

**WORSHIPFUL COMPANY OF WATER CONSERVATORS
RESPONSE TO THE CALL FOR EVIDENCE FROM
THE DEFRA INDEPENDENT WATER COMMISSION**

**APRIL 2025
KEY POINTS**

1 The Worshipful Company of Water Conservators ('WCWC') is a City of London Livery Company focussed on the long-term health of our water resources and the broader environment. Our members include senior professionals from water, environmental and related industries and regulators, along with others who share our concern for water and the environment. Our experience and knowledge ranges from the complexities of environmental sciences, through the application of engineering to deliver the goals identified by those sciences, and the subsequent management of the assets created. The WCWC's purpose is *promoting a diverse and sustainable environment*.

2 The WCWC compliments the Commission on the depth of its Call for Evidence. It is pleased that it addresses the wider issues of management of the water, sector rather than just the performance of the water utilities.

3 This has presented a challenge in producing a comprehensive response. The WCWC has addressed this by drawing on the very substantial body of evidence created since 2022 in responding to previous Government consultations. This may be found in the Policy Positions section of its website; this underpins this short form response.

4 The WCWC has answered the prescribed questions in Citizen Space format and produced a detailed response to most of the issues addressed in the Call to underpin these answers. This is also stored on its website.

5 The key points are expressed principally as themes across chapters; the WCWC wishes to draw the attention to these as follows:

6 Is the current model broken? No, but it does need a good service and some extensive repair work. In particular, the 1989 regulatory settlement did not take into account the impacts of climate change and population growth. Investment is desperately needed and, just as in 1989, government borrowing cannot provide it.

7 Government Leadership.

The WCWC supports:

- A clearer and better coordinated sense of direction from the government in long term strategies. There needs to be coherent and consistent leadership on the needs of the water environment in terms of national priorities and affordability.
- The notion of clarity. Even whilst the Call is being answered there have been several Government initiatives, as reflected in the Government's Plan for Change. There are shortfalls with respect to water in the NPPF, Industrial and Circular Economy strategies. Defra states that "we've been clear that we must go further and faster to fix our water infrastructure to secure sustainable growth, unlock new homes and deliver the government's Plan for Change". The Infrastructure and Planning Bill has been launched by the Ministry of Housing and Local Government, and the Treasury has launched a Policy Paper 'New Approach to Ensure that Regulatory and Regulation Support Growth' which must sit alongside the Government's intention to

cut the number of quangos and cut the burden of regulation. With this cascade of initiatives, the Government's tight spending review and their significant consequences for water, and, indeed, for answers to the Call for Evidence, the WCWC is not sure that, in spite of individual good intentions, whether these will add to the problem or provide a solution.

- The establishment of a 'coalition of the willing,' a delivery task force which goes beyond RAPID and any interdepartmental MoU, which brings all the relevant bodies, as set above, into one forum and that should include the Department of Transport to cover the impact particularly of highway drainage. Apply systems engineering.
- Better cohesion of the work of numerous government departments and bodies is needed to create a single framework which then sits easily alongside other frameworks such as Planning and the Industrial Strategies. This should be alert to the Plan for Change, although timescales may not align.

8 Better regulation.

The WCWC supports:

- Maintaining separate environmental and economic regulators.
- Streamlining of water environmental legislation and attention paid to resolving the confusion often caused by disparity and diversity of policies and regulations. It needs to be tested more by Better Regulation criteria as set out by the Treasury. The WCWC supports the latest government statements about less regulation and more efficient manpower resources in the Civil Service, but these suggestions need to be implemented with the best outcomes in mind.
- Seeking to ease the impact of the five-year Asset Management Plans in terms of project development and delivery and the hiring and firing of staff due to the cyclical manner in which the AMPs deliver project funding.
- A new framework based on integrated planning of natural resources in England, which brings together land and water use. The WCWC has suggested that this be termed the 'Water Use Framework' to be located in the revised Water Framework Directive regulations which are due after 2027.
- A better, clearer approach to what constitutes compliance with discharge and environmental standards and for these to be properly reflected in Ofwat's incentive-led regulation.
- Any steps to aid the work of the Drinking Water Inspectorate, will be welcomed if this does not involve any radical change. The DWI has been a consistently effective regulator, enjoying operational independence and suitable funding.
- Adequate resources for efficient regulators are needed. The WCWC supports a proper review of the resources allocated to the Environment Agency and Natural England for effective regulation. The WCWC also supports the provision of adequate resources to Natural Resources Wales.

