

An aerial photograph of a river winding through a dense, vibrant green forest. The river is a dark, narrow channel that curves through the landscape. The surrounding vegetation is thick and healthy, with various shades of green. The overall scene is peaceful and natural.

A FRESH WATER FUTURE

**A FRESH WATER FUTURE?
PROGRESS AND
PRIORITIES FOR 2025**

CIWEM

A Fresh Water Future is facilitated by The
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The River Brathay in the Lake District is polluted by sewage.



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OVERVIEW

AFTER A YEAR OF REVIEW AND RECOMMENDATIONS, AND A RECORD WATER INDUSTRY INVESTMENT PROGRAMME IT IS IN THE GOVERNMENT'S GIFT TO BRING FORWARD REFORM WITHIN THE WATER INDUSTRY AND, CRUCIALLY, BEYOND. DOES IT HAVE THE APPETITE?

A *Fresh Water Future* was published in January 2024 as a manifesto for the incoming government on how it should recover the health of our rivers, lakes and seas.

Since the general election in July 2024 government has moved to implement several recommendations made in our original report. This is welcome and we commend Ministers for taking swift action to address some of the most pressing challenges through *early policy announcements*, an *independent water review* and the *Water (Special Measures) Act 2025*.

However, these measures are only the start of what needs to happen. A long journey of infrastructure renewal, policy, regulatory, governance and planning reform and changing the UK's culture of how it delivers infrastructure and development are all needed to make a noticeable impact on the current state of our water environment.

Our water bodies remain in a *parlous state* impacted by pollution from multiple sources, under *water stress* in many parts of the country with declining *nature biodiversity* and *increasing flood risk* to the communities who live around them. Drought across spring and summer 2025 has shone a further light on the general state of malaise, alongside an inexorable expansion of the *evidence base* on just how poor a state many of our nationally-treasured water bodies are in.

The biggest programme of water industry expenditure on the maintenance and enhancement of water infrastructure was *confirmed* in December 2024 with a £104 billion settlement from Ofwat. This is well-overdue but will need several repetitions over coming planning and delivery rounds to reduce pollution levels to those the public now expect and to build up water supply resilience and avoid an almost *6 billion litre per day deficit* by 2055 across public water supply and wider needs.

The approach to water management will need to evolve, to maximise opportunities for multifunctional programmes that deliver against many government policy objectives simultaneously, unlocking optimal value for what is a huge amount of money. The delivery programme that will run for the next five years is heavily focused on single-outcome, high-carbon, high-cost solutions, in part because they pose the least regulatory compliance risk to water companies and their regulators.

This is not the way to deliver the biggest 'bang for buck' but is not a surprising outcome given the level of public concern over performance and political and regulator desire to be responsive to this.

“A prosperous economy and society need resilient water supplies, drainage and flood risk management measures, and a healthy natural environment.”

The Independent Water Commission points to the need for a more sustainable balance between grey and green interventions for the next water industry planning round.

A new water “super-regulator” might help to achieve this, but there are real risks in any new organisation simply being focused on the water industry itself as the Independent Water Commission’s recommendation points towards. Fracturing the water cycle with floods, farming and highway runoff potentially covered elsewhere could create more problems than it solves or fail to make the most of synergies. The realities involved with **setting up** a new regulator must not end up being a distraction from the job in hand of recovering the health and resilience of our water environment.

Government’s main priority, during its term in office between now and 2029, is to increase economic growth. It has also set a target to deliver 1.5 million new homes over the same timescale to tackle critical housing supply shortfalls.

Alongside reform of the water industry there is an urgent need to ensure that housing, economic growth and infrastructure delivery recognise that water resilience is non-negotiable. Research is showing that good water stewardship can enable growth where water challenges may be a barrier. A **‘sponge cities’** principle, prioritising **managing rainwater where it falls**, would set our towns and cities up for a climate resilient future.

A prosperous economy and society need resilient water supplies, drainage and flood risk management measures, and a healthy natural environment to provide a raft of ecosystem services. Land use and the planning system must speak adequately to these needs.

A **land use framework** offers opportunities to strategically identify where, spatially, certain land use may be most beneficial and therefore incentivised. A reviewed Environmental Land Management Scheme can dovetail with this, taking a more thoughtful approach to directing public money to deliver the optimal range of land management activities by farmers. This would benefit wider society, enable food production and fair revenue streams attached to delivering **public goods**.

Better coordination of planning, funding and financing, and delivery against this wide range of needs can speak to the government’s **devolution agenda** by placing more capacity and power at a catchment and a regional scale, whilst actively involving the right stakeholders.

Short-term growth is of course possible without these considerations. But this would be storing up yet more water problems for future governments and future generations to deal with, all the while facing into growing climate crisis and natural systems decline. Government only needs to look at the situation it finds itself in now, with inadequate water resources infrastructure and wastewater and sewerage capacity limitations holding back new development, to understand the importance of future-facing policy, planning and investment.

In the meantime, extremes of weather will increasingly expose short-sighted policy and investment of the past. Drought has been defined as “**nationally significant**” in summer 2025 and history suggests serious floods are highly likely in the years before the next general election.

The public and experts alike have experienced more than enough of this already. As before the election, they are concerned about pollution levels and worried that even new homes will be **impacted by climate change**-induced damage. Meanwhile they are disaffected over water bill increases that could have been more gradually introduced years ago.

In December 2024 CIWEM convened the first A Fresh Water Future conference. This considered the needs of a range of water system actors, from water companies and supply chains through metropolitan authorities, rural land managers and conservation bodies. It considered how these, and wider interests might be met through improved catchment and regional governance, and how to regulate for the necessary future water outcomes.

Since then, levels of scrutiny on the water sector have increased even further, with a growing number of parliamentary inquiries and reports, the **Independent Water Commission**, campaigner-led investigations such as the **People’s Commission on the Water Sector** and a seemingly continual flow of news stories around alleged illegal sewage discharges, fines and prosecutions, financial sustainability of companies, executive remuneration and bonuses, drought performance and more.

Government’s communications around headline water legislation and policies are also under growing scrutiny and questions over their ability to limit behaviours the public find objectionable. Additionally, there seems to be tension between the government’s growth agenda and wider aspects of water sustainability including timely policy and regulatory progress on water demand management and sustainable drainage.

This report summarises those findings, as well as setting out priorities for good water stewardship as an effective growth enabler.

Improved water industry governance and regulation. Flood and drought-resilient housing delivered at pace but to good standards. Better and fairer rural land management. Improved regional and local engagement and decision-making on water through enhanced catchment governance. These factors can materially transform water management under this government if Ministers and their regulators and delivery bodies are bold and have the necessary vision.

Defra Ministers have tried to set out in a positive direction. We urge those at the top of government to build on this and implement far-reaching reform, across not just the water industry, but in regional governance, strategic land use planning, agriculture, and new housing delivery. A Fresh Water Future is in this government’s gift to deliver.



Housing development is putting increasing strain on river health.



WHAT WE SAID IN 2024

A *Fresh Water Future*'s initial 2024 report proposed ten recommendations to improve water management in the UK:

1. COMMISSION A COMPREHENSIVE, INDEPENDENT REVIEW OF WATER MANAGEMENT, TO REPORT WITHIN ITS FIRST TWELVE MONTHS

The Cabinet Office should commission an independently chaired review to report inside the first 12 months of the next government's term. This will enable recommendations to be implemented across the remainder of the term.

2. REVIEW, AND IF NECESSARY, REFORM REGULATORS SO THAT THEY CAN DISCHARGE THEIR RESPONSIBILITIES EFFECTIVELY

Regulators should be independently reviewed through the overarching review of water management to ensure that their scope, resource and capacity is appropriate to the range of activities they are required to regulate.

3. REFORM GOVERNANCE AND REGULATION OF WATER COMPANIES TO CREATE PURPOSE-LED ORGANISATIONS, TRANSPARENT AND COMPLIANT WITH THE LAW

A water assurance taskforce should be established to fully review and drive forward reform of water company performance and transparency, to restore public confidence and the industry's social licence to operate.

This should have the remit to establish baseline corporate governance standards which reposition water companies as purpose-driven organisations, focused on public purpose, as a condition of their license.

4. INCREASE THE LEVEL OF MONITORING THROUGH A NATIONAL ENVIRONMENTAL MONITORING STRATEGY AND PROGRAMME

Develop and implement a national environmental monitoring strategy to create an accurate picture of pressures on the environment that can enable properly targeted, prioritised and efficient

solutions across catchments. This should set out a framework for open data transparency on all appropriate aspects of water company, local government and wider operations.

5. INTRODUCE AMBITIOUS CATCHMENT SYSTEM MANAGEMENT

The next government should implement a catchment system management approach which recognises that challenges and needs vary with local and regional economic, landscape and climate context. This should bring together the most appropriate authorities and regulators, businesses, landowners and other stakeholders across food, farming, energy, nature, health, infrastructure, finance, local and national government and more.

Overseen by multi-stakeholder management boards and independently chaired, these groups should develop overarching plans for local and regional water management priorities, drawing from existing plans and frameworks.

6. IMPROVE ADVICE AND SUPPORT FOR NATURE- AND WATER-FRIENDLY FARMING, MIRRORED BY INCREASED ENFORCEMENT AGAINST POOR PRACTICE TO UNLOCK A FAIR BALANCE BETWEEN ENFORCEMENT AND SUPPORT

The Environmental Land Management Schemes (ELMS) must drive forward nature-friendly farming approaches which deliver beneficial outcomes for water alongside food production. Farm payments must therefore be linked to good water management, with water quality and resilience a major focus for farm advice.

Advice should engage farmers on the local issues impacting catchments, how they can be tackled and how support can be obtained to implement solutions. Regulators must have sufficient resources to conduct a targeted and risk-based – but sufficiently frequent to be effective – programme of inspections.

7. DELIVER A STATUTORY NUTRIENT MANAGEMENT PROGRAMME

A statutory nutrient management programme should embed soil testing, good practice through nutrient management plans and drive the use of more resource-efficient, low-input approaches to farming, within a wider framework delivered through changes to planning policy, permitting and wider regulation.

The environmental permitting approach for livestock units must properly assess the waste that is sent offsite. The programme should also embed circular economy approaches to build a renewable phosphorus fertiliser market in the UK.

8. INVEST IN MAINTAINING WATER SYSTEMS SO INFRASTRUCTURE UPGRADES ENDURE

Telemetry, data organisation, cleansing and interrogation to monitor and understand asset condition and target maintenance, can potentially unlock significant improvements in water network condition and asset efficiency. This will be necessary to improve the current poor overall picture of asset condition and maintenance need.

There must be considerably more investment in ongoing maintenance to ensure adequate upgrade and replacement of sewers, water mains and other existing water assets.

9. ADOPT A 'SPONGE CITIES' APPROACH TO OUR VILLAGES, TOWNS AND CITIES TO UNLOCK REGENERATION, RESILIENCE, PROSPERITY AND A FRESH WATER FUTURE

We must flip the mindset that treats rainwater as a waste product to be got rid of in the urban environment, into one where it is a treasured resource managed via individually small, distributed changes which aggregate into an urban transformation.

This should embed a 'sponge cities' approach to new development and urban retrofit and regeneration through the planning system, applying existing regulation, changing emphasis in water company investment guidance and building capacity between local authorities and other water management bodies.

10. NURTURE SOCIETY'S VALUE OF WATER THROUGH GREATER AWARENESS OF USAGE

Implement a national-level and coordinated near-universal smart water metering programme alongside water efficiency labelling, minimum water-using product standards and variable tariffs that include a highly affordable essential use component. Use fair social tariffs to mitigate any bill impacts of metering. Develop creative and highly visible campaigns to build awareness extensively within schools and communities on how to use water wisely.





AFWF CONFERENCE 2024 SUMMARY

A FRESH WATER FUTURE CONFERENCE 2024 FOCUSED ON THE HIGH-LEVEL PRESSURES ON WATER BODIES AND CATCHMENTS, THE NEEDS OF CATCHMENT ACTORS AND HOW A MORE INTEGRATED APPROACH TO PLANNING AND REGULATION MIGHT UNLOCK PROGRESS. IT HELPED INFORM EARLY THINKING BY THE INDEPENDENT WATER COMMISSION.

WE NEED A FRESH WATER FUTURE



Natalie Prosser

Office for Environmental Protection

The OEP has found that in the case of the Water Framework Directive Regulations, the regulations themselves are sound, but their implementation has been ineffective due to a lack of meaningful investment, delivery plans and governance (monitoring and scrutiny). Plans have typically been too generic and implementation in some instances has fallen below the level of legal compliance.

