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Date	<b>29 June 2007</b>

Katherine Russell  
Director of Customer Service/Corporate Affairs  
Water Industry Commission for Scotland  
Ochil House  
Stirling FK7 7XE

Dear Ms Russell

**Consultation on Strategic Review of Charges 2010-2014- Volume 1**

I refer to the above consultation document and now enclose at Appendix A, a response compiled on behalf of Glasgow City Council to the questions posed therein. I would confirm that there is no objection to these comments being publicised, and I would also advise you that a follow-up response to Volume 2 of this consultation will follow in the near future.

Yours faithfully

Bill Potts  
City Plan Project Manager

Cc John Bury, City Planning Manager  
Dawn Corbett, Head of Corporate Affairs

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## Appendix A

### Response on behalf of Glasgow City Council to Water Industry Commission for Scotland Consultation

#### Strategic Review of Charges 2010-2014 Methodology: Volume 1-Financing and Governance of Scottish Water

1. Do respondents agree that the level of operating risks faced by Scottish Water are broadly similar to those faced by companies south of the border? If not how are they different, and how should this be allowed for in prices?

**Agreed**

2. Do respondents agree that using proper comparisons with England and Wales remains the most effective way to regulate Scottish Water? If not, how should we set prices and measure levels of service?

**Agreed. It is a generally accepted principle within the public sector that bench marking with similar bodies is an appropriate way to determine an organisation's efficiency, and an aid to setting targets for improvement. Comparison of Scottish Water's performance with English and Welsh counterparts therefore seems reasonable.**

3. Given that we (WICS) have a duty to promote the interests of customers, are we taking sufficient steps to protect customers from unnecessary risks? If not what other steps should we be taking?

**The role of the Output Monitoring Group appears to be critical in ensuring that Scottish Water provide value for money across the spectrum of their services.**

4. Do respondents agree with our use of the RCV, the 'gilts buffer' and rolling incentives?

**Agree with the use of the Regulatory Capital Value mechanism and the 'gilts buffer'. The gilts buffer effectively acts as a general reserve, similar to the General Fund within Local Authorities, and can be used as a contingency to protect against unforeseen and therefore unbudgeted costs being passed onto Council Tax payer, or in this case the Scottish Water customer. In relation to the buffer growth, it appears from the paper that this will be used as a measure of success by the Scottish Water Board, and thereafter for bonus payments to Scottish Water employees. Although the potential for also using this as a basis for passing savings back to the customer is mentioned, the possibility of bonus payments to staff should be seen in the context of the wider affordability of charges for customers; if bonus payments are to be made, then the customer should also see some kind of pay-back e.g. a below inflation increase in charges.**

**On a more general point, one key risk for Scottish Water in the run up to this charging period, is the possible abolition of Council Tax, and its potential impact upon the costs of billing for Household Water charges. If Local Authorities ceased billing and collecting Council Tax, Scottish Water would need to find an alternative method for billing and collection of their charges. This would impact not only on existing customers, but as new properties would no longer require to be banded by the Assessor, then Scottish Water would need to identify an alternative method for collecting data on domestic properties, to allow them to be billed. The financial implications of assessing new properties and billing/collecting themselves could be considerable. It would not however be acceptable for such cost simply to be passed back to the domestic customer. This cost would arise as a result of a policy change by the 'owner' (Scottish Executive), and should therefore be borne by them.**