impacts are substantive or marginal;
  - the impacts are positive or adverse in respect of the relevant policy objective or statutory obligation; and
  - any adjustments should be made to the policy under development to mitigate the anticipated impacts.
- 1.7 The outcome of these impact assessments are then subjected to ratification through a public consultation. This provides an opportunity for the public and stakeholder groups to verify or challenge the conclusions reached by departments in the preparation of the impact assessments. Consultees are invited to provide any further quantitative evidence that they consider relevant to the potential impacts of the policy under development. One of the main purposes of the IIA is to obtain this valuable feedback from interest groups, relevant stakeholders, and the public.

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<sup>1</sup> The full IIA Screening tool is available on the Water Reform website: [www.waterreformni.gov.uk](http://www.waterreformni.gov.uk)

- 1.8 The outcome of the consultation process will be used to determine how or in what ways the Water Reform policy proposals, as set out in the Policy Proposals Paper published along with this Integrated Impact Assessment (IIA), should be adjusted before Government proceeds to legislate for their implementation.
- 1.9 The feedback received to the IIA will inform the development of new primary legislation. While the Northern Ireland Assembly and Executive remains suspended, this legislation will be taken forward as an Order in Council through Parliament at Westminster. Current plans assume that the draft Order will be published for consultation during the first half of 2005. Should Devolution of Powers be restored in the interim, the legislation will be taken forward as an Act through the Northern Ireland Assembly, and the timetable for consultation will be reviewed in that context.

### **What is addressed in an Integrated Impact Assessment?**

1.10 Three main forms of assessment are included in the IIA. These consider:

- Legislative obligations: placed upon Government in respect of the development of policy or the delivery of services;
- Over-arching Government policy: initiatives which straddle the policy development or operational delivery practices of all Government departments. A number of such initiatives were developed by the Northern Ireland Executive; and
- Good practice: issues which it has been agreed should be taken into account by Government departments.

1.11 The assessments undertaken under each of these three headings are:

#### **Legislative obligations**

- Statutory Duty to promote equality of opportunity (Section 75 of the Northern Ireland Act 1998);
- Human Rights (Human Rights Act 1998 as made applicable to Northern Ireland by virtue of the Northern Ireland Act 1998);
- Compliance with the Regional Development Strategy (Strategic Planning (NI) Order 1999);

- State Aid Compliance (Treaty of Rome, Article 87); and
- Strategic Environmental Assessment (EC Directive 2001/04).

### **Over-arching Government Policy**

- Health Impact (Investing in Health Strategy);
- New Targeting Social Need;
- Regulatory Impact Assessment; and
- Rural Proofing.

### **Good Practice**

- Community Safety;
- Public Expenditure and Public Service;
- Sustainable Development; and
- Victims.

### **How to use this Integrated Impact Assessment**

- 1.12 This document sets out, in draft form, Government's assessment of the impact of its proposals for Water Reform. Comments are invited on the analysis performed and conclusions reached. Illustrative questions on the issues on which views would be particularly welcome are set out in each section and collated in a response form.
- 1.13 The response form is provided at in the Summary Document, which also contains a summary of the IIA findings.

## Chapter Two

# Screening of the Water Reform Policy Proposals

- 2.1 Table 1 summarises the outcome of the first stage of the IIA – the screening exercise. The detailed screening tool is available on the Water Reform website, [www.waterreformni.gov.uk](http://www.waterreformni.gov.uk) or on request from the Water Reform Unit.

**Table 1. SCREENING OF THE WATER REFORM POLICY PROPOSALS**

Type of Assessment And Status	Requirement for Impact Assessment	Notes:
Human Rights (Legislative Obligation)	No	The Water Reform legislation will be 'Human Rights' proofed.
Regional Development Strategy compliance Executive policy and statutory requirement (Strategic Planning (NI) order 1999)	No	The proposals for Water Reform are in accord with the Regional Development Strategy.
Sustainable Development	Yes	However, in the context of the Water Reform Programme, the assessments provided elsewhere within the IIA, address the sustainable development assessment requirement, pending the outcome of work on sustainability appraisal currently being conducted jointly by DOE and OFMDFM.
State Aid Compliance (European Commission, Treaty of Rome, Article 87)	No	A number of factors rule out the feasibility of privatization of the Northern Ireland water industry over the short-term, at least. The creation of a GoCo will therefore not distort competition within the EU in the water industry market.
Strategic Environmental Assessment (EU Directive)	No	The Water Reform Programme proposals are consistent with the aims of the Environmental Directive. Future water and sewerage investment programmes will be screened for Strategic Environmental Assessment.

