



Horsham
District
Council

Horsham District Local Plan Examination

Response to Action Point 9

Matter 1, Issue 2 - Legal and Procedural Requirements - Whether the Council has complied with other relevant procedural and legal requirements.

HDC 40

January 2025

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Action Point 9: Update Note on Southern Water's Water Resources Management Plan

Background

1. Water Resource Management Plans (WRMPs) are statutory plans that all water companies in England must produce every five years.
2. WRMPs serve several key purposes:
 - To demonstrate how water companies will maintain a water supply / demand balance for at least the next 25 years
 - To plan for challenges such as population growth, drought, environmental requirements, and climate change uncertainty.
 - To outline strategies for securing a safe water supply whilst protecting and enhancing the environment.
3. A WRMP typically includes:
 - Supply and demand forecasts for the next 25+ years, using various sensitivity scenarios.
 - The identification of possible solutions to increase water availability by, for example, reducing leakage, developing new abstraction sources, and improving household and non-household water efficiency.
 - Strategies to meet water resource deficits by identifying and appraising various options.
 - An assessment of the environmental impacts of the plan and its component parts.
 - A financial assessment for the plan's delivery.
4. The duty to prepare and maintain a WRMP is set out in the Water Industry Act 1991. The Environment Agency are the principal regulator and provide guidance to water companies on what needs to be included in plans. The Water Services Regulation Authority (Ofwat) provides economic regulation of the plan. Final plans can only be published once approved by the Secretary of State for Environment, Food and Rural Affairs.

Timeline for publication of Southern Water's emerging WRMP

5. Southern Water's current WRMP was published in December 2019.
6. The Water Resources Management Plan (England) Direction 2022 (see **Appendix 1**) sets out in paragraph 2. (1) that *"Other than Southern Water Services Limited, a water undertaker must prepare a water resources management plan for a period of at least 25 years commencing on 1st April 2025."* and in paragraph 2. (2) that *"Southern Water Services Limited must prepare a water resources management plan for a period of at least 27 years commencing on 1st April 2023"*. This April 2023 deadline for publication was missed by Southern Water.
7. The first consultation on Southern Water's draft WRMP 2024 was carried out between November 2022 and February 2023.

8. Southern Water issued a Statement of Response in the summer of 2023. Following the consultation period, regulators required that revisions be made to the WRMP to make it acceptable. This has led to significantly delayed publication beyond the initial April 2023 deadline.
9. An updated WRMP went out to public consultation from 11 September to 4 December 2024. The Sussex North Authorities affected by water neutrality submitted a joint response, which has been submitted to the inspector under **Action Point 20**.
10. Southern Water has advised that their Statement of Response on the consultation will be published in March 2025. We also understand that Southern Water will also need to provide an updated WRMP to regulators by this date. Following this, the WRMP will need to be approved by regulators prior to final sign-off by the Secretary of State for Environment, Food and Rural Affairs.

WRMP implications for water neutrality

11. Southern Water's current 2019 WRMP does not provide sufficient water to meet the demand from new growth in the Sussex North area. It is for this reason that the Natural England position statement on water neutrality applies to new development, which are required to fully offset their development's residual water use to maintain water neutrality.
12. The *Part C* report (**CC11**) prepared by JBA Consulting for the Sussex North authorities, including HDC, published in December 2022, used the 2019 WRMP forecast data to assess that Southern Water would be unable to meet the forecast water demand using the Sussex North authority local plan figures across several years, potentially to the end of the local plan periods to around 2038/39.
13. Due to this, the Sussex North authorities, including HDC, sought to implement a policy-led strategy to reduce the overall water demand from new development, alongside the creation of an authority-led offsetting scheme – SNOWS – to 'fill the gap' between Southern Water's WRMP savings and the water demand from local plan forecast growth, providing developers with an effective, affordable solution to help meet water neutrality requirements. SNOWS is an entirely voluntary endeavour by the local authorities intended to support developers – particularly as no private market existed at the time of the *Part C* report that the councils were aware of.
14. Several private market alternatives to SNOWS have emerged since the publication of the *Part C* report and during the development of SNOWS. However, HDC has, to date, been provided insufficient evidence to demonstrate that these alternatives have the capacity or certainty of delivery to support larger and strategic sites.
15. Moreover, SNOWS has been designed to remain within viability figures used by all the Sussex North authorities in their local plans, ensuring that all development can be delivered viably. SNOWS achieves this by using Southern Water's WRMP savings as the baseline for its offsetting capacity. Our understanding is that private market solutions cannot currently provide offsetting at costs that would meet viability figures for local plans.
16. Southern Water's 2024 WRMP sets out their plan to be able to supply demand including growth. The plan tests a range of growth scenarios. The plan includes housing and growth data provided by local planning authorities, alongside other evidence such as population forecasts.
17. The WRMP includes a rolling programme of demand reduction measures, including leakage reduction and household & non-household water efficiency improvements. It also includes a strategic infrastructure programme to meet the future demand from growth. This infrastructure is scheduled to be delivered throughout the WRMP period and beyond.
18. Our understanding to date was that Southern Water through their WRMP, over the full period of the plan, could meet growth water demands, but this was not necessarily the case on a year-by-year basis, as the delivery of demand reduction measures and new water infrastructure and the building out of new developments may not align.

