

Public Accounts Committee

Oral evidence: [Water Supply and Demand Management](#), HC 378

Monday 1 June 2020

Ordered by the House of Commons to be published on 1 June 2020.

[Watch the meeting](#)

Members present: Meg Hillier (Chair); Sir Geoffrey Clifton-Brown; Dame Cheryl Gillan; Mr Richard Holden; Sir Bernard Jenkin; Mr Gagan Mohindra; Sarah Olney Nick Smith; James Wild.

Gareth Davies, Comptroller and Auditor General, Keith Davis, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-89

Witnesses

I: Tamara Finkelstein, Permanent Secretary, DEFRA, Sally Randall, Director, Floods and Water, DEFRA, Rachel Fletcher, Chief Executive, Ofwat, and Sir James Bevan, Chief Executive, Environment Agency.

Report by the Comptroller and Auditor General
Water supply and demand management (HC 107)
Examination of witnesses

Witnesses: Tamara Finkelstein, Sally Randall, Rachel Fletcher and Sir James Bevan.

Chair: Welcome to the Public Accounts Committee on 1 June 2020. We are here today to look at the very important issue of water supply and demand management, and I thank the National Audit Office for its excellent Report on this. This is a concern that has been running for a long while, because if something is not done to manage our water supply and the demand for it, we will run out of water in the next 15 years. The Committee on Climate Change predicts that the demand for water in England will exceed supply by between 1.1 billion and 3.1 billion litres a day by the 2050s, but we are losing a lot through leakage—around 20%—which I know many colleagues around the House have concerns about. We want to talk today about supply, demand and managing leakage.

I am delighted to welcome our witnesses this afternoon: Tamara Finkelstein, in her first outing as permanent secretary at the Department for Environment, Food and Rural Affairs; Sally Randall, the director for floods and water at DEFRA; Sir James Bevan, the chief executive of the Environment Agency; and Rachel Fletcher, the chief executive of Ofwat. Welcome to you all. Before we get into the main session, I would like to ask some questions about what impact the current health situation is having on the Department and its agencies, and I am going to ask Gagan Mohindra to come in first.

Q1 **Mr Mohindra:** Thank you. May I, just for the record, declare that I am a councillor, in case that is referred to during this session? Welcome, permanent secretary. My question has to do with the current crisis.

Chair: Mr Mohindra, could you lean into your microphone, because you're breaking up a little bit? That is very helpful; thank you.

Mr Mohindra: My question is to the permanent secretary. During the current crisis, what are your priorities for ensuring that water supply is available and reliable across the country? You will be aware that colleagues are experiencing some water—*[Inaudible]*—as of today.

Tamara Finkelstein: I couldn't quite catch the end of that, but water and water supply was one of our key priority areas as soon as the crisis hit. Food and water are our critical national infrastructure responsibilities, so we have been very actively engaging with the water companies and the regulators through the crisis. In particular, the immediate concern was around absences and levels of absences, but that actually has steadily stabilised. Then there is access to PPE: we engage very much with them in the central effort around PPE access. It was a case of assuring ourselves



HOUSE OF COMMONS

that we could deal with any issues that arose, and do so using social distancing; and we have been able to do that and manage in the situation that you refer to. So those were our priorities: to assure ourselves of our ability to do that and to have contingencies in place if the situation worsened and if it was more challenging for the companies to operate.

Q2 Mr Mohindra: My next question is to Sir James. Obviously, the water companies are under a lot of pressure during this pandemic. How are you ensuring that standards are maintained?

Sir James Bevan: As Tamara says, we have been in regular—daily—touch with all the water companies that we regulate, to seek to understand whether they have any logistical or practical or other problems, in terms of continuing both to produce clean drinking water and to treat sewage. To help them, we have produced a number of what we call regulatory position statements, which allow a company in particular circumstances not to have to give effect to all the normal regulatory requirements that we would impose on them. We have done that for a range of sectors that we regulate, including the water sector. Most of the position statements that we have made in relation to the water sector are about how they should manage in the event of non-availability of some staff and how they would manage in the event of non-availability of some essential chemicals. In practice, we have not seen those water companies needing to take up the extra flexibility that we have given them so far. So far, they have been able to manage relatively well, with relatively few problems. But as I say, we are in daily touch with them, and if they do need that flexibility, we will make sure that they have it.

