

cc FM



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

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Shaw to
PM

My ref:

Your ref:

4 March 1983

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

MW 4/3

Dear Michael

WATER BILL: SEWERAGE ARRANGEMENTS

Thank you for your letter which is to be discussed at the meeting this afternoon.

Water authorities currently have and will retain overall responsibility for sewerage. District Councils almost always carry it out on their behalf, but the water authorities pay for it. The main conclusion of the Monopolies and Mergers Commission was that these arrangements should generally continue but that clearer control should be given to the water authorities in order to improve efficiency. They suggested some changes to the law to achieve this but it was not part of their remit to consider the legal position in detail.

Our amendments, which were tabled last week, are in line with the Commission's recommendations. Although unwelcome to the Association of District Councils, they are, we understand, prepared to accept them. They are designed to put the arrangements more nearly on a conventional principal-agent footing. The change from a duty to a power to make or continue arrangements is an important component.

There is already in the existing law provision for water authorities to take back the function from local authorities and a number of agencies have been surrendered voluntarily. There is at present a right of appeal to the Secretary of State in the event of disagreement about this, but it has never been exercised. Our amendments retain the right of appeal by District Councils where Water Authorities propose to terminate the agency. In addition, at the local authorities' request we are adding a right of appeal on the part of those district councils who do not have a sewerage agency if at a future date they seek one and the water authority turns down their request.

It is not our purpose to reduce the number of agency arrangements as a result of the amendments; our purpose is to strengthen the control of Water Authorities in the interests of efficiency. We have given assurances, and made it clear to the Water Authorities, that we do not wish to see the wholesale abandonment of agency arrangements. And we shall be making a statement in the House of Lords about the

policy which we shall follow in appeal cases. It will be designed to ensure that no termination of present agency arrangements takes place against the wishes of a district council unless the change is manifestly cost-effective in the light of the effects on both the water authority's and the local authority's finances.

I am sending a copy of this letter to Mr E J W Gieve, HM Treasury.

Joan Dunn.

MRS J DUNN
Private Secretary