19. As Southern Water's WRMP savings form a substantial (originally forecast ~88%) baseline of SNOWS' offsetting capacity, the Sussex North local planning authorities would require sufficient certainty of the WRMP savings to enable developments to access SNOWS (e.g. via condition).
20. Regulators for the WRMP process, including Natural England, the Environment Agency, Defra, MHCLG, and Ofwat have been pushing for Southern Water to improve their WRMP, and have continued to do in response to Southern Water's most recent consultation on the draft WRMP 24. The ultimate aim is to address water neutrality issues through the WRMP and removing the requirement for new development to demonstrate water neutrality through water offsetting.
21. Should Southern Water be able to provide sufficient demand reduction measures and new water supply infrastructure to meet the Sussex North authorities' forecast local plan growth water demand, Natural England would be able to remove their position statement and water neutrality requirements will no longer apply to new development in the Sussex North area.
22. However, there remains uncertainty from regulators about Southern Water's ability to meet this standard. Given this, the Sussex North authorities will need to continue with the development of the SNOWS offsetting scheme and the local plan policy approach, unless and until Natural England amend or remove their position statement.

Appendix 1 – The Water Resources Management Plan (England) Direction 2022

The Water Resources Management Plan (England) Direction 2022

The Secretary of State, in exercise of the powers conferred by sections 37A(3)(d) and (7), 37B(11) and 37D(1) of the Water Industry Act 1991(a), makes the following Direction.

Citation, commencement, extent, application and interpretation

1.—(1) This Direction may be cited as the Water Resources Management Plan (England) Direction 2022 and comes into force on 28 April 2022.

(2) This Direction—

- (a) extends to England and Wales; and
- (b) applies in relation to any water undertaker whose area is wholly or mainly in England.

(3) In this Direction—

“the Act” means the Water Industry Act 1991;

“acquiring licensee” has the meaning given by regulation 6 of the Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016(b);

“area of serious water stress” means an area determined as such by the Secretary of State under regulation 4 of the Water Industry (Prescribed Conditions) Regulations 1999(c);

“change of occupancy metering” means charged metering of premises upon a change of occupation under section 144B(2)(b)(d);

“charged metering” means charges that are fixed by reference to the volume of water supplied to domestic premises;

“compulsory metering” means charged metering of premises as a result of their location in an area of serious water stress;

“domestic metering” means both charged metering and any other metering of domestic premises that is currently not used to charge by reference to volume and for the avoidance of doubt includes smart meters and non-smart meters;

“domestic premises” means premises, or any part of premises, which are used as a person’s home;

“new build metering” means charged metering of newly-constructed premises;

“optant metering” means charged metering under either section 144A(1)(e) or section 144B(2)(a)(ii);

“selective metering” means charged metering to which section 144B(2) does not apply, other than to premises located in an area of serious water stress;

“smart meter” means a meter that is installed to record water supplied to domestic premises, that can be read without having direct access to the meter installation and that can record data at least every 24 hours.