“There is a suite of environmental law quite astonishing in its complexity and how it has accreted over time with a lack of consolidation and rationalisation. I have been quite astonished by just how much it's not complied with. When you put in place new laws – and this would be my ask in terms of reviews going on – don't make them unless you know how they're going to work in practice.”



Mike Keil

Consumer Council for Water

The vast majority [of water customers] value healthy habitats, with about two-thirds prioritising healthy rivers, lakes, and seas. Trust in water services is at an all-time low, driven by poor environmental performance.

Improving transparency will help to build trust and confidence in the water industry, raise awareness on, and engage people with, the contributions that they themselves can help deliver. But water companies need to deliver on promised environmental improvements and convince customers they are spending money wisely.

“Let’s focus on delivering, because through delivering and people noticing a difference, that’s the way you’re going to rebuild trust.”



Martin Lines

Nature Friendly Farming Network

Across the UK, over 70 per cent of the land is farmed, and the things that happen on that landscape can have an effect negatively and positively for water and water quality. Farmers should be incentivised to step back from watercourses, keep livestock (and manure) out, and implement measures like additional fencing and flower margins to protect water quality.

There must be better recognition that leaving more nature and vegetation in place can have benefits for crop protection through greater habitat for natural pest predators, with farmers enabled to spot the win-wins that require lower-input farming. The supply chain must take responsibility for the impact of intensification on landscapes.

“The [farming] industry is really in a challenging position, but we have so many solutions we can offer around delivering food security, water quality, access to nature. We need to see that in the role, so the farmers of the future are not just being recognised for the food we produce, but also the biodiversity, the water quality, habitat, access to nature, flood mitigation, the list goes on.”



Emma Howard Boyd

London Climate Resilience Review

Urban centres are facing growing resilience challenges from climate change and how they're developed. Our urban infrastructure is not fit for our climate future. The London Climate Resilience Review recommends creating greater space and sponginess in urban environments and aligning understanding and action across sectors including government at different levels, environmental, economic and financial regulators. Surface water flooding should be on a statutory footing to allow water companies to invest and be part of the solution.

We need a far more integrated approach to working, which fosters collaboration and empowers regional and local authorities, such as metro mayors and combined authorities, with the necessary powers and funding to implement localised climate resilience measures.

"I am fearful that if the right focus on surface water flooding doesn't come through, some crucial projects may be put on slow at a time where we are seeing increasing flooding events and also, as we've seen with water quality, greater public concern moving to anger around preparedness for those sorts of weather events."



Richard Benwell

Wildlife and Countryside Link

Many measures in A Fresh Water Future point towards the longer-term. But in many senses the future is almost upon us and there is a real need for urgency, too. Immediate action is needed to meet the 2030 biodiversity targets. Risks of drought, flood, and water shortages are already present, highlighting the urgency of addressing these issues. If we're to undertake the major systemic changes needed to turn around the water sector, the farming sector, highways, and urban environment, it needs to start right now.

On legal reform, addressing noncompliance with environmental laws is crucial. On institutional reform, updating the purposes of regulatory bodies to include environmental goals is essential. On funding, increasing investment in nature-friendly farming and through private sector contributions is vital. We need to seriously reflect on our approach to compliance - the culture of noncompliance in the water sector itself has become something of public record.

“It might feel a long shot to say that the farming budget should be doubled but compared with other infrastructure budgets – and that’s what we’re talking about here, critical natural infrastructure that supports our resilience to flood, to drought, to fire, to crop failure – compared to those other budgets, it remains absolutely tiny.”

THE NEEDS OF WATER CYCLE ACTORS



Stuart Colville

Water UK

There is now a once-in-a-generation opportunity to transform our water system. Getting things right requires three fundamental areas of focus:

Capital: There is a need for considerable investment. When there are clear targets, stakeholder alignment and a supportive regulator, the water sector is extremely good at mobilising enormous amounts of capital to deliver improvements quickly. Confidence: Water companies need to be able to show their customers what they’re getting for their money. This depends on proper transparency, not just disclosure. Finally, control: There is a need to deliver more effective ways of identifying, prioritising, designing, and delivering improvements within the river catchment. We need a better approach to planning at local level and between sectors.

“Part of the route back to restoring trust is to own the problem, put out a plan, start delivering it, and be transparent about it, which bits are working, which bits aren’t. We can’t forget this.”



Bella Murphin

Country Land and Business Association

Addressing water pollution must be a non-negotiable priority for all rural businesses. There are four key ingredients to this:

Soil health: Healthier soils require fewer external inputs and reduce runoff and erosion. We need stronger promotion of regenerative agriculture techniques to improve soil health.

Regulatory compliance: Increased inspections are welcome in ensuring farmers comply with regulations and adopt the extensive range of good practices available. This should be driven by an advice-first model.

Voluntary action: Uptake of voluntary best practices is not as high as it could be. Farmers often lack the data to evaluate the effectiveness of their interventions. There is a need for more grant support to enable this.

Land use change: Transitioning high-risk agricultural land to environmental uses to achieve targets in the Environmental Improvement Plan should be driven harder. This doesn't mean taking whole farms out of production as most have unproductive steep slopes or boggy corners. But there are financial and practical challenges incumbent in this.

“Almost all farmers can incorporate some regenerative techniques into their systems and there are financial rewards too. It's estimated that livestock farms could increase profits by up to 30 per cent to 40 per cent if they farmed at the sweet spot where they don't need to buy in fertility or chemicals.”



David Hodcroft

Greater Manchester Combined Authority

Integrated Water Management brings together place-based approaches and collaboration across sectors, unlocking integrated investment programmes and outcomes. Local context and collaboration are crucial for effective solutions. Challenges in achieving this include regulatory complexity and fragmentation, and the lack of scrutiny and accountability within the current system.

Water does not respond to administrative boundaries, so there is a need to reach across catchment areas, building up evidence-based planning based on data from various points to inform the right interventions and areas for action. Multi-sector partnerships (including transport, housing, and economic sectors) are critical and must be informed by a clear vision and measurable milestones. Coordinating governance across multiple sectors and organisations helps facilitate quicker delivery of projects. Creating formal structures to enable this cross-sector collaboration reduces the fragmented, bidding-based system and leverages wider investment and benefits.

“So how will we deliver this? We call it the missing middle component. National's too big. Regional's too big. It's sub-regional scales where all the different components are coming together.”



Mark Lloyd

The Rivers Trust

Our understanding of catchments is poor. We have a dearth of data on which to base our understanding of the condition of rivers and the effectiveness of interventions, despite some precise-sounding attribution of causes for not achieving good status under the Water Framework Directive. Many causes are interconnected; impacted by a spectrum of wider root causes. This plays out in a plethora of plans.

There is a growing consensus over a need for better catchment and nature-based solutions (NbS) delivery as part of the overall interventions mix to improve our water environment. Where we can, we need to tackle multiple problems at once. With multiple outcomes it makes sense that there will be multiple funders and investors for catchment and NbS. Combining multiple funding pots is standard practice for charities but this needs good experience of partnership working.

We need improved clarity on the state of catchments, based on good data, to inform the right decisions, better catchment plans produced by better-funded catchment partnerships, better catchment governance, and better funding for grass roots delivery organisations.

“On the march for clean water... we heard all sorts of slogans being chanted. But we didn't hear: “What do we want? Integrated optimised catchment management based on good evidence.” But really that's what we need.”



Lila Thompson

British Water

Without a collective vision and strategy for the water sector it's going to be challenging to address the most important issues in the most beneficial way. It's also going to be hard to attract quality talent to deliver. The sector is often perceived negatively, which affects its ability to attract and retain talent. It needs to change this perception to highlight its importance and potential for transformative change.

The water sector currently employs around 83,000 people directly and over 100,000 including its supply chain. There is a need for 43,700 new workers by 2030 and the importance of attracting and retaining talent is critical and won't be aided by the current perceptions. There is a need for a

national skills strategy to address the shortfall in talent. This will need sector-wide collaboration and on-the-job training at various career levels.

The cyclical nature of the AMP cycles is helpful to neither large or small organisations and can cost them in the region of £600,000 in terms of talent wastage per AMP cycle, or £4.2 billion across the seven cycles to date.

“Studies have shown that as fast as women are entering the sector, they're leaving. As fast as people are coming in from ethnic minorities, they're leaving. What is it about the culture that we're not retaining the talent that we're capturing? I think one of the things is the way that the sector is perceived.”

EFFECTIVE DELIVERY AT A CATCHMENT SCALE



Shaun Spiers

Green Alliance / Sustainable Solutions for Water and Nature (SSWAN)

SSWAN advocates for a catchment-based approach to managing watercourses, harnessing nature-based and low-carbon solutions. This needs a new regulatory approach focusing on catchments to drive environmental improvement at both national and local levels; to enable innovation and cost-effective solutions and pull away from a fixation on process regulation and siloed use of money.

To get traction around NbS, there is a real need to expand the evidence base to determine where they are effective and where hard infrastructure is still necessary. Politicians and regulators are risk-averse due to public outrage about the state of waterways, making it difficult to implement innovative solutions.

Good examples include Anglian Water's wetlands at Ingoldisthorpe in Norfolk. There are examples of natural flood management and sustainable urban drainage systems in Mansfield, social prescribing in the Bristol Avon catchment to reduce pharmaceutical pollution. The River Eden Catchment and River Petteril Catchment are both showing the effectiveness of working with farmers to achieve catchment nutrient balancing, through The Rivers Trust pilots with United Utilities.

“It seems to me that the current regulatory system favours hard infrastructure, more concrete, more cost and more emissions over the sort of natural solutions that we're talking about. Too often the way these problems are treated undermines the government's wider aims on climate, nature, amenity and so on... It really doesn't make sense.”



Jo Harrison

United Utilities

The Natural Course project aimed to deliver the Water Framework Directive in a different way, involving collaboration among various organisations and focused on integrated water management. This needed a top-down *and* bottom-up approach to water management, considering both overarching strategies and local opportunities.

Collaboratively it went beyond governance arrangements, to people from different organisations physically working together in the same office every Thursday for ten years. It enabled coverage of the whole of the Northwest, including tackling water issues playing out in Greater Manchester. 892 people were trained, 81 new tools adopted, and 36 new jobs created. An EU funded project enabled this to happen.

There is a need to enable people to break out of the pressures and constraints of their established ways of working and have the space to work differently. This is crucial in many urban centres given the scale of surface water storage necessary to manage pressures and achieve targets.

“Collaborative working is essential. In Greater Manchester and across the Northwest, I don't think we could deliver against the challenge we've got if we weren't putting our badges aside and working out how can we be different, how can we break down the rules, how can we get more catchment solutions?”



Guy Thompson

EnTrade

Nature based solutions exemplify the opportunity for a trajectory away from very prescriptive, point source solutions. If you set out now to design a regulatory system to deliver the targets on the face of the Environment Act, you could not design a more inefficient system than the one we have. You couldn't make it harder to do good things for nature if you tried.

The barriers to enabling private investment in nature recovery are not about the access to capital, but the incoherence of existing environmental regulation and how that interplays with public grant schemes like ELMs and the very nascent private incentives. We need a way of enabling landholders and farmers to come together with the buyers of the services generated by nature-

based projects like wetlands, woodlands and grasslands to value the services they generate for nutrient reduction and biodiversity gain. That requires an intermediary in the middle enabling a process of arbitrage, registration and assessment of the eligibility of projects to deliver those needs.

EnTrade is what is described as a 'central counterparty'. It's not a trader or a broker but is there to ensure an efficient market is running. That oversight is the key to establishing trust and confidence in these markets, particularly in the context of some of the lessons learned on the voluntary carbon market.

“Well-designed and regulated nature markets are not an alternative to regulation, a substitute for public funding for the environment, a way for business to avoid eliminating its own impact on the environment within its own supply chain or a pathway to privatise and commoditise nature or indeed a mechanism for greenwashing. Absent the independent system of oversight, that is the risk of what these markets can become. But, underpinned by mandatory targets and the right incentives, market mechanisms can play their part in accelerating the delivery of nature recovery.”



Daniel Johns

Water Resources East

Norfolk faces a range of chronic economic, environmental and social challenges that are only going to get worse with climate change. NbS are a useful intervention but to shift the dial we must deliver them at scale. The Norfolk Water Strategy Programme aims to do this, enabled by the Norfolk Water Fund (a blended investment vehicle and work by The Nature Conservancy).

Analysis of where different NbS would be best located in catchments, combined with economic modelling indicated the achievable benefits from a reasonably scaled portfolio of investment in target catchments, how much it might cost to deliver a suite of different NbS investments and how to pay for and finance that investment portfolio.

