

Water UK Chair and CEO Introduction; 23/09/25

Water UK: Ruth Kelly, Chair and David Henderson, CEO

You are meeting with Ruth Kelly, the Chair of Water UK, and David Henderson, CEO. This meeting follows on from your meeting with Ruth Kelly on 8 September. Water UK is the trade association for water and wastewater companies in England, Scotland, Wales, and Northern Ireland and have been broadly supportive of the government's water reform programme. You should use the meeting to further establish the relationship with Water UK and discuss key issues in the sector.

ATTENDEES

- Ruth Kelly, Chair, Water UK
- David Henderson, CEO, Water UK

AGENDA

1. Introductions
2. Sector reform
3. Water UK priorities

SESSION OBJECTIVES

- Further establish your working relationship with Water UK following your call with Ruth Kelly.
- Emphasise your commitment to water sector reform.
- Identify areas of joint working.

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KEY POINTS TO MAKE

- Government white paper in response to the Cunliffe review intended to be published later this year. Reform remains a priority.
- The government is keen to work with Water UK on sector reset and to consider how to incorporate Water UK priorities into decision making effectively.
- Important to shift public perceptions on the water industry to gain support for reform. Water companies must deliver progress and avoid poor judgement on remuneration and dividends.
- Want to understand where Water UK sees opportunity for working together.

Sensitive issues/use if raised only:

- [REDACTED]
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BACKGROUND

- Water companies faces several challenges, including financial resilience issues for some companies, poor environmental performance, ageing infrastructure and uncertain asset health, and declining customer trust. Bills are due to rise significantly over the next 5 year Price Review period.
- The water industry has faced public scrutiny on a number of issues. This includes on executive remuneration. The Water (Special Measures) Act, passed in 2025, included measures to restrict bonuses for executives under defined circumstances. Some water companies have already looked to bypass these measures by adjusting their remuneration packages.
- [REDACTED].

Water UK priorities

- [REDACTED]:
 - [REDACTED].
 - [REDACTED].

Price Review 2024

- In December 2024, Ofwat announced its settlement for Price Review 2024 (PR24), setting company investment and customer bill levels for 2025-2030.
- Under PR24, water bills in England and Wales will increase by an average £31 per year between 2025 and 2030. The highest increases will be at Southern Water. Bills will fund increased investment, but companies will first raise £7bn in new equity and £45bn in new or refinanced debt.
- Expected this week are the Competition and Markets Authority's (CMA) redeterminations of Ofwat's PR24 determinations for five of the appealing companies. These redeterminations are expected to result in higher bills for customers of these companies.
- Thames Water, the sixth company which appealed to the CMA, has had its redetermination deferred to October 2025, pending its attempts to secure new investment.

Cunliffe Commission

- In Autumn 2024, Sir Jon Cunliffe was appointed to conduct an independent review of the industry. The review reported in July 2025 and made 88 recommendations for reform.
- Government has already accepted 5 of these recommendations, including to merge the water regulators into a single body, and is due to respond to the remainder in an upcoming white paper. A water bill is then due to be laid in summer 2026.
- The new water regulator will combine the functions of Ofwat and the Drinking Water Inspectorate, with some of the functions of the Environment Agency and Natural England. Separate arrangements will be made for Wales. It will adopt the statutory functions of the legacy regulators, including setting price controls, protecting the environment, and ensuring that access to drinking water is safe and secure.

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- The Cunliffe Review included a recommendation to reset government messaging on the sector, to avoid being overly critical where companies are demonstrating improvements. To deliver this credibly, the water industry will need to work with government to show progress on delivery.
- Other recommendations include reforming how government sets the strategic directions for regulators and the industry, rationalisation of the various planning frameworks companies are subject to, streamlining complex legislation, reforming regulatory responsibilities and approaches, supporting investment and greater financial resilience, and supporting better understanding of infrastructure delivery and asset health.
- The government has ruled out nationalisation of the water industry on the grounds that it would be expensive and time consuming (it was outside the terms of reference for the Cunliffe Commission). This should also have the effect of confirming to water company investors that the industry remains a reliable investment proposition.

BIOGRAPHIES

<i>Photo</i>	<i>Biography</i>
	<p>Ruth Kelly (Chair, Water UK)</p> <p>Labour MP for Bolton West from 1997-2010. Worked as SoS for Transport, Communities and Local Government, and Education and Skills. Was also Minister for Women and Equality. First cabinet position was as Economic Secretary to the Treasury.</p> <p>Since leaving government has worked for HSBC, as Pro-Vice Chancellor for Research at St Mary’s University, and for Policy Exchange</p>
	<p>David Henderson (CEO, Water UK)</p> <p>CEO since February 2023. Previously worked as an adviser to ministers in Australia and as an official in HM Treasury and 10 Downing Street. His most recent private sector experience includes holding global positions at WPP and KPMG.</p>

Name: [REDACTED] | Team: Water Sector Delivery | SCS: Martin Woolhead