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WORSHIPFUL COMPANY OF WATER CONSERVATORS

Promoting a diverse and sustainable environment

BRIEFING ON THE RESPONSE TO THE DEFRA WHITE PAPER ON VISION FOR WATER MARCH 2026

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 Following controversies on the performance of water regulators and water companies in 2024, the then newly elected government established an Independent Commission on Water. It collected evidence and the WCWC contributed to its review. The Commission reported in June 2025

<https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector>

and this White Paper responds to the recommendations for England. And it is this that the WCWC is offering a commentary.

<https://www.gov.uk/government/publications/a-new-vision-for-water-white-paper>

3 The full response is archived on the Company website. And this briefing note provides some insights into that.

<https://waterconservators.org/wp-content/uploads/filr/4343/MAR-26-WHITE-PAPER-Thinkpiece.pdf>

4 The Commission report also included recommendations for Wales, and the Welsh Government has now produced a Green Paper for consultation. The WCWC will respond separately to that. However, the WCWC notes that the way forward for Wales will be different to that of England.

<https://www.gov.wales/sites/default/files/consultations/2026-02/consultation-green-paper-shaping-future-water-governance-wales.pdf>

5 The White Paper proposes that in England the regulatory water functions of the Environment Agency (EA) and Natural England (NE) will be combined with the functions of Ofwat and the DWI to create a new English water regulator presumably with a strong regional structure, although this detail is not elaborated. This will leave the EA and NE with regulatory duties outside water. The English national water regulator will also provide, for the foreseeable future, drinking water regulation for Wales and will have a national steering group on drinking water quality. There would also be a regional planning function with much to be developed in terms of structure and remit and uncertain lines of accountability.

6 The WCWC supports the need for reform and the overall thrust of change for England but offers the thought that not enough attention has been given to the impact on practical operations. The WCWC has long argued that a more integrated strategy is needed but 'at the end of the day' strategy must be stress tested for practicality. The intention of the WCWC to provide some stress testing through several practical examples. No way forward is likely to be free of stress, and the aim should be to find the least stressed solution. There must be clarity of responsibility at each interface.

7 The White Paper is termed a Vision for Water, but the vision which is set out in the Executive Summary is namely to

- Protect public health and the environment.
- Ensure water company bills are fair and affordable for customers.
- Strengthen the water sector's financial resilience and ability to attract the long-term investment required to meet its ambitions, ensuring that the sector supports economic growth.
- Provide robust oversight of water companies to maintain and enhance the long-term health and resilience of their infrastructure.

This is not necessarily new. However, the focus of the reforms to achieve these desirable outcomes in the words of the executive summary – "in a way that is more efficient and integrated" reflects new and desirable perspectives.

8 The White Paper does not suggest how its proposals might be positioned in the evolution of water environment management since 1973, which has been increasingly supported by the notion that water management is a part, indeed a central part of integrated natural resources management .. the clearest example being the creation of Natural Resources Wales in 2012. Instead, the new direction for water is a suite of "reforms to set clearer long term direction -including reforms to strategic policy statements, rationalising plans, better joined up regional water planning and a long terms stability objective" The WCWC welcomes the intention that mutually reinforcing reforms will be led by Government through a Transition Plan which provides clarity on roles responsibilities and governance and "allows long standing opportunities and trade off to be tackled head on". The least stressed option should be the way forward. Getting the Transition Plan right is the goal

9. Throughout 2025 various initiatives by government were the subjects of consultations. In many ways these were topics of ongoing business but couched in ways which would fit expected outcomes in terms of systemic change. The WCWC made extensive contributions and at the start of 2026 prepared a Overview of contributions, not only as matter of good practice but in anticipation of this White Paper.

<https://waterconservators.org/wp-content/uploads/filr/4194/JAN-26-OVERVIEW-of-consultations-and-thinkpieces-in-2025.pdf>

HEADLINES OF THE RESPONSE

10 The WCWC sets out its views in the context of the NAO report on water regulation and the views expressed in the Final Report of the Independent Commission on Water

<https://www.nao.org.uk/reports/regulating-for-investment-and-outcomes-in-the-water-sector/?nab=1>

<https://www.gov.uk/government/publications/independent-water-commission-review-of-the-water-sector>

11 These make it clear that whilst the behaviour of some Water Companies was unacceptable, all of the regulators (Ofwat DWI and EA together with Defra) did not have sufficient expertise to plan and execute in an increasingly complex regulatory environment and that was a main cause of the problem. Skills sets and competences, as an issue, appear quite a long way down in the White Paper, but should be much nearer the top of priorities

12 The constant plethora of change does not aid clarity of purpose; that is evident even while response to this White Paper is being considered. Regulations, and certainly the requirements of water company comparisons and the detail of price setting have become too complicated; any simplification and streamlining will be of benefit.