Modelling scaled the size of the portfolio to be based on Anglian Water's 'advanced WNEP' programme. It indicated a £6.70 return per £1 invested, similar to returns on good flood risk management schemes. The aim is to work out how to scale-up NbS delivery so it's investible and deliverable in the tens of millions of pounds, in the next five years. This will need more trials and monitoring evidence and to this end, the Norfolk Water Fund will help advance schemes which are shovel ready.

“We work across sectors through our board and our membership of more than 200 organisations to understand the costs and benefits of different interventions, demand side

versus supply side, the environment, and the different sectors to manage the costs and trade-offs."



Nick Mills

Southern Water

To tackle storm overflows Southern Water wanted to look for solutions upstream of 'end-of-pipe' where possible and use NbS before concrete. 64 per cent of overflow spills are due to surface water, with 25 per cent groundwater. Often, separated sewer networks connect into combined ones, so the quick wins exist in keeping surface water in the environment not the sewer.

Targeting large roof areas first with high-uptake retrofit of measures such as leaky water butts and sustainable drainage (SuDS) is proving effective in reducing spills. But even new properties quite commonly re-connect surface water into foul sewers, so there will need to be a continual programme to ensure surface water from retrofitted and SuDS-enabled developments stays disconnected from foul sewage. SuDS are important but can be challenging to deploy in highways, which contribute to roughly half of the surface water problem.

Southern Water are working with councils' local supply chains to enable delivery of SuDS in the public realm and highway to reduce time and cost.

"It's important to be able to map various interventions and assess their contribution to overflow reduction statistically, not using models, to show that you're performing against a baseline. We've done this and we can show progress, and our plan now is to replicate that as we go into AMP8."



Matt Clegg

Binnies

There is a clear need for a natural capital approach to value the benefits of NbS and integrate them into investment prospectuses and business cases from the outset. A multi-capital approach involves considering the direct and indirect beneficiaries of NbS. Quantifying, valuing, and monetising these benefits can help create a broader business case for investment.

Opportunity mapping will identify the best places to implement NbS within catchments and optimise designs spatially to make the most of available markets and benefits. Involving communities in the implementation and investment of/in NbS is also crucial - creating spaces that communities enjoy, see the benefits of, and receive monetary returns from their investment.

Nature markets have the potential to crowd-in investment and enable the necessary scale of investment in NbS. Ensuring transparency and integrity in nature markets is critical to avoid greenwashing and provide confidence to investors. Developing the skills and capacity to deliver place-based NbS at scale requires a cultural shift. Everyone involved needs to become advocates and specialists in this approach.

“We talked about capacity and skills – we need landscape architects, ecologists, catchment specialists, water quality specialists, geomorphologists, engineers. That’s just to cover the solution development side of things. We also need developing skillsets in nature economics and facilitation.”

REGULATING FOR OPTIMAL WATER OUTCOMES



Catriona Penny

Defra

Defra’s Future Water Framework team is looking at areas where the overarching framework for water management needs improvement, including beyond the water industry. This aims to ensure there is a strategic spatial planning approach to water management across sectors of the economy, tackling pollution and managing pressures on the water environment and supply at a catchment, regional and national scale.

We’ve identified five broad areas of challenge: a lack of local accountability and influence (water commonly being a local place-based issue but governed by national level levers); siloed thinking and plans (multiple water and adjacent plans creating a complex horizon); investment (both the quantum and its mobilisation, but also where and how it’s targeted); the legislative framework and targets for water health (how to ensure that these actually drive the progress we need); and finally the classification and monitoring system (whether it really gives visibility of both progress and pressures).

“Water is genuinely a really exciting and interesting policy area to be working in at the moment because so much is happening, and there is a really high level of ambition for change.”



Martin Hurst

Sustainability First

Water management isn't working for the environment. Moreover, it's going to impose huge costs in terms of carbon from concrete and chemicals. Tackling this as government is hugely difficult given the attention and levels of almost constant ministerial briefing needed these days – a massive shift from a few years ago. This puts government and regulators in the firing line and makes them risk averse in an aim to rebuild public trust. This is understandable but mitigates against innovative and riskier (but potentially more sustainable and beneficial) approaches, such as nature-based ones.

To change things for the better we must shift the balance between process regulation (which is essential) and outcomes. Outcomes are harder to prove, and there are more excuses for not getting things right. Change needs to come through evolution rather than revolution – the latter will take too long, and we can't wait until after 2029 to make progress. We need to build an enabling culture in regulation and an associated supply chain for NbS this side of 2029.

"We need a hierarchical approach in future. Now, we do a concrete solution unless there is clear evidence that the alternative is as good, if not better. The burden of proof has to say, "we will do an NbS first". If that isn't going to work, we'll then look for hybrid solutions. Concrete and chemicals – the approaches of the past – have got to be the last resort rather than the first resort."



David Elliot

Sustainability First

Initial progress after water privatisation has stalled in the past 15 years. Recent challenges around nutrients, chemicals, pharmaceuticals and physical modification of water bodies sometimes mask genuine progress and solutions to problems like storm overflows are too end-of-pipe. The answer must be integrated water management to address multiple pressures simultaneously, with a strong focus on land use and societal needs, to manage trade-offs effectively.

This should promote nature-based and community-based approaches to relieve pressures on water catchments, where possible utilising local skills and resources to implement solutions at scale. This needs strategic planning and governance enabling development of integrated,

evidence-led catchment plans with local accountability and empowerment, capable of addressing strategic pressures.

This won't be easy but there are examples of this practice in places already. We must start implementing known solutions now, rather than waiting for future reviews and focus on actions that can deliver immediate benefits whilst building towards long-term goals.

“Let's not make this too complicated. We're in danger of being precisely wrong but broadly right, or precisely right but broadly wrong. We must demonstrate that nature and community-based approaches can relieve an awful lot of the pressures on our catchments by attacking the broad range of issues why our rivers are not recovering, whilst precisely targeting our built infrastructure performance to get the biggest return across the two.”



Helen Wakeham

Environment Agency

Water quality is influenced by societal choices that have direct impacts on water pollution. Conventional sewage treatment has significantly reduced pollutants like ammonia and phosphates over the past 20 years, demonstrating the effectiveness of traditional infrastructure.

While NbS are valuable, they should not replace conventional wastewater treatments but rather complement them. A balanced approach combining traditional and innovative solutions is necessary to address water quality and quantity issues effectively. There is a lack of focus on controlling pollutants at their source, such as chemicals and microplastics. Current efforts are more focused on treating problems that are already in the environment rather than preventing them.

We need enhanced source control including producer responsibility for chemicals and a focus on reducing harmful substances and promoting sustainable alternatives. This must be coupled with climate change adaptation and infrastructure that can handle altered water patterns and increased demand. This should all be driven through cross-sector collaboration and integrated planning, underpinned by transparency and objective reporting to build trust.

“Systems thinking almost seems like it's out of fashion. What's the water system that we're working in? And what levers do we have on that system which will enable us to step towards clean and plentiful water in a way that we're not doing? I think quite a lot of that's got to be source control.”



Alan Law

Natural England

Effective planning and regulation require operating at appropriate scales, such as regional or catchment levels, and there is a need for strategic spatial planning that aligns environmental pressures with development plans. Whilst nature recovery requires a granular approach (focusing on individual sites and species) there is a need for less granular, more flexible targets that can incorporate both losses and gains to achieve net positive outcomes.

Traditional approaches to gathering evidence are costly and slow, driven by a litigious culture so there is a need for legal frameworks and policy to enable experimentation and learning from new approaches. Public funding alone is insufficient to deliver the scale of nature restoration required. The private sector is not inherently opposed to environmental goals and can be a valuable partner in nature recovery, but it will need design standards for delivery assurance and the ability to work with partners to implement solutions at scale.

“We're operating in a space of climate change and actually, what we want is not just to hold the line, we want to recover. What we're talking about is designing resilient, healthy systems for the future, that don't look like what we have now and don't look like what we had in the past.”



UK grayling populations have experienced long-term declines, estimated to be over 50 per cent in some areas over the last 25 years.



WATER SECTOR SCRUTINY 2025

THERE HAS BEEN EXTENSIVE SCRUTINY AND ANALYSIS OF WATER SECTOR PERFORMANCE AND REGULATION DURING 2025, OVER AND ABOVE THAT DRIVEN THROUGH THE INDEPENDENT WATER COMMISSION.

ENVIRONMENT AGENCY POLLUTION INCIDENT REPORT FOR WATER AND SEWERAGE COMPANIES 2025

This [report](#) set out the pollution incident performance of the nine water and sewerage companies in England from 2016 to 2024. It described persistently poor pollution incident performance, despite unprecedented public interest in the health of rivers, lakes, and seas. It was supplemented in October 2025 by the dedicated report for [2024](#).

The Environment Agency (EA) describes a 60 per cent increase in serious pollution incidents (Category 1 & 2) between 2023 and 2024, totalling 75, which it describes as “unacceptable” and failing the Water Industry Strategic Environmental Requirements ([WISER](#)) expectation to trend to zero.

The majority (81 per cent) of serious incidents in 2024 were from three companies: Thames Water (33), Southern Water (15), and Yorkshire Water (13). Thames Water's serious incidents more than doubled from 14 to 33 between 2023 and 2024, and they have been the worst-performing company from 2016 to 2024.

Alongside serious incidents, the total number of pollution incidents from sewerage and water supply assets (Category 1 to 3) has also been increasing, with a 29 per cent increase between 2023 and 2024, reaching 2,801 incidents, marking a third consecutive annual increase. The sector is failing its WISER expectation for at least a 40 per cent reduction compared to 2016, with a 47 per cent increase in incidents since then. Eight out of nine companies saw an increase in incidents compared to 2023.

Self-reporting for all incidents improved to 85 per cent in 2024, the best performance to date, meeting WISER expectations for the last three years. However, self-reporting for serious pollution

incidents declined to 63 per cent in 2024 from 74 per cent in 2023, and only 4 out of 11 (36 per cent) Category 1 incidents were self-reported in 2024.

Most serious incidents in 2024 originated from foul sewers (22), sewage treatment works (20), and rising mains (15). Most incidents (88 per cent) were from sewerage assets, predominantly foul sewers (865), pumping stations (693), sewage treatment works and rising mains (176). Incidents from these asset types were all worse in 2024 than in 2016.

Water and sewerage companies collectively achieved 19 stars out of a potential 36 on the EA's 1–4-star rating scale, down from 25 the previous year. Thames Water scored one star, with only one company, Severn Trent Water scoring four stars (despite having over 60,000 storm overflow discharges in the year).

In response to this picture, the EA is tightening regulation, increasing inspections (4,000 in 2024/25, 10,000 planned in 2025/26). The [Water \(Special Measures\) Act 2025](#) (WSMA 2025) grants Ofwat new powers, including prohibiting performance-related pay for water bosses who fail environmental standards. It also requires companies to produce annual Pollution Incident Reduction Plans from April 2026.

The EA expects the AMP8 investment programme to deliver on performance commitments. The WISER performance expectations for 2025-2030 include zero serious pollution incidents, significantly reducing all pollution incidents, and higher self-reporting rates. It called for "bold leadership, a shift in mindset, and a relentless focus on delivery."



EFRA COMMITTEE'S PRIORITIES FOR WATER SECTOR REFORM REPORT

The House of Commons Environment, Food and Rural Affairs (EFRA) Committee's [Priorities for Water Sector Reform](#) states that "the water sector is failing", with a "culture that is deaf to the crisis," where companies operate more like financial services businesses than custodians of a public good. It recommends root and branch reform to improve the sector's culture.

The Committee points particularly to senior leadership and the regulatory system failing to encourage investment in essential infrastructure. Irresponsible owners, poor leadership, and ineffective prioritisation have led to declining performance. It expresses concern that around 70 per cent of water companies are owned by overseas investors, with some having attracted high-risk investors seeking quick profits.

This financial mismanagement has led to public anger over owners and executives benefiting from failing enterprises, say the MPs. Debt levels are unsustainable, and a significant proportion of customer bills (around 35 per cent) goes towards debt repayments and dividends.

Additionally, EFRA expresses concern over the millions in bonuses repeatedly paid to senior water company executives despite poor or average sector performance. While the Water Special Measures Act 2025 powers allow Ofwat to block and claw back bonuses for serious pollution events, EFRA express concern that pay packages might simply increase elsewhere.

This results in trust levels being very low, and the water industry lacking accountability to the public. Not all data is public, with citizen scientists often exposing issues which then get taken up by regulators. Ofwat lacks specific power to vet or veto senior leaders or new owners.

