



# Environment, Food and Rural Affairs Committee

## Oral evidence: Reforming the water sector, HC 588

Wednesday 26 February 2025

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[Watch the meeting](#)

Members present: Mr Alistair Carmichael (Chair); Sarah Bool; Julia Buckley; Charlie Dewhurst; Helena Dollimore; Jayne Kirkham; Josh Newbury; Jenny Riddell-Carpenter; Tim Roca; Henry Tufnell.

Questions 281 - 429

### Witnesses

I: Louise Beardmore, Chief Executive Officer, United Utilities; Phil Aspin, Chief Financial Officer; United Utilities.

II: Liv Garfield, Chief Executive Officer, Severn Trent Water.

Written evidence from witnesses:

– [Severn Trent Water](#)



## Examination of witnesses

Witnesses: Louise Beardmore and Phil Aspin.

Q281 **Chair:** Good morning, and welcome to this meeting of the Environment, Food and Rural Affairs Committee in the House of Commons. We continue our investigation into the water industry this morning, and we are pleased to be joined by representatives from, first, United Utilities and then, later, Severn Trent Water. Good morning, Louise and Phil. Just for the benefit of our official record, and for those who are following the proceedings, can I invite you to introduce yourselves and explain your role in United Utilities, please?

**Louise Beardmore:** Good morning, everybody. My name is Louise Beardmore. I am the chief executive of United Utilities, and I am joined by my colleague, Phil Aspin.

**Phil Aspin:** Good morning, everyone. I am Phil Aspin, CFO of United Utilities.

Q282 **Chair:** Louise, you have been chief executive of United Utilities since March 2023. Is that correct?

**Louise Beardmore:** That is correct.

Q283 **Chair:** You are also a non-executive director of Water UK and Water Plus Group Limited.

**Louise Beardmore:** I am indeed.

Q284 **Chair:** I am familiar with Water UK, but what is Water Plus Group Limited?

**Louise Beardmore:** Water Plus was a joint venture that was established when the business retail market split a number of years ago. It is a joint venture business that we have with Severn Trent, which provides retail services to business customers.

Q285 **Chair:** You are doubtless aware that you are the fourth of nine companies that we are scheduled to hear from at the moment, so we are trying to keep a fairly broad theme. As chief executive of the company, what sort of company do you seek to run here? How do you see your culture? How do you see your engagement with your customers? How important are things such as transparency and accountability to you?

**Louise Beardmore:** United Utilities is a plc. It is a listed company. We have a track record of being an upper-quartile performer, so we are four-star in terms of the environmental performance assessment, which is the highest rating from the Environment Agency, and have delivered 80% of our performance commitments—the highest company this year.

I am very clear that there is more that we need to do. There are key areas where we do have strong performance, particularly in areas such as vulnerability, support and affordability, but there are others where we do



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need to improve our performance, particularly in the areas of storm overflow activations and internal sewer flooding. I am very clear that we need to do more, and that is why we have set out one of the biggest investment plans to transform services that are delivered to our customers.

You asked me about how important service was. Service is exceptionally important. My background is customer service. We are integrated into the heart of our five communities in the north-west, which are five very disparate counties. Cumbria, for example, is very different to Manchester, and so listening and responding to our customers is key in terms of delivering the services that they and we expect to see.

Q286 **Chair:** How important is transparency to you?

**Louise Beardmore:** Transparency is extremely important. As a listed business, we operate high levels of transparency. There are areas where we have had to improve recently. If I can give you an example, we have been working recently with the Information Commissioner, because I do not think that we got transparency right in terms of providing information that was being requested of us.

Q287 **Chair:** When you say you were “working with”, you had refused to release information and it was appealed to the Information Commissioner. Is that correct?

**Louise Beardmore:** That is correct, yes. United Utilities had applied quite a narrow interpretation of the information that was being requested and, if I am honest, was getting used to the amount of information that was being requested of it as a business. We chose to apply an interpretation that I think was wrong, which said that operational data was not environmental data—information such as log books and things like that.

We have worked with the Information Commissioner’s office in terms of getting that clarity. I am pleased to say that we have released 16 million lines of data in the last 12 months in terms of that step change that we are making in terms of transparency. I have a dedicated team that is doing nothing but responding to those information requests.

What is important is that we make that shift, so that, instead of customers having to ask us for data, we provide it initially. We are one of the few companies that is now publishing its annual spill data—not annually, but now starting to release that every month, for example.

Q288 **Chair:** You will be familiar with the group Windrush Against Sewage Pollution and Save Windermere, which were the groups that asked you to release information. You refused. That was then appealed to the Information Commissioner, who ordered the release. I am not quite clear about what happened then. Did you appeal the Information Commissioner’s decision?



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**Louise Beardmore:** What happened was we sought clarity from the Information Commissioner based on the data that was to be released.

Q289 **Chair:** How long did that process take from beginning to end?

**Louise Beardmore:** That process was about 12 months. It took too long.

Q290 **Chair:** When did we get that information?

**Louise Beardmore:** The information has all started to be released over the last four months.

Q291 **Chair:** From what I understand from WASP and Save Windermere, there are a number of sewage pumping stations and sewage treatment works at Elterwater, Glebe, Grasmere and Coniston where they still do not have data. Is that correct?

**Louise Beardmore:** I do not think that that is the case.

Q292 **Chair:** They would now have that information.

**Louise Beardmore:** They now have that information. We met with the campaign group only a couple of weeks ago, in person, to clarify that they had all the information that they have. They now have an open, direct contact into the dedicated team and the information officers who I have assigned to ensure that they have all of that data and information. They also have access to me personally, and I do speak to them, and so if there is anything that is outstanding, that has not been escalated to me or to my team. Those direct communication channels have been established, and that is also important.

Q293 **Chair:** So that is a lesson learned.

**Louise Beardmore:** It is indeed.

Q294 **Chair:** Thank you for that. Can I take you, then, to the reporting of your pollution incidents in the year 2023-24? There was an increase of 71%. How did that happen?

**Louise Beardmore:** We have always been quite a strong performer in terms of our pollution performance, setting first or second place. That is not complacency, because there is always a lot more to do. Last year, we did see an increase, as you rightly say, with 216 pollution incidents.

What we experienced last year were two factors. Some 30% of my pollution incidents are caused by issues associated with power resilience. This is where we are losing power resilience, and this is a particular issue for us in the north-west. As a result of that, that is causing those pollutions to happen.

Q295 **Chair:** Are you talking about power cuts here?

**Louise Beardmore:** Yes. The other additional factor that we saw last year that contributed to the significant increase was the number of



storms that we experienced in the north-west. We had 12 significant named storms, and what we see is that the number of pollutions during those storm periods significantly increases.

There is a huge amount that we are doing to address particularly the power resilience issue, where we are providing over £100 million of additional funding and investment to deliver additional resilience and to ensure that we have back-up generation and secondary power supplies. Rural parts of our communities in Cumbria and Cheshire in particular are fed by overhead lines and are, therefore, susceptible to these forms of interruptions.

Q296 **Chair:** These cannot be new problems, though. Storms even as far south as Cumbria are not unknown.

**Louise Beardmore:** No, but what we are seeing is a significant increase in the number of those storms and the impact that they are having. As I said, it is not a circuit supply that we have in those parts of the north-west; it is overhead lines. Just to give you an indication, in Windermere, we are putting in 45 specific power generation projects and back-up supplies. This is funding that we are providing because we want to ensure that additional resilience into the system.

Q297 **Chair:** Sticking with the data from the Environment Agency for 2023, you have the worst performance of all water companies on the average number of spills and spill duration. You are responsible for over a fifth of all reported uses of sewage overflows. What went so badly wrong in 2023? Was there any difference in your monitoring in 2023 compared to previous years?

**Louise Beardmore:** There are two things. Additional monitors were installed, so we were increasing our level of monitoring. 2023 was an exceptionally wet year. I am very clear that we need to reduce the level of combined sewer overflow spills that we have across the north-west.

One of the factors about the north-west that is different compared to the rest of the UK is that we have the highest level of combined sewer overflows infrastructure. What I mean by that is that 54% of our infrastructure is combined. That is where the sewerage pipe and, essentially, the surface water is combined. That compares to the national average of 33%. In Merseyside, it is over 80%.

We have a particular challenge with the fact that we have this combined infrastructure, and we have a higher level of rainfall. That is why we have put forward the biggest combined sewer overflow plan of any company to reduce spills by 60% over the next five years in terms of the infrastructure that we need to deliver.

Q298 **Chair:** Forgive me if this sounds uncharacteristically cynical, but is it possible that your performance data prior to 2023 was flattered by the lack of monitoring?



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**Louise Beardmore:** We had one of the highest levels of monitoring in the sector. The target was to get to 100%, which is what we achieved last year, and we have been doing that. As I said, last year, we definitely had more monitors and more sewer spills, but I am under no illusion that we need to improve our performance. That is why we have put forward that programme.

We are not waiting and have already started work. When we communicate, in a couple of weeks' time, our results in terms of combined sewer overflow spills for this year, we will have seen a 20% reduction in the number of spills and a 30% reduction in the duration. The work that we are doing is having an effect. It is going to take time. I wish that I could change it instantly. Essentially, it is infrastructure that we have to build and install, but the work that we are doing is having an impact.

Q299 **Chair:** I appreciate that you have come to acknowledge the difficulties and to explain how you are going to move on from that, which is something that we will all appreciate. To go back to your own role in leadership within the industry, removing yourself possibly from your own company at the moment, for all these difficulties, the Environment Agency still rates you as a four-star company. How does that happen?

**Louise Beardmore:** There are a number of factors that that classification takes into consideration. It looks at a series of measures. It looks at things such as serious pollutions and the level of pollutions. It looks at whether we have delivered all of our capital programmes and infrastructure, for which United Utilities has a 100% track record. It looks at what we call supply-demand balance and the amount of water that we have. There is a series of measures that those performance criteria look at.

The Environment Agency is consulting at this moment in time on making changes to what it calls the EPA classification, and, going forward, that will include combined sewer overflow spills.

Q300 **Chair:** Just sticking with the business about rainfall and storms for a second, the Environment Agency estimates that only 6.8% of your overflows spilling over 60 times in 2023 were down to exceptional rainfall. There is a bit more to this than just bad weather, is there not?

**Louise Beardmore:** There is, absolutely, and quite a lot of this is about hydraulic incapacity that sits in the network itself. That is one of the reasons that we have been able to achieve the funding that we have from Ofwat and the Environment Agency, which have, quite rightly, scrutinised the programmes that we have put forward for investment, to make sure that they are about delivering this additional hydraulic capacity that is needed in the system.

Q301 **Chair:** Ofwat has given you a 30% overflow usage reduction target. How confident are you that you are going to be able to meet that?



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**Louise Beardmore:** I am confident, because I am extremely focused, along with the rest of my team. As I have mentioned, when we communicate this year, we will be seeing a 20% reduction. There is a lot of work that we have to do and a lot of infrastructure that we have to put in the ground, but we are extremely focused on delivering that step change.

Q302 **Jayne Kirkham:** Thank you for coming. Please excuse my pronunciation if I get the names of places wrong; I am from Cornwall, not the north-west. The BBC reported on untreated sewage being released at Wallasey pumping station, which is within an SSSI by the Mersey, but the event was downgraded and the EA did not attend. The "Panorama" report got hold of 200 reports about pollution incidents at your sewage works. In more than 60 of those cases, they were wrongly downgraded, apparently, to the lowest level, category 4. Why was the Wallasey event in the SSSI downgraded, and why did the EA not attend?

**Louise Beardmore:** I will tackle both of those questions. The "Panorama" programme that you referenced was extremely difficult for everybody to watch. We refuted the allegations that were made to us. We put forward somebody for that interview, and we provided a lot of data and information. We were very clear with "Panorama", as was the Environment Agency, that it is not United Utilities but the Environment Agency that assesses what a pollution is and gives it its classification.

Q303 **Jayne Kirkham:** You are the ones who have to call them out, are you not? You are the ones who tell them that there is a pollution incident, so it is up to you to report.

**Louise Beardmore:** It absolutely is. United Utilities has one of the highest reporting classifications of any company. We self-report over 96% of all incidents. When we report an incident, we call it in to the Environment Agency. We explain what has happened. They then attend. What we then do is collect evidence, data and information, and provide that to the agency. They then investigate, and then classify those incidents.

Q304 **Jayne Kirkham:** Did they get it wrong 60 times? Did they not realise that it was as serious as it should have been? Is that what you are saying—that you reported and they made a mistake?

**Louise Beardmore:** That is not what I am saying. What I am saying is that it is the Environment Agency that makes the classification in terms of what a pollution incident is. Our job is to make sure that we report them, and report them in a timely manner. We provide that data and information, and then it is the Environment Agency, as the regulator, that does that classification.

Q305 **Jayne Kirkham:** Do you think that your four-star environmental rating might be at risk? If these incidents are not being correctly reported or monitored by the EA, does that not mean that, if this level of mistakes is happening, the four-star rating is not right? Is it wrong?