**Table 1. SCREENING OF THE WATER REFORM POLICY PROPOSALS (cont)**

<p><b>Health Impact Assessment (Executive Policy)</b></p>	<p>No</p>	<p>The Water Reform Programme is designed to sustain the infrastructure investment necessary to ensure compliance with EU water quality and environmental protection standards. These will promote public health and well-being, and make a positive contribution to the attainment of wider health objectives. No formal Health Impact Assessment is considered necessary, especially in light of the proposal that there should be no disconnection of domestic consumers due to non-payment or bad debt.</p>
<p><b>New Targeting Social Need (Executive Policy)</b></p>	<p>Yes</p>	<p>The impact of domestic charging policy on poverty and social exclusion will be assessed with particular regard paid to the impact on those on low-incomes.</p>
<p><b>Rural Proofing (Executive Policy)</b></p>	<p>Yes</p>	<p>The impact of domestic charging on rural areas requires assessment.</p>
<p><b>Community Safety (Good Practice)</b></p>	<p>No</p>	<p>Policy proposals are not considered likely to have an impact in relation to community safety or crime</p>
<p><b>Public Expenditure and Public Service (Economic Appraisal)</b></p>	<p>No</p>	<p>The Water Reform Programme does not require economic appraisal. However appraisals conducted to Green Book standards will be applied to individual components of the Reform Programme where appropriate.</p>
<p><b>Victims (Good practice)</b></p>	<p>No</p>	<p>There is no evidence to suggest policy would have particular impact on victims of conflict.</p>
<p><b>Equality Impact Assessment (Statutory Duty)</b></p>	<p>Yes</p>	<p>The domestic charging policy proposals may equality impact on several Section 75 categories.</p>

## **IIA Screening Conclusion**

- 2.2 The screening process has identified the need for assessments in respect of New Targeting Social Need (New TSN) and Rural Proofing. These, along with a rationale for those 'screened' out from further assessment, are set out in the remaining part of this section of the IIA.
- 2.3 The screening process has also identified that the domestic charging proposals require a full Equality Impact Assessment (EQIA) in accordance with Section 75 of the Northern Ireland Act 1998. Further consideration must also be given to the equality implications of issues associated with the business model. This is set out as Part II of the Integrated Impact Assessment (IIA).
- 2.4 The screening process has identified the need for a full Regulatory Impact Assessment. This is set out as Part III of the IIA.

# Chapter Three

## Legislative Obligations

### Human Rights

- 3.1 The United Kingdom is a signatory to the European Convention on Human Rights (ECHR) – a binding international agreement that enshrines fundamental civil and political rights. The Human Rights Act 1998 that came into force on 2 October 2000 makes it unlawful for a public authority to violate Convention Rights, unless, because of an Act of Parliament, it had no choice; and requires that all UK legislation should be given a meaning that accords with the rights, if that is possible. Accordingly, all Northern Ireland Departments are required to perform “Human Rights Proofing” to ensure that their legislation, policy and administrative practice are compliant with the Convention Rights.
- 3.2 The Water Reform proposals would place an obligation on the water and sewerage undertaker to provide wholesome water supply and ensure appropriate treatment of waste water. This would mean that the undertaker must be given powers that potentially impact on Convention Rights. For example, powers to impose civil and criminal penalties to secure the safety of the water and sewerage infrastructure, to enter and inspect property, and for the compulsory purchase of land.
- 3.3 Concern was expressed during the 2003 public consultation that a future company, by acting under a more “commercial” imperative, may be more likely to disregard Human Rights issues.

### Departmental Response

- 3.4 The new water company will be regarded as a “public authority” within the meaning of the Human Rights Act. The legislation which gives effect to the Water Reform policy proposals will be thoroughly proofed for “human rights” irrespective of whether this is taken forward through the UK Parliament or the Northern Ireland Assembly.

### Regional Development Strategy

- 3.5 The Regional Development Strategy (RDS) provides, amongst other things, a strategic planning framework for tackling the deficiencies in essential infrastructure up to 2025. Prepared under the Strategic Planning (NI) Order 1999, the Strategy was formulated on 20 September

2001 after endorsement by the Northern Ireland Assembly, and takes into account key driving forces, such as population growth, new build and economic changes to provide the framework within which key decisions about infrastructure development in Northern Ireland can be made.

- 3.6 The RDS places a strong emphasis on achieving sustainable patterns of development. Sustainability is a key theme of the Spatial Development Strategy of the RDS with sustainability values running through each Strategic Planning Guideline. The RDS provides a robust and flexible framework for sustainable regional growth capable of accommodating future levels of economic growth. The provision of water and sewerage infrastructure is seen as making a central contribution towards the vision of sustaining a high quality of life for all.

## **Departmental Response**

- 3.7 The Water Reform Programme is designed to make the provision of water and sewerage services in Northern Ireland self-financing. The policy aims are in harmony with the RDS in two main ways:
- It seeks to secure the financial basis on which sustained investment in Northern Ireland's infrastructure can take place. The provision of this is essential to facilitate balanced and sustainable development across the region; and
  - It seeks full cost recovery from users of water and sewerage services that will support sustainable physical development across Northern Ireland.
- 3.8 Accordingly, no further impact assessment is considered necessary.

## **State Aid**

### **Background**

- 3.9 State Aid compliance is required under Article 87 of the Treaty of Rome and relates to the harmonious operation of competition within the common market place of the European union. State Aid rules are intended to avoid action by Member States which would have the potential to favour selected undertakings so as to distort competition within the European Union. It is important therefore that Member States ensure that their actions are State Aid compliant.

## Departmental Response

3.10 A Government Owned Company (GoCo) is to be established to deliver future water and sewerage services. GoCo will be wholly owned by government, and whilst there are private sector commercial water service companies across the EU, as explained on the Policy Proposals Paper (Chapter Two) a number of factors clearly rule out a private sector approach in the Northern Ireland context over the short term at least. While the factors that contribute to the feasibility of privatisation of the Northern Ireland water industry persist, GoCo will not distort competition. The water industry in Northern Ireland will become self-financing, and the consequent introduction of comprehensive charging will bring the region into line with the rest of the UK and other EU member states. Moreover, the new Economic Regulator will have a statutory responsibility to ensure that the potential for future competition is addressed as the Northern Ireland water industry matures.