13 The White Paper contains a useful list of objectives, but they are meaningless unless the Regulators are significantly resourced to address the current weaknesses. This is far more important than the number of interfaces between future departments, and yet it appears to be glossed over in the White Paper.

14 The WCWC supports the thrust of the proposals of the White Paper with some very substantial reservations which should be addressed in the transition process. The Transition Plan will need to clarify the details of how the suite of reforms proposed in the White Paper is to be achieved and executed organisationally, legally and commercially. The WCWC has examined the proposals for stresses at the interfaces of the proposed organisations and their potential remits. It has taken account of the recommendations from the Final Report of the Independent Water Commission.

Within the context of those proposals, per se, it makes the following recommendation

- Merge the functions of the residual Environment Agency and Natural England
- Determine the remit of this combined environmental regulator and the new English Water Regulator in the practical operations of management of controlled waters
- Determine the role of a small but powerful headquarters of the new water regulator capable of sophisticated analysis, determination of optimal solutions and provision of clear directions with strong devolved regions which would have the same boundaries as Water companies/existing regions of the EA. Ensure that the Regions cannot “shut out” the centre.
- As set out in the White Paper, develop the proposal for regional planning driven by catchment management principles. It must integrate the strategic imperatives of Basin Planning and the practical delivery of catchment planning
- Confront the challenges of the current proposals for merging the functions of environmental and economic regulation
- Specify how the new more flexible regional approach to economic regulation can be achieved with fairness, pragmatism and trust within a nationally defined framework

- Ensure that the new vigour and rigour of regulation envisaged for water companies applies to all sources of pressures on the quality of the water environment such as agriculture, industry and highway drainage
- Supports the role of Chief Engineer and possibly Chief Scientist and Chief Economist maybe in the Planner as well
- Create a new Common Standards Unit, possibly under Defra, merging the functions of the proposed drinking water quality group, the UKTAG and Standing Committee of Analysts to cover the setting of criteria and monitoring of controlled waters, drinking water and even bioresources to provide a consistent and holistic approach to all sectors.
- Urges more careful thinking on the future of quality assurance for the monitoring of all kinds of sewage discharges

15 In responding to the structure as set out , the WCWC has identified some of the major challenges in delivery .And in order to confront those challenges the WCWC makes more substantial suggestions for radical changes for further debate in the long term , which would potentially merge all the regulators, with the planning functions vested in the regional planners. But, in order to counter the criticism of the size of that organisation develop clearer ideas about delegation to more powerful regional bodies with clearer local identities.

16 This still leaves the fate of economic regulation between the challenge of integration with environmental regulation, as compared to the integration with planning; the consequences of both of these routes need better understanding and articulation

17 The WCWC recognises the need to plan carefully how the Instrument of Appointment of Licenced Water Companies and its terms will be adapted.in a way which will secure the full commitment and trust of investors. The Appointment is a key document for companies which must provide the legal and commercial basis of fair regulation including the duties and responsibilities of regulators.

18 The WCWC makes several suggestions on the culture of regulators and water companies and it is clear that there is a serious skills shortage which needs addressing in the entire sector

19 Delay in developing the transition plan involves the risk of aggregating the ambitions of separate regulators but with disaggregated accountability. The WCWC supports a balance between speed to develop transition but taking proper account of the issues identified by the WCWC.

20 The WCWC will support Defra in careful testing of the proposed changes which need in particular to address our concerns in this submission and accordingly the suggested refinements above. .This should include a strategic analysis of all pressures and their impacts on the water environment and the plans to control them and their costs and effectiveness in the short, medium and long terms.

21 The WCWC also notes the recent media interest in the qualities of controlled waters and sewage discharges ;this highlighted the need for a clear narrative on data .And such clarity will aid regulation and operational management .The WCWC observes the plethora of data sources which need bringing together and it has suggested that this should be treated as a project for 'Big Data' and this must form part of the Transition Plan .The White Paper makes no reference to this.