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**Louise Beardmore:** The EA was quite robust as well at the time. I remember that they also published a blog where they basically said, “It is up to us. We do the classification. We do the investigation”. What I would say is that the EPA rating tightens every year, so the targets get harder every year, which is what we would expect, in terms of the performance threshold, as everybody is driving for those additional improvements.

Q306 **Jayne Kirkham:** How often does the EA come and do audits on whether the reporting is correct or whether it is looking at the right things?

**Louise Beardmore:** In the north-west, the Environment Agency has just taken on a significant number of additional staff. It has been doing random audits and inspections on all our sites, and has significantly increased all its inspection activities, exactly as we would expect it to do.

Q307 **Jayne Kirkham:** Have they specifically been looking at the reporting of incidents?

**Louise Beardmore:** They absolutely have.

Q308 **Jayne Kirkham:** How many times have they been to do that specifically?

**Louise Beardmore:** They turn up to all category 1 and 2 pollution incidents, as well as category 3 incidents where they are in specific areas.

Q309 **Jayne Kirkham:** I wanted to move on to the Windermere events. I understand that there have been a number of spills into Windermere. We have talked a little bit about the release of information. I wanted to talk about the response. One of the BBC investigations said that the incident in February 2024 was not reported to the EA until 13 hours after it started, even though the engineer arrived at the pumping station 10 hours later. Of course, not reporting it is an offence, so why did that happen? Why the delay?

**Louise Beardmore:** We all recognise how important Windermere is, both regionally and nationally. That is why we have put forward a significant plan. We are going to replace all six combined sewer overflows and nine treatment works, and fast-track that investment over the next five years. It is incumbent on us to move as quickly as we can to, essentially, rebuild that system.

The incident that you are referring to was caused by our telecommunications provider. That is not an excuse. Essentially, what happened was, on the night in question, we received hundreds of alarms at our alarm centre—in fact, just short of 800. We never received an alarm at all for Glebe Road, which is this area in question.

We investigated those and, essentially, we prioritised both gas and water assets first, from a health and safety and public health perspective, and then visited our wastewater assets. We visited that morning, and everything looked like it was okay. We then went away and, on doing some further data analysis, identified that there had been a spill in the





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evening. Within an hour of identifying that, it was reported to the Environment Agency.

Q310 **Jayne Kirkham:** There is a history of spills into Windermere, is there not? This was only last year, and it had happened in previous years, so why have lessons not been learned? This is a recurring problem.

**Louise Beardmore:** There are two things. One is that, as I said before, I have now increased the energy resilience into Windermere. We are doing a whole series of individual energy resilience projects. That system issue took out both our primary and our secondary back-up. We had put a secondary back-up in, and it took that out as well. That has meant that we have had to do additional configuration.

Essentially, what is most important is getting on with this rebuild that we now have under way. We have fast-tracked this programme. We are going to do all six of the combined sewer overflows in the Windermere catchment in the next five years, and rebuild all the nine wastewater treatment works, so that we can significantly improve the water quality in the lake.

I do want to make the point that we have not been waiting. We have invested £45 million in Windermere since 2020, which has reduced the levels of phosphorus by a third. It is incumbent on me to say, because Windermere has four bathing water statuses, all of which are excellent. I do want to say that, because there are many people who enjoy Windermere, and it is a thriving tourism area. Notwithstanding the fact that we need to do more—and we are doing more—there is a thriving bathing community in Windermere. Over 7,000 people enjoyed the recent swim, for example.

Q311 **Jayne Kirkham:** Yes, but you can see why there might be an issue with trust, because releasing sewage into Windermere is something that has happened historically, and it looks, from the ICO investigation, like it has been covered up. You can understand how much more work than ever you would need to do to convince people that you have changed.

**Louise Beardmore:** Yes, I completely agree, and that is why we have put forward this plan. We are doing a huge amount in our local communities. We have a community hub that I opened on the high street. We are there for people to come in to talk to us about the things that we are doing. We are spending a lot of time with the business community. We are out talking to different groups about the work that we are doing. We are also working with local NGOs, because there are things that we are doing with local businesses that have treatment facilities and septic tanks that discharge into Windermere, where United Utilities is helping.

This is about trust, and that is why we are putting ourselves at the heart of the community and fast-tracking the plans. I am very clear about how important Windermere is. We will deliver this plan that we have put in for



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the next five years, but it does not stop there. There is more work that is going to be needed, so that we can protect the lake from climate change. I am hoping that, in the coming months, we will be able to communicate some additional work that we are doing with NGOs and community groups in that space too.

**Q312 Helena Dollimore:** It would be fair to say that, although none of us represents Windermere, we all agree with you that it is a national treasure. You just had a discussion with Jayne about the data from Windermere and exposing what has been going on there. How much did you spend on legal fees in the battle to withhold the information before changing your mind and then releasing it?

**Louise Beardmore:** We did not spend any money on legal fees. It was a conversation that we were having with the Information Commissioner. We put in an appeal to the Information Commissioner to say, "We are appealing this decision. We would like some clarity and information". It was not something that we were engaged with in any sort of legal way about withholding information.

**Q313 Helena Dollimore:** So no external lawyers were used.

**Louise Beardmore:** We have an internal legal team, so they would have been engaged, but we did not use external legal teams. We have sat down with the Information Commissioner. We have done that face-to-face. They are in the north-west. We have done that, and that has not had legal teams.

**Q314 Helena Dollimore:** Can we have an estimate of how much of your internal legal team's time was taken up by that decision and that process?

**Louise Beardmore:** I would not be able to contribute an individual time, but what I would say is that it was too much time. I am very clear that this is about being open and transparent. Therefore, that is the step change that I have made.

**Q315 Helena Dollimore:** It would have been better to put your hands up at the beginning, release the data and work with the local groups and campaigners. It would be fair to say, from what we have just heard, that it is only because of those campaigning groups such as Save Windermere, different charities that have been campaigning and Feargal Sharkey that the scandal has been exposed in Windermere. Would you pay tribute to those campaign groups and thank them for their role in exposing this scandal, and agree that, going forward, your company will work with those groups, not against them?

**Louise Beardmore:** I work very closely with those groups—in fact, with the team at Save Windermere, and with a lot of the local NGOs. There is more that unites us in terms of the things that we are focused on, and I am very clear about the need to work together. In fact, I am meeting with them at the minute on a weekly basis.



Q316 **Helena Dollimore:** Would you agree that, were it not for their action and their dedication, the scandal would not have been exposed and that we would not know what has been going on in Windermere?

**Louise Beardmore:** From a hindsight perspective, do I think that we should have acted quickly in terms of releasing that data? Yes, I do. What I can say to you is that, in terms of assuming the role, and stepping into ensuring that we are delivering the right plan and responding to our communities, this is, for me, about driving levels of transparency. As I said, I have opened an information hub right on the high street. We are organising ourselves in each county, so that we can be out there and respond. I recognise that this is about trust, which is why the plan that we have put forward is critical. It is £13 billion of investment.

Just to break that down, because it sounds like a huge amount of money—and it absolutely is—it is £7 million of investment that we are going to be making every day in the north-west.

**Helena Dollimore:** The point that I am trying to make is that that investment is happening because of the work of those campaigners, and an acknowledgement of that is very important.

Q317 **Tim Roca:** I just want to build on this point about transparency. Is there a cultural problem in the company around being transparent and open with the public?

**Louise Beardmore:** I do not think that there is. We boxed ourselves into a corner around what was and was not environmental information. We became focused on the fact that operational data was operational data, not environmental data. The reason that I say that is because I do not think that that is the case. We now have a dedicated team. We are responding to all data requests within 20 days.

For me, going forward, it is about how I can make more data open. That is why we are one of the few companies that is now publishing that data on a monthly basis, because I do not want people to even have to ask for it. I want it to be there.

Q318 **Tim Roca:** The reason why I ask, Louise, is that the BBC estimates that between 143 million and 286 million litres was illegally dumped into Windermere. One of the quotes given to the BBC, under condition of anonymity, was, “We would have been aware of the issue—it would have flagged up on flow and spill reports. I’m not surprised we haven’t reported it ... We work on a risk management basis and we’ll have judged the risk of the EA finding out and understanding the breach would be minimal”. Do you recognise that? That is a cultural issue, is it not?

**Louise Beardmore:** I do not recognise that. I will be really honest. When I watched the “Panorama” programme, that was not an organisation that I recognise. I represent 6,000 people who work exceptionally hard and care passionately about the environment and what we do. We have very open, transparent processes in terms of people



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reporting any information or concerns. Since becoming chief executive, I have even introduced a process where people can contact me directly if they are concerned about anything, and they do. There are lots of avenues whereby, if people had concerns, they could raise them.

As I said in relation to the incident at Windermere, we did not receive an alarm until the following day, by which time we had already visited. The minute we became aware of it, we reported it.

The other point that I would make, just as a proof point, is that we self-report 96% of all pollutions and spills and things that we need to report. We are one of the highest in the industry to do so. There is always more that we can do, and trust and transparency are hugely important, but, culturally, people work exceptionally hard to do the right thing.

**Q319 Chair:** Just before we move on from this point, though, the distinction between environmental data and operational data sounds to me to be a fairly straightforward, fundamental point. You have a leadership role within the industry. We have not yet heard of any other company struggling with this. How did that happen? Just to be clear, did it become easier to disclose this data once you had been through the Ofwat price review process?

**Louise Beardmore:** I do not think that that was the case. In terms of, "Why United Utilities?" the Information Commissioner has written to all companies to make this distinction.

**Q320 Chair:** On this point, what is operational and what is environmental sounds fairly basic.

**Louise Beardmore:** One of the things that we had got ourselves fixated on was things like logbooks, when people sign into site, and operational data from that perspective. Was that environmental? Was that operational? We have had to change a lot of our internal processes around data protection.

**Q321 Chair:** For the people wanting the information, why would it make a difference?

**Louise Beardmore:** One of the things that NGOs and campaign groups are looking to understand is, when we are attending sites, what information we are collecting and what activities we are undertaking.

**Q322 Chair:** Is that unreasonable of them?

**Louise Beardmore:** No, and that is why I am being very clear that we are providing any data and information that is now requested. Even going one step further, we have recently been meeting with campaign groups to look at it proactively and to say, "Not only what data are you requesting, but what data do you not have that you would like to see?" This is a journey, and that is something that I am committed that United Utilities responds to.



Q323 **Sarah Bool:** Thank you for coming in today. We have talked about this, but Ofwat considers United Utilities to perform well when it comes to mains repairs, asset outages and tackling leakages, but it performs very badly when it comes to supply interruptions, and you mentioned internal sewer flooding. Can you just explain why we have that variance in asset health? What is the root cause of that?

**Louise Beardmore:** There are a couple of things. In terms of supply interruptions, we have traditionally performed better than the industry average. I am not satisfied with "industry average". We have had a couple of years when we have had a blip. In 2023, as I am sure you will have seen on your own data, we had a significant increase in interruptions to supply.

That was caused, for example, by a particular storm, where we had to make a really difficult decision from a local resilience perspective. Working with the local resilience forums and regulators, we chose to keep Heysham power station on supply, and a local hospital that was having problems with its own supplies. As a result of that, 18,000 customers lost supply for 24 hours, and that contributed significantly to that performance.

We have a high representation on our vulnerable services in terms of our priority service register. Of those 18,000 customers, 7,000 were provided with bottled water. There are always those types of instances, but we are doing a huge amount in terms of improving resilience.

In the plan, we have said that there are 900 kilometres of mains that we are going to be improving and replacing. One of the biggest programmes that is going to be happening across the UK is that we are replacing the aqueduct that goes from Cumbria to Manchester. That is hugely important, because there are 2 million customers on the back of that supply. As well as focusing on mains supplies, we are also focusing on aqueduct supplies. From an asset and asset health perspective, we are doing a huge amount to improve resilience.

Q324 **Sarah Bool:** On the supply side, you talked about the average and then about your numbers. Could you just explain what those are? You said that you performed better than average.

**Louise Beardmore:** In relation to previous years, in 2020, we were at 10 minutes, but in 2021 we were at 4.46 minutes, and just over eight minutes in 2022. For the year in question, which I said was a poor year, it was 38 minutes. That was where we had the issue in terms of Heysham power station. That was a conscious decision and the right thing to do from an infrastructure and resilience perspective, but it did cause that significant interruption and disruption to customers at the time.

Your second question was about internal sewer flooding. I am very clear that this is a key area of focus for us at United Utilities. Our performance is not good enough. From an internal sewer flooding perspective, we have



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one of the highest rates of internal sewer flooding across the country. There are a couple of factors that are contributing to that.

One is, as I said, that combined level of infrastructure that we have, and the level of floods that we are seeing. Just to make that come alive for a minute, 30% of the incidents we see in relation to sewer flooding are caused on 1% of the days—caused by intense flash flooding. Therefore, we have to do more in terms of how we respond, because the only thing that we can guarantee is that that level and intensity of rainfall is going to continue.

We have put forward the biggest reduction in terms of sewer flooding, with a 45% reduction in sewer flooding levels. In the last price review period, which I know you have heard other chief executives talk about, we have spent double what we were allowed to. The reason that we did that was that we wanted to ensure that we were doing everything that we could.