Q3 Mr Mohindra: The final question from me is to Ms Fletcher. How are you ensuring that water companies—*[Inaudible.]*

Chair: Sorry, Mr Mohindra, could you please lean into your microphone? It's just a bit unstable. Thank you.

Mr Mohindra: Ms Fletcher, how are you ensuring that water companies are treating their customers fairly during this pandemic?

Rachel Fletcher: Very early on in the pandemic, we wrote to the water companies, saying—

Chair: Ms Fletcher, apologies, but we seem to be having challenges with sound today. Could you also lean in a little to your microphone? The sound is just a bit echoey and difficult to hear. Thank you.

Rachel Fletcher: Is this better? Very early on, we wrote to the water companies, asking them to do everything they could to help customers, especially those who were struggling to pay their water bills at this time, and I am very pleased to say that actually the companies collectively took very swift action to introduce payment holidays and to have really good communications in place so that customers were aware of what support was available to them. We also took action to make sure that business customers who had had to close their premises during the crisis were not being formally chased to pay their bills. We were taking steps then, of



HOUSE OF COMMONS

course, to make sure that the business water retailers were able to stay afloat financially as well. So quite a lot has been done on that front, and I am pleased to say that a number of customers are getting good support at this time, in terms of payment holidays, and there is some thought now as to how many additional customers could be supported with social tariffs.

Mr Mohindra: Thank you for that. I will come back later to my other question, Chair.

- Q4 **Nick Smith:** My question is about metering, which has been used across a number of different sectors. How effective is it, both for businesses and domestically, at reducing water consumption?

Rachel Fletcher: Shall I take that one? We definitely know that customers with water meters use less water in general, so we see it as an effective part of reducing water consumption overall. And we are expecting at least an additional 2 million meters in domestic properties to be installed over the next five years.

It is particularly important as well in the business sector, where I think there is huge potential for businesses to use less water, and yet we know that poor data about how much those businesses are using is one of the things that is getting in the way of that water efficiency being seen. So, metering is an important part of an overall strategy, alongside improved resources.

- Q5 **Nick Smith:** You say an extra 2 million domestic users will use meters in the future—in the next five years. What is that as a proportion of the market? Are any particular companies across the country good at encouraging the use of meters? And what is being done to support that initiative, if you think it really is effective at reducing consumption?

Rachel Fletcher: I think that metering penetration in households is only around 50%, maybe a bit below that—we can get back to you on the exact number. In some parts of the country, water companies have a statutory right to install a meter, and therefore in those parts of the country it is obviously a lot easier to roll out meter.

However, we see that in other parts of the country where the company does not have that statutory right, some water companies are more innovative and ingenious in terms of encouraging customers to take a metre, particularly, for example, on change of occupancy or tenancy, or providing customers with the reassurances they need about their bills on taking a meter. The experience does vary a bit.

- Q6 **Nick Smith:** Who is the best and who is the worst at doing this?

Rachel Fletcher: That is something we will have to get back to you on, I am afraid; I do not have that at my fingertips.

Chair: Okay. It would be helpful to us if we can keep track of that.

- Q7 **Mr Holden:** I want to raise one of the issues around coronavirus that is affecting my constituency. People are obviously using reservoirs, water



HOUSE OF COMMONS

areas and rivers to do a lot of their outdoor activity. What measures are you taking to ensure that that is being done in a proper and balanced way, to ensure that social distancing is taking place while people do that?

Sir James Bevan: First, we—the Environment Agency—have responsibility for some areas where the public are taking relaxation. We oversee rivers and many navigations in England, so one of the things that we have done is to make sure that we have suitable arrangements to encourage and ensure that social distancing is taking place there, including to protect our own staff—lock-keepers and others who are working on that issue.