As a result of these findings, the Committee recommended:

- A shared understanding of acceptable financial reward should be developed for investors and executives, with greater regulatory involvement to pre-approve bonuses and dividends, potentially implementing "floor" and "ceiling" limits for dividends.
- New measures to regulate debt accumulation and management should be determined, ensuring loans are predominantly for investments and bill revenues cover day-to-day expenditure. Performance metrics, fines, and rewards must reflect long-term resilience, pollution reduction, and a "low risk, low reward" basis.
- Transparency must be improved through use of open data and improved collaboration with customers and regulators. Companies should be legally required to publish performance, environmental, and financial data regularly.
- All potential water company ownership models should be assessed to determine which promote a thriving and responsible culture (something which it noted the Independent Water Commission was not enabled to do). And regulators should be granted better powers to vet or veto potential owners and senior leaders.
- A single, comprehensive social tariff should be introduced to protect low-income households from bill increases.
- Finally, the long-term underfunding of regulators should be addressed, together with ensuring they can leverage sufficient fees to enable robust monitoring and enforcement.

NATIONAL AUDIT OFFICE: REGULATING FOR INVESTMENT AND OUTCOMES IN THE WATER SECTOR

The National Audit Office (NAO) **looked into** the ability of the water regulators to drive the necessary long-term objectives, incentivise performance, and attract investment. Its findings were consistent with those in other analyses, adding further weight to them.

Its headline was that a significant increase in investment is needed to address the wide-ranging challenges in the water sector: £290 billion of enhancement spend over the next 25 years, plus £52 billion for 30 major water supply projects, including nine reservoirs. It pointed to expected customer bill increases of, on average, £31 per household per year over the next five years, a 70 per cent increase compared to the previous period.

It identified that consumer trust has fallen to its lowest level since monitoring began in 2011, noting a 2024 Ofwat survey found 40 per cent of customers believed water companies were more interested in profits.

It, too, pointed to performance in key measures such as mains bursts, supply interruptions, and pollution incidents not significantly improving since 2015-16. It considered that Defra's regulatory framework is complex and inconsistent, involving 12 different plans and planning frameworks, leading to delays and affecting plan quality. It flagged gaps in oversight, particularly for wastewater assets and network security, drawing a distinction with better approaches for drinking water.

NAO considered that the Environment Agency's duties focus tightly on the water environment and do not necessarily strike a proportionate balance with net zero or cost considerations and it pointed to the complexity of Ofwat's price review methodology and the associated costs involved with working to it. On asset health, it found that regulators lack a shared understanding of the condition of both water and wastewater assets and noted the rate of water mains replacement is extremely low, at 0.14 per cent per year, implying it would take 700 years to replace the entire network.

It also expressed concern that the sector's financial risk profile has changed over time, with 10 out of 16 companies categorised as 'elevated concern' or 'action required' by Ofwat. It also flagged gearing levels close to 70 per cent for the sector and noted some companies struggling to cover interest payments. Dividends, while lower recently, contributed to financial weakening, it said, and this overall landscape allied to increasing regulatory risk for investors had resulted in credit ratings being downgraded.

NAO recommended that:

- Defra needs to understand the costs and deliverability of targets and their impact on customer bills.
- A coherent national system plan for water is needed, balancing different duties.
- Ofwat should simplify the price review methodology and evaluate its impact more effectively.
- All parties should improve understanding of asset health, concluding the "Roadmap for enhancing asset health understanding" by 2027-28.
- Ofwat should develop a view on how to identify and plan for long-term investment needs and improve transparency and predictability for investors.

PUBLIC ACCOUNTS COMMITTEE: WATER SECTOR REGULATION

The House of Commons Public Accounts Committee (PAC) expressed concern that with water bills rising for the fastest rate in 20 years, consumer trust in water companies had been eroded by a stream of reports of pollution alongside dividends and bonuses.

It said that Defra, as the responsible government department, must ultimately take responsibility for the failure to ensure that companies build and maintain adequate infrastructure to cope with the various pressures on it. It expressed frustration that a report five years previously which had pointed to a need to increase infrastructure delivery pace, so water did not pose a brake on growth, had not been acted on.

The Committee considered that regulators Ofwat and the Environment Agency had been “missing in action” and failed to ensure regulatory compliance by companies, whose environmental performance it described as “woeful”.

In this context, PAC noted that far from being in a good state to administer an estimated £290 billion of expenditure over the next 25 years to address challenges, the industry is in a poor financial position with a rising risk profile, the largest company at risk of insolvency and a failure on the part of Ofwat to keep control of financial largesse. It noted that this picture ultimately leads to higher costs for customers.

As with other reviews, PAC called for radical review (or as it described it, a “complete overhaul”) to address fragmented accountability and address the poor performance at pace, not necessarily waiting on the Cunliffe Review to address clear areas for improvement. It called for:

- Water companies to be transparent with customers on where their money is being spent and what improvements they can expect to see from higher bills.
- Regulators and companies to collectively develop standards for surveying and maintenance and a clear understanding of the condition of infrastructure, alongside a programme of inspection of progress for the delivery of AMP8.
- The Environment Agency to improve its planning approach and work with water companies to ensure water resource capacity is planned for before new development planning applications, which may be held up by capacity constraints, are submitted. Although where new developments might seriously exacerbate pollution because of capacity constraints it recommended that such planning applications should be blocked.
- Defra should ensure the Water Restoration Fund is properly set up and funds promised in 2024 are disbursed.
- Ofwat should ensure it has the powers and capability to improve sector financial resilience and clarify the Special Administration Regime, and Defra should ensure any regulatory responsibility gaps across its regulators are addressed.

CORRY REVIEW

The [Corry Review](#) was produced as an independent assessment of Defra's regulatory landscape, commissioned by the Secretary of State. Its primary purpose was to examine whether the existing regulatory framework is fit for purpose in driving economic growth while simultaneously protecting the environment. Corry also considered the customer and stakeholder experience and the efficiency of regulation.

His review concluded that the current environmental regulatory system is not working as well as it should to support either nature recovery or economic growth, describing it as inefficient, difficult to navigate, outdated, inconsistent, layered, and labyrinthine. It highlighted the precautionary principle as often driving risk-averse decision-making, inhibiting growth and hindering large-scale nature renewal.

To address these challenges, Corry proposed five strategic themes and 29 wide-ranging recommendations, aimed at creating a fundamentally different dynamic and set of behaviours within the system:

1. A focus on outcomes, scale and proportionality, with constrained discretion to enable flexibility.
2. A need to untangle and tidy regulations to ensure process-light and adaptive regulation.
3. Scope to deploy a fair and consistent "thin green line" on regulatory compliance, with trusted partners earning autonomy (and serious consequences for the worst transgressions).
4. A need to enable private sector green finance to support nature restoration whilst ensuring public sector finance is targeted more effectively.
5. A need to ensure regulators maximise the use of digital technology to improve monitoring and operational performance, enable innovation and partnership working.

On water specifically, Corry recommended the Water Environment (Water Framework Directive) (England and Wales) Regulations 2017 as an early priority for reform due to its complexity and the degree to which it intersects with around 40 other pieces of regulation.

On agricultural pollution, Corry called for Defra to swiftly develop plans to reform slurry application and storage to address diffuse water pollution from agricultural sources, potentially by changing the Farming Rules for Water and aiming for "a single, comprehensible set of regulations" for farmers.

Corry recommended a six-month "sprint" with industry to remove barriers to using NbS for addressing flooding and pollution, considering barriers relating to planning, benefit-cost ratios, and licensing.

To improve monitoring and enforcement, Corry pointed to progress with storm overflow monitoring but recommended for regulators to adopt more frequent, risk-based monitoring using real-time and digital approaches and making this information publicly accessible to support accountability.

THE PEOPLE'S COMMISSION ON THE WATER SECTOR

The [People's Commission on the Water Sector](#) was a direct response (and challenge) to the constrained remit of the Independent Water Commission in terms of its ability to consider the implications of a full range of water ownership models. It prioritised a broad critique of the privatised model, advocating for public ownership as a solution to the water crisis.

It also considered wider issues including the challenges posed by chemicals and the need to develop a resilient water system. In this context it too identified a lack of strategic oversight and accountability over the water system as a whole, and across water companies, regulators and wider polluters such as agriculture. It was mainly campaigners forcing accountability through exposure of failings, it argued.

The People's Commission report identified many of the failings observed by other analysis (which it characterised as an industry in crisis) but clearly asserted the root cause of most of these as its fully privatised model.

Of these failings it specifically identified underinvestment and financial extraction, arguing that water companies have failed to invest adequately in sewage infrastructure, despite paying £83 billion in dividends to shareholders since privatisation (inflation-adjusted). It identified that net debt had risen to nearly £70 billion by March 2024, with about a third of customer bill revenue allocated to financing costs and pointing to Thames Water's near insolvency being due to unsustainable debt levels.

It characterised regulatory failure in which regulators had been unable to steer private utilities to act in the public interest, failing to address underinvestment. The privatised system was characterised as "unregulatable", with information asymmetries and asset sweating driven by inadequately scrutinised self-monitoring and reporting. It recognised that addressing this through tighter regulation leads to increased credit risk and borrowing costs for companies.

The People's Commission called for:

- A transition to public ownership as a necessary enabler of a sustainable water system that ensured a focus on public interest, democratic participation, transparency, surplus reinvestment, and lower borrowing costs.
- Decisive use of the Special Administration Regime (SAR) as the means for this, with failing companies placed into SAR immediately.
- Reform of corporate governance, with Ofwat using its powers under the Water Special Measures Act 2025 to require at least one-third of all water company board members to be elected by workers or unions, and up to half by service-users or local government.
- The current fragmented regulatory system should be replaced with a single specialist water regulator with criminal sanctions. This regulator should undertake an urgent survey of hydraulic secondary sewage treatment capacity and a full assessment of water company assets.
- Establish a "SAGE for Water" (Strategic Advisory Group of Experts) as a cross-sector national crisis committee to develop a national level, long-term strategy for water conservation, protection, efficiency, and pollution reduction.

COMMON THEMES

THIS PLETHORA OF REVIEWS AND COMMENTARY HAS IDENTIFIED SEVERAL COMMON THREADS, POINTING TO THE AREAS WHERE GOVERNMENT WILL NEED TO FOCUS ITS ATTENTION FOR REFORM MOST SQUARELY:

1. **The systemic failure of the water sector:** All reports unequivocally state that the water sector in England is failing. This is reflected in poor performance, environmental damage, and erosion of public trust. A record £104bn spending programme in AMP8 offers scope for some improvement in performance by 2029, but it's unlikely to be enough to fundamentally change perceptions over the next five years. There are also concerns over the impact of bill increases on customer sentiment.

This discussion does not touch extensively on the need for better consideration of water as a system (aside from the Corry Review) and the need for multifunctional catchment and NbS. Instead it is focused mainly around performance and regulatory failure, which ironically is acting as a barrier to delivering such systemic and nature-based outcomes.

2. **Unacceptable environmental pollution:** A core and recurring concern is the high and increasing levels of pollution incidents, particularly storm overflow discharges. Enforcement actions against all major wastewater companies are ongoing. Storm overflows are arguably where improvements in the horrendous-looking annual event duration monitoring data might be most readily achieved, hence government's **emphasis** on improvement here.
3. **Inadequate investment and poor asset health:** There is a shared recognition that investment in infrastructure has been insufficient, leading to crumbling assets. The alarmingly low rate of water mains replacement (e.g., 700 years for full network replacement at current rates) is highlighted as a critical issue. A lack of comprehensive understanding or consistent metrics for water company asset condition is also noted and there are concerns within the sector that when this understanding is improved, the real picture may well turn out to be worse than it's considered to be even now.
4. **Financial fragility and mismanagement:** The reports agree on the sector's weakened financial resilience, marked by high debt levels, complex financial structures, and concerns about excessive dividend payouts. Thames Water's precarious financial state is a prominent example across reports. This speaks to the debate over public vs private ownership and whether a privatised system can ever satisfy a common feeling that providers of an essential public good should be highly purpose-led, towards public and not corporate interests.
5. **Low consumer trust:** Public confidence in water companies is at a long-time (if not all-time) low. This mistrust is directly linked to the environmental performance issues and perceived financial mismanagement. To a point this does not matter to companies themselves given that they operate as regional monopolies and customers cannot switch suppliers. However, it has a strong bearing on the political and regulatory response and until the dial shifts significantly towards a better level there will be ongoing investor risk alongside an active debate over private vs public ownership.
6. **Flaws in the regulatory system:** There is a strong consensus that the existing regulatory framework is complex, fragmented, and suffers from inconsistencies and gaps in oversight.

Concerns are raised about the effectiveness of incentives, the adequacy of monitoring, and the historical underfunding of regulators. These are at the root of the environmental performance and financial failures, meaning the proposals to make changes to the water regulators come as no surprise.

“All sources underscore the immediate need for fundamental and comprehensive reforms to address the deep-rooted issues.”