One of the things that we have done is installed data monitors into all of our sewers. We have spent over £120 million doing this. Essentially, what that allows us to do is to understand data signals, and to intercept and deal with any blockages or problems that may happen with assets before they cause flooding. Over 6,000 flooding incidents were stopped as a result of that intervention, so that is something that has worked for us.

There is a whole scheme of projects that we are going to be doing. If I could just share one with you, it is something that is a first for the UK. Working with Andy Burnham and the Greater Manchester Combined Authority, we have managed to secure £250 million to tackle surface flooding. This is really important, because this is the first of its type across the country, where we are going to be working with local authorities and, essentially, managing surface water in a different way. That will have a benefit on both internal and external sewer flooding, but also on combined sewer overflow spills. We are trying to do things differently in terms of improving performance.

**Q325 Sarah Bool:** You are right, and we should put it on record that, in terms of sewage, you were probably one of the worst performers in 2023-24, because you had 4.3 incidents per 10,000 sewer connections, when you were expected to have only 1.44. Everything that you are saying sounds very positive. I have heard a lot of money being bandied around and being spent, but internal flooding is absolutely devastating for residents when they are out of their houses for a year or more. When is this going to come into place? It sounds like there is a lot of money, but I cannot see dates. When will this be guaranteed and fixed?

**Louise Beardmore:** That investment has already started. You are absolutely right. It is heartbreaking. My background is customer services. I have spent a lot of time with customers. I was out only two weeks ago with some residents, where this is exactly what had happened. I am very clear about the need to improve in this area. It is not something that we





are going to be able to fix instantly. It is a series of infrastructure programmes that are going to need to happen.

At the same time, we are going to have to look more long-term about how we respond to the impacts of climate change, particularly in some of the hot spots in the north-west, Merseyside being one, where 80% of the infrastructure is combined. How we drain the city is something that we are going to have to focus on collectively as we go forward.

**Q326 Sarah Bool:** Some residents would like to know if you at least have a timetable and some plans. I know that you appreciate that it does take a long time, but, as I said, at this moment, I cannot see where the priorities are. You are doing a lot with Windermere. You are going to be doing a lot on these different elements. Is there a timetable that people can see on your website?

**Louise Beardmore:** There is. As part of this process, we did not just submit one price review process to Ofwat. We submitted one overall one, and then one for each county. That is because what we are doing in Cumbria is very different from what we are doing in Manchester, for example. There is an individual plan for each county that sets out what we are doing and what people can expect to see.

We also have individual engagement teams out working with local authorities and community groups, and talking to people about when those projects are going to happen and when they can see them. The plans are published from a county perspective to give some of that data and information to people.

**Q327 Jenny Riddell-Carpenter:** We have talked about customer satisfaction, and your focus on and background in it. Talk to us about how you account for the drop in customer satisfaction over the past four years. It was at 83.59% and has now gone down to 78.3%. How do you account for that, and what is the data telling you about why it is declining?

**Louise Beardmore:** It is two things. What I am seeing in terms of customer satisfaction in the way that it is measured is that it picks up two things. One is actual experience and one is perception. In our actual experience measures, we perform very highly. Despite the fact that we have one of the most challenging records in terms of internal sewer flooding, for example, we are the No. 1 company in terms of wastewater performance as judged by our customers at this moment in time. When customers interact with us, it is a positive experience.

What has dropped and what we are seeing is that perception, which is equally important in terms of people's view of service. When people interact with us, they have a positive interaction, but their perception of the service and of the sector is one that we have to work on collectively. It is something that we have to work on within the region, as well as across the sector. That is where we have seen those things move.

**Q328 Jenny Riddell-Carpenter:** In the PR24, Ofwat talked about you needing





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to work towards a 34% reduction in customer contacts about water quality—i.e. taste, odour and appearance. How much does that currently feature in your customer contacts for taste? I do not have that breakdown here. I appreciate that it is not just about perception, and I have no doubt that that is true about perception. It is an issue that affects the entire water industry. We have talked about the reasons and why that would be true specifically for Windermere, but there is also a point here around your product not being sufficient. There is an issue with the water that comes out of taps. Where do you sit at the moment? What is your data, and how does that compare to the sector average?

**Louise Beardmore:** In terms of the context that we see around taste, smell and appearance, one of the factors that we have in the north-west is the age of our infrastructure. A lot of our pipes are iron, so we see contacts that are coming through from that.

There are two things that are under way at this minute in time that we expect to significantly help. These are due to be completed in the next 18 months. We are currently relining the aqueduct that takes water from Vyrnwy in Wales up through Cheshire and into Merseyside. That relining is already under way and will deliver improvements over the next 18 months. We have other relining projects that are already under way, so we expect to see reductions in those as a result of improvement programmes that we have already started to deliver.

Q329 **Jenny Riddell-Carpenter:** Would you be on course to hit the reduction of 34% that Ofwat wants to see?

**Louise Beardmore:** The projects and programmes are on track to deliver and are all tracking to their project milestones at the moment in time. As soon as that happens, we would expect to see that reduction start to flow through, in line with the expectations that have been set out.

Q330 **Jenny Riddell-Carpenter:** Tell me where you are with the sector average for that. How does your product compare to that of other water companies in terms of satisfaction?

**Louise Beardmore:** We see very strong water quality performance in terms of the raw product that we provide. That is not saying that we have not had incidents, because we have. Particular incidents have happened where we have identified things that we need to do differently and better. The asset programme that we have put in place is all focused on how we improve our water quality and improve and safeguard the supplies. The programme that I mentioned in terms of replacing the aqueduct is about doing those types of big infrastructure programmes to drive those improvements.

**Chair:** Louise, you can possibly draw breath for a second and even take a sip of water, if you want one. We are going to move on to financial performance, investment and the price review. I suspect, Phil, that this may be your moment to shine.



Q331 **Charlie Dewhirst:** Like other water companies, you have been overspending on service delivery and enhancing your services. It has also been widely reported that you have been paying dividends greater than profits. How has that overspend been funded, and is it sustainable?

**Phil Aspin:** We have a very robust capital structure at United Utilities. For over 20 years now, we have been targeting a gearing range of 55% to 65%, which is one of the lowest levels of gearing in the sector. That is commensurate with some very strong credit ratings for the company, so we are in a very strong position in the context of dividends.

In terms of the dividend returns that we are paying, Ofwat has some very detailed reporting in its annual performance report. Typically, we have been paying out from our water company about a third to a quarter of the shareholder returns that have been earned through that period. Those are numbers that you can check back into the APR process. It is very sustainable.

Q332 **Charlie Dewhirst:** Net debt is increasing and is reported to be £8.76 billion, if that is correct. Your gearing is just below 65%, so just below what you would say is the upper range of what you would want to see. Ofwat recommends 55%. Is it a sustainable position to be 10% above where Ofwat would like you to be?

**Phil Aspin:** It is quite complex in the context of quite a lot of adjustments that are sitting outside of the RCV, which is the regulatory capital value that the regulator ascribes to the value of the business. The group gearing position in our last reported results was 60%. The water company position is higher, as you state. As we step into the next review process, and Ofwat resets the regulatory capital value, you will see the benefit of that reduce, effectively. We are very comfortable that we will be operating within that 55% to 65% range through the whole of the next five-year control period.

Q333 **Charlie Dewhirst:** You announced a £13.7 billion investment plan for the next price review. Ofwat has, basically, reduced that to £13 billion. Does that curtail your ambitions to reduce pollution?

**Phil Aspin:** Not at all. We are very clear on the scope of what we are delivering. As you would expect, Ofwat has challenged us to be as efficient as possible and, in doing that, has set us that slight challenge to work towards. We absolutely will not be curtailing our ambitions in terms of pollution. If anything, as Lou has already said, we have been moving further and faster. We have accelerated a lot of investment into this five-year price control period. In this period, we are spending around an extra £1 billion in terms of bringing things forward, moving faster and getting things done.

Q334 **Charlie Dewhirst:** On a general point, do you feel that the price review process is effective, given the fact that you, like other companies, are having to overspend?



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**Phil Aspin:** It is fair to say that the price review process is very complex and does have its challenges, but we have accepted our determination and recognise that, in the round, it is the right package for us to move forward with.

Q335 **Charlie Dewhirst:** I have one final point on Windermere specifically and the ambition to reduce phosphorus levels. You have talked about working with third parties. Does the regulatory environment easily allow that third party working, or is it a challenge to work with others to achieve those aims in the current environment?

**Louise Beardmore:** One of the things that we have tried to set out is opportunities to work with third parties and how we can collectively come together in terms of agriculture and private supplies to do things differently.

There is a mechanism that has been set out by the regulator to allow us to do that. As I have said, we are working with the action groups, the NGOs and regulators collectively to define what a plan for Windermere should be after 2030. What I am very clear about is that we are going to deliver those improvements, but we are going to need to do more, because, from a climate change perspective, that is not going to be enough. There are those options, and we need to make sure that we are pushing to make sure that they are realised.

Q336 **Henry Tufnell:** I just wanted to touch on this gearing issue and break it down a bit more. We heard yesterday from Yorkshire Water, which was much more comfortable with 70%. Ofwat has set out that it wants gearing of 55%. You are at 67% and want to get down to 64%. Is Ofwat wrong to have this level of 55%, if we are hearing from you that you are going to 64%, and Yorkshire Water is saying that 70% is fine?

**Phil Aspin:** As I said at the outset, we have operated in the range of 55% to 65% for two decades. That has been a set of parameters that I have been very focused on and working to in terms of the financial robustness of the company. Through that period, when we look back over past price controls, the regulator has set the notional company gearing at different levels. They have set it at 62.5% and 60% in the past, and at 55% under this price review.

Clearly, this is a price review under which we are making significant increases in investments. We are investing probably twice as much in totex terms—£13 billion is about twice what we are spending in the current five-year period. That has challenges around pushing your gearing level naturally higher. Part of our job is to work within a range that we feel is financially resilient but is also minimising the cost for customers in terms of our overall cost of capital. We feel that we are striking the right balance there and operating very transparently with the market in terms of how we are targeting the company.

Q337 **Henry Tufnell:** Would you say that Ofwat is almost trying to be too



ambitious in terms of pushing that down when trying to get that investment?

**Phil Aspin:** It is very clear that it is the notional company, and that the actual company can differ. It also has other protections around companies' leverage getting too high in terms of rating thresholds. It has a package of things that it looks at, and that particular leverage number is really just set for how it determines the financial returns that a company earns. It looks at a notional company that is leveraged at 55%, and assumes 55% debt and 45% equity in terms of working out their notional returns. It has other mitigations in terms of licence restrictions around credit ratings as well.

Q338 **Tim Roca:** Good morning, Louise. We covered executive pay yesterday with colleagues of yours from other companies. You are operating a regional monopoly and you have captive customers. Remuneration can be controversial, so can I just start off with the facts in terms of your remuneration?

Am I right in saying that your base pay last year was £690,000? On top, there were contributions towards your pension of £86,000, and benefits of £29,000, so a package of £805,000 in total. There was then a bonus of £420,000, and then long-term incentives of £186,000. I am just conscious that you are advertising for a leakage analyst on £35,000 at the moment, so these are big sums of money. That is £1.4 million. Bills are going up by over 30% in the coming period. How are these levels of pay justified?

**Louise Beardmore:** Yes, you are correct in terms of those amounts. I am very alive, as is the board, to the focus on executive remuneration. Two thirds of my remuneration is aligned to outcomes for customers and for the environment in terms of the performance-related element of it. Shareholders are paying entirely for that remuneration, so that is not something that is passed over to customers in terms of customer bills.

Q339 **Tim Roca:** In terms of the measures that are being used for the bonus and the long-term incentive, clean rivers is one. Is that not something that you would be doing in terms of your base pay? It is not something that you should be receiving a bonus for. It should be, basically, what you are delivering.

**Louise Beardmore:** One of the things that we did in terms of identifying the areas where we remunerated in terms of performance is we went out to customers and asked them what was important. The remuneration measures that I have, from a United Utilities perspective, are cascaded right through the business. We all have the same measures. We asked customers what was important to them, and they wanted us to focus on specific elements. These include rivers. There are measures in there around affordability and so on. There is a range of different measures, but they are measures that customers said they felt that our performance-related remuneration should be aligned against.



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Q340 **Tim Roca:** Do you think that, overall, the industry might have an issue with excessive remuneration? I am conscious that the Prime Minister is on £165,000, and you are on eight times that. Is there an overall cultural issue with remuneration being too high?

**Louise Beardmore:** We are all very alive to the issues of remuneration and trust in the sector, and the changes that need to follow. What is important and what customers are very clear on, though, is that remuneration should be linked to outcomes that they think are important. As I said, two thirds of that performance-related remuneration is linked to the things that they have said that they want us to focus on.

Q341 **Tim Roca:** Turning to dividend yields of about 4.1%, return on regulated equity of 8.4%, and shareholder return of nearly 15%, are these justified when performance overall is judged as average and you are meeting only half of your KPIs?