We are also undertaking work in relation to research on coronavirus as to whether, by studying sewage from particular areas, you can identify whether there is a prevalence of coronavirus in a population, which may be helpful to the Government in their track and trace programme. There is also some work that we are undertaking to identify whether there is any risk of populations catching coronavirus from sewage—for example, from sewage outfalls coming out into the sea. At the moment, there is no evidence whatsoever that that risk exists—the World Health Organisation has said that there is no evidence—but we think it is important to check, so we are doing some research on that over the next few weeks.

Mr Holden: I would like to put the same question to Ms Randall about the Department's response to this.

Chair: You need to wait until they unmute you, Ms Randall.

Sally Randall: Apologies, I had muted myself because there are a lot of helicopters overhead. I would echo some of what Sir James said about the actions that the Environment Agency is taking, but in DEFRA what we are doing is ensuring that that advice goes to not just Environment Agency staff but all our arm's length bodies that are involved in public open spaces, like the Forestry Commission and Natural England, and a wide group of stakeholders. Through our response to coronavirus, we have been convening a large group of bodies that are involved in opening up areas of the outdoors to members of the public, making sure that they can access Government advice and that they can feed in and let us know when they have concerns about what we need to reflect in our guidance to keep those spaces safe. So it is very much the same as what the Environment Agency is doing, but we are co-ordinating that across a wide range of bodies that manage public spaces for public access.

Mr Holden: Thank you, Ms Randall. One of the issues in my neck of the woods is that we have some of the biggest and most popular tourist attractions in Teesdale, in my neighbouring constituency of Bishop Auckland, High Force waterfall—

Chair: Mr Holden, your sound quality is not great. If you could sit back a little bit, that might help your audio to be less distorted.

Q8 **Mr Holden:** I have another question for Ms Randall. I am glad that the Department is communicating with its arm's length bodies. One of the



HOUSE OF COMMONS

issues that we are facing in the Durham dales is people walking in Weardale in my constituency and around High Force waterfall in upper Teesdale. Is any specific support going to areas of outstanding natural beauty in that regard?

Sally Randall: We have a relationship with all the areas of outstanding natural beauty, and we are feeding into all of those, but if there are particular concerns from a particular area, we could definitely take that back offline if that would be helpful. But we are in touch with all of them, as they are part of the extended DEFRA group.

Chair: The sound quality is not great, so perhaps the two of you could pick that up offline. Mr Holden, it sounds like you have an opportunity to talk to the Department about that. Thank you for that, Ms Randall. With Brexit looming and an important date coming up at the end of this month and in six months' time, we just want to check in with you on preparations for Brexit. We could spend the whole meeting discussing this, but we will be very disciplined. I am going to ask Sir Geoffrey Clifton-Brown, deputy Chair, to kick off.

Q9 **Sir Geoffrey Clifton-Brown:** This is a question to the permanent secretary, Tamara Finkelstein. At the beginning of the covid virus, we saw panic buying of loo rolls. Can you assure us that your Department is doing its utmost to ensure that, as Brexit—31 December—approaches, there will not be disruptions to any food supplies? Otherwise, we are likely to get another round of panic buying.

Tamara Finkelstein: The initial panic buying and the challenge of getting food on to the shelves was very much the immediate impact of trying to make that very fast adjustment for the supermarkets. We worked with them on adjustments that we could make—including to competition law, the working hours for road hauliers and drivers and so on—so that we were able to remove some of the barriers that were stopping that last mile of getting food on to the shelves.

More broadly, security of food supply is something we have done a lot of work on previously in our preparation for no deal. We have built on it since, to look at what impacts there might be of coronavirus hitting different parts of the world, to assure ourselves that we have the right mitigations in place. We have built further on our relationship with the whole food supply chain, but it has also put us in a good position both to be trusted intelligence and to be able to take the actions we need to, if there are problems or issues.

Q10 **Sir Geoffrey Clifton-Brown:** I represent a constituency where sheep and lamb are very important, particularly sheep exports to France. In the covid crisis, there was initially a disruption, which had a huge impact on the price of lamb. Can you give us any assurance that, come 31 December, my farmers and other farmers won't face similar disruptions?