7. **Need for urgent and significant reform:** All sources underscore the immediate need for fundamental and comprehensive reforms to address the deep-rooted issues. Politically, unless the government can point to meaningful regulatory reforms alongside at least the signs of improvements in environmental performance by the next election, it will be seen to have failed on its pledges to halve sewage pollution by 2030 and clean up rivers generally.

The challenge is that most of Cunliffe’s recommendations point to the longer-term and without rapid progress the necessary machinations that feed into the PR29 price review will kick into gear without much actually having changed yet.

8. **Demand for greater transparency and data:** The importance of more open, accurate, and comprehensive data, particularly on environmental performance, is a shared recommendation to improve accountability and public understanding. This should ultimately form a platform on which to build improved public confidence if performance can be turned around.





INDEPENDENT WATER COMMISSION

THE INDEPENDENT WATER COMMISSION SPENT MUCH OF A YEAR INTERROGATING CHALLENGES MAINLY RELATING TO THE OPERATION OF THE WATER INDUSTRY, REPORTING IN JULY 2025

The Independent Water Commission's (Cunliffe Review) **final report** aimed to present the recommendations needed to achieve the "fundamental reset" of the water industry that so many other reviews had identified the need for. Sir Jon Cunliffe echoed many of the well-rehearsed challenges relating to performance, public trust and the regulatory framework, and made 88 recommendations organised around seven strategic themes.

Strategic direction: Cunliffe highlighted a critical absence of a long-term, cross-sectoral strategy for water, which has led to disconnected decision-making and communities feeling excluded from water-related issues.

He recommended that the UK and Welsh governments each bring forward new, long-term, cross-sectoral, and systems-focused National Water Strategies. These should establish a clearer vision, articulate priorities and trade-offs, and promote cross-sectoral action, moving beyond the current sporadic and unintegrated approaches. Complementing this, the Strategic Policy Statement (SPS) legal framework for guiding the water industry should be revised and replaced with a new Ministerial Statement of Water Industry Priorities (MSWIP), directing all water industry regulatory and systems planner functions in a clearer, more granular way.

Systems planning: Cunliffe identified current planning frameworks for the water system as complex, fragmented, and lacking integrated approaches, often leading to over-reliance on the water industry for environmental improvements. Systems planners – regional authorities in England and a national authority in Wales – were recommended to integrate planning across the entire water system,

including various sectors impacting water such as agriculture. These authorities would be responsible for planning, funding, setting water body objectives, and monitoring delivery, serving as a central fulcrum for water planning consultations and ensuring alignment with wider spatial planning.

Water industry investment planning: Cunliffe recommended increased flexibility in the 5-year price review cycle, moving to a 5/10/25-year investment planning model to provide more certainty for long-term projects, and streamlining the water industry's nine existing plans into two core frameworks: 'Water Environment' and 'Water Supply'. Improvements to economic appraisal were also recommended to ensure consistent and robust cost-benefit analysis across all planning frameworks.

Legal frameworks for water, widely identified as complex, prescriptive, and outdated meant Cunliffe recommended a major review and rationalisation exercise, to bring legislation up to date and better align it with desired outcomes. Like Corry, Cunliffe identified the Water Framework Directive for priority attention, bringing public health into their scope, alongside reviewing the Urban Wastewater Treatment Regulations.

Constrained discretion was advocated for regulators, building flexibility into the legal regime to allow for more innovative and cost-effective solutions while maintaining high environmental ambition and safeguards. Reforms to monitoring programmes were also recommended to ensure adequate resourcing, coverage of a wider range of pollutants, and use of new technologies, moving towards a more comprehensive understanding of the water environment's health.

A new water 'super-regulator': To address issues with fragmentation, gaps and confidence in water regulation, Cunliffe recommended a single integrated water regulator for England, combining the functions of Ofwat, the Drinking Water Inspectorate (DWI) and the water-related functions of the Environment Agency and Natural England. This aims to create a "whole firm view" of water company performance, improve oversight, and reduce regulatory burden.

For Wales, the recommendation is to establish a new economic regulatory function, ideally embedded within Natural Resources Wales to better align with distinct Welsh priorities and context. The DWI, however, is recommended to continue operating on an England and Wales basis, given the scientific nature of drinking water regulation. There are questions over how a more integrated water sector regulator might impact other functions currently delivered by the Environment Agency, such as flood risk management.

Strengthening Regulatory Approaches and Powers: Beyond structural changes, Cunliffe recommended the adoption of a 'supervisory approach' involving closer, forward-looking, and judgment-based oversight tailored to individual company circumstances, reducing reliance on historical benchmarking and fostering earlier intervention where needed. Specific economic regulation reforms include rationalising outcome delivery incentives (ODIs) the Competition and Markets Authority (CMA) setting a common weighted average cost of capital (WACC) methodology for all UK regulated sectors to increase investment certainty. The CMA dispute process for water companies should also shift from redeterminations to a standard appeal procedure, consistent with other regulated sectors.

Environmental regulation: Cunliffe agreed that the current approach to operator self-monitoring for wastewater treatment works should be replaced with intelligence-led inspections, greater

digitisation, automation, and third-party assurance to improve data reliability and public transparency. He also recommended that oversight of sewage sludge (biosolids) should be tightened by integrating treatment, storage, and use into the Environmental Permitting Regulations (EPR). Expanding regulators' enforcement powers and ensuring they are adequately resourced with capable, well-remunerated staff, including the ability to recruit outside public sector pay controls, was emphasised as crucial for swifter and more effective action against non-compliance.

Affordability and consumer protection: Customer service metrics should be sharpened, and Cunliffe agreed on establishing a national social tariff scheme in England (with a review for Wales) to support vulnerable households from necessary bill increases. He also proposed converting the Consumer Council for Water (CCW) into a new mandatory water ombudsman to provide binding resolutions for complaints and transferring CCW's advocacy functions to Citizens Advice to ensure a strong, independent voice for customers that the water regulator is required to respond to.

Company governance and investment: The extensive concerns about water companies' ownership models, governance, and financial resilience, particularly the perceived conflict between profit motives and public interest, were recognised by Cunliffe. However, in line with the IWC's brief, fundamental changes to ownership were not proposed.

Recommendations aimed to ensure water companies act in the public interest, including enhanced regulator powers over owners (e.g., the ability to block material changes in control, and to direct parent companies), mirroring public benefit clauses in companies' licence conditions, strengthening governance standards aligned with the UK Corporate Governance Code, and establishing a new regime for senior accountability within water companies.

Investor confidence and financial resilience: Cunliffe emphasised the need for regulatory model stability and a reset of government strategic direction to its regulator to provide more consistent messaging on priorities and expectations for the sector. He recommended embedding a formal financial supervision framework with the power to set minimum capital levels for water companies and establishing a formal turnaround regime for poorly performing companies, including enhanced powers of direction and regulatory forbearance.

Infrastructure delivery and maintenance: The current approach to infrastructure resilience and asset health was considered insufficient. The Commission recommended adopting statutory resilience standards, strengthening requirements for companies to map and assess their assets, and improving oversight through the proposed supervisory approach.

Cunliffe also flagged concerns over supply chain capacity, calling for joint assessments of infrastructure delivery needs against capacity, fostering better cross-sector collaboration, and ensuring water companies have robust workforce and supply chain plans. Recommendations focus on strengthening water companies' roles in planning, reviewing the 'right to connect', updating National Policy Statements, and expanding the Regulator's Alliance for the Progression of Infrastructure Development (RAPID) to include wastewater projects and a larger number of strategically important schemes.

On innovation within the sector, barriers including regulatory risk aversion, insufficient funding access, and lack of collaboration were identified. The Commission recommended introducing regulatory sandboxes to provide flexibility for innovative solutions.



Sewage treatment works are a major source of pollution and subject to an extensive – and expensive – upgrade programme



NEXT STEPS POST-CUNLIFFE

THE CUNLIFFE REVIEW HAS THE POTENTIAL TO SHIFT THE DIAL BENEFICIALLY IN WATER MANAGEMENT. BUT NOT HOW SOME CAMPAIGNERS WILL HAVE WANTED TO SEE, AND SUBJECT, STILL, TO HOW ENERGETICALLY THE WHOLE OF GOVERNMENT BACKS ITS RECOMMENDATIONS.

Sir Jon Cunliffe unapologetically compared his report to a Russian novel such is its length. He described it as technocratic. He also said it was the easy job and that government's follow-up will be harder – coming as it will with difficult decisions on everything from regulator reconfiguration, through new and updated legislation, to politically unpalatable decisions on water investment beyond the current 5-year spending round.

It's all of those things. It's considered and detailed and sensible, given the scope he was presented with. And it offers the opportunity to shift the dial on water management.

At the launch, Cunliffe addressed the question of ownership models directly. Knowing how hot an issue that is with many stakeholders and that his brief explicitly excluded wholesale change of the ownership model, Cunliffe said no single reform – however radical – would address the plethora of problems in the water space.

Of course, and understandably, many prominent campaigners are angry at this stance. Initiatives like the **People's Commission on the Water Sector** focused heavily (though not exclusively) in this space. Others describe Cunliffe's stance and the government's scope as "not enough".

But this government has never signalled this was territory it was prepared to step into. Not before the election and certainly not after. That ultimately left Cunliffe with the question of how you make the current system better.

WATER SYSTEM VINDICATION

Reviewing *A Fresh Water Future*, it's encouraging that many of its observations and recommendations about the current system have been echoed and built upon in far more detail by the Commission team.

That there needed to be a review to pick through all the knots and scar tissue of three decades of legislative layering. A review of company governance. Of regulators and regulation. Of policy

priorities. Of use of technology and how asset maintenance is and isn't working. Of spatial engagement, planning and management.

Also, of policy priorities. Here, Cunliffe made use of some stretch in the initial scope, recognising the importance of agriculture, transport, housing and other areas of economic activity that have a serious bearing on the health and resilience of our water bodies and cycle.

And it's here that the depth and detail of the review vindicate much that at CIWEM we have been observing and advocating for years. Detail on the water industry, but also validation of the assertion that unless government addresses some fundamentals associated with other forms of pollution the scope for success against a government pledge to "clean up rivers for good" will be limited.

That would be the case whatever the ownership model for the water industry.


The wider detail within the report is significant too, and points to many important areas for improvement and development of better water management practice that never registered in any of the media coverage, and away from the big-ticket headlines like super-regulators, regional water authorities and reworking the approach to economic regulation.

These are things that will feel like deckchair shifting to many and presented as such by campaigners dissatisfied by the fundamental principles underpinning the Review. Individually small and innocuous maybe, but collectively they can be substantive.




From mandatory sustainable drainage in new developments and removing the automatic right to connect to the sewer, to compulsory smart metering and more rainwater harvesting in new development. There is a long list of recommendations to welcome and for government to take forward.

ALIGNMENT WITH A FRESH WATER FUTURE



How far did the Independent Water Commission's review address the issues and recommendations made in A Fresh Water Future and what progress has been made by government?