**Louise Beardmore:** Our overall returns last year were 5% in terms of what went back to shareholders. That, essentially, is less than they could get if they were to put their funds in a savings account, for example. I know that one of the key areas that has been discussed by the Committee, and by many groups, is the ownership and financing structures of these businesses as we go forward.

What is very clear to everybody is that we need to invest in the infrastructure that we are going to need. We need investment, and therefore we need to be able to remunerate for that investment in terms of driving the step change that everybody wants to see.

Q342 **Tim Roca:** Stepping back, the public will see the Windermere issue. They will see their bills going up. They will see, as I say, average overall performance and only meeting half of the KPIs. Between the two of you, you are being paid over £2.5 million. There is a cultural issue, is there not?

**Louise Beardmore:** Remuneration was reduced last year in terms of the performance-related outcomes. I recognise that any bill going up is unwelcome. We focused hugely in terms of affordability support. United Utilities has a strong track record of doing so. We are going to be able to help one in six customers, and £200 million of that support is being provided by shareholders, but I am very alive to the issues that you talk about.

Q343 **Tim Roca:** Overall, the structure of the water industry is something that is quite a lively public debate as well. We saw big increases in bills after privatisation. Then they flatlined in real terms, and now we look to be going through another period of significant real-terms increases. The sector has £60 billion of debt. It has taken £74 billion out since privatisation and given it to shareholders. How do you restore trust in this sector when it is so low?



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**Louise Beardmore:** The key thing is that we need to deliver. We need to deliver that step change that we set out. We need to deliver that investment programme. We need to reduce bills. We need to reduce internal sewer flooding. We need to deliver the infrastructure that people want us to see.

At the same time, there is the opportunity as to how these plans support growth. As you and I both know, being from the north-west, this plan is going to support 30,000 jobs, 7,000 of which are new. There is a real opportunity here, not just to restore trust in the water sector but in terms of how water can be used, essentially, to bring regional growth to the heart of the country where these types of jobs are quite hard to find. There are opportunities for both, but there have to be greater levels of engagement with customers, and delivery, which is what I, along with the rest of the team at United Utilities, am committed to drive.

Q344 **Chair:** Louise and Phil, thank you very much indeed for your attendance and for your evidence this morning. We would hope that the work that we do in these evidence sessions might then help inform the work of Sir Jon Cunliffe and his commission, which will look at the industry as a whole. From your own point of view, as somebody who has a leadership role in the industry, this level of remuneration for what is described as an average company cannot be sustainable, can it?

**Louise Beardmore:** What is really important is that we deliver the step change that people want to see. I am alive to the issues.

Q345 **Chair:** Part of that step change has to involve remuneration and dividends, surely.

**Louise Beardmore:** I am very alive to the issues around remuneration. When it comes to dividends, we do need to make sure that we can attract investment, not just to the water sector but to the UK more broadly, to fund the plan that we have set out. The returns that we are providing are consistent with what Ofwat has said. We do have a track record of overinvesting. In the last five years, United Utilities has invested an additional £1 billion of investment to drive those improvements. There are benefits to being a plc and a listed business in terms of driving those improvements in performance that people want, but I am very alive to the issues of trust and transparency and, therefore, what we need to do as we go forward.

**Chair:** Thank you very much indeed for your attendance. We do appreciate it. We certainly do not take it for granted. We are hearing from other of your colleagues, and you will doubtless hear more of our deliberations and conclusions in the future. For the moment, thank you very much for your attendance.

Examination of witness





Witness: Liv Garfield.

Q346 **Chair:** Liv, good morning. Welcome to the Committee. Just for the benefit of our official record and for those who are following our proceedings, can I ask you, please, to place on record your name and your job function within Severn Trent?

**Liv Garfield:** Good morning. I am Liv Garfield. I am the chief executive of Severn Trent Group, which is three businesses. It looks after Severn Trent Water, which looks after water from Doncaster down to Tewkesbury. It also looks after Hafren Dyfrdwy, which is one of two Welsh businesses. We look after about 100,000 customers in Powys and in Wrexham. I also run the non-regulated group of businesses, in particular Green Power, which creates quite considerable renewable energy, including the country's largest food waste provider. I look after all of those as part of my group function.

Q347 **Chair:** You are also a non-executive director of Water UK. Is that correct?

**Liv Garfield:** That is correct.

Q348 **Chair:** You are also a member of the UK Investment Council.

**Liv Garfield:** That was in the last Government, but was disbanded as part of the change of Government. There is longer an investment council, so I am no longer a member of that.

Q349 **Chair:** But you have the non-exec role with Water UK.

**Liv Garfield:** I do still have that. That has not been disbanded with the change of Government.

Q350 **Chair:** As we have been asking some of your professional colleagues, talk me through the sort of business that you want to run, and that you do run, with Severn Trent. In particular, we are looking at outcomes for customers here—customer engagement, and questions of transparency and customer confidence.

**Liv Garfield:** That is quite a far-reaching question.

Q351 **Chair:** We will come on to some specifics in a second, but, given that I have asked the same question to your colleagues, I feel that we should allow you the same opportunity.

**Liv Garfield:** In terms of the type of business that we try to run—and I have been here for 10 years, so I should be in a position to answer every question that we have today—we try to run a business that is fairly balanced between goodness for the environment, goodness for customers, and goodness for colleagues. We are quite proud of the fact we have a very well engaged organisation. It is also a business that should feel fair for investors, whereby they want to support us in our ambitions for the future.





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There are three facts that I would give on those three groups. For customers, we are passionate about outcome delivery incentives. They are the measures that customers have said they care about most, and we are proud of the fact that we have been sector leaders for the last 10 years. There is loads more that we can do. There will be loads of questions that you have on particular measures, where there is definitely more that we can do, but we are proud that we have performed strongly in that space.

On environment, we are proud that we have had five years of being four-star status, which is the measure that the Environment Agency uses to judge environmental leadership. Again, there is more that we can do, and we are confident of being four-star again this year for year six.

For our people, there are about 2 million companies where Glassdoor is completed by their employees. We were delighted to be company 28 out of those couple of million companies this year. It means that we have very high engagement in our organisation.

If I was to say one word as to what we try to create, we try to create a balanced organisation. It is definitely not perfect, but it is continually improving.

**Q352 Chair:** Can we just address what we might refer to as the elephant in the room? You did come to public attention towards the end of last year in a "Panorama" documentary. The company has described the allegations as being "completely inaccurate". You may find a ready audience in parts of this building for those who feel they have been misrepresented by the BBC, so we want to just give you the opportunity to put your case here.

Just to be clear about what it was, I am going to read this, because it is quite complex. It was suggested that Severn Trent—SVE—used what is termed an "accounting trick" to inflate the company's balance sheet by £1.68 billion. This started in March 2017, when a shell company, with no money or assets, called Severn Trent Trimpley, was set up as part of the group. Another Severn Trent company, Severn Trent Draycote, which owns the water company, agreed to buy Trimpley for £2. Is that correct so far?

**Liv Garfield:** That is what "Panorama" said, so you are definitely reading correctly what "Panorama" said.

**Q353 Chair:** Trimpley then issued additional shares. Draycote bought them for £3 billion, but no money changed hands, as Draycote paid a £3 billion loan note—let us call it an IOU. The consequence of that was that Trimpley immediately appeared to be worth £3 billion because it held an IOU. Severn Trent Water then acquired 49% of Trimpley, and that investment was valued in the water company's accounts at £1.47 billion. Reading it short, you have a fairly substantial asset here that just seems to have been created out of thin air. Can you talk us through this?



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**Liv Garfield:** I am absolutely delighted that you have asked me this question, because we are still not at all happy with the way in which "Panorama" outlined the situation.

The allegation that you are asking about is whether we have anything non-transparent, anything misleading and anything in a strange account. That is the summary of the allegations. Is that fair?

**Chair:** Yes.

**Liv Garfield:** The first thing is that, on a transparency basis, every single year, as a listed company, Severn Trent has to file every single account and every single detail as part of being listed. All these accounts were consistently laid out through those 10 years. It is worth remembering that Severn Trent has consistently won awards for being such a good, clear FTSE 100 organisation in terms of annual reports and in terms of how it lays out its accounting.

The first thing to be really clear of is that we are a listed company. This has been analysed every year and laid out, so there is no way that this has not been transparent. It has been consistently transparent.

Q354 **Chair:** You are familiar with the concept of hiding in plain sight, though.

**Liv Garfield:** Let me go to the second part. The second part that you are highlighting is, "Is there something funny in how this is laid out?" Fundamentally, the reason that Trimpley was created, which we did share in advance with "Panorama", is quite simply the way that UK accountancy works, which is that there are single rules for every sector. Most of the time, that works really well.

Unfortunately, as a sector, we have a few things that are off-balance-sheet items worth quite a lot of money. ODIs, as I mentioned in my introduction, are something that Severn Trent has done very well with. ODIs are, effectively, rewards that you earn if you have strong customer service. They are an off-balance-sheet item until you put them on the bill.

One of the reasons why we decided, effectively, to have the Trimpley set-up is because, if we had to put those on the bill straight away, you are suddenly ending up with bill volatility. If you earn, as we have, say, £80 million or £100 million worth of ODIs in one year, and then have to put those straight on to the customer bill, that would cause bill volatility. It is a mechanism to make sure that you can manage off-balance-sheet items, because UK accountancy does not allow you currently.

There is a belief that UK accountancy is going to change in the next couple of years, which we welcome. We have been lobbying hard for that change, so we look forward to that, if it comes through, but it is for reasons such as that. It is definitely not hidden in plain sight. It is clear. It is open. It is clearly published. It was openly discussed with the regulator at the point in time that it was established, so it was, again,



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definitely not created quietly. It was created openly, for this exact reason.

The programme almost implied—to me watching it, anyway—that something was happening with that. Terms such as “IOU” almost gave a sense that money was trading between them. In actual fact, that was created as a mechanism. It has never been used for anything like dividends. The implication is that it has been used to fund dividends or for money to be removed from the company. That is not the case. It has never occurred on that basis.

**Q355 Chair:** It is valued at £1.4 billion, and you have never had £1.4 billion of ODI.

**Liv Garfield:** I understand your point. It is valued at £1.4 billion. We created that structure, and we have not made £1.4 billion yet in ODIs. We have made, in the last five years, about £420 million, and in the five years before that, which is the same time period, a few hundred million pounds. This year’s number will be over £100 million. They are decent numbers, but not £1.4 billion.

The implication of the question was, “Have we then used it?” Effectively, it is a structure that was used to safeguard customer bills, but it has never been used to pay for dividends. It has always had tax paid on it. It is not hidden. It is openly and fairly reported in the accounts every single year since creation, openly discussed with the regulator, and made really clear.

**Q356 Chair:** This is how it works, is it not? You have the IOU. Draycote pays interest on it, so the IOU becomes more valuable every year. As the value of that IOU goes up, so does the paper value of Trimpley. Essentially, this means that Severn Trent Water’s investment rises every year too. The Trimpley investment is now valued at £1.68 billion in the regulated water company’s accounts of 2023-24. Who else in the industry is doing this?

**Liv Garfield:** I do not know about other people’s accounts. It would be wrong of me to sit in front of a Select Committee and comment on other people’s accounts.

**Q357 Chair:** You are part of the industry leadership. You are part of Water UK.

**Liv Garfield:** There are only a handful of companies that are listed. Lots of companies do not report accounts at the same level and in the same detail, which I am sure you have raised as part of this process. In answer to the point, though, is it creating surplus value that is being used in some way? Not at all. It is part of the total group money, and that is what it is. It is an open group aspect that is laid out there. It is like a savings account.

**Q358 Chair:** Taking all of that at face value, you are a water company. Why on earth do you need this sort of corporate structure and governance? Is



this not symptomatic of a wider problem within your industry?

**Liv Garfield:** The reason we need it, as we said, was to avoid the hundreds of millions of pounds from ODIs causing volatility, and other aspects like that. We created it as customer protection, because we have off-balance sheet items that needed to be stored. It is created to protect. Why we needed it was because we took a view that it was a good thing to do to protect against that risk of volatility. It was cautious, it turns out, because we have not had to use it. At no stage since it was created has it had to be drawn down or used. Instead, we have been able to manage on an every-year basis, but it was done as a protection.

In terms of more widely, from a historic perspective, we are listed and have been the entire time. Everything is openly available to see. We have, again, across sectors, had really strong feedback from independent organisations that judge our transparency as a listed organisation versus all other FTSE 100-listed organisations, and have not been found to be wanting. In actual fact, we have been praised, so I do not think that it is fair to say that we are not transparent and that we did it in any manner.

Q359 **Chair:** The BBC's suggestion was that this was to justify greater dividends to shareholders.

**Liv Garfield:** Again, that is not true at all. One of the big things that we are still very grumpy about is that implication and accusation. It has never been used to fund a dividend, No.1; No.2, Severn Trent has paid dividends in line with the regulatory process. If you compare Severn Trent to other sectors that were privatised at the same time, such as energy or telecoms companies, we have paid lower dividends over the last 10, 15 and 25 years than any of those sectors.