Tamara Finkelstein: There were impacts across a number of areas of agriculture, some of which have settled. Because there were no longer hospitality outlets, there were impacts on dairy; we have put support in



place for those impacted. There was an impact on fisheries and, again, we have put some support in place. We are well placed to be able to look at the trends and issues, to see if there are areas where action and support are needed. That has been demonstrated by the actions that have been taken.

- Q11 Sir Geoffrey Clifton-Brown:** One of the issues that arose several times, as we heard from your predecessor, was that of chemicals and REACH. Can you assure us that there isn't going to be interruption to vital chemicals that are needed in this country, particularly chemicals relating to the purifying of the water supply? If we had a shortage of those, that could be very serious.

Tamara Finkelstein: We are deeply aware of that, and we were aware of that in the run up to a potential no deal. We have a very good sense of where chemicals come from and where the critical bits of supply are, in order to be able to put actions in place where there are risks. We can build on that knowledge, spot risks where we see them and manage them. That is very much a part of our preparations.

Sir Geoffrey Clifton-Brown: Thank you.

- Q12 Chair:** Before we move on, Ms Finkelstein, you have a lot on your plate. DEFRA is one of the Departments that is most affected by Brexit. There is obviously a lot else on your plate—and the Government's plate—with covid-19. What are your biggest areas of concern in terms of being ready by December, and what are you doing about them?

Tamara Finkelstein: As you would expect, we are making preparations for a range of outcomes. I am confident in our system readiness for a range of outcomes because of the preparations we have done previously. I would have the biggest concerns around how we support businesses and traders to be ready, especially with covid-19 massively taking up bandwidth there. We know that they are pleased to have that engagement, and we feel from this—and the engagement that we had previously—that we have actually developed even stronger relationships through this crisis.

Inevitably, our resources will be stretched, but we know what we need to do. We have built up a lot of skills that we need. Initially, we did move some people on to the immediate response to covid, but we have moved them back and we are prioritising our preparations for the end of the year.

- Q13 Chair:** Okay. In terms of preparedness, we were looking at the communications around Brexit only a few weeks ago. We were concerned that you have a Brexit message to get out and that there are public health messages around covid-19. Can you give me some precise examples of how your Department is engaging with some of the businesses and traders you just mentioned?

Tamara Finkelstein: We have a strong set of food stakeholders who we met all the way through Brexit, and who we continue to meet very regularly, who help us to get some of the messages out. We have built up

good channels for communication on some of our systems, so that is ramping up again. There is more for us to do to get the messages out, so we are now working on what the messages are and their routes. There is more to do, but in terms of reaching some of the immediate close stakeholders so that we can reach the wider set, we have those relationships in place, and we are meeting regularly.

- Q14 **Nick Smith:** Ms Finkelstein, I am concerned about reports from the agricultural sector that there are insufficient workers to pick crops this year. Do you think there is a real danger that we will have crops rotting on the ground because of a shortage of workers this season?

Tamara Finkelstein: We have been actively working with the agricultural sector on its needs. We have been working on increasing the number of British people who might go to support it and work in picking, particularly attracting those who might be furloughed and wish to take on extra work. We have put quite a lot into a campaign to do that called "Pick For Britain". We are seeing some results in terms of interest.

In our plans to quarantine those coming through the border, we have made arrangements for people who are coming across to do picking to quarantine in their groups, so that they can work while in quarantine. We are taking a number of actions. At the moment, the sector thinks that we have done the right things and that we are in an okay position, but we are closely watching to see whether we might need to take further action.

- Q15 **Nick Smith:** How effective is the "Pick For Britain" campaign? What is your assessment of whether it is working? Do you have any data to give us comfort that it is working?

Tamara Finkelstein: We have had a lot of interest through the website. We do not have those numbers specifically to hand, but there has been a lot of interest through the website. People are going through the process. There are enough people to do the amount of picking that there is right now. There is no question that there are challenges—as there have been in the past—in terms of people picking up the skills quickly enough and having the sticking power through the number of weeks that you need people to be picking. We are aware of those issues, but it does seem to be attracting people; there is quite a lot of interest.