AFWF RECOMMENDATION	REFLECTION IN CUNLIFFE REVIEW	DETAILS
<p>1. Commission a comprehensive, independent review of water management</p>	<p> Substantially delivered, though with a more limited scope</p>	<p>The IWC itself is the commissioned review, for which government should be commended. It undertook extensive stakeholder engagement, received over 50,000 responses, and produced a comprehensive set of reform recommendations. Its scope focused intently on the water industry though, rather than the whole water system so doesn't deal in detail with important components such as agriculture and highway and urban runoff pollution.</p>

		The Cunliffe Review is the platform on which government can now build a programme of impactful reform, if it so chooses.
2. Reform regulators to ensure effective performance	 Substantially addressed	<p>Proposes a new integrated regulator in England (merging Ofwat, DWI, EA, NE) and a new economic regulator in Wales. Recommends supervisory regulation, stronger enforcement, and clearer accountability, alongside a consistent social tariff to protect vulnerable customers.</p> <p>Government immediately committed to taking this recommendation forward as its headline component of water reform. There will need to be careful consideration of how regulator shake-up impacts those residual functions within the Environment Agency which impact water, especially flood risk management.</p>
3. Purpose-led water companies compliant with law	 Substantially addressed	<p>Calls for governance reform, senior accountability, powers to block control changes, and purpose-driven company models with public benefit clauses into company licence conditions. Suggests annual reporting and independent audits.</p> <p>Government had last year already committed to making water companies change their articles of association to put public interest at their heart. It must now go further and ensure this is prominent within their licences to operate, and the new regulator should ensure that companies are reflecting this appropriately.</p>

<p>4. Increase monitoring via National Environmental Monitoring Strategy</p>	 <p>Substantially addressed</p>	<p>Recommends reforming Operator Self-Monitoring (OSM), expanding Continuous Water Quality Monitoring (CWQM), and integrating citizen science and AI. Calls for full cost recovery and transparency.</p> <p>Government immediately committed to implement the reform of OSM and implement “Open Monitoring to increase transparency and restore public trust.” The Corry review pointed to the need for government and regulators to have updated IT and data systems to be able to work effectively and government must ensure that the necessary upgrades are delivered in a timely way.</p>
<p>5. Improve advice and enforcement for water-friendly farming</p>	 <p>Partially addressed</p>	<p>Recommends better use of Environmental Land Management Schemes (ELMS), catchment-sensitive farming, and stronger enforcement. Suggests systems planners direct funding and coordinate efforts. But limited by scope to make more specific recommendations on optimising an advise-then-enforce approach.</p> <p>Government’s pausing of new applications to the Sustainable Farming Incentive has done nothing to build optimism around its commitment to tackling agricultural pollution. Regional system planners may provide a route to targeting funding and advice better, but there is much to be done in this space still.</p>
<p>6. Deliver a statutory nutrient management programme</p>	 <p>Partially addressed</p>	<p>Supports nutrient pollution reduction targets under the Environment Act. Recommends planning reform to restrict intensive livestock units and better monitoring of nutrient loading. Limited by scope to make more specific recommendations on managing nutrient pollution from agriculture more widely.</p>

		<p>This remains an area in need of serious attention. With the impact of intensive pig and poultry units described as another “broken system” and logical measures such as creating nature-rich river corridors not taken forward, government must focus efforts on how it can better prevent damage and enable recovery in the agricultural space.</p>
<p>7. Invest in maintaining water systems so infrastructure upgrades endure</p>	<p> Substantially addressed</p>	<p>Calls for statutory resilience standards, improved asset mapping, with greater emphasis placed on maintenance within water companies’ ‘base’ expenditure. Recommends a Chief Engineer role in regulators and better delivery assurance frameworks.</p> <p>This shift in delivery scrutiny is now being driven through government’s water delivery taskforce but the increased emphasis on asset maintenance will need to be a priority for AMP 9.</p>
<p>8. Introduce ambitious catchment system management</p>	<p> Substantially addressed</p>	<p>Proposes regional systems planners in England and a national planner in Wales. Consolidates water industry plans and proposes replacing River Basin Management Plans with integrated catchment-based planning.</p> <p>Government immediately committed to “including a regional element within the new regulator... moving to a catchment-based model for water system planning” to “tackle all sources of pollution entering waterways” and has been developing its thinking in this area for some time in discussion with stakeholders.</p>

<p>9. Adopt a ‘sponge cities’ approach to urban water management</p>	 <p>Partially addressed</p>	<p>Supports NbS and sustainable drainage systems (SuDS), including a mandatory approach in new developments. Recommends water companies become statutory consultees in planning and better coordination with local authorities. Limited by scope to explore the wider flood risk management benefits of sponge cities approaches.</p> <p>Government has so far failed to implement a mandatory approach to SuDS, rowing back from its support for this in opposition and the momentum established by the previous government, instead favouring a flawed continuation of the planning-centric approach. It has an opportunity to reset this thinking through its new towns initiative, embedding sponge cities principles of managing rainwater where it falls as an enabler of its growth and housing targets.</p>
<p>10. Nurture public awareness of water usage</p>	 <p>Substantially addressed</p>	<p>Recommends compulsory smart metering, tariff reform, and national awareness campaigns. Suggests converting the Consumer Council for Water into a Water Ombudsman and transferring its advocacy role to Citizens Advice.</p> <p>Government immediately committed to reforming the CCW as recommended. Ofwat’s national water efficiency campaign and efficiency lab are a welcome first step in a public-facing attempt at raising awareness. Other activity such as the Environment Agency’s water hub would benefit from more concerted promotion publicly.</p>



Data centres are emerging as a major new source of water demand. Will government require improvements to their water efficiency?



THE DIFFICULT JOB

A WHITE PAPER THAT SETS OUT THE COMMITMENT TO REFORM AND THE PATH TO DELIVERY?

What really matters now, is what happens next.

To answer critics who say Sir Jon Cunliffe's modern "Great Stink moment" and opportunity to reset the sector is a **damp squib**, **deckchair shifting** and **missing the point**, those right at the top of government must back the proposed reforms.

The Prime Minister and Number 10 trumpeted the review and government's commitment to change. The Secretary of State was on a days-long media round. Government immediately committed to implementing **four of the recommendations**.

But there are some areas where we will need to see a shift in current behaviours from government to enable the potential progress contained in the report and its recommendations to be realised. Not least in starting to get serious about agricultural and highway runoff pollution, and in properly regulating so new housing is water efficient and has futureproofed drainage systems.

Crucially, government must ensure that its new 'super regulator' has the resource and capacity to be super, not supine. So, it has the heft to prevent the wrongs and failings of the past, but also to enable the necessary evolution to a nature-first future.

Those things will be telling. Government's response is expected to come in a white paper and implementation plan later in the year, in updated guidance to Ofwat on strategic priorities and in some new water legislation next year (legislative timetable space permitting). A change of Secretary of State for Environment, Food and Rural Affairs, in Emma Reynolds from the Treasury, may change the tone and detail of what is to come.

Whatever form the Government's response ultimately takes, its substance will be critical to the future health and resilience of our rivers, lakes and seas, and instructive on its mindset *vis a vis* where these things sit in terms of priorities within its groaning to-do list.

Amongst the plethora of other inquiries and reviews into the water sector over the last year and more, Cunliffe was by far and away the big show in town. But this abundance of scrutiny does one thing above all: it demonstrates wide consensus on the problem and need for wide-ranging action. In doing so it heaps pressure on the Secretary of State to shift the dial on water sector performance and governance.

“Crucially, government must ensure that its new ‘super regulator’ has the resource and capacity to be super, not supine.”

Emma Reynolds’ predecessor, Steve Reed (who has moved around the Cabinet table to become housing secretary), made bold claims on what government would deliver for water, both on the campaign trail pre-election as well as when in post.

Reynolds must now deliver on all that. The critique and reports, and the tone of her predecessor mean she must somehow ensure that come the next election the public can see signs of progress. That means regulatory compliance data moving in the right direction. Evidence of improvements on the ground and in the river. Water companies behaving differently.

That is a gargantuan task to deliver on before 2029.

Defra officials are scrambling to understand how to practically implement the most important recommendations of the Cunliffe Review and set that out in a white paper that will be scrutinised to the nth degree.

The turnaround time to government’s self-imposed autumn deadline for the white paper is frighteningly brief. What mustn’t be repeated is the last government’s Plan for Water: a comprehensive and considered document which pointed to the many and varied pressures on the water system (and many solutions) but crucially without the commitments or measures in place to actually address them.

Reynolds must ensure that this time, under this government, the enablers that have perennially been missing are now not only there but are implemented quickly. This approach cannot just *coexist* with the housing and growth agendas but *enable* them as an integrated part. It can ensure that new homes and businesses developed during this government’s term in office don’t exacerbate over-abstraction, pollution and flood risk but mitigate these impacts *in situ*, not through offsets.

MULTIFUNCTIONAL GOOD PRACTICE THE EFFICIENCY ENABLER

Of course, the water industry has £104bn to deliver a raft of infrastructure upgrades over the next five years. If there is merit in Cunliffe’s recommendations, making them happen will cost some money: in departmental time, regulatory reconfiguration, new regional authorities and upgraded catchment delivery, new IT infrastructure, extra regulator expertise and new legislation.

There is unlikely to be much political appetite to spend much more money either through the public purse or consumers. This means that the need to zero in on where it’s possible to unlock more in terms of ‘cleaning up our rivers’ outcomes from (at the very least) little to no more money than has already been committed, should come into sharper focus.

This means multifunctional, sustainable solutions. Tackling issues at source first (always the cheaper, more effective way). In the absence of a bottomless pot of money to build new and expand existing conventional water infrastructure, government must configure policy and regulation to ensure that what is delivered from this point forward (housing, infrastructure, food) minimises negative impact on the health and resilience of water and extensively begins to recover it.

Such approaches are already delivered far more as standard in many parts of the world than they are in the UK. The first A Fresh Water Future report was explicit that we don't need a yet-to-materialise technological revolution to recover our water environment. We know how to do it now. A broader appreciation of how possible this all is can come from looking to good practice both in the UK and overseas. It's more normal than those in wider government departments perhaps appreciate.

The Prime Minister has said recently that in the second year of his government's term in office the emphasis has to move from "fixing the foundations" to a "relentless focus on delivery". This is absolutely the case for water. It's a sector which moves slowly by virtue of the scale of its infrastructure. So, government would always need the political cover of a few years left in office to do the turnaround and hope that by 2029 some green shoots of improvement are showing, alongside being able to point to wide-ranging structural reform. There will undoubtedly be a tricky balance in delivering at pace, but also getting the new setup right.

The new setup must be able to do three fundamental things: regulate effectively, enable the most widely beneficial approaches, and ensure that the huge amounts of money being spent in the water sector deliver the biggest possible bang for the buck.

The focus for A Fresh Water Future therefore focuses the practical delivery of solutions across the necessary parts of the water cycle, focusing in on various critical questions:

HOW CAN GOVERNMENT AND THE WATER SECTOR TURN REVIEW INTO TANGIBLE PROGRESS BEFORE 2029?

With the promise of further water legislation to come, it will be necessary to determine what really needs legislation, and what can be achieved through stronger or more specific policy direction. Cunliffe identified the need for government to conduct a "wider review of legislation and targets" including priorities such as the Water Framework Directive Regulations and the Urban Wastewater Treatment Regulations. But he also urged a stronger national strategy for water and a clearer strategic policy statement for Ofwat. Systems planners have been proposed in areas such as water resources, alongside wider water sector strategic planning frameworks.

Clear strategy, decisive policy and investment in the right enabling areas (such as data and AI to enable smarter regulation, NbS, outcome-based regulation and regional governance) can be complementary to the government's wider policy priorities, can signal a new and better direction of travel without necessarily being held up by the legislative timetable.

Political cover of four more years in office may not necessarily feel firm in the current climate, but a broad consensus across the water and environment sector behind this kind of direction would help government to convincingly evidence a viable model for the future. For this to be successful, Ministers are likely to have to recognise a wider range of critical dependencies between healthy water and resilient growth than the present duopoly of water resource and wastewater infrastructure capacity.

“The new setup must be able to do three fundamental things: regulate effectively, enable the most widely beneficial approaches, and ensure that the huge amounts of money being spent in the water sector deliver the biggest possible bang for the buck.”

GOVERNANCE AND ACCOUNTABILITY IN WATER REGULATION

Beyond the physical pollution the public observe, and campaigners mobilise against, the fuel to the fire in the present water quality scandal has been the willingness and ability of private companies to trade public good for profit and the inability of regulators to keep this in check. With Ofwat the political **fall guy**, the question of how a “single, powerful regulator” will be configured is a burning one, with a range of side effects highly relevant to how the water cycle is managed and what remains from within existing regulators’ remits.

Clarity of objectives, governance, powers, independence, resourcing, realism, leadership, momentum and more have been identified as critical factors for success in **setting up new public bodies**. The challenge of balancing the public desire for an iron regulatory fist on water with the genuine need to be flexible to enable more holistic and systems-focused approaches will be a pronounced and potentially conflicting one for a regulator looking to stamp its authority on the sector.

Such multi-beneficial approaches could be the main tool government has to unlock more beneficial outcomes to society for the money but politically could be hard to position. Constrained discretion is a fantastically technocratic expression of common sense but relies on trust in those being regulated. Something that’s in short supply at the present time.

DEVELOPING EFFECTIVE REGIONAL AND CATCHMENT-BASED APPROACHES

One of the enablers of a more nuanced approach to delivering national priorities against local and regional variance and considerations is the move towards regional water authorities and systems planners. These entities should be responsible for understanding the goings-on within catchments via a range of plans spanning the various land use and industry impacts on water health and taking a reasoned approach to prioritising where management focus should be the strongest to unlock the greatest environmental, economic and social value. It will be a role requiring the right balance of duties and convening authority, technical expertise and legitimacy with the regional public, and success or failure may be determined by subtle factors.

On the ground, delivery will of course see water companies central to much of the investment, but more empowered and enabled catchment partnerships have the potential to achieve cost-effective success with the understanding of what good practice looks like and the resource to deliver it more widely. There is an ongoing over-reliance on the water industry to deliver improvements to the water environment and there are several examples of wider catchment good practice, which should be learned from and mainstreamed.

This regional systems planning approach is an area where there has been deep thinking done already, in terms of the **approach and functionality** and on the basis of experience **delivering at catchment scale**. There could be lessons to be taken from how regional water boards operate in other countries such as **the Netherlands**. Geographical configuration is likely to always be imperfect with a degree of political and physical boundary overlap. One of the proposals from Cunliffe was that the regional authorities (systems planners) should play a role in consolidating various plans into a more streamlined set.