Q360 **Chair:** This is a serious allegation. What are you doing to protect your reputation?

**Liv Garfield:** We are still in conversation with the BBC about the options in terms of challenge around it. We are weighing up the debate between whether we press forward with a legal challenge and whether that is a good spend of customers' money. It is a fine line. On the one hand, we could say, "We have made our point", and this is really helpful. Maybe this allows me to make the point clear and we draw a line under it, because we did not have a chance to draw a line under it, and maybe this does that, or, "Is it a good spend of customers' money to keep going and to protect our reputation?" Exactly what the board is debating at the moment is how much it is worth keeping going with that debate.

Q361 **Josh Newbury:** Thank you for coming this morning, Liv. I represent Cannock Chase in Staffordshire, so along with Julia, I am both a representative in your area and a customer, of course. We wanted to pick up questions around this, because I expect that you want to be as open with your customers as you possibly can. You have answered questions around why Trimpley was created, but what concerned me a bit more is that we can see that, around the time that this was going on, Severn



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Trent was paying out more in dividends than you had made in profit during the few years after 2017. Does that give the impression that cash is being drained out of the business if you are paying out more than you made in profit?

**Liv Garfield:** I do not know which particular date, but if you look over a five, 10 or 15-year journey, we have not paid out more in dividends than we have made in profit. There might be an individual year, but not over AMPs of five years. You invest different amounts in five years, so you can end up with a particular year where the capital programme is larger, which means that profit is slightly lower. We do try to front-end capital investment, so you can see that come through. Over every five-year period, we have not paid out more in dividends than we have in profit, so we are definitely not draining the company.

If you look at two data points, the share price is about £25, and we pay out about £1 in dividend, to give you a perspective. If you look at the percentage, that is about 4%. If you compare that to something that a customer would get from a bank, it is about the same. Do not forget that what is unique about Severn Trent, which is good news for yourself and Julia—or only half of your customers, but 50% good and 100% good—is that our investors put cash into the business quite considerably in the last few years, in advance of regulatory settlements. We did two equity raises to fund investment in the last period of time—£250 million about four years ago, and £1 billion last year—and those have allowed us to front-end investment. We are conscious of the public debate on dividends and, as such, we have been really cautious for the entire listed time.

I cannot take praise for that before my time, but certainly, for the last 10 years, we have been very conscious of only paying dividends that are right and fair. Do not forget, they are not nameless, external international corporations, typically, in Severn Trent's world. They are people such as the West Midlands retired police force, which is a big owner of Severn Trent shares, or North Yorkshire police force. It is a lot of original customers from privatisation who have never sold down their shares. With the cost of living increasing, they do need that dividend payment, which is why we have continued to pay the dividends over those years.

Q362 **Josh Newbury:** If the cost of living is an issue, though, would it not be preferable to keep bills down? Alongside all other water companies, you have asked for enormous increases in customers' bills. If giving out dividends to customers to help them with the cost of living is part of the consideration, why do you not just lower bills?

**Liv Garfield:** Both of those have to be the answer. Nobody should fear a Severn Trent bill arriving on their doormat. I have consistently said that for the last few years. What we have said is that it should not be a postcode lottery whereby any customer who lives in Severn Trent cannot afford their bill. We are going to be helping one in six households with financial support over the course of the next five years. That is half of



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this room, if you think about it that way. One in two of us in this part of the room would be funded to help with their bill.

We do not give just a little bit of support. We support up to 70% off the bill. If you or Julia have any customers who need that support, we want to find them. We are going to a massive variety of places, such as food banks, community halls and MP open offices, to try to find any customer.

We are also quite proud of the fact that we have the second lowest bill in the land, as you will know. That is because, over a long period of time, we have not allowed ourselves to run up unnecessary costs. We have kept ourselves very tight on that basis. We are conscious that bills are going up, and we have personally communicated with every customer twice now about that to make sure that they can at least help with the planning.

We wrote to every customer just before Christmas, as soon as the price review was settled, and did so again last week. Again, I know that it is something that not everyone in the sector has done, but we are conscious that it is our responsibility to manage this increase. 81% of customers supported the investment programme, so we have overwhelming support. That is much higher than the sector average for the investment plan to be supported, but there will still be some customers who are struggling, and we need to help all of those.

**Q363 Julia Buckley:** Could I just pick up on that? I was really interested in your previous answer. You explained the Trimley savings account as a rainy day account to avoid the volatility of bill increases, and yet the 47% increase that you are describing is the highest increase of any water company in the UK. Why did you not use your rainy day saver for the purpose for which it was intended, which is to reduce that volatility that we are now subjected to?

**Liv Garfield:** That is spot on, and we have done part of that. We have done two things in the last couple of years to try to get ahead of the curve. We have known for some time that it looked like investment was going to be desired—by customers, with the 81%, and by all of the regulators: the DWI, the Environment Agency and Ofwat. We were conscious that it would be wrong if we suddenly asked customers straightaway to do a scale increase without, effectively, as a company, putting our hands into our pocket and pre-funding a chunk of that.

We have pre-funded two parts with scale numbers. We pre-funded the green recovery programme, which was £650 million of investment over the last three years. We funded that for the last three years, and then we will only just begin to get the money paid back over 25 years, starting in April. We have carried the cost of that £650 million for the last three years.

We have also pre-funded £450 million of early transition spend over the last 18 months. Again, we have done so at risk, and we are not sure that





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the regulator would have approved the plans, but are confident that it would if they were high-quality, and we have pre-funded that.

Q364 **Julia Buckley:** I am sorry to push back, but I cannot square off the two different things that you are saying. Over here, you have £1.6 billion in a bank account that is labelled “rainy day” for exactly this purpose. Over here, you are saying that you are borrowing, at risk, £600 million plus £450 million that you will pay back over 25 years. Why not use the money that you say it is intended for?

**Liv Garfield:** We are not borrowing. I am saying that we have pre-funded.

**Julia Buckley:** Is that from your £1.6 billion Trimpley pot?

Q365 **Chair:** What do you mean by “pre-funded”?

**Liv Garfield:** Effectively, about three and a half years ago, the regulator wrote to all companies in the sector and said that they were interested in whether anyone had any investments that they were comfortable to undertake, whereby, effectively, you would submit cases to say, “Is this a good thing?” Examples would be bathing rivers, or the Mansfield scheme that we have invested in, which helps manage surface drainage there. There are a series of schemes. The deal around it is that you would have to fund the cost of that investment for those few years, and then, at a certain point in time, you would begin to add it to the bill. For those three years, the company would need to fund that as a pre-commitment. We were the company in the sector that stepped into that. About 75% of all of the sector’s offering was our own suggestions, and we have pre-funded that £600 million for the last few years.

Q366 **Julia Buckley:** Did you fund it from the Trimpley account?

**Liv Garfield:** No.

Q367 **Julia Buckley:** You are telling us that that is what it was for.

**Liv Garfield:** No, not quite. If I managed to convey that, let me try to be clearer. What I tried to describe are two different points. One is that we have our group structures in place. The question was, “Is it transparent?” Yes, it is transparent. Was it done for any reason such as dividend payments? No, it was not, and it is not set up to do that.

The separate question was, “Can you not go early and try to help with investment early?” I am trying to say yes, and we have done exactly that, to be fair. We are the only company that has done that. We have done that with £650 million of green recovery, and we have done it again in the last 12 months with transition spend. I am trying to highlight that I agree that companies do need to step into the space of getting infrastructure investment in, before it goes straight on to the bill. I am trying to answer those questions.

Q368 **Jayne Kirkham:** I am just trying to get my head around this. Trimpley





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was set up and then bought by the water company. Essentially, you are given an IOU for £3 billion. You said that the ODIs were not drawn down. Is that £3 billion real? Is there any money in this company? What is that £3 billion?

**Liv Garfield:** I am obviously doing a very bad job of explaining it to you, so I am genuinely sorry.

**Jayne Kirkham:** It is probably me.

**Liv Garfield:** No, I am the one who is meant to be sat here explaining it to you. If I cannot explain it to the three of you who are asking questions, I am definitely doing a bad job of explaining it.

What I am trying to articulate is as follows. Trimpley is real. It is not like when you go to Covent Garden and you people moving three pots around. It is a real structure in a real group set-up. What I am trying to describe is that, effectively, in a large company such as ours, we end up where we have structures. There is the Severn Trent Water structure. There is the Hafren Dyfrdwy structure. There is the Green Power structure. Overarching, at the group level, there is the Trimpley structure.

I know that it sounds complicated, and that you will say, "You only have one company, so why do you need these different structures?" They are set up partly because we have a group organisation, and partly because we have these off-balance-sheet items that we have to account for somewhere, but they do not naturally occur straightaway. They do not match the time window of an annual year. That is what I am trying to explain, although clearly badly.

Q369 **Jayne Kirkham:** So it is not really £3 billion.

**Liv Garfield:** It is a value of £3 billion, so the numbers that are named there are the correct numbers in the accounts. Almost like Julie asked, is it available cash to do something with straightaway? It is a balance sheet value.

**Chair:** I am getting flashbacks to Enron here.

Q370 **Henry Tufnell:** I am struggling because, without the amount, in 2023-24, your retained earnings would reduce from £1.68 billion to £7.9 million. Profits over the same period were £1.246 billion. Effectively, Severn Trent Water paid out £369 million more than it made in profit in that period. That is the issue, and that is the bit that I cannot understand.

**Liv Garfield:** I did not capture those numbers, so I cannot answer specifically, but I am very happy to follow up. If I take last year's revenue, which I know is a question that you have asked other people over the last couple of days, what percentage of last year's revenue has gone into dividends, or into dividends and debt repayment? It gives you a



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like-for-like on other companies that you have asked a similar question of in the last couple of days.

**Henry Tufnell:** I am not asking about like-for-like. This is a very specific question.

**Chair:** We have no comparison for this.

**Henry Tufnell:** Yes, we have no comparison.

**Jayne Kirkham:** We have not heard this before.

**Liv Garfield:** I am going to have to follow up afterwards. I clearly need to do a better, drawn-out articulation to the Committee of it, because I am not managing it well enough live now. The answer probably is that I should follow up after with you on your specific question.

Q371 **Jayne Kirkham:** It is more that there is money in that pot that seems to have been used to pay dividends that could not have been paid.

**Liv Garfield:** No, it has not been used.

Q372 **Henry Tufnell:** It affects the asset value of the company. That has an impact on the retained earnings, which then feeds into the profits and the dividends.

**Liv Garfield:** The dividends have always been funded consistently, every year, through revenue coming in, so that is not true. Trimply has never funded dividend payments.

Q373 **Henry Tufnell:** Maybe we will be able to get clarity if you provide this in writing.

**Liv Garfield:** Let us provide it in writing, but I can reassure you formally on that point. That is clear.

Q374 **Chair:** There was a reason why I practised law and not accountancy. You set up a company for £2. You sold it for £3 billion, except you did not pay the money. You set it up for a purpose for which you have never used it. You can see why the BBC might find that interesting. Is it really fair to say that the allegations from "Panorama" are completely inaccurate?

**Liv Garfield:** Yes, because the inaccurate element—

**Chair:** No, completely inaccurate.

**Liv Garfield:** The inaccurate element is the inference that I take from it—it is my assessment—which is twofold. One is that we have used it for dividends, which we have not. We have paid dividends every year out of the money that we have earned. That is the inference that you are taking from it as well. That is inaccurate.

The second thing is that it is, in some way, not transparent, or a trick. That is also not true. It is part of a group structure. It is clearly reported in the annual report. It has clearly been shared with the regulator. It has been clearly evidenced every single year since it was set up.



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**Chair:** This comes back to the dangers of off-balance-sheet accounting, candidly. We have seen the difficulties caused by that over the years. I do not know that we can really take this any further today, but I do feel that we are moving on with an awful lot of questions unanswered.

Q375 **Julia Buckley:** Severn Trent is one of the highest performing companies in terms of environmental performance. How have you achieved this?

**Liv Garfield:** Hard work every day, really. There are three things that we have done that are slightly different. We are a heavily insourced organisation. We genuinely believe that, if we are going to get the best out of our people, having long-term Severn Trenters who work on patch, are technically competent and are invested in is our best chance of success. That is one thing that we have done. Over the course of my time, we have grown from 6,000 people to around 10,000 Severn Trenters.

The second thing is that we care about it passionately. We genuinely try, every hour of every day, to perform as strongly as we can. We are not perfect. We have a number of things that we still want to do much better on, but we are proud of the fact that we have landed four-star status each and every year. Some years, we have been the only company that has landed that, so we are proud of that.

The third thing is that we have invested above and beyond. We did an equity raise last year, and another one a few years back. As part of that, we have probably invested more of our own and investors' money to try to perform really strongly.

Q376 **Julia Buckley:** It is interesting, and I hear you say that you are proud of that record, but, at the same time, in 2023, which is the year that we are all looking at the data for, the River Severn was the most affected river in the country for untreated sewage spills. You were responsible for four out of five of the worst-performing sewage treatment works. In fact, six of yours are requiring improvement. How can those two things be true at the same time?

