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The Rt Hon Viscount Whitelaw PC CH MC  
Lord President of the Council  
Privy Council Office  
Whitehall  
London  
SW1A 2AT

23 October 1986

N B P M

Dear Willie,

ABOLITION OF DOMESTIC RATES ETC (SCOTLAND) BILL

1. The purpose of this letter is to seek formal approval from E(LF) for the inclusion in the above Bill of provisions relating to water and sewerage charges. These are based on proposals which have been the subject of inter-departmental consultations and have been discussed with Scottish local authority representatives.

2. The present charging arrangements for water and sewerage in Scotland are as follows:

Water

3. Public water supply in Scotland is operated as a local authority service by the Regional and Islands Councils. The Councils recover their expenditure on the service, net of grants and sundry other income, in three main ways.

(a) By a public water rate, payable as part of the regional or general rate by all ratepayers. Normally, not more than one third of the net expenditure after deducting charges can be raised in this way.

(b) By a domestic water rate, payable on the net annual value of domestic properties and on a proportion, usually one half, of the net annual value of non-domestic properties without meters, such as smaller businesses. Only properties which are connected to the public supply are liable for this rate, which meets the remaining two thirds of net expenditure.

(c) By direct charges (i) by volume for premises which are metered (generally the larger industrial and commercial users); and (ii) separate charges for water for special purposes, for example building work, but their contribution is small. Metered premises do not pay the domestic water rate ((b) above) but do pay the public water rate as part of their general rate ((a) above).

sewerage

4. Sewerage is also a local authority function in Scotland. The net cost of providing the service is met from the regional or general rate. The bill for the service, unlike water but like all other local authority services, is not separately identified in the rates demand. All ratepayers pay for the service, even if they are not connected to the sewerage system. Councils do not apportion their expenditure on sewerage services between the domestic and non-domestic sectors.

Legislative proposals

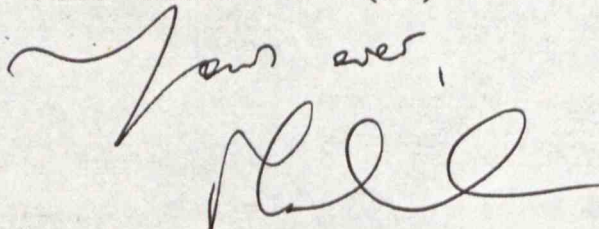
5. We are proposing to replace the present charging arrangements from 1 April 1989 with the following provisions.

- a. All adults will pay a water community charge to meet the full share of the cost of water supply attributable to domestic premises, provided they live in premises that are not metered and receive a public supply for domestic purposes. The timetable to which we are working means that it is impossible to introduce a comparable per capita charge for domestic sewerage services. Initially, therefore, we intend to leave those costs to be met through the main community charge as they are met through rates at present, but for the longer term we shall be considering the introduction of a separate sewerage community charge to cover the cost of sewerage services for domestic premises.
- b. The non-domestic sector will meet its share of the full cost of water supply and sewerage through direct charging for water and trade effluent treatment, already of fairly widespread application. Premises where charging is not appropriate for either water or trade effluent treatment or both will pay a water services rate at an appropriate level.

6. We also propose to provide that the local authorities' expenditure on water and sewerage should be clearly identified in separate accounts, and that the expenditure on these services should be apportioned between the domestic and non-domestic sectors in an evenhanded manner. The aim here is to prohibit undue discrimination in favour of, or against, a particular consumer or class or classes of consumer. This approach already features for electricity charging in Scotland and for water charging in England and Wales.

7. I should be grateful for approval to include in the Bill provisions giving effect to these proposals. May I take it that I have agreement in the absence of comments by 31 October.

8. I am copying this letter to the other members of E(LF) and to Sir Robert Armstrong.

*Yours ever,*  


**MALCOLM RIFKIND**