22 And a clear, simple communications plan is essential.

FULLER SYNOPSIS OF RESPONSES ON PRINCIPLES

23 The WCWC has produced this response to the White Paper with the benefit of the Overview of its work in 2025. It observes that the White Paper promises a lot more to come and the WCWC makes some suggestions on those next steps. It observes that the White Paper includes proposals on grand strategy and detailed tactics, such as water efficiency labelling, but commentaries on many specific and relevant actions are omitted, so the WCWC has attempted to identify some of those omissions, such as the Environment Improvement Plan published in December 2025.

24 The WCWC supports the general thrust of the White Paper and many of the specific proposals but has some serious reservations and makes some suggestions to address these. The WCWC used a simple concept of regulator interface analysis, to identify problems with the current system. The WCWC suggests that the proposals might create interface stresses and fractures in the new system.

25 Whether or not the proposals, however modified, will deliver a new fair, balanced system will be determined by the content of the Transition Plan. The 'devil will be in the detail'. The support of WCWC for the general thrust of the White Paper is qualified by the absence of a Transition plan and draft Instrument of Appointments for water companies the terms of which will be crucial to acceptability by investors. Their trust is vital, as is that of customers if the transition to this reformed vision is to be achieved fairly. Careful planning of this process is essential.

26 There is understandable pressure to create and deliver the a fair transition quickly, which the WCWC supports, but equally there is much to get right for the longer term avoiding ..' act in haste but repent at leisure'. The government must balance these imperatives. And the WCWC understands that some of its observation may help the longer term but tilt the balance to slower transition".

27 The WCWC makes several specific recommendations which may be found in relevant text but are too numerous to list in the summary. for example, how the Urban Wastewater and Water Framework Directive Regulations may be reset. The goal must be to find quick effective wins to help validate the whole process. But in doing so care must be exercised as there is much to be retained

28 One major omission is a clear communications plan. Defra must be the narrative leader, not follower. And whilst it cannot show any signs of complacency and cannot manage comments by the media it must take a stronger lead in providing imaginative and positive context, highlighting 'quick wins' and anticipating reactions.

29 The headline on the proposed regulatory structure is that the WCWC suggests that there will be significant challenges with the proposals and that a great deal more work needs doing in the transition to avoid them. It suggests some 'tweaks' in the proposals

The WCWC

On the Strategic Position Statement

- Agrees that a national water strategy is needed for England and, separately Wales but these should be as harmonious as possible. The proposals for a revised SPS are a start but there are several other policies and statements as well which are ignored eg Environment Improvement Plan, a revised Regulatory Position Statement etc

.This needs a great deal more attention in the Transition Plan. But getting the strategy right should drive the consequent structures to deliver

On the regulatory boundaries of the EA, NE and new water regulator

- Suggests that there has been a case for merging the functions of the Environment Agency and Natural England for some time, as per Natural Resources Wales, but for a variety of reasons this did not find favour .The notion of merging their water functions is attractive but 'stress testing' shows that it will create new interfaces with the rump environmental regulators and undermine the evolution of more integration of environmental regulation and management which need to be better understood .Examples include matters such as waste management and land management with recent examples of serious water pollution arising from waste dumping.

On structural devolution

- Suggests that the new water regulator should have a powerful but not large national centre setting frameworks with strong devolution to regions based on river basins as per the existing boundaries for the EA and water companies.
- Agrees that the supervisory regionally nuanced approach to water regulation but with clarification on how the discretionary approach will work with matters such as permit compliance
- Suggests that the regional presence of regulation needs greater emphasis. The WCWC did consider a notion of separate regional environmental regulators, but decided that each region of the combined environmental regulator must have a strong recognisable identity with devolved responsibilities to avoid the notion of a national leviathan with operating divisions
- Welcomes the introduction of a Chief Engineer to strengthen the combined regulatory function. It suggests that a Chief Scientist role would add further strengthening. There is in addition the need to introduce high level skills of company finance, corporate activity and treasury management in the form of seasoned practical Treasurers, finance directors or corporate finance specialists. Which suggests that there would be a role for a Chief Economist in the regulator and planner Arguably, the heavyweight experience needed for all these posts would make them roles within a central function for policy dissemination and direct involvement in major issues in Regions ensuring robust economic appraisal in all aspects of service delivery in the water sector.

