

A new vision for water? A deep dive into the Water White Paper

The **Water White Paper** is a welcome step in taking forward reform in the water sector. But there is considerable detail still to come later this year in the follow-on Transition Plan, establishment of the new regulator and the practical implementation thereafter, writes CIWEM policy director Alastair Chisholm.

If you digested the Cunliffe and Corry reviews last year, there won't be any surprises. In its investor friendly tone, it'll make the irate angrier and will please the water industry. And it points in the right direction from an integrated water management perspective.

Government claims it's a "radical transformation". That exists on paper for now and judgment must wait until the changes proposed are implemented and bedded in.

The recognition that for too long water management has been fragmented is welcome. Amongst the understandable public and media focus on sewage pollution and water company finance and debt, this disjoint with the wider drivers of increased pressure on infrastructure has been ignored across government.

Focus not fragmentation

Clearer policy direction, in the form of more focused strategic policy statements should help water companies prioritise their spending against demographically identified priorities.

The supervisory approach proposed for the new regulator has the potential, again, to ensure that water company spending is focused on addressing the challenges relating directly to each water company, rather than nationally. It offers the potential for better effectiveness and therefore value for money.

Improved asset mapping and resilience standards should start to develop a better picture of the state of water infrastructure and where improvement work should be targeted.

There is recognition that many of the challenges – and opportunities – relating to water are long-standing. This emphasises two things: That appropriate management standards have been undervalued in the past, and that they need to be prioritised in the future.

This must be reflected in the interim strategic policy statement for Ofwat and the Ministerial Direction for the Environment Agency, and then in those directions for the new regulator once it is up and running.

In the spirit of recognising previous fragmentation, this strategic policy direction (which will essentially be the "long-term and cross-sectoral strategy for water" the White Paper talks of being absent in the past) must also be reflected in wider policy on housing, farming, nature recovery and other societal and economic activities that impact on water.

The "a new direction for water", "clear action for water" and "water security" outcomes identified must reach across government and not simply be priorities for the new regulator in isolation. This

strategy must be set within a statutory framework so that its long-term direction – proposed to be for 25 years – is robust.

Long-term clarity is crucial for a sector that works at huge scale and must operate hundreds of thousands of miles of sewers and water mains, thousands of water and wastewater treatment plants and will increasingly work at landscape scale with natural processes to deliver its target outcomes.

Government has committed to an “ambitious, coherent reset of the legislative framework.” This is welcome given the need to address a range of new or emerging pollutants and transport mechanisms between their source and the water environment. However, the scale of this work shouldn’t be underestimated.

The detail in the forthcoming Transition Plan will be informative on the priority issues although government aligns with the [Cunliffe Review](#) in identifying the Water Framework Directive and the Urban Wastewater Treatment Directive as the most immediate.

A new approach to planning

Streamlining planning is potentially beneficial in reducing the scope for duplication and providing greater top-level clarity on priorities. But this is unlikely to appreciably reduce the amount of groundwork that will have to be undertaken by professionals in the sector to ensure that the consolidated suite of plans is properly informed.

Better consistency across all processes feeding into these plans and involvement of those organisations whose activities impact on water quality and resilience are what is vital here, and where efficiencies could be achieved through more effective use of data, reducing scope for conflicting priorities and better understanding and mobilisation around common ones.

Beefed-up regional planning (currently used to inform water resources planning) to consider the range of pressures impacting water health and resilience at a regional level should offer the scope to prioritise the things that will deliver the most impactful outcomes on water quality, nature recovery and the ability for those regions to deliver economic growth. The aim is that these things are enabled by better water management rather than blocked by shortages, pollution or flooding challenges.

Government will need to ensure that its nationally set strategic directions to the regulators enable delivery of the priorities laid out at regional level. Alignment, allied to effectively functioning regional planning bodies should unlock better value for money and prevent wastage that has resulted from the fragmented and misaligned policy and regulatory frameworks of the past. So, we are pleased that government has recognised this central pillar of [our arguments](#) for a more joined-up approach.

But the effectiveness of this regional planning approach is not guaranteed and much detail will need to come in the Transition Plan and following some piloting of components of the approach, supported by appropriate resourcing of the teams needed to bring this whole planning approach together effectively.

This has to be a non-negotiable for those efficiency wins to be unlocked. The proposed Regional Water Planning Steering Group will have important work to do over the coming year before the approach is rolled out in 2027. The White Paper was launched with a commitment to double funding

for catchment partnerships to help them provide the grass roots monitoring, plan input and delivery they are good at. Given their paltry subsistence grant at present, this may not be enough to really shift the dial though the recognition of their value is welcome.