## Strategic Environmental Assessment

### Background

3.11 Strategic Environmental Assessments are required under EC Directive 2001/04 for plans and programmes which are likely to have significant environmental effects. It seeks to integrate the preparation and adoption of plans and programmes with the promotion of sustainable development.

## Departmental Response

3.12 The strategic decision underpinning Water Reform, to make water and sewerage services self-financing, will secure a sustained programme of capital investment in Northern Ireland's water and sewerage infrastructure. These investment plans are not only necessary to facilitate future development and replace ageing infrastructure, but to achieve compliance with ever more stringent EU water and wastewater treatment directives. Further details on the Investment Need are set out at Chapter 3 Part of the Policy Proposals Paper published alongside this Integrated Impact Assessment.

3.13 The Water Reform Programme proposals include revised charging arrangements for non-domestic users and the introduction of domestic

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<sup>2</sup>EC Directive 2000/60 Article 9.1

charges. These have been developed to be compliant with the EU Water Framework Directive<sup>2</sup> which requires member states to:

- Establish water pricing policies which provide adequate incentives for users to use water resources efficiently; and
- Ensure an adequate contribution of the different water users to the recovery of the costs of water service, taking account of the polluter pays principle.

3.14 Key relevant elements of the new charging arrangements are the introduction of sewerage charges and the proposed extension of trade effluent charges for non-domestic users which are designed to adhere to the “polluter pays” principle. The introduction of new direct water and sewerage charges for domestic users promotes sustainability by introducing the concept that water is a costly resource that requires management. The extension of metering in the non-domestic sector and the introduction of household metering once charges are fully phased in will further promote sustainable use of a scarce resource.

## Conclusion

3.15 The overall proposals for Water Reform are consistent with the aims of the Environmental Directive and it is therefore not considered necessary to perform a detailed Impact Assessment. Future investment programmes will however be screened for Strategic Environmental Assessment.

## Legislative Obligations - Consultation Questions

1. Do you have any views on the conclusions reached by the Department to screen out from further assessment the implications of Water Reform in respect of:
  - a. Human Rights;
  - b. The Regional Development Strategy;
  - c. State Aid; and
  - d. Strategic Environmental Assessment.
2. Is there any other evidence which you consider should have been taken into account in these assessments?

# Chapter Four

## Overarching Government Policy

### Health Impact

- 4.1 The World Health Organisation defines health as “a state of complete physical, mental and social well-being, not merely the absence of disease or infirmity”. Amongst other factors, social, environmental and economic factors influence health, illustrating the significant impact that Government policy across the full range of Departments can have on health. In recognition of the collective contribution that Government Departments may have in tackling the factors which impact on health, the Northern Ireland Executive launched the Investing in Health Strategy in March 1992. This placed an obligation on all Departments to identify and evaluate the health impacts of new policy developments as they emerge in order to ensure that any positive impacts on health can be identified and negative impacts minimised.
- 4.2 The starting point in such consideration is a ‘screening’ to determine whether or not a more detailed Health Impact Assessment (HIA) is necessary [see page 11 of this document]. The Department has concluded that a full HIA will not be required on proposals for Water Reform. (See the detailed HIA Screening Tool, available on the Water Reform website, [www.waterreformni.gov.uk](http://www.waterreformni.gov.uk) or on request from the Water Reform Unit).

### Departmental Response

- 4.3 Ministers have decided that a key principle underlying the domestic charging arrangements is to take due account of the customers’ ability to pay. It is considered that the charging regime chosen will direct charges, in very general terms, to more affluent areas. As a means of mitigating disproportionate impacts on individuals, Ministers have decided to include a scheme to assist low-income households with water and sewerage charges. This scheme, by being available to households in receipt of Housing Benefit, Rate Rebate or the Northern Ireland Special Rate Relief Scheme will target the most vulnerable pensioners, one-parent families, disabled households etc. These arrangements are designed to avoid households being under financial pressure to make choices which could be detrimental to health, e.g. reducing essential heating. Further discussion on the effect of these low income provisions is provided on the Impact Assessment in respect of New Targeting Social Need (see page 19 of this document). Ministers have also clearly

stated that a fundamental principle underlying the domestic charging arrangements is that no household should be disconnected for non-payment or bad debt.

- 4.4 The Water Reform legislation will place firm duties upon the Government Owned Company (GoCo) in respect of the provision of drinking water quality and wastewater treatment. These will apply uniformly to all users of water and sewerage services across Northern Ireland. The attainment of these standards will be subject to statutory scrutiny and enforcement by environmental, economic and consumer regulatory authorities. The Water Reform legislation will initiate new arrangements for economic and consumer regulation, extending the responsibility of the Northern Ireland Authority for Energy Regulation (NIAER) to the water industry. In addition, the General Consumer Council for Northern Ireland (GCCNI) will exercise consumer representative functions in relation to the new body.

## **Conclusion**

- 4.5 In overall strategic terms, Water Reform will bring very considerable public health benefits to all the people of Northern Ireland in respect of the standards of public drinking water supply and waste water treatment. These improvements will bring consequential benefits for the environment.
- 4.6 The new domestic charging arrangements are structured to take due account of ability to pay and supported by provisions to protect low income households. Standards of supply and service will be overseen rigorously by new arrangements for economic and consumer regulation. There will be no disconnection of supply for non-payment.