(a) 1991 c.56. Sections 37A, 37B and 37D were inserted into the Water Industry Act 1991 by section 62 of the Water Act 2003 (c.37). Section 37A was amended by sections 27 and 28 of the Water Act 2014 (c.21) and by S.I. 2013/755. Section 37D(1) was amended by section 27(4) of the Water Act 2014 (c.21). The functions of the Secretary of State under sections 37A, 37B and 37D were transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999 (S.I. 1999/672) article 2; see the entry in Schedule 1, as amended by section 100(2) of the Water Act 2003, for the Water Industry Act 1991. The functions under those provisions, so far as relating to matters other than the construction or enlargement of reservoirs, were transferred to the Assembly in relation to any water undertaker whose area is wholly or mainly in Wales. Those functions are now exercisable by the Welsh Ministers by virtue of section 162 of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006 (c.32).

(b) S.I. 2016/744.

(c) S.I. 1999/3442. Regulation 4 was inserted by regulations 2(1) and (4) of S.I. 2007/2457 and amended by S.I. 2013/755.

(d) Section 144B was inserted into the Water Industry Act 1991 c.56 by section 7 of the Water Industry Act 1999 c.9

(e) Section 144A was inserted into the Water Industry Act 1991 c.56 by section 6 of the Water Industry Act 1999 c.9

“the planning period” means the period of a water undertaker’s water resources management plan;

“water resources management plan”, in relation to a water undertaker, means the plan which it is under a duty to prepare, publish and maintain in accordance with section 37A(1).

(4) References in this Direction to a numbered section are to the section so numbered in the Act, unless otherwise stated.

Planning period of water resources management plan

2.—(1) Other than Southern Water Services Limited, a water undertaker must prepare a water resources management plan for a period of at least 25 years commencing on 1st April 2025.

(2) Southern Water Services Limited must prepare a water resources management plan for a period of at least 27 years commencing on 1st April 2023.

(3) Other than in the case of Southern Water Services Limited, the Water Resources Management Plan Direction 2017^(a) does not apply to any water resources management plan, the planning period for which commences on or after 1st April 2025.

(4) In the case of Southern Water Services Limited, the Water Resources Management Plan Direction 2017 does not apply to any water resources management plan, the planning period for which commences on or after 1st April 2023.

Matters to be addressed in a water resources management plan

3.—(1) In accordance with section 37A(3)(d), a water undertaker must include in its water resources management plan a description of the following matters—

- (a) the appraisal methodologies which it used in choosing the measures which it has identified in accordance with section 37A(3)(b) and its reasons for choosing those measures;
- (b) for the first 25 years of the planning period, its estimate of the average annual risk, expressed as a percentage, that it may need to impose prohibitions or restrictions on its customers in relation to the use of water under each of the following—
 - (i) section 76^(b);
 - (ii) section 74(2)(b) of the Water Resources Act 1991^(c); and
 - (iii) section 75 of the Water Resources Act 1991, and how it expects the annual risk that it may need to impose prohibitions or restrictions on its customers under each of those provisions to change over the course of the planning period as a result of the measures which it has identified in accordance with section 37A(3)(b);
- (c) the assumptions it has made to determine the estimates of risks under sub-paragraph (b), including but not limited to drought severity;
- (d) in respect of greenhouse gas emissions—
 - (i) the emissions of greenhouse gases which are likely to arise as a result of each measure which it has identified in accordance with section 37A(3)(b), unless that information has been reported and published elsewhere and the water resources management plan states where that information is available;
 - (ii) how those greenhouse gas emissions will contribute individually and collectively to its greenhouse gas emissions overall;
 - (iii) any steps it intends to take to reduce those greenhouse gas emissions;

(a) Copies are available from the Department for the Environment, Food and Rural Affairs, 2 Marsham Street, London SW1P 4DF.

(b) 1991 c.56. Section 76 was amended by section 36 of the Flood and Water Management Act 2010 c.29. (c) 1991 c.57.