Government highlights the importance of collaboration to ensure success. For CIWEM, this is one of our strategic enablers and we welcome this recognition. Collaboration and partnership working roll off the tongue more easily than they happen in practice. So multidisciplinary organisations like CIWEM are well placed to support, and in setting out the complexity of the water cycle, its management and what this means for the public.

Pleasingly, government commits to helping tell that story – something that hasn't always been very visible in the febrile political climate around water.

New regulator

Regulation, of course, has been the media focus for the White Paper. Pollution, fines, prosecutions, bonuses and dividends are the lightning rods for public dissatisfaction and loss of trust in how effective (or otherwise) regulators have been in keeping undesirable performance and behaviours in check.

A new integrated regulator is proposed to “look at all water company activities in the round for the first time, enabling a ‘whole firm’ view of economic and environmental performance”.

Government proposes to “make leadership appointments at the earliest opportunity” to set strategy and approach before transition across from the existing four regulators. Again, the detail of all this is due in the Transition Plan.

Alongside “integrated”, read “supervisory” as the new regulator will move into the territory of understanding company-by-company context as a basis for regulation, as opposed to a one-size-fits-all set of regulatory targets.

This will sit within a nationally consistent approach. Government states that “all decisions will be taken with the public benefit at the forefront”, though there is no explanation of what that means in practice.

Government has also run with the concept of ‘constrained discretion’ as recommended by the [Cunliffe](#) and [Corry](#) reviews. This will ultimately give the regulator more power to regulate against the spirit of the law, rather than the letter. However as with the supervisory approach it potentially means government and the regulator could be in the firing line if things should go wrong in terms of decisions on priorities.

Across both areas of regulatory flexibility, there is ample use of the term “guardrails”; there will be plenty hanging on robust guidance and good regulatory practice.

Water company ownership – perhaps the most inflammatory of subjects in the UK water arena – is tackled fleetingly and in a way those who believe this issue is at the heart of the financial engineering-resultant failures will find wholly inadequate. However, government pledges to ensure owners are in it for the long-term, though again it has not yet firmed up the detail on how it will make sure of this.

Corporate culture is given a nod, with reference to closer alignment with the UK Corporate Governance Code and updates to company Articles of Association to put customer and environmental interests at the heart of company objectives. Measures such as ensuring customer, employee or local public representation on company boards aren't present; instead, 'customer panels' can work with, and challenge, company decision-making.

The other contentious issue is performance and here, a new 'Performance Improvement Regime' is proposed in which the regulator will play a hands-on role in ensuring the patently unattractive option of the Special Administration Regime for failing companies is avoided as far as possible. It will do this through a package of "supportive and punitive" measures "calibrated holistically" and delivered through the supervisory approach to break a cycle of decline.

Investors and investment

It's no secret there will need to be large amounts of money spent in the sector between now and 2050 to address known pressures. The attractiveness of water companies to investors is clearly a major area of concern for government and a focus for its proposals.

Following years of turmoil and declining credit ratings for water companies, government is clearly desperate for more stability and more favourable access to private investment. The watchwords here are stability and predictability, enabled through a settled regulatory regime, transparency and a clear direction of travel.

To this end, and in addition to the supervisory and constrained discretion approaches, there are no proposals to upend the existing five-year price review cycle, but as per Cunliffe's recommendations, a 10- and 25-year planning horizon will be added into the equation to improve direction of travel visibility.

Performance incentives linked to the price review are proposed to be rationalised whilst still rewarding public health, the environment and resilience. The Competition and Markets Authority-led redetermination process is to be canned in place of a focused appeals process in common with other regulated utilities.

New Appointments and Variations (NAVs – smaller companies delivering specific water and wastewater services are also proposed to face lighter-touch regulation as they are regarded as vital enablers of the government's housing and wider growth agenda.

For major infrastructure projects, government proposes to expand the scope of the Specified Infrastructure Projects Regulations (SIPR – that was used to finance and deliver the Thames Tideway Tunnel) so it's applicable to a wider range of large schemes.

At the same time, it proposes to establish a more diverse investor base to support investment in green infrastructure, which it believes will play an increasing role in delivering the target outcomes for the sector.

Across the economic regulation piece, the emphasis is very clearly on stability and predictability. It feels investor friendly more than anything else, followed by customers and then the environment. Less overbearing to investors and more enabling. In government's words, "proportionate" but in return, it wants to see companies manage their debt levels and financial resilience better. Again, how this will be regulated for in practice is still to be firmed up.

