



## **Appendix 3: Barriers to collaboration project summary**

### **Water resources national framework**

16 March 2020

Version 1

We are the Environment Agency. We protect and improve the environment.

We help people and wildlife adapt to climate change and reduce its impacts, including flooding, drought, sea level rise and coastal erosion.

We improve the quality of our water, land and air by tackling pollution. We work with businesses to help them comply with environmental regulations. A healthy and diverse environment enhances people's lives and contributes to economic growth.

We can't do this alone. We work as part of the Defra group (Department for Environment, Food & Rural Affairs), with the rest of government, local councils, businesses, civil society groups and local communities to create a better place for people and wildlife.

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# 1. Background

One of the aims of the national framework is to identify and address barriers to collaboration in water resources planning. To manage water resources effectively it is essential that those who have responsibility for planning for water are able to work together. This is particularly important for the development of strategic schemes such as water transfers and in developing resources across sectors.

We therefore set up a project in January 2019, to identify barriers to collaboration between:

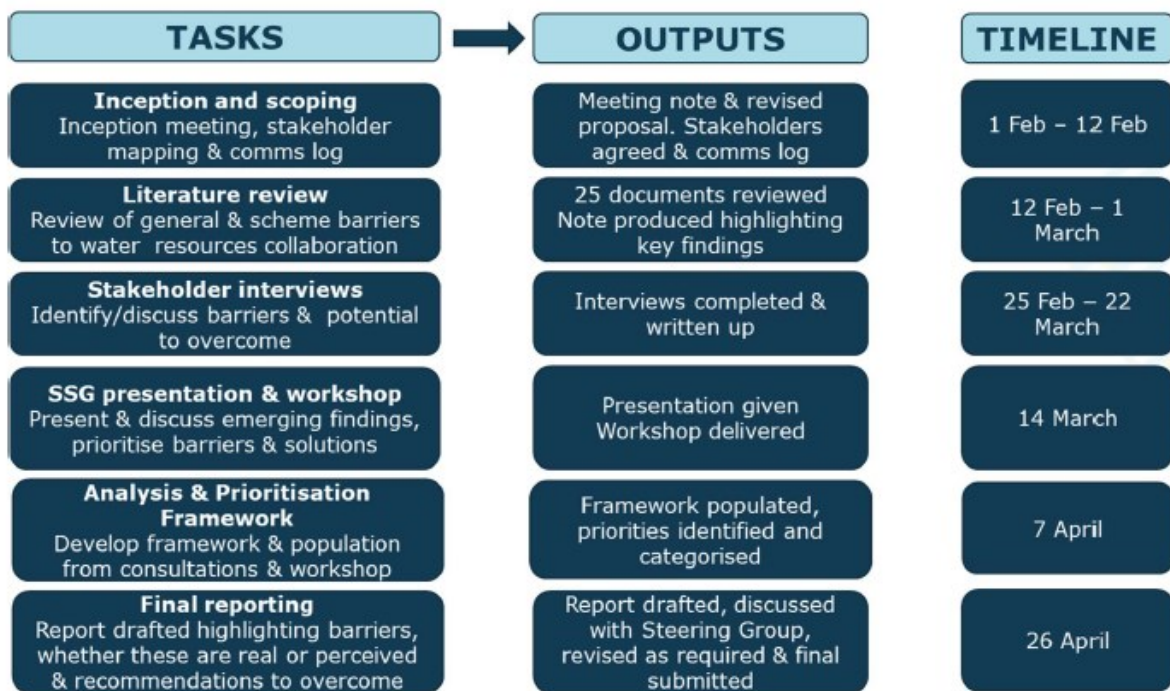
- individual water companies
- water companies and third parties

JBA Consulting were awarded the project and it has been overseen by a project steering group. This comprised representatives from the Environment Agency, Defra and Ofwat. Recommendations from the project have informed the development of the national framework and, where required, have been prioritised for further action by the relevant owner.

# 2. Methodology

The project was delivered through a largely qualitative research approach and has been summarised in the figure below.