Regional Water Resources groups may offer a bridge towards the approach, with groups such as Water Resources East (WRE) already engaging with a wide range of stakeholders and looking towards unlocking opportunities through catchment and NbS. These groups are now being asked to integrate across other plans such as Drainage and Wastewater Management Plans, too.

WRE suggest regional groups could be the primary coordinators of 'water system plans' which then aggregate into the ultimate top level regional plan (River Basin Management Plan, or equivalent). However, it is likely regional water resources groups would need to be a distinct part of the overall regional water authority ecosystem rather than morphing into it. Other granular models are no doubt available.

CROSS-SECTOR COLLABORATION AND INVESTMENT

Collaboration and partnership working may be two of the most over-used yet seldom mastered terms in water management. With actors across the water cycle seldom properly enabled to work in this way and instead constrained by the day-to-day immediacies of their statutory or necessary purpose it is simply hard to achieve.

Yet as many before did, Cunliffe recognised that in a system – a water cycle – that touches so many aspects of the nation's activities, it is fundamental to success. Without involving those participants who have the most impact and control over this system any success is likely to be limited. Not all of them have the powers and duties to get involved as they need to. Others simply lack the means. Identifying the main ones may be a role for regional bodies. Some may need to be compelled to partner, others incentivised, and others still made better aware of the benefits of doing so. Understanding the barriers and how they can be overcome will be vital to success.

CROSS-SECTOR FUNDING AND FINANCE

As with engagement and collaboration, the rules and frameworks around funding often mitigate against the ability to mobilise money outside of defined areas of focus and purpose. Reviewing those mechanisms which govern the use of public money so that they enable a greater degree of flexibility and channelling into multi-beneficial outcomes will be essential. Furthermore, in the environment sector there remains a heavy reliance on public money and a tantalising potential to unlock private capital to provide the quantum of investment necessary to reverse decline and begin to secure recovery and resilience.

“After the review, government’s record on rivers is now all to play for.”

Valuation mechanisms, metrics and monitoring and how they are – and aren’t – used are often at the heart of this reality. With water companies only part of the problem and solution, but owners of a large proportion of the investment pot, it is necessary to diversify so agriculture, urban and wider infrastructure development also contribute proportionately. Understanding and enabling the evidence bases, mechanisms, monitoring and assurance that will enable more diverse investment will be an important part of the jigsaw.

RESTORING LEGITIMACY THROUGH SHARED ACCOUNTABILITY

Whilst the Cunliffe review (and much of government’s narrative) has been focused on the water companies, it is widely known that improvement cannot be just about stronger regulation of the industry and ever-increasing capital programmes (and water bills). Success will rely on government setting the right policy and regulatory frameworks and resourcing them to be successful, water companies improving their practice and transparency, and a wide range of other actors in the water system having greater awareness of their impacts on it and how they can – and should – act accordingly.

Water has been taken for granted for decades by many. Increased visibility of the consequences of this has rightly identified the need for change. But that requires changing cultures, skills, ways of working and communicating to what has gone before. Only by all concerned recognising their role in the current circumstances, and in improvement, and holding themselves accountable to playing their role in delivering it, will the sector succeed.



A FRESH WATER FUTURE IS POSSIBLE

There are reasons for optimism in what government has achieved to date and could set in train over the coming months and years.

It commissioned a review which has made a raft of recommendations that would meaningfully improve things. There's a lot that government can bring forward, which would feel like significant reform (if not the kind that some within the sector would like to see).

Government must lift the momentum in implementing change across the water cycle. It mustn't continue the trend of focusing all its attention on the water industry but also bring forward policy change that delivers good water management practice across new and existing housing and agriculture, as well as water company activities.

After the review, government's record on rivers is now all to play for. This has been billed as a generational moment and the opportunity to deliver the change promised must not be wasted. The emphasis must now be on delivery. The ball is in the government's court.



WE THEREFORE CALL ON GOVERNMENT TO BRING FORWARD A WATER WHITE PAPER THAT:

Addresses water issues beyond the water industry.

Bringing forward policies that will improve the management of agricultural runoff, highway runoff and the water impacts associated with new and existing development.

Ensures its new 'super regulator' for water does not result in a more fragmented and siloed approach to managing the water cycle.

In particular, that the closely related aspects of surface water management which affect flood risk management and pressure on combined sewer network capacity are managed and regulated in a more integrated way and that the proposed regional systems planners have the necessary powers to enable delivery against regional water priorities.

Affords the new regulator the capacity and resources to do its job effectively.

Meaning an appropriate level of budget, workforce capacity and IT systems which can manage the vast amount of data necessary to understand what is happening in our river catchments and target resources to the right solutions effectively.

Prioritises managing rainwater where it falls, whether in upper, rural catchments or in urban environments.

To maximise opportunities for water resources and minimise surface water flood risk and sewer and wastewater treatment capacity challenges. This should be exemplified in a 'sponge cities' approach to building the government's planned range of new towns and supported by a mandatory requirement for sustainable drainage that embeds a formal mechanism for SuDS approval, adoption and maintenance.

Sets out a renewed commitment to an Environmental Land Management Scheme lower tier that incentivises good water management.

Whilst recognising the importance of better food security for the UK, this should prioritise making space for water through nature corridors alongside watercourses and strategically targeting less-productive areas of agricultural land for NbS for water.



SKILLS GAP TO GROWTH

DARREN ECKFORD, CIWEM'S DIRECTOR OF LEARNING AND ORGANISATIONAL DEVELOPMENT, SETS OUT WHY WE NEED TO THINK DIFFERENTLY ABOUT THE SO-CALLED WATER 'SKILLS GAP'.

The water and environment sector is in a period of change. From flood resilience to water quality, from sustainable drainage to partnership working, one leading line seems to hog the headlines: we need more skilled people, and we need them now.

It's easy to call this a skills gap. But that focus on the problem can limit how we take action. What we're really facing is a professional development opportunity, both collectively and individually. It's a chance to strengthen the sector by investing in its people and teams, creating a more competent, confident and connected workforce.

This is an exciting fulcrum moment for our sector. One where we can grow not just capacity and capabilities, but community. A sector that focuses on connecting individual strengths through supportive environments, where learning becomes a shared commitment, where aspirations are promoted across every stage of personal and professional development.

PRESSURES AND PURPOSE

The government has announced £104 billion in investment in the water sector over the next five years. Addressing the Water UK Skills Summit on 15 July, the Secretary of State called this a "fresh start, an opportunity to build new partnerships". We need to be clear that whilst investment is increasing, so too are ambitions and complexity. Whether in local government, consultancy, water companies, regulators or NGOs, organisations, teams and people are under pressure and need cross-sector support.

During a panel discussion at our Flood & Coast conference back in June, we heard this loud and clear: people are motivated by purpose, but that's not enough. They need structured development, clear and inclusive career pathways, and organisations that support them to grow, not burn out.

CIWEM'S ROLE

Our focus is simple: enable people to learn, lead and thrive in their careers. As a royal chartered professional body and the only one positioned broadly across the water and environment landscape, we have a deep responsibility to take action.

We want people to feel part of something bigger than their role. Whether you're new to the sector or a seasoned professional, your development matters. Because when we grow, the sector grows too. The Water Industry Labour Report 2025 found that 66 per cent of water engineers are planning on leaving the water sector in the coming years. The recent CIWEM member careers survey, on the other hand, found that only 3 per cent of our members were planning the same exodus, a figure that had not changed since the last survey in 2023. Herein lies the beauty of a diverse, connected community working for a greater purpose.

LANGUAGE AND CULTURE MATTER

Culture is just as important as contracts. The best organisations aren't just hiring people who excel at competency-based assessments, they're recruiting people who care. They're creating space for career changers, returners and people with diverse skills and lived experiences, and enabling them to present themselves as more than the parts that tick the boxes of a role specification.

It doesn't stop at recruitment. People stay where they feel appreciated, where learning is encouraged and growth enabled. Brand has to match culture. Consistency is key: recruitment practices must not be the glossy front page hiding an outdated instruction manual.

We're here to champion a culture of continuous development, curiosity and care. That means helping employers understand what good support looks like. It means helping individuals find their own pathway. It also means telling a better story about what it means to work in our sector.

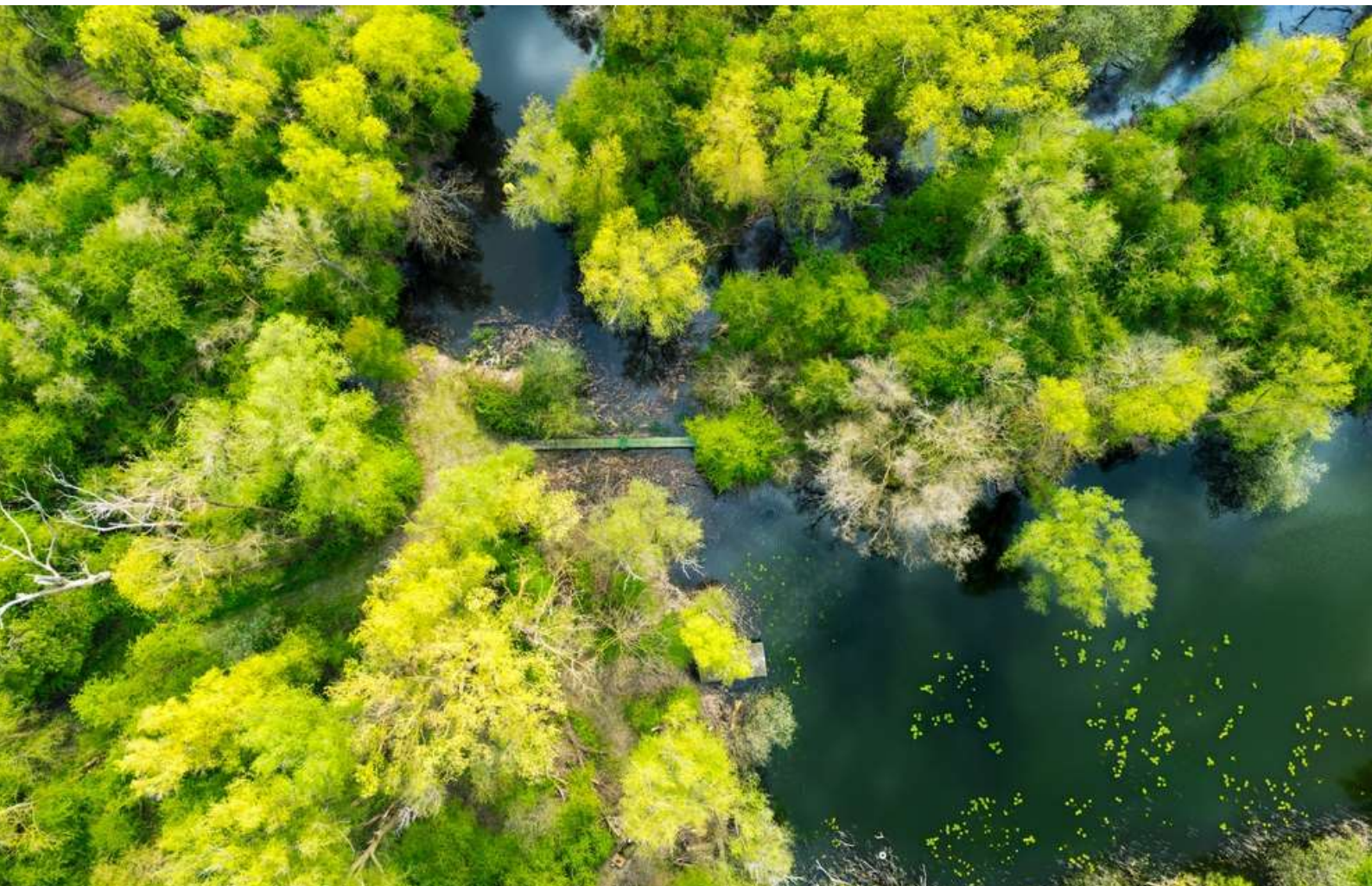
'Your Future', our report on water sector skills, will drop in October and will explore these ideals more broadly and in finer detail. We hope it becomes a resource for planning your future and that of the sector.