And:

- The WCWC notes that much of what it is advocating chimes with the aspirations of the Corry review, but it has suggested that there would be some merit in amalgamating environmental regulators in England, following the example of Natural Resources Wales. However, it recognises that the size of the merged entity might be an issue. If this was to be considered, then a different model could be a general framework body with strongly devolved regional entities based on river basins, a model somewhat similar to a group holding company with operating subsidiaries. The 'environmental engines' for this would be integrated catchments, as set out above.
- The WCWC recommends very strongly not to amalgamate the EA and Ofwat (which have quite separate and distinct functions) or to demerge land drainage and flood management from the EA, (which has been mooted) ,these being absolutely vital elements of integrated water framework management, or the creation of any new delivery bodies.

9 Boundaries.

The WCWC supports:

- On the basis of the principles outlined above, keeping the River Basin boundaries of the Companies and of the regions of the environmental regulators which must be based on hydrology and not local government boundaries and that includes the continuation of the integration of sewerage and sewage treatment.
- A closer working between local government and the water sector.
- A new Framework based on River Basins, overarching and containing a more formalised set of Catchment Plans. This is in essence, a much-improved version of the status quo. These can include any valid notions of a catchment systems operator and delivery bodies proposed as part of planning and nature recovery.

10 Finance.

The WCWC supports:

- Continuing with the basic principles of finance provided outside of public borrowing requirements, with companies not owned by government.
- Higher water prices, which due to urgent investment needs must rise no matter what adjustments are made to the system.
- A review and revision of the detail of the economic regulatory framework. It has travelled far from the original intent and has become too detailed and intrusive on the management role. Benchmarking by econometric modelling should be a guideline only. The appointment (Licence) was intended to ensure that companies are remunerated for investment necessary to introduce changes in legal "obligations" and to ensure that they could finance their functions while being efficient. It should now offer a zero-based approach from 2030 with a more flexible review process which will attract new investors seeking utility type returns for manageable risk.
- Reduction of financial engineering with separate OFWAT cost of capital assumptions separating returns to debt and equity. Also need clear boardroom guidelines on gearing and dividends and the ending of multi-tier company structures which carry

additional debt outside the regulated activities. And understanding what the real, rather than perceived, extra costs of the current system have been.

- No separation between the responsibility for operational delivery and financial resilience. Boards are accountable for both.
- The development of novel delivery models, including NAVs, but has concerns about the extent of application particularly in schemes under Direct Procurement for Customers and those under the Specified Infrastructure Regulations for assets with active maintenance like water and sewage treatment works.
- Innovation must become an inherent element in every aspect of delivering water services and their regulation. There also needs to be a better understanding of risk. Innovation per se is not an answer to immediate practical problems. For example, the arguments about discharge monitoring will not be resolved by installing complex AI-managed systems on their own.
- A return to the simple metric of worth being 'Cost to Customer'.

11 Customers.

The WCWC supports:

- Universal smart metering with support to customers unable to cope with the higher bills needed to deliver improved environmental performance and secure resources.
- National leadership on water efficiency including the framework of support for the reduction of within curtilage leakage.
- Clarity in billing to aid customers' understanding of where their money is being spent and how bills can be eased through judicious water consumption.
- Instead of simply 'Satisfying' customers, 'Delighting' them ought to be the aim.