Customer interests

Government aims to balance a recognition that future spending on water infrastructure will be at or above the most recent investment package, whilst at the same time keeping control of bill affordability.

The *quid pro quo* for higher bills seems to be high quality customer service. An ombudsman to replace the Consumer Council for Water's (CCW) responsibilities in this space was announced last summer immediately post-Cunliffe. CCW's advocacy role is proposed to be enhanced.

Customer panel involvement in water company decision making potentially elevates previous customer challenge groups' status slightly and there is a proposal to incorporate customer interests into the regional planning process through incorporation into the stakeholder pool for that.

Read next to the extensive package of measures set out to restore confidence amongst investors though, it's apparent where government feels the bigger challenge lies.

Water quality

Government acknowledges the outrage that has engulfed the water sector over water pollution in recent years with a pledge to stop pollution early and get to the root of the problem. Climate change, urban development and population growth are recognised as growing pressures on infrastructure (particularly sewerage) and the principle of managing them closer to source is a welcome one in the White Paper.

There is also a welcome pledge to place greater emphasis on what it terms "pre-pipe solutions", that is, rainwater management (for harvesting and non-potable re-use), sustainable drainage and measures to tackle sewer misuse which causes blockages. Legislation, funding and regulation to enable greater delivery of these solutions are promised.

There is a commitment to continue to work on highway runoff pollution, a pledge to keep working on addressing the impacts of private sewerage (septic tanks) and to recover chalk streams. But those elements feel dropped in to acknowledge their existence, rather than to raise the bar any.

Agriculture, though, gets a more serious mention. In response to feedback that the regulatory regime for farmers is complex and burdensome, government proposes to consolidate the existing regulatory framework on agricultural water pollution into "a single set of stronger and clearer national standards".

The increasingly contentious issue of disposal of sewage sludge to farmland, alongside the management of cattle slurry will be subject to consultation this year on whether they should be brought into the environmental permitting regime.

Aligned to stakeholder feedback, a stronger farm inspection regime will be balanced with targeted use of the Environmental Land management Schemes, Catchment Sensitive Farming advice and infrastructure grants to deliver a more effective 'advise then enforce' approach.

The degree to which water company self-monitoring was used in the past for the purposes of compliance has been an increasing bone of contention over recent years and the government's response to this is a combination of more in-person inspections and the publication of far more performance data, increasingly in real-time.

'Open Monitoring' is government's term for this and will aim to improve transparency on performance alongside using data more effectively to build a picture of what's happening in the water environment, to inform planning, prioritisation and performance regulation.

Water security

This government has experienced first hand how inadequately upgraded water resources, supply and wastewater infrastructure is both leaving customers without water due to local supply failures and holding back its growth ambitions due to lack of available new supplies or wastewater treatment capacity.

To combat this, government is committing to bringing forward improved understanding of asset condition, asset mapping and once a baseline condition is established for water infrastructure ultimately new, statutory infrastructure resilience standards.

This marks a clear statement that government wants to see an end to the era of asset sweating and a move towards one in which there are fewer failures and greater resilience in the system overall. There is recognition that to enable the regulator to deliver this improvement, better engineering expertise is needed at the core of the new regulator.

So, a Chief Engineer is envisaged to oversee this. It is a move that many CIWEM members have called for in the past so is a welcome commitment and it will translate through into increased provision for ringfenced capital maintenance provision within the price review process.

Away from engineering, government is proposing that water companies might be required (under 'Requirement to Assist' regulations) to help plan making authorities prepare their plans where water may be a defining factor in their deliverability.

This is a welcome move to ensure that water planning is in-step with development planning and vice-versa and should in many ways support and draw on the proposed regional system planning approach. Water companies are also proposed to become statutory consultees within the planning system, again something CIWEM members have proposed through the years.

For major infrastructure there are proposals for enhanced coordination across various infrastructure sectors in terms of their water needs, overseen by NISTA (the National Infrastructure and Service Transformation Agency), and the National Policy Statements for Water Resources and Wastewater will be brought up to date with new thresholds and definitions for major infrastructure projects following planning consultations last year.

At the local level, permitted development rights will be reviewed for water companies in England to enable them to deliver schemes with distributed components such as SuDS without requiring planning permission for every individual feature. And the right to connect to water supply and to the sewer will be reviewed to ensure it is consistent with government's development ambitions – something that may concern those who feel that these rules need to be tightened rather than relaxed.