## **Health Impact - Consultation Questions**

1. Do you have any views on the assessment of health impacts discussed in this section?
2. Are there any other potential health impacts that you consider should have been addressed?
3. Is there any other material evidence which you consider should have been taken into account in this assessment of health impacts?

## **New Targeting Social Need (TSN)**

- 4.7 New Targeting Social Need (New TSN) is the Government's high-level policy for tackling poverty and social exclusion in Northern Ireland. New TSN is not a separate programme with a dedicated budget, rather a general approach involving all Departments skewing effort and resources towards those in greatest objective need. The policy of New TSN is currently under review. It is proposed that it should evolve into a wider anti-poverty strategy, focusing on financial exclusion, and reinforcing the importance of measures to increase the uptake of financial entitlements and reducing financial hardship.
- 4.8 New TSN places an obligation on all Departments to identify and assess the New TSN impacts of new policy developments as they emerge in order to ensure that efforts and resources are appropriately targeted and that any negative impacts are minimised.

## **Water Reform Programme and New TSN**

- 4.9 In developing the Water Reform Programme policy proposals, Ministers have sought to minimise the negative impacts of the domestic charging arrangements to the extent that it is either reasonable or possible. The 2003 Consultation Document recognised that an essential element of the design of the charging regime would be the protection of vulnerable groups from any excessive impact or hardship. Responses to this issue overwhelmingly identified that such protection should be provided to low income households, or specific groups such as elderly households, lone parents and people with disabilities on the grounds that those groups are perceived as being in lower income households.
- 4.10 Accordingly, one of the core principles adopted to underpin the development of the non-domestic charging proposals was that :
- "charges should take due account of the customer's ability to pay. Due consideration should be given to the needs and special requirements of vulnerable customer groups."*
- 4.11 A number of charging options were considered and assessed in the context of the charging principles and other relevant crosscutting Government policies such as equality. The options considered are discussed in the accompanying Policy Proposals Paper.
- 4.12 Also relevant to the consideration of New TSN impacts, is the adoption of the policy objective that: " All properties connected to the water or

sewerage should be required to make a contribution toward the cost of the maintenance and availability of that connection, regardless of levels of water usage”

- 4.13 This took into account the fact that even for those households on lowest incomes, current Social Security benefit levels are intended to meet general household bills, including water. There is no regional variation in benefits. Those in receipt of benefit in other regions in the United Kingdom are already required to pay direct charges for water and sewerage services.

## **Proposals and Impact Assessment**

- 4.14 The domestic charging regime outlined in the Ministerial announcement of 13 September 2004, proposes a fixed element (or standing charge) and a variable element determined by discrete property capital values. The determination of charges on this basis would mean that the higher charges are directed at higher value properties which tend to be in the more affluent areas of Northern Ireland.
- 4.15 The social security system already has in place procedures to identify those households who are in need of financial support. Consequently, it is proposed to base eligibility for water relief on the receipt of existing benefits, namely Housing Benefit or Rate Rebate. In this way relief will be targeted towards those households on the lowest incomes in Northern Ireland. This relief is proposed to take the form of a 25% discount. Northern Ireland’s Housing Benefit statistics identify a high proportion of single adult households, either those living alone or lone parents. This is equivalent to 83% of those in receipt of Housing Benefit.
- 4.16 Currently around 175,000 households in Northern Ireland are in receipt of either Housing Benefit or Rate Rebate. This equates to more than 1 in 4 households in Northern Ireland that would receive a 25% discount on the their bills. This aligns with the 30% of households in Northern Ireland considered “consensually poor” under the Northern Ireland Poverty and Social Exclusion survey (2003).
- 4.17 The consultation document, New TSN – the way forward: towards an anti-poverty strategy, identified relative low income as a key measure of poverty. A household is classified as being in relative income poverty if its household disposable income falls below 60% of median income (this is the most commonly used indicator of poverty across Europe).

The median is the mid-point of the income distribution and is used rather than the mean or average as it is a better measure of the gap between the poorest and typical households. Table 2 presents a summary of the Department’s analysis.

Table 2	Below 60% of the GB Median Income		Above 60% of the GB Median Income	
	On rate rebate / housing benefit	No rate rebate / housing benefit	On rate rebate / housing benefit	No rate rebate / housing benefit
Number of Households	54,930	72,209	74,730	444,500
Proportion of households	8.5%	11.2%	11.6%	68.8%

Source: Family Resources Survey, 2002/03

Note: The data presented above suggests that there are 129,660 households in Northern Ireland in receipt of either housing benefit or rate rebate. However, it is widely accepted that surveys of this nature, which are self reporting, underestimate the number of households in receipt of benefits. Administrative data reveals that there are in fact approximately 175,000 households in