12 Communications.

The WCWC suggests that:

- The way forward must be based on hard evidence and not media-driven rhetoric. The WCWC understands the political optics of the current situation and suggests that some consideration needs to be given to altering the tone of statements. The paradox of the Defra programme 'Things Can Only Get Cleaner' with some hard criticism of the water sector, is that it highlighted all the good things being done in water companies.
- There needs to be greater clarity over the bill rises in 2025 per se and those over the period of 2025-2030 to explain why the rises are needed and what they will achieve.
- Single sets of reference data, overseen possibly by the ONS.

13 People.

The WCWC suggests that:

- More attention is needed on the supply chain of potential recruits to help deliver the much-extended programmes of investment and regulation.

AN ANTHOLOGY OF WCWC SUBMISSIONS AND THINKPIECES RELEVANT TO THE SUBMISSION. THESE ARE USEFUL REFERENCES TO GIVE MORE DEPTH TO THE POINTS MADE PARTICULARLY IN THE ANSWERS TO THE PRESCRIBED QUESTIONS.

THEY ARE LOCATED IN THE POLICY POSITIONS SECTION OF THE WCWC WEBSITE

1. Think piece produced for Defra in January 2023 on Governance and Finance and provides detailed evidence in support of the points made on the issues. The fundamentals remain the same, but the context has changed in the last two years.
2. Think piece produced for Defra in March 2023 on the streamlining of legislation which accords with the thrust of the Call for Evidence and the aspirations of the Department of Business and Trade and the Treasury.
3. Think piece produced for Defra on catchment management in May 2023 but updated for the Environment Agency in July 2024 sets out the principles advocated in this response.
4. Think piece Overview of the work of the WCWC January 2022 – January 2025.
5. Submission to the DBT January 2024. Summary of three submissions on Growth and Regulators; sets out ideas relevant to many of the provisions in this Call for evidence.
6. Submission in December 2023 to the House of Lords Industry and Regulators Committee on regulators.
7. Submission to the Ministry of Communities and Local government in September 2024 on revision of the NPPF pointing out how poorly the issues of water are dealt with.
8. Submission to Defra and the MHCLG on Planning and Nature Recovery in January 2025 urging that the existing system on catchment management be used rather creating new systems.
9. Submission to Defra in February 2025 on the Land Use Framework pointing out again how poorly water aspects are addressed and suggesting that an overarching national water strategy should be rebranded Water Use Framework and the two Frameworks work in tandem for integrated natural resource management.
10. Submission to the Commission in February on a revisioning of the quality assurance systems for monitoring of sewage discharges.
11. Submission to Defra in May 2023 on the proposals for S82 Environment Act 2021.
12. Submission to Defra in January 2025 on proposals to update the guidance on storm overflows pointing out the fact that it was seeking to update the wrong guidance.
13. Submission to Defra in 2024 on bathing water regulations suggesting a more strategic approach and reminding Defra of the consequences of the widening migration of the application of the standards.

14. Submission to Ofwat in June 2024 on water efficiency particularly regarding the Water Efficiency Fund putting the whole issue into a broader context
15. Submission to Ofwat in August 2024 on Environmental Incentives for developers.
16. Think piece produced October 2024 for CIWEM on charging.
17. Think piece produced for the UK Water Partnership, February 2025 on the circular water economy highlighting the current reuses of sewage effluent, suggesting that a natural home for the concept is in water resources and highlighting the lack of a water sector in the Industrial Strategy.
18. Submission to Ofwat in December 2023 on customer orientation including the suggestion for amendment of Articles of Association.
19. Submission to Defra in February 2022 and November 2023 on wet wipes urging it to develop a more holistic policy and regulations on the marketing and disposal of used sanitary and care products.
20. Submission to Ofwat in April 2024 innovation.
21. Submission to Defra in November 2022 on white goods water efficiency labelling advocating a more flexible approach.
22. Think piece of evidence supporting this short form submission and the answers to prescribed questions in Citizen Space in April 2025.