**Liv Garfield:** The EPA metric is made up of seven measures, one of which is whether your works are compliant. We have had a consistently strong track record, with 10 or 11 years of green against that metric. That will include those works that you are talking about. We can have a very strong performance on works compliance, and we do, but that does not mean that we cannot take stronger permits and make sure that what is compliant can become even better.

Q377 **Julia Buckley:** You say "compliant", but four out of five were the worst-performing, and six required improvement. I know that you personally are a high performer. Are you satisfied with those results?

**Liv Garfield:** As I said, if you look at that year for that particular performance, we are in a really strong performance against the works compliance metric for the year.



Q378 **Julie Buckley:** You are happy with having four out of five of the worst.

**Liv Garfield:** No. As I said, compliance is basic, is it not? Compliance is the first rule of, "We have to be good against it." We are then trying to make sure we go above and beyond it. That is why we are passionate about spending more money on anything. Do I ever want to be at the bottom of a league table on anything? No, I am highly competitive. I hate that as an answer. Do Severn Trenters want that to be the case? No.

Q379 **Julie Buckley:** Watch out, because later on you are bottom of the heap for customer satisfaction as well.

**Liv Garfield:** I can look forward to more questions, but, in answer to your question, no. Every time we see something we want to consistently invest and improve it. Are we the finished article? No. Did we have strong performance that year environmentally across a balanced set of metrics? We did. Is there more to do? Yes, categorically.

Q380 **Julie Buckley:** It undermines customer and public confidence in that four-star rating when you are also failing on some of these other measures. That is something that you need to take on board.

Let us move on to some specifics around storm overflow usage. Although you are better than the average in terms of that last year of data we are looking at, you did not meet your pollution spill targets for 2023-24. Actually, your results were worse than the year before. How do you explain that you are overseeing this deterioration in your results?

**Liv Garfield:** Generically, across the piece, if you looked at the basket of measures that customers care about most, there are some really good strong performance improvements.

Q381 **Julie Buckley:** I am mostly keen to know about this.

**Liv Garfield:** If you think about things customers do care about, they typically care about three big things. Leakage is big for customers; supply interruptions is big for customers; and pollutions is big for customers. On leakage and supply interruptions, there has been a really strong performance improvement over that period of time. On pollutions, I was absolutely gutted. We had had nine years of being green on the pollutions metric, and then we missed it that year.

Q382 **Julie Buckley:** You accept that it is not acceptable. It is not good enough.

**Liv Garfield:** It is not good enough. Any pollution is not good enough. Any individual pollution is not what any of us want. Any individual pollution we have to take learning from.

Q383 **Julie Buckley:** It is not just about learning. On that trajectory of your results going down year on year, are you not at risk of losing your four-star status?



**Liv Garfield:** No. The year has just closed. On the risk of losing our four-star status, no. We have just closed the year for last year, and we are confident again that we will have six years of four-star status. On that balanced set of metrics we have performed very strongly. In the year that we are looking at, we had zero serious pollutions, for example. We have made good progress on serious pollutions. We did used to have quite a lot, and we have brought those right down. No, I am not happy missing the pollutions metric.

Q384 **Julie Buckley:** If you could choose between hitting the pollutions target next year or getting your four-star rating, your shiny star, which would be more important to you?

**Liv Garfield:** To miss four-star would be worse because you are missing on a whole basket of metrics. For customers, if I think about it on that basis, would they be happy if I hit one metric? What they want is "and", is it not? Everyone wants "and". What my customers really want and what I want is "and". They want me to hit all of the seven metrics, and that is what I want as well. That is what I need to strive to do.

I am fundamentally unhappy with that year on pollutions performance, and we need to improve. I am very happy to run through some of the things that we have put in place in new areas.

Q385 **Julie Buckley:** We want to understand why first. We want to understand what kind of pollution incidents have led to that specific problem.

**Liv Garfield:** If you look at the year-on-year increase between the year before and that year, you can see the asset classes where things went up. We saw it in a number of places. We saw it in rising mains. We saw a few more rising mains. Effectively, we have enough kilometres of pipage in our waste network to go from here to Sydney and back again a few times. You have a lot of pipes. Rising mains are aspects along those pipes. If you have higher rainfall, you can see an increase in rising mains bursting. We did have that. That is one area. We need to get better at managing climate change. More rainfall is going to come. It is our job to manage it.

Q386 **Julie Buckley:** Or you need to get better at maintaining your assets and ongoing maintenance of your own pipes.

**Liv Garfield:** Yes, but rising mains typically do not come from that. They are typically a volume situation, but we need to do better on that.

The second area that increased is we did see foul sewers increase as well year on year. On that one, you are right. The answer is to do more proactive maintenance. Going forward, we are putting more money on proactive maintenance. We also think one of the answers to try to help with foul sewers is infiltration. In the same way as when you have leakage, which is water coming out of pipes, in the sewer network you have leakage going in. There is quite a lot of leakage going into pipes. We need to reline those pipes to protect from that foul sewer pollution.



We also then had a slight increase in terms of issues at our works as well. The answer there is telemetry. It is unacceptable as well for us to see an increase of our works having issues. It is typically the smaller and more rural works. We need to get better at telemetry, alarms and immediate response. In that place, we are setting up a fast response team. When that alarm comes through, if we can get there in under two hours, we will be able to contain it to make sure it goes nowhere near the watercourse and it will be contained within our site. It might still be an issue that we have, but that will never cause environmental harm. That is the type of activity we are focused on.

Q387 **Julie Buckley:** It sounds to me like you accept responsibility for two of those three areas that you describe.

**Liv Garfield:** I accept responsibility for all three.

Q388 **Julie Buckley:** That is an excellent answer. Let us move on. Drilling down to the next level, let us talk about dry spills. Just looking at the provisional data from the EA, it suggests that a third of your dry spills were not caused by exceptional rainfall. What is causing it and how have you allowed it to happen?

**Liv Garfield:** I think the data that you are looking at—I am guessing—is the new 24-hour drain-down metric. The EA has issued that new 24-hour drain-down metric knowing that there will be a whole slew of sites where—you will know this well, given the topography of your region—effectively it will take four or five days to get drain-down. What looks on a 24-hour metric like a dry day spill actually is not a dry day spill; it is a drain-down to get there. There will be an element of those. We are working through with the Environment Agency and we are going through the process of providing shared information to work out where there are longer drain-downs, because we want to get the right investment into the right locations, and where effectively there are not. That is just one point to note on that measure.

You are right about real dry day spills. We should not have any. We need to work out what is a real dry day spill and what is a drain-down.

Q389 **Julie Buckley:** Are you committing there to aim for zero?

**Liv Garfield:** Yes, absolutely. The problem with zero is that it is a finite number. It is like 100%.

**Julie Buckley:** It is a great number.

**Liv Garfield:** I am aiming for zero. Am I going to get zero every year? No. I am going to have a burst pipe; I am going to have an issue; I am going to have problems. In infrastructure, there is always going to be an issue. Am I aiming for zero? Yes, categorically. Am I going to be loads better by January next year when the metric comes in versus now? Absolutely, a gazillion times better.

Q390 **Julie Buckley:** I know the EA is currently conducting an investigation





into Severn Trent Water looking at your dry spills. I am sure we will get live updates as that progresses. According to that provisional report, the EA claims that 13% of your dry spills are due to operational issues and 32% are due to water capacity. Who is responsible for that?

**Liv Garfield:** That is me, is it not? Fundamentally, we have to keep up with climate change. It is fair to say that none of us thought, a few years back, that it would accelerate at this speed in terms of the amount of rainfall and extreme days. If I look at the rainfall that we used to have my first five years, and the rainfall we have now—

**Julie Buckley:** Dry spills are quite specifically not due to rainfall. We need to be quite clear about what we are describing. We are talking about you allowing untreated sewage to be dumped in the river when there has not been rain. We need to be transparent with the public, who are very concerned about it. As you know, in my constituency of Shrewsbury this is an ongoing issue and residents tell me on a regular basis that they are watching this. They are watching it bubble up from manholes in the streets.

Q391 **Chair:** It is basically an abuse of the rules around dry spills.

**Liv Garfield:** Just to be clear, as I have just said to you, I am going to get to zero dry day spills. I am totally committed. I have made that really clear. I agree 100%. The reason I said about keeping up with rainfall is because rainfall is relevant to capacity. Sewers are never more than 10% full from sewage. That is the max that they are ever full from sewage. When they fill to 100%—this is what the EA data says is capacity—it is rainwater that is filling them. This is why I mentioned infiltration. We need to make sure the pipes do not have infiltration in.

Q392 **Julie Buckley:** It is not just infiltration, is it? It is infrastructure; it is reservoirs.

**Liv Garfield:** I totally agree.

Q393 **Julie Buckley:** It is building larger spaces so that you can contain it.

**Liv Garfield:** It is more storage.

Q394 **Julie Buckley:** Until you have separated grey and green, you have to take responsibility for the volume you are currently responsible for.

**Liv Garfield:** I am saying that I agree with all of that. That is why we are doing our major spills work. In the last six months alone, we have already put 1,500 capital solutions into our network to make sure we do not have dry day spills in the future, to make sure we do not have spills. You are speaking to the converted.

Q395 **Julie Buckley:** We have talked about this before, but I would really encourage you to focus some of that in areas that experienced flooding, such as Shrewsbury and Gloucester. As you know, we experience that sewage twice. When the river bursts its banks and breaches people's homes, your toxic water breaches people's homes. It is a health risk; it





leads to E. coli. We need you to get on top of that specifically in flooded areas so those families do not have that double problem.

**Liv Garfield:** We absolutely are responsible for anything that is in our network when we have a smooth network. It does not matter how much it rains. We need to manage that. I totally agree with that. That is our responsibility.

The trickiness, as you know, is that when a river breaches its bank and does then overwhelm, there is a shared responsibility there. What we have put in place there—

Q396 **Julie Buckley:** You have to accept your responsibility for the quality of the water that you have added to the river, which is the point I am putting to you. That leads us quite nicely on to the near catastrophic pollution that you caused over in the River Trent, near Stoke, between November 2019 and February 2020. It was reported that human waste polluted over a kilometre stretch with a thick coating of sewage fungus covering the bed. The EA said that the issue was not corrected for several weeks. You were CEO at the time. You are one of our longest-standing CEOs. How did you allow this to happen?

**Liv Garfield:** I think that is the Barlaston event that we are talking about, is it not? It was a 2019 event, as you describe. I was horrified. I have openly said that. We are horrified that this occurred. It is not acceptable. We immediately said we were guilty. We said straightaway. It was not like we tried to defend it or deny it. It did not actually cause any environmental harm, as the EA has openly shared. We were prosecuted for the risk of harm. It did not cause any environmental harm, but I am mortified that we had risk of environmental harm. It does not have to cause environmental harm for me to be horrified. We could have caused—and we were lucky it did not—environmental harm.

We have put in place a whole load of investment and a whole load of measures since then. We have three pumps on that particular works. Typically, if one goes, you still have the duty one and the assist, and then you have a standby. In this circumstance, the first one went. We immediately went to our supplier. It is a complicated situation. It had to be flown in from the Netherlands, but it was coming. We felt confident because we still had the other two. Unfortunately, in the course of the weeks whilst we were waiting for the first one to get fixed, both of the other two also had issues, and we ended up with an issue.

You could argue what terrible luck, but it is not acceptable. Luck is not in our game; we have to manage these things. We had a terrible situation where all three of those scale issues occurred. We now hold more parts and more stock. We have a different set-up with different suppliers. We have changed that supplier out because they let us down during that five-week period when we were waiting and hounding them to bring it over. It was not good enough.



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We put a really detailed two-page spread in our annual report last year to lean into it and to highlight that we were not at all happy with it and it was unacceptable. We laid that all out as part of our desire to be transparent and open.

**Q397 Julie Buckley:** It is really interesting to hear about those lessons learned because it is not just about the incident itself; it is about the many-weeks delay before you resolve it. That, I have to say, is further adding to this loss of public confidence and trust in the water sector. I am always advising you how to win over the public. I keep telling you to bring forward bill freezes and reduce your dividends. I am always giving you advice on how to be more popular. Here is another piece of advice: if you solve problems quickly, the water companies will not have such a bad reputation.

**Liv Garfield:** Gosh. I try every hour of the day. In that particular circumstance, the first pump went. That was the five weeks. It was not that the issue was live for five weeks. The issue was actually live for 27 hours.

**Julie Buckley:** You could have prevented it.

**Q398 Chair:** I am going to have to move on from here. I fear it is another area where we leave some unanswered questions. It is quite remarkable to be fined £2 million for something that did not cause damage.

**Liv Garfield:** Yes.

**Q399 Chair:** Are you content with that?

**Liv Garfield:** Effectively, it went to court and that was the judge's decision. On the basis of the size of the company that we are, that was the judge's decision. It is unusual. If you look at any other prosecution that has taken place, those numbers are typically reserved for harm. In that circumstance, that was the number. We could have appealed it, but we felt it was not a good spend of our customers' money and it would be better to take our medicine because it could have caused harm. In fact it did not, but it could have caused harm so we chose not to appeal it.