- 4.18 The data presented in Table 2 reveals that almost 20% of households in Northern Ireland are identified as being in income poverty. Of these, 8.5% (of all households) are in receipt of either Housing Benefit or Rate Rebate and would be entitled under the current proposals to relief from their water charges.
- 4.19 The remaining 11.2% of households in Northern Ireland identified as in income poverty are not in receipt of either Housing Benefit or Rate Rebate. The Department for Social Development analysis has also identified that there are a significant number of pensioner households among these (approximately one-third). Recent research<sup>3</sup> suggests that low take-up of entitled benefits is particularly a problem among such households. The Social Security Agency is currently developing a benefit take-up strategy, and the Department for Regional Development therefore intends to work with the Agency to ensure that these households are specifically targeted and that the use of these benefits as ‘passports’ to water relief is highlighted.
- 4.20 As explained in the Policy Proposals Paper (Chapter Six) Ministers have decided that domestic metering should be available after the initial phasing in of water charges and following a more detailed analysis of

<sup>3</sup> McKay, 2002, *Take-up of Income Support and Jobseekers Allowance in Northern Ireland*.

the criteria for making metered supplies available. This analysis will include how social policy objectives should be addressed.

4.21 Furthermore, the Review of Rating Policy has proposed the introduction of a 'special rate relief scheme' which would help households that are 'near benefit' in Northern Ireland with the payment of their rates. The proposals envisage that households in receipt of the proposed special rate relief should also be entitled to relief from their water charges. It is expected that many in the remaining 11.2 % will be afforded protection by this additional provision.

4.22 The operation and effectiveness of these arrangements will be kept under review.

## Conclusion

4.23 In conclusion it is recognised that the introduction of direct domestic water and sewerage charges will have an impact on those on low incomes. The Government is proposing to mitigate these impacts through:

- the Social Security system including the use of better promotion to encourage take up of existing benefits;
- phasing in of charges over a three year period starting no earlier than 2006-07;
- the use of capital values as the variable element of the charge which has the effect of skewing higher charges towards more affluent areas;
- providing a 25% discount, targeted at those in receipt of housing benefit, rate rebate or the proposed new rate relief (these being recognised measures of those in greatest need);
- a special hardship scheme which will provide temporary assistance to those facing exceptional hardships; and
- the use of metering (following further policy development designed to identify how this might be introduced without adversely affecting other users).

4.24 Aside from these direct measures the Department considers that it is important that the wider strategic context in which domestic water charging is being introduced is taken into account considering the New TSN impact. The Water Reform Programme will put considerable additional resources at the disposal of the Northern Ireland Departments – perhaps in excess of £300 million per year once charges have been fully phased in. These resources would provide significant resources to direct to other spending programmes which might include measures designed directly to progress the anti-poverty strategy.

### **New TSN - Consultation Questions**

- 1 Do you have any comments on the New TSN analysis provided by the Department?
- 2 Do you have any comments on the conclusions reached by the Department in respect of the compliance of Water Reform with New TSN?
- 3 Is there any other evidence which you consider the Department should take into account?

### **Rural Proofing**

4.25 Rural proofing is the process by which all significant government policy proposals are examined carefully and objectively during their development to determine whether or not they have a different impact in rural areas from those elsewhere because of the particular characteristics of rural areas. Where necessary, policy adjustments are made to ensure that, as far as possible, public services are accessible on a fair basis to the rural community. Accordingly, the Department has sought to ensure that the particular concerns of rural Northern Ireland are adequately identified and factored appropriately into the development of policy on the reform of water and sewerage services.

4.26 It is important to explain the definition of “rural areas” adopted in this assessment. Northern Ireland is a diverse area with a distinctive settlement pattern, formed from a rich mosaic of cities, main and small towns, villages, and dwellings in the open countryside that is unique within the United Kingdom. Whilst this offers a high degree of choice for the rural community who for generations have been the custodian of this exceptional natural and built environment, it also provides some particular challenges and issues in the provision of water and sewerage services.

- 4.27 Rurality has not been interpreted in a restrictive or dogmatic way. Instead the approach taken has been to listen during the development of proposals for Water Reform to the viewpoint of those who consider themselves to be “rural dwellers”, and to focus this analysis of the implications of Water Reform in a flexible, practical and open way.
- 4.28 The Integrated Impact Assessment screening process has concluded that a Rural Proofing of Water Reform is required. The analysis that follows is presented in draft for comment and validation by the consultation process.
- 4.29 A key tool in identifying rural concerns was the Consultation Document, “The Reform of Water and Sewerage Services” published on 11th March 2003. This asserted the importance of assessing specific rural considerations during the development of proposals for Water Reform. To inform this process, feedback on the specific rural perspective was actively sought during the consultation process. The consultation process included public meetings convened at locations across Northern Ireland. Further meetings were held with a wide range of stakeholder and interest groups and District Councils upon request. These provided many opportunities for specific rural issues to be raised. Rural concerns were also identified in the large volume of correspondence received from individual members of the public to the Water Reform Unit.
- 4.30 The Rural Community Network (RCN) was engaged by the Department to undertake some consultation specifically targeted on rural issues. The objectives of this exercise were to:
- assist in the identification of any specific issues in the rural community, across the geographic region of Northern Ireland, with regard to options for water reform;
  - identify, in particular, the impacts of the water reform proposals on the elderly living in rural areas and farmers;
  - ensure that the views assessed are representative in terms of geographic spread, and all dimensions outlined in Section 75 of the Northern Ireland Act 1998;
  - assist in making the public consultation as full and inclusive as possible by engaging with representatives and advocacy groups within the rural community to determine the rural implications of water reform;

- report to the Department for Regional Development the possible specific rural impacts (if any) of options for water reform.
- 4.31 RCN facilitated six focus group discussions at the following locations: Armagh; Claudy (Co. Londonderry); Clogher; Cushendall; Downpatrick; Randalstown.
- 4.32 The RCN report on these sessions can be obtained from the Water Reform website: [www.waterreformni.gov.uk](http://www.waterreformni.gov.uk) or directly from the Water Reform Unit, DRD, (028) 9054 0608.

