

THE WORSHIPFUL COMPANY OF WATER CONSERVATORS
NOTES OF THE ANNUAL CITY WATER DEBATE 'RUNNING WATER'
BAKERS' HALL, 21 MARCH 2023

The annual City Water Debate was hosted by the Worshipful Company of Water Conservators at the Bakers' Hall on 21 March, the eve of World Water Day, and attended by leading members of the livery movement and of the water and environmental sector. Speakers addressed the question 'Does the governance of the water sector need to change to meet the requirements of the 2020s and 2030s, and, if so, how?' The event included short presentations by five sector leaders, who presented contrasting opinions on the current situation, followed by questions from the audience. Given the current state of public and media disquiet about various aspects of water management, it generated a great deal of interest. The debate was attended by almost a hundred guests, chaired by Master Water Conservator Colin Drummond OBE DL, and sponsored by Anglian Water, Atkins, Huber Technology and Isle Utilities.

The Speakers' Presentations

Professor Sir Dieter Helm CBE is Professor of Public Policy at the University of Oxford, and from 2012 to 2020 was Independent Chair of the Natural Capital Committee. Dieter offered a detailed analysis of the current situation, ranging widely across challenges relating to sewage spills, water supplies, flood defences and the poor state of nature, capturing this as 'regulatory failure on a catastrophic scale'. He challenged the audience to consider what the unusual governance arrangements in the UK water sector were attempting to achieve in 1990 following privatisation, and now, suggesting that radical alternatives needed to be considered, including nationalisation, management on a catchment basis, and a holistic approach to regulation with structural changes to the current arrangements.

Alan Lovell DL, Chair of the Environment Agency, focussed mainly on climate change and the future availability of water resources. He suggested that not only would the public need to pay more for their supplies, and use less, but that, even so, additional capacity in reservoirs in the South East of England and water transfers between catchments would be needed to cater for a 1 in 500 year drought event in 2040; this is the current planning goal. Alan noted the 38-year gap since the last reservoir was built, a need for action on leakage and a need for behaviour change to reduce per capita consumption, probably supported by smart and universal metering. He also commented on the importance of nature-based solutions, and out-of-date regulation. He concluded by suggesting that water companies must stop defending the indefensible and be more transparent.

Ian Coucher, Chair of OFWAT, gave a more personal introduction from his perspective as a systems engineer. He noted that water company customers expect resilient, high quality and affordable services, and that there was a need for change. This reflected huge underinvestment in the core assets in the face of population growth, climate change, tightening regulatory standards, carbon neutrality and awareness of lead in water supplies. Perhaps two to four times the current level of investment is required to allow enhancement, not merely maintenance of these complex systems. He made a point that the regulatory framework must not inhibit investment, but that OFWAT and the EA needed to be more proactive and less tolerant of the current water company outputs and outcomes. However, he felt that the system did not need to be torn up, but compromises would be required to make existing systems work.

Lila Thompson, Chief Executive of British Water, spoke about building best practice and particularly about dialogue with supply chains to the water companies. She noted that many of those working in the sector were passionate about doing a good job, but that equally some behaviours were unacceptable. She suggested that catchment management was the key to improvement, with a necessary role played by farmers, planners, the education of customers, and the supply chain. She noted the level of customer distrust in the sector, and the need for realism about what could be achieved, particularly with the five-year AMP cycle and the consequent regular loss of skilled staff combined with a gathering 'tsunami' of retirements. Some work was being done on training, but more was required. She also noted the inadequate record of innovation and experimentation in the sector generally, although the recent OFWAT Innovation Fund announcement was welcome. Overall, Lila felt that although governance needed to change, water companies were on the right road for their customers to be served.