- Q16 **Nick Smith:** I am pleased that there is lots of interest. What is your assessment of how many people you will need and whether that need will be met?

Tamara Finkelstein: We do have a sense of the numbers that are needed. I have not got the number in my mind right now, but we do have a sense from the sector of how many are needed. Right now, we have the number that is needed, through a combination of British people and those coming across. Whether there will be enough for the whole season, it is hard to know and track.

There are big challenges. We have put in exactly what the industry was looking for us to put in. We are working closely with it to see if that works.



HOUSE OF COMMONS

We will continue doing that and see if there are other things that we can do to give us more confidence. I am confident we are doing the right thing. There are issues and we need to stay on top of them to give us confidence that there will be enough for the whole season.

- Q17 **Nick Smith:** I am pleased to hear about your confidence. Please let us know exactly how many people you think are needed and whether you are meeting your targets.

Tamara Finkelstein: I will come back to you on the numbers that we are tracking.

Nick Smith: You are kind. Thank you.

Chair: We will now move on to the main session, looking at water management and supply. I remind you all not to mute yourselves where you are, because the sound team in Parliament mute and unmute you, otherwise it causes a delay. I will intervene only to encourage you to lean in or out of your mic, if there is a sound quality issue. Bear with us on that. Thank you for your patience. Gagan Mohindra will kick off on the main area of the NAO Report on water supply and management.

- Q18 **Mr Mohindra:** My question is about the overall system. The Government are not yet able to forecast reliably total water demand. When will you be able to forecast accurately the demand?

Sir James Bevan: You are absolutely right that, as the NAO Report said, it was not possible for anyone to give a decent figure for total future water demand—and that is a big hole in our planning. That is why, together with Ofwat, DEFRA and the water companies, we took forward the initiative that I think you also got in the NAO Report—it is referenced there: the water resources national framework. What that does is bring together all the stakeholders to seek to identify total water needs, not just for households but for businesses, farmers, everybody else, over the next 30 years and beyond.

So now we do have a figure. We are able to provide at least the first forecast for all sectors, and I can give you the figures now. The conclusion from that lengthy work, also based on a lot of academic analysis, is that if we don't take any further action between 2025 and 2050 then by 2050 the public water supply—that is the water that is provided by the water companies to homes and businesses—will need an extra 3.4 billion litres a day of water; and the non-public water supplies, which is the new figure that was not previously available, which is the water that industry, the energy sector, farmers and other water users abstract for themselves—we will need, without any action by 2050, an extra 1.3 billion litres a day of that water as well. So we do at last have a figure and we obviously have a plan, because one of the things that the national framework also lays out is how the water companies, together with the regulators and DEFRA, are going to work together both to manage down demand and enhance supply, such that we hope we will be able to meet that extra demand.

- Q19 **Mr Mohindra:** Thank you for that, Sir James. Have those figures been



HOUSE OF COMMONS

adjusted for the covid response? The current Government policy is a lot more people washing hands, so that should affect demand.

Sir James Bevan: Right now you are absolutely right. We are moving into a period of prolonged dry weather. We have been in it for several weeks already. One of the responsibilities of the Environment Agency—again, working with the Government and the other regulators—is to manage down the risk of drought and water shortages; so right now there is a lot of work going on in terms of public messaging to customers to encourage people to use water wisely, because you always should, and in particular at a time of potential drought that is doubly important.

That is a very strong message that we are continuing to put out with the water companies, but we are also making a point of saying “But do not stint on washing your hands and taking the other hygiene measures that are recommended to manage the covid problem.” At the moment, although this is putting a lot of pressure on the water companies, the water companies are managing; but they will only be able to continue to manage if everybody is responsible in how they use water over the next few months.

Q20 Mr Mohindra: Sir James, how are you going to make sure that you get an early flag that there is an issue?