Figure 1: Summary of research approach



# 3. Literature review

The literature review was conducted to understand where and how collaborative water resources planning has been implemented successfully or unsuccessfully. It drew on experiences from the UK. The review focused on two areas. One on existing reviews and water company documentation, and the second on recent white papers, strategies and

policy recommendations. The literature review identified several barriers to collaboration in the water sector. It found examples of where collaboration has been successful and these have been used to help shape the remainder of the project and provide suggestions on how to overcome the barriers.

## 4. Stakeholder consultation

The project steering group agreed that stakeholder consultation would form the focus of the project, to capture a wide variety of views and identify examples.

We wrote to regional groups with a list of questions. We asked the groups to discuss them and report back to JBA Consulting, with specific examples where appropriate.

Stakeholder interviews were conducted through a mix of phone calls and face to face sessions and these were tailored to each audience. Over 40 individuals were spoken with (see section 7).

We held a stakeholder workshop with representatives from the senior steering group on 14 March 2019. We discussed the 5 main themes: financial, technical, regulatory process, organisational culture and overarching industry wide barriers. The session was used to gain insight to each barrier; if it had been solved, what needs to happen, and who owns it. This fed into the work to identify solutions to each barrier.

## 5. Analysis

Over 100 barriers were identified from the stakeholder engagement. The project steering group agreed that an analytical framework was required to identify key issues and assign priorities to individual barriers and their potential solutions. Following detailed analysis, many of the original barriers were found to overlap or involve the same issues. As a result, we identified a shorter list of 19 barriers that have the potential to impact on the development and/or delivery of collaborative schemes.

The barriers and possible solutions were categorised in relation to their potential impact on individual schemes. The suggestions to address the barriers fell into several clear themes, such as changing legislation or regulation and providing additional guidance. A prioritised list of the barriers that require further action are detailed in section 9 along with the owner and the status in March 2020.

## 6. Further information

If you would like to see the full JBA Consulting barriers to collaboration in water resources planning report please email [WRNational.Framework@environment-agency.gov.uk](mailto:WRNational.Framework@environment-agency.gov.uk) to request a copy.

## 7. Next steps

The development of the national framework, the move to regional planning and the establishment of regulators' alliance for progressing infrastructure development (RAPID) will address a number of the barriers.

Technical barriers will be addressed through the water resource planning guidance (WRMP24) and a policy task and finish group has been set up to track and ensure progress of the regulatory barriers.

This group is chaired by Water Resources South East and has representatives from Defra, Welsh Government, Natural Resources Wales, Ofwat, RAPID, Environment Agency and every regional group. The group is a sub-group of the regional coordination group and will report progress to the senior steering group.

## 8. List of stakeholders consulted

- Adaptation Sub-Committee (ASC) – Committee on Climate Change
- Association of Drainage Authorities (ADA)
- Canal and River Trust
- Drinking Water inspectorate (DWI)
- Energy UK
- expert industry consultants
- National Farmers Union (NFU)
- National Infrastructure Commission (NIC)
- Natural England
- Ofwat
- Scottish Environment Protection Agency (SEPA)
- South East Water, SES Water, Thames Water
- UK Irrigation Association (UKIA)
- University of Manchester
- University of Oxford
- Water Resources East
- Water Resources North (specifically Yorkshire Water)
- Water Resources South East (specifically Affinity Water, Portsmouth Water, Southern Water)
- Water Resources West (specifically EA, NRW, Severn Trent Water, United Utilities)
- Water UK
- Waterwise/Blueprint for Water
- Welsh Government
- West Country Water Resources (specifically Bristol Water, EA, South West Water).

## 9. Barriers and actions

Here is a list of the barriers that need to be resolved to enable water companies and other sectors to work together more effectively. The barriers are not listed in any particular order.

### Overarching industry wide barriers

These are barriers associated with the overall water industry and how these can impact the development of strategic water infrastructure.

#### Barrier 1

Lack of national leadership and overarching strategic view on water resources across the country.

#### Action or comment

The national framework and move to regional planning will provide national direction and strategic view.

#### Owner

Environment Agency

#### Status

Complete. National framework published March 2020.

#### Barrier 2

Complicated rules and agreements relating to different regulators. Regional water resources planning is complex and many alignments need to fit. Funding could be unsuccessful if policies change or there are inconsistencies between regional plans.