On regional water planning

- Understands the need to create a regional planner focussed on catchment planning. But just what will be the span of its planning? It is clear that the current system has not taken catchment management forward in England as much as the WCWC has advocated. The WCWC has suggested a more formalised to catchment management to Defra and the EA and it would like to contribute this to the discussions on the way forward There is a suggestion in the Welsh Government Green Paper that Basin Planning in Wales will remain with the NRW.

<https://waterconservators.org/wp-content/uploads/filr/2740/July%2024%20CATCHMENTS%20ED%203%20%20Update%20of%20Thinkpiece.pdf>

- Emphasises that regional planning as envisaged in the White Paper must balance the strategic imperatives of Basin Planning with the practical planning of catchment management.
- Observes that the accountabilities of the arrangements are unclear and this needs resolution; There needs to be a central coordinating function and the responsibility for that remains open to question; the hyperlinked paper suggested a central role for CaBA as one option. And following the sentiments of the White Paper consideration must be given to how this would work effectively. It could be accountable locally to the highly devolved regions of the Water Regulator. This would follow the philosophy of the White Paper.
- Would be pleased to contribute to initiatives outlined in the White Paper to develop these concepts. Whatever, the transition process has to determine if this is just a steering group in each region with a small secretariat or something more substantial which could enlist the water planning functions of the current regulators perhaps in the manner that they operated in RBMP2 but with the benefit of greater use of latest IT advances... And whether or not there is a central function setting a framework for the regional steering groups as set out above.
- Recalls past experiences with separating the current responsibilities of the EA in flood risk management and land drainage created much friction and they should ideally stay together. As the former is likely to move to the planner function, the WCWC urges caution. And that depends on who inherits the practical responsibilities for land drainage etc. And care must be exercised in determining the overlapping spheres of influence with that of other parties, and further details are given in an Appendix in the main paper.

On the challenge of combining environmental and economic regulation

- Urges the Transition Plan not to underestimate the challenges of bringing economic and environmental regulation into one organisation. Anticipating the issues which will arise is well within the career experience of WCWC members.
- Reminds the parties responsible for creating the next steps that the challenge of managing the price review process as distinct from monitoring the economic performance of water companies (the “MoT” concept), must not be underestimated. The White paper envisages a process which is far less complex than that adopted by OFWAT and less liable to create price volatility. However, if investors are to be rewarded fairly and operating companies perform to full expectations it will not stop or reverse the process of price rises funding the creation and efficient operation of assets to deliver increasing demands on water services as envisaged in the White Paper and in the numerous obligations required for increased drinking water standards and river quality improvement. Whatever the criticism of the functioning of the existing system, the Government has vaunted the outcome of PR24 which required very significant price rises across the spectrum of company circumstances.
- Supports the White Paper’s proposed engagement of Government in holding discussions to achieve this objective. To this end, it should employ a split cost of capital in price determinations rather than the Weighted Average Cost of Capital that gave water companies an incentive to engage in financial engineering that increased their debts and gearing. The new regulator must have the power, skill and

perspicacity to stop financial engineering which distracts from the business of financing assets and their operations and the WCWC.

On water supply regulation

- Accepts that the new water regulator should take on the compliance functions of DWI at regional level, but emphasis that the strategic role of DWI retains its status as a separate entity within the headquarters function of the new water regulator.
- Agrees with the formation of a water advisory committee for water supply functions, The WCWC also make the suggestion that UKTAG (provides a similar function for environmental water standards) could possibly be merged together with a reinvigorated Standing Committee of Analysts) in a Central Standards Unit under Defra and vesting it with similar responsibilities for bioresources would bring a more holistic and consistent response on standards and monitoring for all sectors of the water cycle for issues like PFAS and microplastics. All countries of the UK must be included.

On the allocation of responsibilities between the rump environmental regulators and the new water regulator

- Suggests that more attention needs to be given to whether the new water regulator will also be an operational delivery body of practical water matters like navigation and river level management or whether these will be left on a defined service basis with the rump environmental regulator.
- Recalls past experiences with separating flood risk management and land drainage. Ideally, they must stay together, but the WCWC recognises that this will be unlikely. And as this response sets out, this embraces several practical matters such a flood alerts, deployment of flood defences and emergency flooding responses.
- And this paper also sets out several other activities likely to involve all environmental regulators including waste disposal, fly tipping and contaminated land management
- All these matters are as much in the public eye as the ability to wild swim!

