

Mr S. St Pier
Finance and Networks Division
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA.
23rd May 2013

Dear Stephen,

Setting price controls for 2015-20 – business planning expectations

The LGA welcomes this opportunity to comment on Ofwat's water company business planning expectations consultation. The LGA is committed to supporting councils drive economic growth and build local resilience to climate change. As such, we wish to see water company investment during the 2015-20 period that supports local growth and makes water supply, people and property more resilient to the impacts of drought and flooding.

We are keen that Ofwat encourages innovation in water company financing and investment planning that could result in more money being released to invest in resilience and growth. We note that Ofwat will consider how companies will depreciate their assets in reviewing their business plans and feel it is important that water companies periodic reviews of depreciation profiles of their assets continue to accurately reflect their lifetime, thereby maximising money for investment.

We also believe that the consideration of future housing demand when setting prices, will give water companies more certainty and headroom to invest. We therefore support Ofwat's proposal that water company business plans consider the impact of housing growth. We recommend that companies source housing projection data from locally derived data. Over 70% of councils have now published their Local Plans and these should be the primary source of information used.

We welcome the new outcome focused approach to business planning, which should give water companies greater freedom and flexibility to address local priorities. To ensure that local priorities are being considered, we encourage Ofwat to examine the degree to which companies are engaged with councils and other flood risk authorities. Effective engagement with local flood risk authorities is essential, if water company outcome packages are to represent the best value investments.

Whilst we recognise that Customer Challenge Groups are a good opportunity for water companies to engage with councils, we are keen to see this engagement deepened and maintained for the longer-term. Such stronger alliances between water companies and councils should feature better sharing of data and information to enable more mutually

beneficial outcomes. We hope the new Price Review approach enables water companies to deliver outcomes which reflect local priorities. In the meantime, the LGA will continue to engage with water companies, Ofwat, DEFRA and the Environment Agency, to ensure the long-term water needs of cities, towns and villages are met.

Yours sincerely,



Councillor Mike Jones
Chair, LGA Environment and Housing Board