## Issues of Concern

- 4.33 Several main strands of concern amongst those living in, or representing the rural community can be identified in the feedback received to the 2003 consultation. This section of the IIA has been structured around these issues.

## Septic Tanks

- 4.34 Northern Ireland has a higher proportion (currently 17%) of residential properties not connected to the main sewerage network than other parts of the United Kingdom. These properties rely on septic tanks for the treatment of household sewerage. These are underground sedimentation tanks in which domestic sewage is retained for a short period during which it is decomposed and purified by bacterial action. Such properties are mainly, but by no means exclusively, in rural areas, reflecting the dispersed pattern of settlement that is a particular characteristic of Northern Ireland countryside .
- 4.35 The question of septic tanks was raised primarily by individuals in letters responding to the consultation document. It was also raised at meetings with a number of District Councils representing rural constituencies. Concern was expressed that:
- householders with septic tanks should not be expected to pay sewerage charges at the same rate as properties connected to the sewerage infrastructure; and
  - the implications for the septic tank emptying service of any “commercialisation” of the operation of the Water Service.

## **Departmental Response:**

4.36 One of the purposes of the new charging arrangements will be to recover the full costs incurred in the provision of water and sewerage services. Customers will only be required to contribute to the costs of the services they receive. Accordingly, under the proposed charging arrangements, households will not incur an annual sewerage charge if not connected to the waste water infrastructure. However where the new water company performs a septic-tank emptying service, a charge will be levied to recover costs.

## **Water Pressure and Quality**

### **Water Pressure**

4.37 Concern was expressed about water pressure levels, particularly in isolated upland localities where the topography presented specific physical and operational issues. Many rural dwellers in these locations consider they are currently experiencing poorer standards of water pressure than in urban areas. A further concern is that a reformed water service, operating in a more commercial environment, would be under greater pressure to reduce costs and would therefore ignore small geographic pockets where operational difficulties might be concentrated.

## **Departmental Response:**

4.38 The Department acknowledges that some rural dwellers have specific concerns regarding water pressure standards. However, these problems are not confined to rural areas. Consideration will be given to introducing legal requirements regarding constancy and pressure of water supply similar to those operating in England and Wales under the Water Industry Act 1991 (WIA). Where necessary, these will be appropriately qualified by financial and practicality considerations.

4.39 The development of any such legislative provisions will be in the context of the development of new arrangements to regulate the quality of services provided to customers. These will place a statutory obligation on the new Economic and Consumer Regulator to have special regard to the interests of individuals residing in rural areas. Water Service's future investment plans are also designed to improve quality of services to this area.

- 4.40 In addition, the proposed establishment of a statutory consumer representation body on water issues will provide an independent source of redress in complaints and disputes. This role will be provided by the General Consumer Council for Northern Ireland (GCCNI) which can be expected to play a significant role in addressing any concerns of rural customers that standards of quality of service are not being met.

## **Water Quality**

- 4.41 The concern regarding water quality issues as expressed during the consultation period, appears to stem from a view that rural dwellers will be subject to poorer standards of drinking water than urban dwellers. Concern focused on issues such as discolouration; taste and compliance with European water quality standards.

### **Departmental Response:**

- 4.42 The current standards of drinking water quality are prescribed by legislation; in particular the Water Quality Regulations (NI) 1994; The Private Water Supplies Regulations (NI) 1994; and the Water Supply (Water Quality) Regulations (NI) 2002. The Northern Ireland Drinking Water Quality Report 2002, produced by DOE's Drinking Water Inspectorate, confirms that 99.11% of drinking water tests performed by the Water Service in 2002 met the existing regulatory standards. A small number (37) of complaints were received.
- 4.43 There is no evidence that rural dwellers are currently subject to poorer levels of drinking water quality than other areas. The Department does acknowledge however, that across all of Northern Ireland, levels of compliance with the ever more stringent standards set out in European Directives on Drinking Water Quality, are not yet as high as in the rest of the United Kingdom. A fundamental driver of the reform of water and sewerage services in Northern Ireland is therefore to secure full compliance with EC Directives in respect of Drinking Water Quality, Wastewater Treatment, and Bathing Waters, by the quickest possible route.
- 4.44 The Department will ensure that the legislation to be brought forward on Water Reform will set out clear duties and responsibilities for the GoCo in respect of drinking water quality, and waste water treatment. These will apply uniformly across Northern Ireland and will be subject to effective economic and environmental regulation.

## **Domestic Charging Arrangements**

- 4.45 Concern was expressed that the option of calculating domestic charges on the basis of property values could have a particular impact on rural dwellers. It was asserted that there was a unique attachment to place and sense of belonging amongst rural dwellers. In practice this would mean that many elderly customers living in large family homes would be faced with disproportionately large bills when compared to their level of usage.
- 4.46 Some anxiety was also expressed that placing the delivery of water and sewerage services onto a more commercial footing would result in relatively higher bills being levied on rural dwellers because of their greater distance from the main elements of the infrastructure.