John Hirst CBE, Independent Chairman of Anglian Water spoke about societal expectations moving on, exemplifying with reference to combined sewer overflows now being unacceptable, and felt that companies and regulators needed to work together to address these new expectations. He suggested that private ownership had previously delivered public good, but in the case of Anglian, until 2019 the purpose of the company had been to maximise financial benefit to shareholders, in line with the original privatisation. Now, the company had adopted an ambitious and long-term purpose-driven model focused on customers and consumers, by changing the Articles of Association. He is also the Chair of the BSI and referred to a new BSI standard ([PAS 808:2022](#)). An adaptive and dynamic 25-year plan was needed to make the East of England resistant to drought given new housing developments, a need for carbon neutrality and improvements in the ecological state of rivers. He noted that, according to surveys, customers were willing to pay more not to leave problems for future generations.

Questions from the audience followed

There was widespread agreement about a number of issues:

- i) The current situation is unacceptable and significant changes in water companies' culture and behaviour are required.
- ii) Public trust in the sector has largely been lost, and will take time to recover.
- iii) Management at catchment level is key to solutions, and nature-based solutions are likely to be helpful.
- iv) More collaborative activity is required, both across the water companies and with other sectors and regulators. Currently a great deal of money is being spent on uncoordinated activities in the water, agriculture and other sectors that are not yielding commensurate benefits.
- v) Citizens are entitled to have their basic needs met, and social tariffs for water need to reflect this even though it may be costly. However, citizens too have a role to play in solving problems such as the appropriate disposal of sanitary waste.
- vi) The need was seen for whole systems 'joined-up' thinking for these complex challenges.
- vii) Changes are needed in the way appointments are made, and potentially in communications processes, to deal with issues such as performance-related pay and shareholder dividends.

However, presentations and discussion also highlighted significant points of difference:

- i) The extent of change required, and whether to replace the current privatised water companies with a new arrangement, given the identified failures. One view suggested that, unless there is a radical change, water companies will cease to be financially attractive to the current overseas owners, and will sink back into public ownership by default; equity has already been stripped out. An alternative view was that there is already an appetite for change and movement in the sector, so the underlying privatised structure is appropriate even though it differs from ownership arrangements in most other areas in Europe. There may be British investors willing to invest in the water sector.
- ii) The apparent void of understanding between water company activities and the perception of both investors and the public, and the extent to which this needs bridging.
- iii) Whether it would be advantageous to split the Environment Agency into an Environmental Protection Agency with a specific remit on environmental enhancement, and a Coastal and Flood Risk Management Agency with a separate remit.
- iv) The extent to which major decisions are politically, rather than technically, driven, and the appropriateness of the current timescales for change.
- v) The extent to which other stakeholders such as farmers should be regulated to shoulder responsibility and pay for improvements such as reducing contaminating runoff.
- vi) The appropriateness of the monitoring data currently available on which decisions are made. Some commentators suggested that the data was not yet available as the full programme of installing event duration monitoring equipment (EDMs), for instance, was incomplete, whereas others suggested that huge amounts of data already exist but are not being utilised effectively.
- vii) The extent to which water company customers are willing to pay more was contested. One suggestion was that although customers are probably willing to pay 10-20% more in their water bills, this is insufficient. An alternative view was that customers would, of course, not vote for higher bills, but that they did not expect to have to pay for infrastructure as this was the responsibility of shareholders; customers might actually refuse to pay in future.
- viii) Whether specific interventions such as removing specific chemicals (mercury and fluorinated compounds, for example) from the characterisation of river water quality would result in meaningful improvement in quality. This issue had not been well handled so far.
- ix) Whether the overall situation in England is significantly better or worse than in Scotland and Wales, or other areas of Europe, given their different governance structures. But it was agreed that governance and structure are different issues.

Summarising, the Chair noted that the event had attracted much interest, and that, given the range and depth of expertise within the Water Conservators, the Company was well placed to offer impartial advice, as required. It was clear that some form of national strategy for water was required, and he offered the services of the Company to decision makers. He invited attendees to send any commentary and feedback to the Clerk. Further assistance, in the form of explanatory notes concerning the context of debate, would be made available after this event, and more events were being planned which would explore in more details the points which had arisen; financing the necessary investments and improvements was a particular issue which will need to be addressed.

Professor Carolyn Roberts and Dr Peter Matthews CBE
1 April 2023