30 On the loss of integrated natural resources management, problems with regulatory boundaries and with the allocation of operational responsibilities, combining economic and environmental regulation, but reflecting the need for more clarity and better integration.

The WCWC makes some more radical suggestions for further debate in the Transition process, in the longer term, to address these systemic problems based on hard experience, some of which could be included in the Transition. It accepts that it may be too late to consider these in view of the pressure to deliver transition as quickly as possible. But the consequence of haste is that some of the practical issues may be overlooked, and further changes may be needed in years to come.

The WCWC

- Suggests that there is an argument that it would be better to combine the functions of the EA, NE, and DWI, but separate all activities consistent with water systems planning, eg catchment management planning etc and allocate these to a combined economic regulation and systems planning function at regional level. This would still leave land drainage and flood risk management separated .. but that seems to be a casualty in all potential options and needs special attention.
- Understands the potential criticism of the size of that organisation and to counter these clearer ideas must be developed about delegation to more powerful regional bodies with clearer local identities would operate within broad principles defined nationally for consistency but focussed locally. This would also mirror the consistent but flexible approach proposed in the NPPF consultation. The central direction of the combined economic regulator and planner would still draw on the central model of the planning framework. The arrangements would have to be kept as simple as possible.
- Understands the difficulty of where to place economic regulation. the current approach must confront the challenge of combining environmental and economic regulation in one organisation, but this option requires the combination of economic regulation and planning, the choice of the Welsh Government, but even that will have problems. This need thinking through further for England, and better articulation.
- Recognises that with such a regional system the trade- offs and priorities would be developed to reflect regional requirements. However, there is a risk that this would lead to essentially multiple regulatory systems. A multiple system would create tensions with a single Government department responsible for the outcome but with multiple accountabilities.
- Understands that this would be a very different response to the Water Commission report and is not perfect it is suggested as a solution which reduces the fractures in the environmental interface which the White paper proposes. It opens the way for regional water planning authorities which might be seen to mirror the old RWAs.

31 Other issues

The WCWC

- Advocates the exercise of caution with applying the concepts of NAVs to assets with significant operational maintenance needs.
- Advocates the use of discounted cash flow analysis, using a discount rate based on the water companies agreed cost of capital in place of Totex, but warns on ensuring that the revenue implications of capital spend must always be accounted for fully.
- Is very concerned about the proposals for operator self- monitoring. Several concepts and needs are conflated. Where permit standards for treated sewage effluent such as BoD are set on a 95% probability basis with composite samples it is vital that monitoring follows the same approach ;concepts such as, continuous monitoring, would have profound consequences for design, compliance and investment. It re-submits its suggestions for integrated quality assurance for the monitoring of all sewage discharges.

- Agrees with the concept of a Chief Engineer. but also suggests Chief Scientist as well. The WCWC notes the publicity given to the former. And somewhere in the system suggests a role for a Chief Economist.
- Offers some thoughts on developing the skill sets of senior managers not only in water companies but in the regulators as well.
- Recognises the importance of changes in culture and makes comments as to what is desirable. Salaries must be set to attract the right staff in the regulators and water companies but not be excessive.
- Advocates the need to address fundamental reasons for recent excessive risk aversion by the regulators – most notably the prevalence of prescriptive silo- based targets and standards that do not allow for constrained discretion to arrive at optimal integrated solutions.
- Makes several suggestions on the culture of regulators and water companies and it is clear that there is a serious skills shortage which needs addressing in the entire sector
- Emphasises the deficiencies in communication and advocates pro- active marketing of achievements and strategies to draw in public support. Defra must be a narrative leader rather than follower of some ill-informed reporting
- Notes the recent media interest in the qualities of controlled waters and sewage discharges; this highlighted the need for a clear narrative on data .And such clarity will aid regulation and operational management. The WCWC observes the plethora of data sources, which need bringing together and it has suggested that this should be treated as a project for 'Big Data' and this must form part of the Transition Plan The White Paper makes no reference to this.
- Understands that speed in transition is essential, but it needs to proceed in a phased manner which emphasises direction but avoids reversals

32 The WCWC would be pleased to contribute to transition initiatives outlined in the White Paper to develop these concepts