## **Departmental Response**

- 4.47 The proposed domestic charging arrangements have been developed on a uniform, Northern Ireland-wide basis. This is reflected in two significant decisions influencing development of charging arrangements. Firstly, it was decided not to take specific geographical factors into account in assessing domestic charges. Accordingly, factors such as distance from treatment works or the length of trunk main required to serve properties do not influence the annual charges for individual properties thus ensuring that bills for households in the more dispersed, rural areas are not assessed differently from those of similar value properties in urban areas.
- 4.48 Secondly, it was decided that any standing charge levied as part of domestic charging arrangements would be applied on a Northern Ireland-wide basis. A considerable body of research has found that service providers, not least utilities, face higher unit costs in respect of supply to a scattered population or to small settlements. By adopting this Northern Ireland-wide approach, the potential greater costs that could have fallen upon rural households, have been avoided.
- 4.49 Ministers have been explicit that domestic charges should take due account of the customers ability to pay. In general terms, the charging approach adopted will tend to direct charges to the more affluent areas of Northern Ireland, in particular the Greater Belfast area. This is supported by Table 3.

**Table 3 Geographical Impact of Domestic Charges by Council Area**

DCAs ranked by population density	Pop density (persons per sq km)	Average gross weekly earnings	Average capital value	% of NI occupied domestic properties	% of NI housing benefit claimants	% of NI rate rebate claimants
<b>Top 13 DCAs in terms of population density (highest density)</b>						
Belfast	2500.6	£421.7	£118,109	18.4%	26.6%	17.9%
North Down	951.8	£405.4	£136,365	4.8%	2.9%	2.6%
Castlereagh	780.3	£505.9	£121,379	4.3%	2.6%	2.1%
Newtownabbey	532.3	£415.6	£103,272	5.0%	3.9%	3.4%
Carrickfergus	471.5	£380.4	£90,875	2.4%	1.8%	1.2%
Craigavon	289.5	£355.5	£82,941	4.9%	5.0%	5.2%
Derry	279.1	£355.3	£81,882	5.8%	9.4%	7.7%
Lisburn	244.9	£418.4	£117,286	6.2%	5.2%	4.1%
Ards	194.8	£373.8	£117,996	4.6%	3.5%	2.8%
Antrim	116.0	£388.0	£106,711	2.7%	2.1%	1.5%
Coleraine	115.7	£335.1	£94,838	3.7%	3.3%	2.5%
Down	100.0	£357.1	£111,190	3.6%	3.0%	3.1%
Newry & Mourne	98.6	£393.8	£102,325	4.6%	4.6%	9.8%
<b>Bottom 13 DCAs in terms of population density (lowest density)</b>						
Banbridge	93.8	£393.6	£104,693	2.4%	1.7%	1.9%
Ballymena	93.6	£429.8	£92,354	3.6%	3.0%	2.0%
Larne	92.0	£399.2	£83,230	2.0%	1.7%	1.3%
Armagh	81.9	£374.8	£89,478	2.9%	2.3%	3.7%
Magherafelt	71.7	£352.6	£94,417	2.0%	1.6%	2.8%
Ballymoney	66.0	£355.4	£76,297	1.5%	1.5%	1.4%
Cookstown	64.3	£327.1	£86,952	1.7%	1.5%	3.3%
Dungannon	62.4	£366.9	£81,099	2.6%	2.2%	5.0%
Limavady	56.6	£358.2	£76,938	1.6%	1.7%	2.1%
Strabane	44.6	£324.1	£65,251	2.0%	2.7%	3.5%
Omagh	43.3	£384.2	£83,072	2.5%	2.6%	3.5%
Fermanagh	34.2	£355.6	£84,666	3.2%	2.7%	4.6%
Moyle	32.9	n.a	£94,122	1.0%	1.0%	1.0%

4.50 Assuming that District Councils in rural areas will have lower population density, table 3 clearly shows that such Councils tend to have lower average capital values than households in the Greater Belfast Area.

### **First Time Charges**

4.51 The need to recover the full costs for providing water and sewerage services will result in changes in the charges for connecting new customers to the water and sewerage infrastructure. Potentially, these will have larger impact in rural areas given the greater need for additional infrastructure required for new connections when compared to urban areas. In addition, housing developments in rural areas tend to be of lower density and smaller volume resulting in diseconomies of scale. Detailed proposals for such First Time Charges have yet to be developed for public consultation. These will be subjected to rural proofing.

### **Impact of Loss of Domestic Allowances for Farms**

4.52 Under the existing charging regime all supplies to farms are metered and these generally also provide water to farmhouses. Where this is the case, a domestic allowance is given in recognition that all other domestic householders have not been charged for water and sewerage services. Following the introduction of comprehensive water and sewerage charging, this allowance will be phased out with the result that farms will be charged for their entire water supply as measured by the existing meters. The existing typical annual increase will be around £140 for a farm with average consumption. Metered sewerage bills will also be applied, based on the volume of water returned to sewers. However, domestic consumers receiving their water supply through a non-domestic metered connection and who, as a result, pay metered charges, will not pay additional unmeasured charges. Farmhouses not supplied through a metered connection will pay the relevant unmeasured charges.

