

Water UK Introductory Conversation

You are meeting with Ruth Kelly, the Chair of Water UK. 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. The meeting will be introductory and informal. You should use the meeting to establish a relationship with Water UK, set out your intention to continue with reforms, and establish partnership programmes.

ATTENDEES

- Ruth Kelly, Chair, Water UK

AGENDA

1. Introductions
2. White paper and water industry regulatory reform.
3. Water UK priorities.

SESSION OBJECTIVES

- To establish working relationship with Water UK.
- To confirm your commitment to water reform
- To understand Water UK's top areas for reform and joint working

KEY POINTS TO MAKE

- Government white paper in response to the Cunliffe review will still be published later this year. Reform remains a priority.
- The government is keen to work with Water UK on sector reset.
- 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

- The water sector 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.
- The water industry has made progress on the monitoring of storm overflows. Storm overflows allow for sewage to enter waterways during significant rainfall, when sewer networks become overwhelmed. When used correctly sewage is suitably dilute so as to cause limited harm but storm overflows have been overused. All storm overflow pipes are now monitored and water companies have discharge reduction action plans to reduce their usage.

Price Review 24

- In December 2024 Ofwat announced its settlement for Price Review 2024. The regulatory price review takes place every five years and establishes investment plans for water companies as well as the level of bills they can charge in order to fund agreed investment.
- Under PR24, water bills will increase for customers of all companies, at an average increase of £31 per year across the country. 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.
- Six companies have applied to the Competition and Markets Authority for a redetermination of Ofwat's decisions. For five of these companies – Wessex, Northumbrian, South East, Anglian, Southern – the CMA will publish its provisional decisions later in September. These redeterminations are expected to result in higher bills for customers of these companies.
- The sixth, Thames Water, has had its redetermination deferred to October 2025, pending its attempts to secure new investment.

Cunliffe Commission

- In autumn 2024 Defra SoS appointed Sir Jon Cunliffe to conduct an independent review of the water 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 a white paper this autumn. 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.
- The Cunliffe Review included a recommendation to reset government messaging on the sector, to avoid being overly critical where companies are demonstrating improvements. In order to deliver this credibly, the water industry will need to work with government to show progress.
- 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) Chair since March 2023.</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>

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