#### Action or comment

The national framework will provide clear joined up direction to water companies and the regional groups. It has been shaped by a senior steering group (SSG) comprising around 40 representatives, including regulators, which will remain in place to steer the development of regional plans.

#### Owner

Environment Agency

#### Status

Part complete, part ongoing. The national framework published March 2020. SSG will continue to meet to ensure consistency and provide ongoing support.

#### Barrier 3

Potential challenges associated with schemes that cross national borders.

#### Action or comment

The national framework, has been developed in collaboration with Welsh Government and Natural Resources Wales. Both are members of the senior steering group and represented in Water Resources West.

#### Owners

Defra and Welsh Government

## **Status**

Continuous. SSG will continue to meet to ensure consistency and provide ongoing support.

## **Regulatory barriers**

These barriers are associated with policy and how these impact water resources planning and scheme development.

### **Barrier 4**

The requirement in companies' licence conditions to only take account of its own customers and not customers at a regional and national scale and not other sectors. Any material constraint (financial or legal) to companies being able to plan for best value options, including bulk supply transfers.

#### **Action or comment**

Review found that legislation does not preclude companies from considering regional solutions to enable fulfilment of a duty in its area or prohibit it from making bulk supplies to other areas. A water company's obligations under Part III WIA91 include the terms of any bulk supply agreement ordered by Ofwat under section 40 WIA91.

#### **Owner**

RAPID

#### **Status**

Legal checks complete. Further work on financial constraints in progress.

### **Barrier 5**

Timely provision of information about proposed sustainability reductions, resilience standards, leakage and per capita consumption (PCC). Current ambiguity may constrain best value investment for long term sustainable infrastructure and resilience.

#### **Action or comment**

Policy and guidance required.

#### **Owners**

Defra, Welsh Government, Environment Agency and Natural Resources Wales

#### **Status**

Complete for PCC, leakage and resilience; see the national framework.

Ongoing: Sustainability reductions guidance and guidance on setting the long term destination will be included in the next water resource planning guideline (consultation summer 2020).

### **Barrier 6**

Environmental benefits are not taken into account in scheme assessment.

#### **Action or comment**

Review and clarify how environmental benefits can be best included within regional planning.

#### **Owners**

Environment Agency and Natural Resources Wales



## **Status**

Ongoing. Guidance will be included in the next water resource planning guideline (consultation summer 2020).

## **Barrier 7**

Need to recognise the value of wider environmental benefits – social and economic in water resource cost benefit analysis.

## **Action or comment**

Guidance on how regional plans and WRMPs should internalise the social and economic value into water resource CBA (best value planning).

## **Owners**

Defra, Environment Agency, Welsh Government and Natural Resources Wales

## **Status**

Ongoing. Guidance will be included in the next water resource planning guideline (consultation summer 2020).

## **Barrier 8**

Water quality issues can potentially affect the ability to progress individual schemes.

## **Action or comment**

Guidance required for WRMP24. Early engagement with regulators and customers (to explain the change in water characteristics through, for example, a move from a surface water source to groundwater).

## **Owners**

Environment Agency and regional groups

## **Status**

Ongoing: Updated drinking water guidance will be included in the next water resource planning guideline (consultation summer 2020).

Continuous: regional groups and water companies to engage early in the planning process with relevant regulators for strategic options.

## **Barrier 9**

Regional planning guidance required; what a regional plan is and is not, consultation, process of regional plans.

## **Action or comment**

The national framework includes an appendix setting out what a regional plan must, should and could include.

## **Owner**

Environment Agency

## **Status**

Complete. See Appendix 2: regional planning.

## **Barrier 10**

Uncertainty regarding examination in public, post the publication of a National Policy Statement (NPS).

### **Action or comment**

Guidance required on the aspects of WRMPs that may still require examination in public following the publication of a NPS and the implications or not for regional plans.

### **Owner**

Defra

### **Status**

Complete. Final NPS to be published in the spring 2020.

**Barrier 11** (New - added following the JBA report).

Regulation of carbon accounting (relating to water efficiency - hot water and the associated carbon).

### **Action or comment**

Clear guidance on the inclusion of carbon savings in hot water efficiency cost-benefit calculations.

### **Owners**

Defra and Welsh Government

### **Status**

In progress.