### **Infrastructure Deficit**

4.53 Concern was expressed by some rural dwellers that a disproportionately larger infrastructural deficit had been allowed to accumulate in certain rural districts of Northern Ireland due to the comparatively smaller number of users in these locations.

## **Departmental Response:**

4.54 Water Service's infrastructural needs are determined objectively against a series of robust criteria, regardless of location. These are:

- the structural integrity of water mains and sewers assessed over a 20 year cycle;
- capacity, taking into account increased consumption, increasing population size, and the prevention of flooding; and
- the contribution of the water mains network on the quality of water delivered to customers.

4.55 Thus, there is no distinction drawn between rural and non-rural areas in the allocation of investment and the costs associated with this investment are not targeted at any group of customers. In addition, the investment plans of the water industry will be subject to rigorous scrutiny by the new Economic and Consumer Regulator. The new consumer representative body on water issues will also provide a mechanism by which any consumers concerns on this issue can be addressed.

## **Conclusions**

4.56 The Water Reform Programme proposals have been developed with sensitivity to the needs of those living in rural areas. In particular it is noted that:

- The basis upon which domestic charges will be set will not disadvantage those living in rural areas;
- Universal standards of quality and supply by GoCo will be secured in legislation and subject to enforcement by an Economic and Consumer Regulator (the Northern Ireland Authority for Energy Regulation) which will be required to pay particular regard to the needs of customers in rural areas;
- charges will be levied only in respect of services actually provided to individual households such as a septic tank emptying service; and
- Standards of service provision by GoCo will be scrutinised by the Consumer Representative on water matters (The General Consumer Council for Northern Ireland), which can be expected to

demonstrate understanding of the needs and concerns of Northern Ireland's rural users.

### **Rural Proofing Consultation Questions:**

1. Do you have any views on the analysis of rural impacts discussed in this section?
2. Are there any rural impacts that you consider should have been addressed?
3. Is there any other material evidence which you consider should have been taken into account in this assessment of rural impacts?

# Chapter Five

## Good Practice

### Community Safety

- 5.1 Community Safety Assessments are undertaken for the purpose of determining whether new policy will have an impact on community safety, victims and level of crime or the fear of crime.

### Departmental Response

- 5.2 The Department does not consider that the water reform proposals give rise to any community safety issues.

### Community Safety Consultation Question

1. Do you have any views on the conclusion reached by the Department that there is no need to perform a Community Safety Assessment in respect of Water Reform?

### Public Expenditure and Public Service (Economic Appraisal)

- 5.3 Departments are required to apply the principles and procedures of Economic Appraisal contained within the Northern Ireland Practical Guide to the Green Book published by the Department for Finance and Personnel (DFP). Economic Appraisal principles are relevant when Departments make decisions on the spending or saving of public money and involve the assessment of needs, objectives, options, costs, benefits, risks, funding, affordability and other factors relevant to spending decisions. The principles of Economic Appraisal apply equally to policies, programmes and projects.
- 5.4 Ministers have decided that Northern Ireland's water and sewerage services should become self-financing. Economic Appraisal principles will be applied as part of the process to develop proposals to bring about self-financing arrangements, consistent with Public Expenditure and Public Service guidance.
- 5.5 The Policy Proposals Paper outlines the following relevant key steps in the development of policy proposals:

- An explanation of the strategic context in which Minister's decided that self-financing arrangements was necessary;
- The rationale for reform of water and sewerage services in the budgetary context and benefits for public spending;
- Explanation of the principles for developing charging and associated other reform proposals;
- Identification and assessment of various options for delivering the reforms; and
- Consideration of impacts arising from the the proposals in terms of monetary and non-monetary costs and benefits including a Regulatory Impact Assessment to assess the impact of the proposals on the private sector.

## Conclusion

5.6 The principles of Economic Appraisal will be applied appropriately through the consideration of delivery options, the assessment of the costs and impacts of the proposals, and the completion of a Regulatory Impact Assessment.

## Public Expenditure and Public Service Consultation Question

1. Do you agree with the Department's view that a separate Economic Appraisal of Water Reform is not required?

## Victims

5.7 In accordance with the Northern Ireland Executive's Programme for Government a victims strategy has been developed for the purposes of helping those who have suffered as a result of the Northern Ireland "troubles". The strategy contains a number of elements with actions spread across Departments and Agencies aimed at delivering practical help and services. Among the aims of the strategy is the promotion and facilitation of improvement in standard of services being provided to victims, as well as increasing awareness in Government and wider public sector regarding the needs of victims.

## **Departmental Response**

5.8 The Water Reform Programme proposals are not considered to have any implications for victims.

## **Victims Consultation Question**

1. Do you agree with the Department's view that Water Reform will not have particular impacts on victims?

## How to give your views

You are invited to send your views on this draft Integrated Impact Assessment on Water Reform by **Friday 4 March 2005**. **A response form is attached within the Summary Document**. Please note that your response may be made publicly available unless you specifically indicate that it is to be treated in confidence.

Please send your response to:

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5 Linenhall Street  
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BT2 8AA

Fax: 028 905 47875  
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Further information is provided on the Water Reform website at:  
[www.waterreformni.gov.uk](http://www.waterreformni.gov.uk)

Following consideration of all responses a final Integrated Impact Assessment will be published on the Water Reform website, [www.waterreformni.gov.uk](http://www.waterreformni.gov.uk). This document will also be available from the Water Reform Unit.