**Q400 Josh Newbury:** Before I move on to another set of questions, you mentioned regarding the Trent incident that you held your hands up; you admitted liability. In the case of a separate incident in Sutton Park in Birmingham, that went to Birmingham Crown Court. You were fined £500,000. Raw sewage was dumped in the park. It destroyed rare and specific plants. The clean-up operation took about a year, which the EA described as "far too long". Did you hold your hands up in that incident? Is this part of a culture that you are trying to foster where, when these incidents occur, you are open and honest about what happened and what you are doing to remedy it or did you just feel, in that specific instance in Stoke, you could not deny it effectively?



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**Liv Garfield:** I do like to think that I do call it when we are not good enough. I have tried to be quite clear today where we can do more and where we can do better. The incident that you are describing in Sutton Park was with the Cheslyn Hay rising main. That did cause environmental harm. That was really upsetting. Since then we have re-laid something like five kilometres of pipeline to make sure it goes nowhere near the SSSI assets to make sure that we protect the countryside. We have taken it pretty seriously.

We fund a dedicated ranger who basically monitors Sutton Park every day. This is a lovely lady, who is a ranger that we fund because it does not have local community funding. We fund that to make sure she can be there every day to monitor. Although we have not had a recent occurrence, we know we caused an issue in a SSSI. That is not acceptable.

You will probably now give me examples where I have not done it, but, if we are at fault, why would we not put our hands up and say, "That is not good enough"?

Q401 **Josh Newbury:** I will move on to my next question. The figures show that, relatively speaking, Severn Trent performs well when it comes to mains repairs, asset outages and reducing leakages, but you have not met your targets for supply interruptions and internal sewer flooding. How would you explain that variance in the health and maintenance of your assets? Do you feel like you have taken your eye off the ball with those particular issues?

**Liv Garfield:** I will comment on supply interruptions first and then I will do internal sewer flooding after. On supply interruptions, we are a poor performer. If you look at about six years ago, the average for a Severn Trent customer could have been as high as 25 to 30 minutes a year, which is not acceptable. I am pleased to share that we have got better and better. We are 27% better on the data that you are looking at versus the year before.

I am almost tempting fate, but I will touch some wood. We are on track to hit the measure this year for the first time ever. That would be excellent. When we have missed it over the last couple of years, we have missed it by small margins. It is not like we have missed it by a gulf. We have missed it by very small margins. That is not good enough. No one likes to miss a measure. If it is nearly there, it is not there, is it? We have not got to it.

In terms of what we have done, though, we have done so much stuff. To get from 30 minutes down to what is predicted to be five minutes this year, we have created the largest tanker fleet of water on wheels in terms of tankers that head out and immediately go to any customer that will be off-supply. We have a really strong set-up on monitoring. We have a dedicated alarm monitoring centre. We have put 30,000 monitors on the network to make sure we can see early stuff. We fix leaks within two



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days because leaks often can lead to bigger bursts. We try to get all over our leaks programme.

We actually fix some for South Staffs sometimes because effectively we get quite a lot of incoming from your customers who get confused between who is who. We do a whole range of activities in that space, but you are right: I will not be satisfied until we are green on the supply interruptions metric.

On internal sewer flooding, we have hit that for quite a number of years. It is a different one to supply interruptions. On supply interruptions, we have been getting better and better and we have just missed it, and now hopefully we will hit it.

On internal sewer flooding, we were really good at it and then we just missed it. Now we need to get back at it. It is true across the piece that the waste infrastructure network measures are the hardest ones to hit with climate change increasing at the same time. We have to go again. We realised that we were never going to do it with an outsourced workforce. We took that call about two years ago. It took a year to execute—they have only been with us for the last 10 months—but we insourced 480 people to create our own organisation.

With climate change rising again, we are going to increase that workforce again and fund that cost ourselves because we know we need even more people to get out there to protect customers. There is nothing worse than an internal sewer flood. We are not satisfied; we currently have too many.

**Q402 Josh Newbury:** Just moving on to the replacement of water mains, the average lifespan of water mains is between 100 and 125 years. Ofwat has told us that the annual replacement rate of around 0.8% to 1% would be sustainable, but the final determination only commits water companies to 0.4%. What is your average replacement rate? Is it sufficient, given the average lifespan of your assets?

**Liv Garfield:** We do quite a bit more than others on average. We do about 2% and we are going to 4%. We are going higher. We are twice the sector average. That is the first thing. No, we think you have to do more.

Next time round, starting this month, we have decided to double the replacement rate that we have been on. We are currently hiring 440 people—it sounds like the same number; we do hire other numbers of people—to come and do mains laying internally. We are conscious that, if you are going to replace that amount of pipes, we want to make sure the people who do it are from the local community. They are way more likely to handle the disruption, the traffic and the school-run situation by being from the local area. We are hiring a dedicated workforce to do mains laying. We have got the first 120 in and we are still recruiting. If you know of anybody in your constituencies who would love to do that job,



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we would love to recruit them. I am going to take some ex-forces as well, ideally, into those roles. We will then increase that.

Do I think that is the right level? I do not know, in all honesty. We will have to see. We fed into the Cunliffe report that we think it look at whether there should be a set standard. If you look at rail, they have a set standard in asset maintenance. It might be 2% line track renewal every year. We do not have that in the water sector. That is something that Cunliffe may consider as part of that review.

**Q403 Josh Newbury:** The main thing that I wanted to ask you about was customer satisfaction. We know that Severn Trent has seen one of the largest drops in customer satisfaction. When we look at the figures we see the percentages, but it is really important to see the stories that sit behind that. Last week, I wrote to 104 of my colleagues who have customers of Severn Trent and I asked them to give me their perspective on your company and how you deal with customers. I have to say there were some positives in there, which is not common for a water company. I will grant you that.

**Liv Garfield:** Thank you.

**Q404 Josh Newbury:** There were quite a few themes coming out that really portray why that customer satisfaction rate has dropped. I heard about leaks being reported by MPs, but no follow-up received. We heard, as you have touched on, about the buck being passed between Severn Trent and the Highways Authority. In my neck of the woods, it is perhaps South West Water. That also goes for remedial work. Some MPs have said that in their constituencies the Environment Agency or the local authority are expected to pick up the tab.

There is one case of a company whose office has become unusable due to sewage back-up because the current system is just completely insufficient. Previously, Severn Trent developed a plan to address those issues, but the funding for the necessary improvements has been withdrawn because it is being focused on other projects. That flood is continuing and they are now considering relocating, which would be a huge blow to their community.

We have heard of customers being flooded several times in a year. They are reporting very slow progress—in some cases, it is still going on after 12 months—on any of those mitigations that need to be put in place. There are often long stretches between contact from Severn Trent.

I have also heard from several MPs about a complete lack of contact from Severn Trent directly to their constituents, so they are having to involve their MP. In some cases, follow-up calls or letters that have been promised are not done and they have then had to go back to their MP.

One customer had a new meter fitted, but the supply was incorrectly attached to her neighbour's so she was paying for their water as well as her own. That has been ongoing for nearly a year now. They had to chase



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Severn Trent to find out whether they would still be charged. Eventually, thankfully, that debt was written off, but the disconnected meter is still in their house and to date they have not received a letter of apology.

There were various concerns over assets not being maintained, which we touched on earlier, leading to localised flooding, for example, and constituents who are concerned about a lack of response from the company.

Hearing all of that, I appreciate that you will not be able to answer any of those individual cases, but do you feel like you are satisfied with where you are at in terms of your customers' view of you? Hearing those stories, is there more you could be doing, particularly on communication and keeping customers up to date?

**Liv Garfield:** Some of those examples are terrible, are they not? They are not acceptable. Generically, if you take a look at stuff, we try every day to make sure we are as accessible as possible. I personally respond to every MP letter that I get. I have definitely responded to letters from around the table. I make sure I go back on any issues that come up. It is a failure if the MP has to get involved. That is the first thing. We do that.

We are really well-received on Trustpilot. We are one of the top companies in the nation on Trustpilot. Trustpilot has thousands of comments every week, and we are 4.8 out of 5. That is exceptional. We are the highest-rated utility on Trustpilot. For all of the negative stories, there are many tens of thousands of positive ones. The problem is that nobody ever mentions the positive ones, quite rightly. That is what should happen: a good company should do good things. The negatives are terrible. Am I happy? No. I will never be happy until we are 5 out of 5 on Trustpilot and from every customer. Do we run as good a business as I would love to run right now across the piece? There is always more to be done.

We are really good at leaks. It is very rare now on water leaks that we are not brilliant. We are very quick and very swift. We get after it. We are also really good on supply interruptions.

Are we as clear as we could be in the more complex area of flooding, where we have shared responsibility? No. What we are going to do as a new step change is invest in community flooding liaison officers. We are going to hire 24 people who will be based across the region, in the counties. When there is an incident, they will go out and they will be able to speak to customers. If it is us, we will have to fix it—if it is our asset, it is our problem—but it might not be us.

At the moment, the problem is the customer does not know where to go. They do not know how to access Flood Re; they do not know how to access government grants; they do not know how to access the local council; they do not know how to speak to the environment agency. There is quite a lot of centralised money to help customers. They just do





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not know how to access it. We are going to act as the convener, with MPs. we are going to act as the first response in the area. A lot of the examples you gave were in that area.

The second number of examples were in our wastewater area. Are we as good as we could be? As I said earlier, we do need to hire some more people into that area and there is still more we can do. We are doing well on the SLAs but not as good as I feel we should be doing on the comms, by any stretch. No, we are a work in progress. We will get even better.

If you want to forward any of the specifics to me, I make my email address readily available all over the internet to make sure customers can find me because I would far rather that they found me and I can fix it than they did not. Just send them on to me: liv.garfield@severntrent.co.uk. Just send it on to me.

**Josh Newbury:** I will absolutely share that with colleagues who have written to me.

**Liv Garfield:** I write to every new MP when they begin with my email address and my mobile number, so they have it. I am really contactable. I say to colleagues internally, "If you have a customer who is really upset, for God's sake, just give them my details". I do not want an upset customer. Our job is to fix anything that comes up that is us.

Q405 **Josh Newbury:** You cannot deal with every case, so I would just ask you to go away and look at the customer service journey. It does seem like sometimes there are not regular updates.

**Liv Garfield:** I will. The flooding area is an issue across all agencies. Someone has to lean into it. That is fair. There is more we can do on wastewater.

On water, we are pretty good at the moment. Send those specifically to me because I need to check whether I am delusional on that. It feels to me like the stats are really good.

Q406 **Henry Tufnell:** I just want to try to understand something, just to begin with. You are one of the top performers for outcome delivery incentives. That allows higher bills as a reward for good performance. I am just trying to understand which metrics, in terms of that outperformance, justify the extra funding.

**Liv Garfield:** Effectively, the regulator goes out to customers and asks them what they are willing to pay per metric. It is done through a regulatory process. The customers choose which metrics they care most passionately about. Some metrics have quite a low reward against them because customers say, "You should do that as your basic job so I am not prepared to give you a good reward for it". Some metrics customers give a higher reward for.



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Typically, wastewater metrics are often one of the ones that has a higher number. For example, blockages is a big one. People do not want a blockage. If you can bring your blockage number down, that typically makes good rewards. Likewise, external sewer flooding is another one. Leakage has decent numbers against it because customers get frustrated by leakage. It is defined not based on our choices but on what customers have said they are willing to pay for performance against a metric.

There is a strike rate, which is zero. If you are worse than the metric, you pay fines or penalties. If you are better than the metrics, you get rewards. Typically, across the sector the measures are set at 75% of people being in negative territory and only 25% being in positive for the company. To make rewards, you typically have to be in the top 25% across all your metrics, broadly.

Q407 **Henry Tufnell:** It is just because you are only meeting six out of 12 of your key performance statistics. I do not want to relitigate everything that we just talked about.

**Liv Garfield:** Effectively, there are 43 metrics that have rewards against them. Those 12 are what Ofwat use as a summariser, but those 12 are not necessarily the big financial 12. The customers have chosen 43 as the ones they care more about in terms of willingness to pay. The 43 is what we are governed against. We meet about 80% of our metrics every year. If you look at our performance over the last five years, we are typically green on between 76% and 80% every year of our metrics. Typically, only the top 25% of companies are green. To get more than that green is very hard. We are typically the top performer on the percentage of metrics green.

Q408 **Henry Tufnell:** Stepping back, does that need to be re-evaluated? There is a pending class action lawsuit against six companies, including you, in respect to charging higher water bills for that performance?

**Liv Garfield:** On the ODI regime, it is a regulatory set-up so it is not really for me to comment. That is an established situation.

Q409 **Henry Tufnell:** We have established that you are a key player in the water sector and you have other roles outside of the company.

**Liv Garfield:** The regulator just went out recently and discussed with tens and tens of thousands of customers, and customers chose that they liked the regime. It is not for me to overrule what customers chose. In interaction with the regulator, they chose that they liked that regime. Certainly, the companies that have done badly are companies that might have anticipated it. Customers have really appreciated knowing that the companies that have underperformed have faced some consequences as a result of that underperformance. I can understand why customers like it. I fall in line with the regime as it is set.