## **Financial barriers**

These barriers associated with financial incentives, uncertainty, commercial sensitivity and risk.

### **Barrier 12**

Scheme development costs and risks. Multiple barriers regarding the division of costs and risks between donor and recipient, the cost of scheme development and third party affordability.

### **Action or comment**

Guidance required on the commercial and contracting aspects of shared and joint supply options with third parties.

### **Owner**

RAPID

### **Status**

Ongoing.

Recommendations will be developed for Ofwat to consider, prior to it providing guidance on division of scheme development costs and risks.

This will be informed by the output from the initial bulk supply project commencing in March 2020.

Proposed deadline for recommendations: June/July 2020.

### **Barrier 13**

Lack of clarity regarding what water company customers can pay for beyond the immediate provision of water for their needs.

### **Action or comment**

Review and clarify policy and provide guidance on what company customers can be expected to pay for beyond immediate water supply provision.

### **Owner**

RAPID

### **Status**

Ongoing.

Work will be taken forward to develop recommendations for Ofwat to consider, so that it can clarify its policy and develop guidance.

Proposed deadline for recommendations: July-Sept 2020.

### **Barrier 14**

Companies are concerned about accusations of collusion if they share pricing information or collaborate in a way that may be perceived to be anti-competitive.

### **Action or comment**

Review and clarify policy and provide guidance on the commercial and contracting aspects of shared and joint supply options.

### **Owner**

RAPID

### **Status**

Ongoing. RAPID in conjunction with Ofwat have developed a briefing note providing guidance to companies.

Proposed deadline: March 2020

## **Technical, institutional and process barriers**

These barriers associated with technical complexity, water quality, drought resilience and data requirements.

### **Barrier 15**

One size fits all guidance - unique challenges cannot be resolved through blanket guidance.

### **Action or comment**

WRMP24 guidance and engagement with Area Environment Agency teams during scheme development.

### **Owners**

Environment Agency and water companies

### **Status**

Ongoing. Guidance will be included in the next water resource planning guideline (consultation summer 2020).

### **Barrier 16**

The burden of proof, in particular what needs to be considered at different stages in the process and where the responsibility sits for providing information.

**Action or comment**

RAPID gateway process guidance for strategic schemes.

Engagement in the Regional Groups.

We continue to work on a no-surprises basis through meaningful issue-based engagement and collaborative working.

**Owner**

RAPID

**Status**

Ongoing. Guidance will be developed ahead of each gate.

**Barrier 17**

Clarity regarding drought resilience standards (including use of drought measures) and geographic resilience changes.

**Action or comment**

Policy and guidance required.

**Owners**

Defra and Welsh Government

**Status**

Complete. Planning assumption included in the national framework.

**Barrier 18**

A difference appears to exist between the duties and expectations of water companies in drought conditions concerning the support of private supplies, particularly for agriculture.

**Action or comment**

Guidance required on the duties and the expectations of water companies in drought conditions to support those on private supplies, particularly farmers (including any special conditions related to animal welfare) and commercial business.

**Owners**

Environment Agency, Welsh Government and Natural Resources Wales

**Status**

Ongoing. Initial guidance available through the Agriculture and Horticulture Development Board and Drinking Water Inspectorate.

**Organisational culture and customers**

These barriers are associated with company/organisation structure and culture, trust and customers' needs.

**Barrier 19**

Regulatory: Other sectors (those outside the water industry) are not required to comply with the same regulatory framework as the water industry.

Finance and risk: For other sectors, there are no positive financial incentives to encourage them to collaborate.

Knowledge: Other sectors are less mature in their understanding of the methods and detailed modelling required for long term water resources planning.

**Action or comment**

Engagement required with other sectors in the regional groups, supported by the project water use outside the public water supply (see appendix 5).

**Owners**

Regional groups

**Status**

Continuous. Regional groups to engage and develop their plans with relevant other sectors.

Complete. Workshops with regional groups and other sectors complete. Data from water use outside public water supply project shared with regional groups.

**Barrier 20**

Customer perceptions of unfairness concerned with moving water between regions. Relates to both supply and transfer schemes and demand management activities.

**Action or comment**

Engagement required with customers.

**Owners**

Water companies

**Status**

Continuous. Water companies to engage with their customers.

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