Water efficiency is an area where progress has remained frustratingly slow over many years and so it's pleasing to see re-commitment by government to roll out the mandatory water efficiency labelling scheme, in addition to enabling wider installation of smart water meters.

Government has also stated the need to deliver increased water reuse and rainwater management in both the domestic (referencing the recent consultation on updating Part G of the Building Regulations) and non-household context.

Commitments such as this, alongside the pre-pipe solutions emphasis, mark a welcome shift towards [managing rainwater better where it lands](#), through integrated water management approaches in new and existing developments.

The new regulator will be given enhanced powers to enforce against the delivery of public health and security of supply duties, as well as on third parties operating water treatment and supply or wastewater assets on behalf of water companies.

Supply chains

It would be an understatement to say that the credibility of both the water sector and the government in this area now hangs on the ability to successfully deliver a massive AMP8 delivery programme and the measures included in the White Paper. No small part of this will hinge on whether supply chains can service the demand.

The White Paper points to an ongoing infrastructure delivery needs assessment to identify capacity gaps and inform planning and delivery of water company investment. It wants companies to share knowledge and expertise as far as possible around best practice and where standardised approaches could be deployed more widely to expedite programmes.

The Transition Plan

The White Paper marks a statement of intent for government on where it wants to go over the remainder of its term in office. If it's successful in seeing these reforms over the line, then they will amount to a considerable amount of change to how the water sector is managed and regulated.

The Cunliffe review proposed that the water sector needs an overarching, long term and cross-sectoral water strategy to set clear direction.

The White Paper does not propose this. It is likely that the Secretary of State now believes that after over 500 pages of commissioned reviews and another 50-plus pages of White Paper, a new SPS for Ofwat, ministerial direction for the Environment Agency and a Transition Plan to set out much more of the detail on how White Paper promises will be delivered, the material is there. And the direction of travel will be picked up by the new regulator when it fully takes the reins from its predecessors.

As government says, "delivering [the reforms] successfully requires more than ambition. A structured plan for reform is essential". It claims to want to implement as many of them as quickly as possible. It commits to produce a joint Transition Plan with Wales later this year.

The plan will deliver a clear roadmap, clarify roles and responsibilities, establish buy-in from the various organisations involved with delivery, set guidance on how to create the necessary capacity to deliver the changes and establish a governance process to oversee the transition process.

It will focus on the strategic direction for regulators and water companies, updated guidance for the various water industry business planning components, the operational frameworks for the regional planning process, as well as those for the new regulator and its supervisory approach, the form and duration of the next water industry price review, necessary legislative change, the transition process

itself, a stakeholder engagement process to support the transition, and finally the expected timings of various components of the transition.

There was no consultation associated with the White Paper, but government is clear that it wants the transition to be a collaborative process with ongoing input from a wide range of stakeholders as the various components are built out.

Whilst the initial transition plan will be published in 2026, as transition progresses this will be updated to provide updates and further detail as appropriate.

Conclusions

If the public and campaigners wanted to see a stronger regulatory landscape to straitjacket the privatised water industry, then they're likely to feel very short changed. There will be more monitoring, more regulatory scrutiny of that monitoring. But government wants there to be a mix of response to failure so that poorly performing water companies aren't crippled by fines.

Clearly, government wants to avoid Special Administration situations at all costs, its fear of market and investor reaction clearly greater than its fear of campaigner and political opprobrium.

So, with a privatised water industry that isn't going anywhere soon, how ambitious are the proposals? In recent months, word on the street was that the White Paper would be high level and light on detail. Possibly on ambition.

Generally, it commits to taking forward all the headlines from both the Cunliffe and the Corry reviews. Of course, it doesn't answer every one of Cunliffe's 88 recommendations but much of that may yet come through the Transition Plan.

The White Paper does cover agriculture and this will clearly fall within the remit of the new integrated regulator.

It does recognise the close links between urban development and water resilience and the need to consider these in a more joined up way. It does also recognise and commit to greater emphasis on pre-pipe approaches to managing pollution closer to its source, and to water efficiency and rainwater harvesting and the need to bring these forward in new and existing development.

It does commit to more support for catchment working and multi-sector join-up at the regional level. These are all components of managing water better as a system and as such these commitments are welcome.

Looking back at A Fresh Water Future's ten headline recommendations they've all been addressed to a greater or lesser extent. That's not to say they've been delivered. That will take a major programme of transition. It will also need wider government to fully back the White Paper's commitments, both in terms of resource, and on policy alignment.