

The Independent Water Commission
Defra, Ground Floor
Seacole Building
2 Marsham Street
London, SW1P 4DF

Submitted by email only to: cfe.water@defra.gov.uk

23rd April 2025

Dear Sir/Madam,

Re: Call For Evidence – Independent Commission on the Water Sector Regulatory System

Introduction

Thank you for releasing the Call for Evidence on the Independent Commission on the Water Sector Regulatory System. The Land Planning and Development Federation (LPDF) recognises the need for improvements in a vast array of areas in order to deliver the necessary infrastructure and housing alongside growing the national economy, and that this includes improvements in the water sector. Consequently, the LPDF welcomes the opportunity to comment on the Water Sector Regulatory System.

The LPDF agree that the water sector is facing many challenges and that there is a need to consider reforms to the system to tackle these issues. What we consider to be the main issues will be highlighted in our response below, but overall it is clear that reforms are needed and as things stand there is an inability to cope with the Governments ambitious growth agenda, specifically the target of delivering 1.5 million new homes this parliament.

About the LPDF

The LPDF seeks to represent the UK's leading land promoters, home builders and commercial developers. LPDF members support the housebuilding and commercial development sectors by promoting sites through the planning system, providing "shovel ready" land with a planning permission which can facilitate the delivery of infrastructure and serviced land parcels.

The LPDF seeks to actively engage with government on planning, housing and commercial development policy and to educate the wider public on the social, environmental and economic benefits of development through an evidenced based approach.

The LPDF encourages its members to deliver well designed, high quality, sustainable places which deliver a mix of housing types and tenures, commercial spaces and community uses that have a positive social, environmental, and economic impact.



Our key values include:

- Working in a positive and cooperative way with central and local government and key stakeholders, to deliver a planning system capable of supplying the homes and employment space we need.
- Promoting research and an evidence-led approach to policy development.
- Increasing the supply of new homes to meet demand and make home ownership a realistic possibility for all those who aspire to it.
- Ensuring that we build the affordable homes of all types and tenures that this country so desperately needs.
- Delivering new employment space to meet demand from businesses and support economic growth.
- Championing the impact of increased housing delivery on reducing intergenerational unfairness.
- Creating well designed, high quality and sustainable places to live and work.
- Educating and informing about the social, environmental and economic benefits of development.
- Supporting diversity of delivery in the market and championing SME developers.
- Promoting diversity and inclusivity within the sector.

Context

The LPDF would start by noting that problems associated with the water sector are becoming an increasing barrier to housebuilding. Residential development is facing growing challenges due to the water sector's inability to deliver essential services, such as water connections and wastewater management, for new housing schemes. As a result, government agencies, water companies, and local planning authorities are increasingly warning that new housing developments cannot be supported and subsequently planning permissions are being held up. This is causing significant delays in the construction of thousands of homes and puts at risk the Government's goal of delivering 1.5 million new homes by the end of this parliamentary term.

The LPDF wish to draw attention to a number of specific barriers faced by the development industry, these are summarised below. Each of these issues relate to the operation of the water sector and its ineffective regulation by Ofwat and the agencies of the state.

Water Supply

The LPDF are aware that over the course of the last couple of years the Environment Agency has been objecting to residential schemes in Cambridgeshire, Oxfordshire and Essex on the basis that the new development cannot be provided with water. Whilst some of these objections have been dismissed or reversed, restrictions continue, and specifically some local authorities are restricting the occupation of homes until years in the future on this basis.

Wastewater Connections

A growing number of local authorities now require housebuilders to confirm adequate wastewater capacity before allowing new homes to be built or occupied. This is enforced through planning conditions, despite national policy stating that wastewater capacity falls under a separate regulatory framework, not land-use planning.



Connection Charges

Since 1990, developers have paid water and sewerage infrastructure charges to fund network investments for new connections. These charges, split equally between water and sewerage, are there to ensure water companies can meet the demands of the plan-led system. The cost of a connection for water services is now increasing dramatically. This will have serious consequences for development viability and the ability of a housebuilder to meet other policy expectations, including the provision of affordable housing through planning obligations.

Nutrient Neutrality

The issue of nutrient neutrality is not a new issue, it is a barrier that is well known, yet frustratingly, is still causing delay to the delivery of a significant number of dwellings across the 27 catchments designated as being at risk. The Government's estimation is that over 100,000 new homes are currently held up due to nutrient neutrality. Disappointingly, the restrictions imposed by Natural England back in 2019 remain largely unresolved. This issue relates to the release of nutrients from various sources via wastewater, into the designated water catchments causing harm to the protected habitats.

In comparison to farming, the contribution that housebuilding makes to this issue is tiny. In line with the views of the HBF, the LPDF asserts that the housebuilding industry should not be required to fund nutrient mitigation given the statutory duties imposed on all sewerage companies pursuant to s94 of the Water Industry Act 1991.

Water Neutrality

The issue of water neutrality stems from Natural England's concern that excessive water extraction from a specific aquifer in West Sussex could negatively impact a protected species. As a result, all new housing developments within the three affected local authorities in West Sussex are now required to prove they achieve 'water neutrality'. According to the assessment by the three local authorities affected, this is causing delay to the construction of nearly 20,000 dwellings. Similarly to the nutrient neutrality issue, the problem relates to an increase in population in the locality, rather than the construction of the dwellings as such.

Relationship with land use planning

A key concern the LPDF wish to raise through this response is that the statutory Water Resource Management Plans (WRMP), which are produced by the water companies but ultimately overseen and approved by the Environment Agency and Defra fail to make sufficient provision for the future development requirements identified in strategic and local plans. These WRMPs should be forecasting water supply and demand over a 25 year period, and they should not be approved if there is no solution to a problem identified with the supply of water.

The guidance recommends that water companies actively collaborate with those responsible for regional and local plans. This engagement should help to ensure that water companies are aware of future development needs that may place additional demands on water services. To facilitate this, the guidance requires water companies to work with local authorities and consider development needs, including housing targets outlined in local plans. This approach is intended to ensure that the water supply needs of planned development are addressed through strategic planning, without these considerations needing to influence development management decisions.



If this system were functioning effectively, in line with legislative intent and regulation by the Environment Agency, then the water supply issue, identified earlier in this response, acting as a barrier to the delivery of housing would not be an issue.

Conclusions

With regards to water systems, it is clear that there has been significant under investment in recent years. The water companies currently do not plan ahead far enough or give future investment the priority it requires. The water sector are failing to meet their statutory duties regarding supply and as things stand there is an inability to cope with the Government's ambitious growth agenda, specifically the target of delivering 1.5 million new homes this parliament. The LPDF submit that these issues and barriers regarding the water sector regulatory system need to be addressed with the utmost urgency and as part of this we would suggest that greater MHCLG scrutiny of Defra oversight would be beneficial as this would help to provide greater joined up strategic thinking.