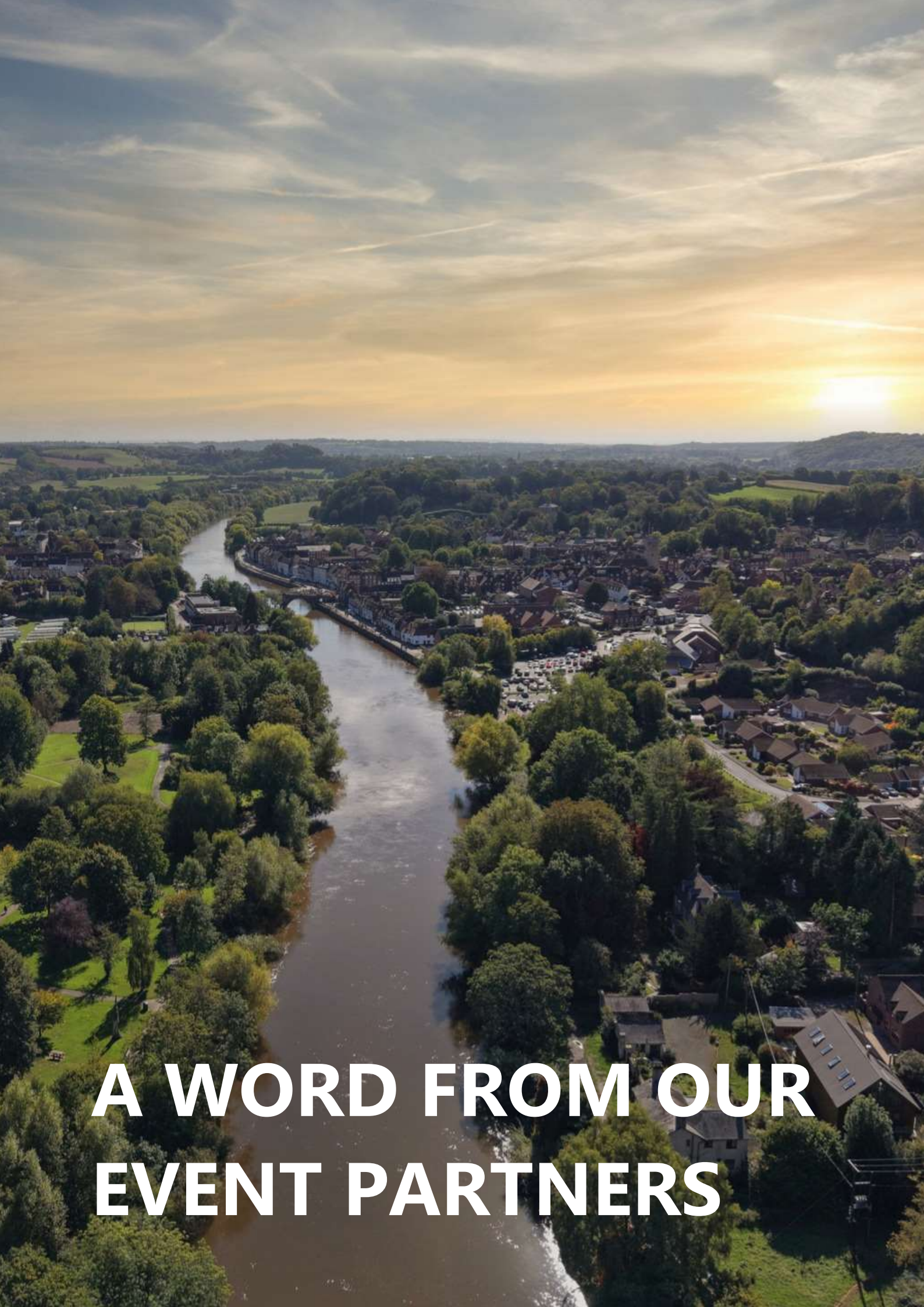


INVEST IN PEOPLE

The need to support climate resilience, environmental and nature recovery is urgent. But our solutions must be people-led. So, here's the ask, whatever your role: support learning; value personality and aptitude as much as qualifications; show that this is a sector that has purpose, where you can make a difference and build a career while doing it.

Let's move from talking about shortages and gaps, to building strengths; from problems to opportunities; and from 'me', to 'we'. Let's invest in people and grow the workforce the future needs.





**A WORD FROM OUR
EVENT PARTNERS**



MATT CLEGG, BINNIES ENVIRONMENT DIRECTOR EXPLORES THE WORLD OF FINANCING CATCHMENT AND NATURE-BASED SOLUTIONS: THE STATE OF NATURE MARKETS IN THE UK

Nature-based solutions (NbS) are increasingly recognised as essential tools for addressing environmental challenges in water and critical infrastructure sectors. Ofwat's final determination allocated £3bn to NbS, acknowledging their role in improving river water quality, reducing sewer overflows, and enhancing biodiversity. However, financing and implementing these solutions at scale remains challenging. Emerging nature markets offer opportunities, but strategic investment and interdisciplinary collaboration are essential to turn concepts into viable projects.

DEFINING NATURE-BASED SOLUTIONS AND THEIR VALUE

NbS encompass a range of interventions that enhance natural processes to deliver environmental, social, and economic benefits. From wetland creation to strip nutrients from wastewater discharges and urban drainage to broader catchment, floodplain habitat and river restoration that build water resource and flood resilience, these solutions offer significant advantages. However, the mere existence of such solutions does not guarantee their funding or delivery, raising the question of how best to integrate financing mechanisms into the development process. Their effectiveness depends on securing sustainable funding mechanisms that support their long-term viability.

The integration of natural capital valuation in NbS project development offers a proven solution. By quantifying both direct and indirect benefits of NbS throughout the development of our Chester Wetlands, Burton Washlands and Western Rother projects, we have identified early means of funding and financing from the outset, whilst also communicating those benefits to stakeholders.

Direct benefits, such as nutrient removal, spillage reduction or flood mitigation often drive project initiation, while broader advantages like enhanced biodiversity, recreational opportunities, and climate resilience can help connect NbS outcomes to attract a wider array of investors. Embedding these valuations into project planning enables decision-makers to articulate the true long-term value of NbS, making them more attractive to public grants, private-sector investment, voluntary and compliance nature markets and blended finance models.

INTEGRATING NATURAL CAPITAL INVESTMENT

For NbS to move from concept to implementation, structured development and investment frameworks are critical:

- **Multi-Disciplinary Collaboration** – Successful NbS require expertise from ecology, hydrology, engineering, finance, and environmental economics. Cross-sector collaboration ensures alignment of interests and stakeholder buy-in.

- **Robust Data and Evidence** – Reliable environmental and economic data underpin NbS financing, enhancing investor confidence and enabling impact assessments.
- **Place-Based Solutions** – NbS must be tailored to the local geographic and socio-economic context, ensuring they address site-specific challenges like pollution reduction and flood resilience.
- **Long-Term Investment Horizons** – Unlike traditional infrastructure, NbS require longer timeframes to generate returns. Securing patient capital is essential to bridge funding gaps and sustain projects.

HARNESSING NATURE MARKETS TO DELIVER BENEFITS FOR ALL

The UK's nature markets are still in their early stages but hold significant potential to mobilise private finance for NbS. However, balancing project outcomes with revenue generation remains a challenge. Community engagement is also crucial, and models like community energy have the potential to offer inspiration for new 'community nature companies', allowing local stakeholders to invest in NbS while benefiting from the accessible green spaces created.

Ultimately, scaling NbS requires integrating natural capital valuation, fostering collaboration, leveraging robust data, tailoring solutions to local needs, and securing long-term investment. Expanding nature markets and connecting them to community involvement will be key to unlocking the full potential of NbS in the UK.



The Buron Washlands Project: using natural capital approaches to enable funding of flood resilience improvements





JO HARRISON, DIRECTOR OF STRATEGIC PLANNING & SUSTAINABILITY AT UNITED UTILITIES IDENTIFIES THE DIRECTION OF FLOW: SYNERGY AT CIWEM'S A FRESH WATER FUTURE CONFERENCE

The CIWEM A Fresh Water Future conference was an opportunity to hear the views from across the sector on where we are and where we want to be. It was a timely conversation ahead of the call for evidence in January 2025 to feed into the Sir Jon Cunliffe's independent review of the sector, and what was clear throughout the day was the large amount of synergy between what we were all saying. The review was a once in a lifetime opportunity to reset our approach, and it couldn't be clearer that change is needed if we want a sustainable future, and that all our voices need to be heard.

Improvements in water quality in England and Wales have stalled, and it isn't through a lack of investment in improving water company performance. Many things about the original Water Framework Directive were good, such as the outcomes-based approach, but we haven't achieved the targets originally set out. It was brilliant to have agricultural sector involved, but there were still key players such as highways drainage missing from the conversation, and it will be hard to reach our targets unless we all come together.

This could be supported by regulatory reform. Our current suite of complex and overlapping regulations needs modernising and simplifying, to improve implementation and reduce knotty situations where overlapping regulations have competing not complementary drivers, and no clear way forward.

We need to build a new generation of plans and action to deliver change. But no matter how good any new approach is, it will depend on people – the experts we see today in many different roles and organisations. We need to fully utilise their expertise and be more pragmatic, agile and proactive, but how do we change our approach to unlock this? Does technology have a part to play in this, and will AI provide us with opportunity in this space?

All of this might improve our approach today. But we already need to be looking ahead to the problems of tomorrow, with PFAS, caffeine and pharmaceuticals all waiting below the surface. The shadow of a workforce and skills gap is hanging over us as we need to attract and retain new talent and skills into our sector to deliver the future we all want.

The day was underpinned by strong underlying themes of a need to collaborate and work together to tackle our shared challenges, because alone we can go fast, but together we can go far.



NEIL DEWIS, DIRECTOR, WATER ADVISORY AT WSP REFLECTS ON A FULL DAY AT A FRESH WATER FUTURE 2024

In early 2024, CIWEM published A Fresh Water Future, an independent review of water sector performance and governance and a co-created expert, stakeholder and public vision for future water management in the UK. Under the headline 'Three quarters of public say next government should reform water regulation after general election, finds major water management study', it set out to provoke some much-needed debate.

Well fast forward to December 3rd, 2024, CIWEM organised a full day (and I mean a full day) of sector leaders to review what the paper achieved and consider what's next. WSP sponsored and were a lead partner at the event.

A lot has happened since January 2024; there has been a general election, the government has introduced legislation in the form of The Water (Special Measures) Bill in the UK. It aims to strengthen regulatory powers over private water companies, focusing on areas such as executive pay, governance, environmental accountability, and enforcement. Water companies will be required to adhere to additional rules around pay, governance, and sewage discharges. In addition, Sir Jon Cunliffe's independent commission on regulatory reform of the water sector has been undertaken.

So, what did the sector leaders think of the year's big announcements and how can CIWEM develop A Fresh Water Future to support the planned changes?

I don't know if Richard Benwell, CEO of the Wildlife and Countryside link, said it by accident, or if I misheard, but when he described it as 'Critical Natural Infrastructure' the phrase seemed to set the tone for the day. All panellists seemed united that the challenge is broad, systemic and in the national interest for us to come together and solve a once in a generation issue.

The Minister for Water, Emma Hardy MP, was confident that the government is up for the challenge and urged the sector to get involved. The Terms of Reference for Sir Jon's review, on the other hand, presented by members of the newly assembled review team, seemed narrower and time constrained but perhaps reflective of the urgency facing the sector.

The conference heard from regulators (Ofwat, Defra, EA) and the consensus view seemed to be that the regulations are sound, but implementation has not been effective. As an industry it has become the norm to not achieve targets and compliance without sufficiently looking in the 'collective mirror' to ask, why not? The EA also highlighted the significant achievements that the sector had made in cleaning up rivers and that we shouldn't reject traditional grey solutions over NbS. However, other views argued that a hierarchy of 'nature based' first should be an outcome of the regulatory review.

Mike Keil from the Consumer Council for Water stated that consumers, despite a historically low trust in the sector, are in support of the need and willing to fund their share. He said it's not a choice between customer satisfaction or the environment and the two outcomes can be in balance. That was echoed by many stakeholder groups (from the farming community, Rivers Trust and others) the will is there, the evidence for catchment solutions working and providing benefit is there, but so are the obstacles to bringing all parties together. Of the more radical ideas, the idea to move health service funding into the sector to build blue/green solutions that help mental well-being and provide health benefits is logical but seems 'one big step'.

There were many good case studies that demonstrate where source control and catchment solutions, when stacked together, provide far greater benefit than the cost – who takes the lead seems to be the main obstacle.

The sector, which employs 100,000 people across the supply chain, is likely to need 43,000 new recruits to meet the £104 billion investment plans. Ensuring that the sector is attractive to new and different talent is key, as Lila Thompson from British Water pleaded #maintenance is sexy.

For WSP the regulatory reform, investment programmes and our track record in this space is a huge opportunity and we will actively look to engage as the next phase of a Fresh Water Future work takes shape in 2025.





A **FRESH WATER** FUTURE

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