Q410 **Henry Tufnell:** Ofwat has said that your policy on performance-related pay "does not demonstrate a substantial link to delivery for customers



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and the environment". That is in respect to you specifically.

**Liv Garfield:** That is in its report last year. It is not linked to the ODIs and the annual bonus.

**Henry Tufnell:** I am moving on separately.

**Liv Garfield:** Separately to the annual bonus and the rewards, they asked for a change to our long-term incentives. We have made the change that they asked for. They asked for it to be lower in financial metrics and higher in customer metrics. We have made those changes.

Q411 **Henry Tufnell:** Just stepping back, after all we have heard today, you have the largest pay package amongst all water company executives. The total shareholder return is nearly 15%. That is not quite as high as United Utilities, which has the highest returns. That level of return is coupled with your level of pay. When we compare that with everything that we have heard today, there is a mismatch.

**Liv Garfield:** If we look at those points individually, on dividends we pay about a 4% dividend yield, which is quite low in the FTSE 100.

Q412 **Henry Tufnell:** It was 6.5%.

**Liv Garfield:** The average dividend yield is 4%.

**Henry Tufnell:** That is your plan to provide 4.1%, but you have been receiving 6.5%.

**Liv Garfield:** This is dividend yield versus actual dividend payments. Dividend yield is how you cross-compare all FTSE 100 companies. Dividend yield is 4%, which is quite low versus the FTSE 100. It is lower than other typical similar companies to us. Over our lifetime, we have paid at that level. It has been 3% in some AMPs. It has been 4% in others. It has been in that kind of area. Over a 25-year journey, we have not been taking anything abnormal or even egregious in dividends.

On pay, it is a fair question to bring up pay. I am happy to talk about that. In terms of performance, we have been the clear sector leader environmentally and on the measures that customers care about most.

Q413 **Henry Tufnell:** I am sorry. Just quickly on dividends, you are responsible for more than 60,000 sewage spills lasting more than 440,000 hours, according to the latest report, which comes back to environmental performance. That is fine.

**Liv Garfield:** There are two points there. Am I happy with our performance on spills? Whilst 98% of the time we do not spill, we do spill 2% of the time. That is what those hours translate to. We are spilling 2% of the time. I have been really clear and on the record saying no. I have already set an ambition to be 20 years ahead of Government targets. We have said that by the end of this year we want to be below 20 spills, and we are on track for that. We have put in 1,500 capital solutions in the last



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few months. We have set an ambition for Severn Trent to be as close to 10 average spills as we can get by 2030. That is 20 years ahead of Government targets. No, I am not happy at spilling 2% of the time. I want to take that right down to well under 1% of the time. I am committed to that.

Does that impact on whether it is fair to pay a dividend? It is fair to pay a dividend. On a whole balanced range of metrics, we are a good company. We have been a fair, balanced, open and transparent company for that period of time. Our investors have put in money early. They have put in £1.25 billion up front. Customers are getting that benefit now. In the same way as you expect to get some money back in interest when you deposit money in the bank, we need to do that for investors.

Q414 **Henry Tufnell:** Your dividend payments to shareholders outstrip the profits being made by your company.

**Liv Garfield:** No. I need to make sure we are really clear.

Q415 **Chair:** Let us go through this, then. Let us take the time. This is the third time that we have hit this. I am no finance wizard, but I do not understand this.

**Liv Garfield:** I want to take you through the numbers from last year. If we take the numbers from last year, revenue last year was £2.3 billion. We all agree that. If you look at the dividend last year, it was £300 million. That is the number. PBIT last year was about £500 million. We paid out £300 million of dividends and PBIT was £500 million. We definitely did not pay out more. That is clear. We have not paid out more than we have had in profit.

Q416 **Henry Tufnell:** Your profit was at £201 million.

**Liv Garfield:** Then you begin to look at the other areas. Fundamentally, PBIT is how you look at it. PBIT is profit before interest and tax. Profit before interest and tax is the PBIT number. You look at that number to work out whether you are paying out more. You are taking the PAT number, which is after tax. You take the PBIT number when you look at the dividend perspective. That is the gap. We are looking at two different numbers. Whenever you cross-compare businesses, you typically look at the PBIT number.

Q417 **Chair:** If it is too complicated to explain, is it too complicated?

**Liv Garfield:** I do not think it is complicated. I have just explained that the PBIT number is the £500 million-ish number. We have paid out £300 million of dividend out of the £500 million.

**Chair:** Josh, can you shed some light?

Q418 **Josh Newbury:** If we are talking about profit before tax and profit after tax, you are paying out more in dividends than you are getting in profit after tax. Are you telling us that you have paid out so much in profit that,



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once you have paid your tax, which you have to do, you are at a loss because the dividend number is greater than your PAT?

**Liv Garfield:** I need to check the PAT number. I do not have that number with me. That number of £201 million is the number that Henry said. I do not know that number, so I need to check it.

Fundamentally, if you look at our number, typically we are more than one times covered. If you look over a five-year journey—I will happily lay that out—the answer is typically no.

If you look at history, we typically do not pay out more over that five-year journey. We typically invest four times as much as we pay out in dividends. There are two fears for the sector. First, are you paying out too much in dividends? That is not a fair accusation against Severn Trent. Secondly, are you not investing enough? Again, that is not true for Severn Trent. We typically invest four times as much as we pay out in dividends.

Q419 **Josh Newbury:** Can I just touch on a slightly different angle? This is something that was raised with me by a few colleagues. Although you are justifying your remuneration and the dividend based on the company's performance—it is going up at a certain rate, and you say we should accept that is fair given the performance of the company—they are not seeing community support and community grants going up at a commensurate rate.

You have talked about some really great examples, such as the ranger in Sutton Park, of how that money is being spent. Given the numbers we are seeing in terms of the dividends being paid out and your remuneration, should we also see a substantial increase in your support for communities over the next five-year period?

**Liv Garfield:** Yes, I totally agree. Any large organisation, particularly any regionally based large organisation, should question themselves on whether they do enough for the community.

We have committed to two big things. I know of no other company in the country that is doing these two things. First, we have committed to helping 100,000 people out of poverty between now and 2032. Whether that is apprenticeships, training job applications or evening and weekend support to train people, we are going to help 100,000 people, unrelated to their bill with us, out of poverty.

The second thing that we have committed to is making sure that nobody can struggle. We have a £575 million support package that is aimed at making sure that customers are funded and supported. We also give more money to charities in our region than any other Midlands-based organisation. We give £3 million a year to charities. We upped that during Covid by supporting most of the food banks for a period of time whilst other companies were not at work.



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Again, we do help across the piece. It is one of the things that we do not talk as much about publicly. We do it locally, but we do not make a big deal about it nationally. We have really good ambition in that space.

**Q420 Henry Tufnell:** I am just going to come back to the pay point. Your pay is £3.2 million. You have said that those sewage spills do not make you feel good. We touched upon that Ofwat link. They say that “performance-related executive pay does not demonstrate a substantial link to delivery for customers and the environment”. You have just taken that point away. Will you be welcoming the Water (Special Measures) Bill, in terms of the ability to block bonuses for executives of water companies, if it does not make you feel good in respect of those 60,000 sewage spills?

**Liv Garfield:** I have two points. First, I love the fact that we live in a nation where effectively legislation arrives and we fall in line with it. Yes, I welcome all aspects of the Water (Special Measures) Bill. There are some really good component parts of it. Yes, I welcome that. It is trying to be really clear that performance should be judged against clear metrics.

If you look at the pay package that I have, 25% of it is funded by water company customers, by the way, just so we are clear on what is different with us versus every other company in the sector. My base salary is funded by Severn Trent Water. Any performance-related pay is not funded by a single Severn Trent Water customer. It is funded by Green Power, our commercial entity. None of my bonus, none of my LTIP or anything, is funded. Only 25% of the package that you mentioned is funded by water company customers, just to be clear as well.

**Q421 Henry Tufnell:** Is 25% too much?

**Liv Garfield:** I will leave others to judge on that, but my base salary is funded by water customers. Anything that is performance-related and has to be earned is not funded by water customers. I welcome all aspects that come out of these hallowed halls and any changes that come.

**Q422 Chair:** Notwithstanding the Water (Special Measures) Bill, what will the impact on your final salary package be?

**Liv Garfield:** I do not think we know that.

**Q423 Chair:** It is not going to make a difference at all, by the sounds of things, if that is the way you have structured your remuneration. It will be beyond the reach of—

**Liv Garfield:** No, it is not a “beyond the reach” thing. I have given you a false impression. As I understand the Water (Special Measures) Bill, it governs how remuneration should be set up. That is what we will see when Ofwat announces the details.

My point was more that customers do not fund it, not that it does not get covered by the Water (Special Measures) Bill. It was that customers do not contribute to any of those aspects.





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Q424 **Jayne Kirkham:** I am just trying to understand something. When you look at the £3.2 million in the round and you think about the fact that water is a monopoly, that it used to be a public sector job and that the Prime Minister gets £167,000 or whatever he gets, it looks incredible. Are you saying that only 25% of your salary is for your job running South West Water and the other 75% is for your job running Green Power? In that case, it sounds a bit strange. That would seem to say that only 25% of your time would be spent running South West Water or have I got that wrong?

**Liv Garfield:** I do not run South West Water.

**Jayne Kirkham:** I am sorry, not South West Water. I am back in yesterday.

**Liv Garfield:** I definitely spend no time running South West Water. We can be clear on that. I am definitely zero on that.

**Jayne Kirkham:** I am back in Cornwall. Sorry about that.

**Liv Garfield:** No, that is fine. The board took the call a couple of years ago that rem was emotive. We just took a call and said, "We have a whole variety of different businesses. It would be wrong to not pay the base salary through Severn Trent, but let us listen to Severn Trent Water customers. Let us respond to the noise and not pay any of the performance-related pay through it".

It is not meant to define where I spend my time. I have Hafren Dyfrdwy, Severn Trent and Green Power. It is not meant to define that. It is merely a statement. I am just giving the insight. It would be wrong for me not to share the insight on the number that Henry said. It is the base salary that is funded through Severn Trent Water. The remainder is not funded through those customers. That does not stop any of the other comments. I just wanted to provide that context, no more, no less.

Q425 **Julie Buckley:** You have said that 25% of your salary is funded by the customers of Severn Trent. One hundred per cent. of my salary is paid by taxpayers, which means that my residents are 100% my focus. I wish that your customers were 100% of your focus rather than dividends, shareholders and these other businesses that you are running.

You have talked about the fact that your dividends and your salary are reflective of the top performance measures that customers care about most. How do you explain the fact that, when it comes to customer satisfaction, Severn Trent is the 11th company out of 11 companies? You are bottom of the heap in the country at the exact moment when you are going to increase bills by 47%, which is the highest increase of the whole country. How can you reconcile those two things? Do you recognise they do not belong together?



**Liv Garfield:** I would say a couple of things. First, we are not 11th out of 11. You are looking at the data from last year's C-MeX, where we were 11 out of 17. This year I am pleased to say we are ninth out of 17.

Q426 **Julie Buckley:** A top performer like you is pleased with ninth.

**Liv Garfield:** I am never going to be pleased with ninth; I totally agree. I am not happy with our performance on the C-MeX measure. Fundamentally, one of the main reasons we are not doing well on C-MeX is because we did poorly last year on retail billing. Retail billing let us down. We have a very old system—it is 30 years old—which we created 30 years ago. It is not fit for purpose. We are investing around £100 million, a scale-magnitude investment, into a new billing system and a new customer management system, which is the same one that Octopus Energy uses. It is the Kraken system. We have 2 million customers migrated and the remainder to go. We are confident that that will give us a dramatic step change. If we looked at the feedback from the customers who have migrated across, that would give us a very different C-MeX score going forward.

Am I happy with our current customer experience score? No. On a more live basis, in terms of scale numbers, the Trustpilot number is way more representative when you look at the amount of—

Q427 **Julie Buckley:** You are always going to quote that because it is more favourable to you. I take the point on retail billing, but we also know that householders and residents are also deeply dissatisfied. You have met campaign groups and residents in Shrewsbury who are saying to you that they are not going to pay your bill. They are refusing because of a manhole that is spewing sewage on a walk-to-school route alongside the river, the Pig Trough.

**Liv Garfield:** Yes, and we are going to fix it.

Q428 **Julie Buckley:** Let us not pretend that the only problem in satisfaction is in retail billing.

**Liv Garfield:** I am not.

Q429 **Julie Buckley:** Let us be honest that householders, residents and families are dissatisfied with the level of sewage and the bills that are coming their way. I want you to take that away as feedback, please.

**Liv Garfield:** Feedback noted.

**Chair:** I feel like we could probably carry on, but we should not. We have already overrun our estimated time by 15 minutes. We can anticipate there will be further correspondence in relation to today's proceedings. Thank you for your attendance here. Thank you for your engagement.

For the members of the Committee, we have now done five of the nine. We are halfway there. You will doubtless hear and see further of our deliberations. Thank you for your attendance.