- (iv) how these steps will support the delivery of any net zero greenhouse gas emissions commitment made by it; and
 - (v) how these steps will support delivery of the UK government's net zero greenhouse gas emissions targets and commitments.
- (e) the assumptions it has made as part of the supply and demand forecasts contained in the water resources management plan in respect of—
- (i) the implications of climate change, including in relation to the impact on supply and demand of each measure which it has identified in accordance with section 37A(3)(b);
 - (ii) household demand in its area, including in relation to population and housing numbers, except where it does not supply, and will continue not to supply, water to domestic premises; and
 - (iii) non-household demand in its area, except where it does not supply, and will continue not to supply, water to non-domestic premises or to an acquiring licensee;
- (f) its intended programme for the implementation of domestic metering including—
- (i) the proportion of smart meters to other meters;
 - (ii) if it does not intend to install smart meters, the reasons for this;
 - (iii) its estimate of the cost of that programme, including the costs of installation and operation of meters;
- (g) its estimate of the total number of meters installed to record water supplied to domestic premises at the commencement of the relevant planning period and including a breakdown of—
- (i) the number of smart meters;
 - (ii) the number of meters that are not charged by reference to volume;
 - (iii) the number of meters that are charged by reference to volume including—
 - (aa) optant metering;
 - (bb) change of occupancy metering;
 - (cc) new build metering;
 - (dd) compulsory metering; and
 - (ee) selective metering;
- (h) its estimate of the total number of domestic premises which will become subject to domestic metering during the planning period and including a breakdown of—
- (i) the number of domestic premises with smart meters;
 - (ii) the number of domestic premises with meters that will not be charged by reference to volume;
 - (iii) the number of domestic premises with meters that will be charged by reference to volume including— (aa) optant metering;
 - (bb) change of occupancy metering;
 - (cc) new build metering;
 - (dd) compulsory metering; and
 - (ee) selective metering;
- (i) its estimate of the impact on demand for water in its area of any increase in the number of premises subject to domestic metering;
- (j) its assessment of the cost-effectiveness of domestic metering as a mechanism for reducing demand for water by comparison with other measures which it might take to meet its obligations under Part III of the Act;
- (k) its intended programme to manage and reduce leakage, including anticipated leakage levels and how those levels have been determined;

- (l) if leakage levels are expected to increase at any time during the planning period, why any increase is expected and if so, the proposed plan of works that will be undertaken to mitigate this;
- (m) how its intended programme to manage and reduce leakage will contribute to—
 - (i) a reduction in leakage by 50% from 2017/18 levels by 2050; and
 - (ii) any leakage reduction commitment it has made in respect of its appointment area;
- (n) In respect of any relevant regional water resources plan—
 - (i) how this plan has been considered and reflected in its water resources management plan; or
 - (ii) where the plan has not been considered and reflected in its water resources management plan, the reasons for this.

(2) In this paragraph—

“regional water resources plan” means a voluntary regional strategic plan produced by a regional group which identifies measures that may be taken for the purpose of improving the management and development of water resources.

“regional group” means one of the following recognised groups—

- (a) Water Resources North;
- (b) Water Resources West;
- (c) Water Resources East; (d) Water Resources South East; (e) West Country Water Resources.

Submitting draft water resources management plans and water resources management plans to the Secretary of State

4. Except where the Secretary of State otherwise directs and subject to sub-paragraph 4(c), for the purpose of section 37B(1) of the Act—

- (a) Other than in the case of Southern Water Services Limited, a water undertaker must send a draft of its water resources management plan to the Secretary of State on or before 3rd October 2022;
- (b) Southern Water Services limited must send a draft of its water resources management plan to the Secretary of State on or before 13th June 2022; and
- (c) In the case of a new appointment under section 6 or variation under section 7 of the Act, the undertaker must send a draft of its first water resources management plan to the Secretary of State within 6 months of the date of the appointment.
- (d) Where section 37A(6)(a) of the Act applies, the undertaker must send a draft of the revised water resources management plan to the Secretary of State within 6 months of the date on which the material change of circumstances occurs.

Publication of draft water resources management plans

5.—(1) Except where the Secretary of State otherwise permits, a water undertaker must publish its draft water resources management plan in accordance with section 37B(3)(a) for consultation within 30 days beginning with the date on which the Secretary of State confirms it should do so.

(2) Except where the Secretary of State otherwise permits, a water undertaker must publish its final water resources management plan in accordance with section 37B(8)(a) within 30 days beginning with the date on which the Secretary of State confirms it should do so.

Responding to representations

6. Except where the Secretary of State otherwise permits, a water undertaker must publish the statement required by regulation 4(2)(a) of the Water Resources Management Plan Regulations 2007(a), and send a copy of the statement to the persons specified in regulation 4(2)(b), within 26 weeks beginning with the date of publication of the draft water resources management plan.

For and on behalf of the Secretary of State

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Deputy Director, Water Services

Department for Environment, Food and Rural Affairs

April 2022

(a) S.I. 2007/727.