Sir James Bevan: We have two ways. Firstly we are in daily contact with all the water companies, so we know the state of their reservoirs, the state of their supplies. The one that we are working with most closely at the moment is United Utilities in the north-west, where there is a particular challenge in sustaining water supply. So we are in touch with them on the measures that they need to take to ensure that. We also bring the water companies together on a regular basis in something called the National Drought Group, which I chair and which is meeting on Friday, actually, which brings all of the major water companies together, the regulators, DEFRA, water users like the farmers, to assess, look at the weather, assess what we think is going to be happening to water supplies over the next few months, and check that we have all taken the action necessary together to manage down the risks of any potential shortages.

Q21 Mr Mohindra: Moving to Ms Fletcher, we have currently got the five-year planning cycle. How are you ensuring that that is not an impediment to urgent works happening?

Rachel Fletcher: The five-year planning cycle is really helpful. It allows us to set a financial envelope and some clear performance targets for the water companies to deliver for customers over that period. I think it is important to emphasise the responsibility that companies have, actually, for managing their own businesses and meeting their own statutory responsibilities to homes and businesses. But absolutely—were there to be any major new requirement on water companies within that five-year cycle that required material expenditure, we would be able to reopen the price control and allow additional funding for new responsibilities.



HOUSE OF COMMONS

It is also important to say that once a five-year cycle has started, things do not remain static. Everybody is not working to a very detailed plan. The companies are figuring out the best ways and learning new techniques for delivering on their commitments to customers. Equally, as regulators and Government, we are using our own influence and our own tracking and monitoring to focus the companies on areas where they might not be paying enough attention, either as individual companies or as an industry as a whole.

Q22 Mr Mohindra: Building on that, how are you able to influence companies to ensure they are not focusing on short-term shareholder returns versus long-term investment?

Rachel Fletcher: Part of what we do is have very strict requirements about the financial resilience of the companies. At the moment, we are in the course of strengthening what we call the ring fence of protections around the finances of the water companies. That restricts the companies' ability to take money out of the company if that money is required to make the investment needed for customers. That is why we have very exacting performance standards on the companies, where they can face penalties if they do not achieve those standards. That keeps them focused on what matters for customers and gets them to look for the most efficient way of achieving those performance standards.

Q23 Mr Mohindra: My question is to the permanent secretary. We have consistently heard as a Committee about the problem with leakages. Why have companies not been pushed harder to reduce—

Chair: Sorry, Mr Mohindra, you are breaking up a bit. Do you think you could repeat the question? It is to Ms Finkelstein, isn't it?

Mr Mohindra: That is correct. It is to do with leakages; it has been a consistent problem. Why are we not putting more pressure on companies to address it?

Tamara Finkelstein: It is a critical problem, and as you say, the performance has been too flat over recent years. As part of this set of water resource management plans and the commitment that companies have made, there has been a huge emphasis on shifting that—to reduce leakage by 16% over this next five-year period—and many of them have committed to a 50% reduction in leakage over to 2050. It is an absolute priority and a very significant part of the current set of plans.

We worked very closely with Ofwat, the Environment Agency and so on to ensure the plans are ambitious around leakages, and that is the conversation we have been having. Even for those companies that are not yet happy with where their plan has ended up, their objections are not about leakages, so that commitment is in place. Clearly, we are going to have to see how that performance pans out and stay on that through the five-year cycle, through the performance management that Rachel was talking about.

Q24 Mr Mohindra: Building on that, Ms Finkelstein, do you think you have



HOUSE OF COMMONS

enough tools, in terms of both the ability to issue penalties and to give financial incentives to companies, to meet those ambitious targets?

Tamara Finkelstein: The responsibilities sit with the water companies. I do think Ofwat has the powers it needs, and I think we have a system between DEFRA, the Environment Agency and Ofwat to operate effectively together. We have worked very closely together with this set of plans, giving joined-up feedback and so on to companies, so I think we are working in a very joined-up way to achieve and drive the outcomes we want to see the water companies achieving. However, it is their statutory responsibility to do that, and Ofwat has the responsibility and takes the action if any penalties and enforcement are required.

- Q25 **Sir Geoffrey Clifton-Brown:** Can I ask the permanent secretary, Tamara Finkelstein, whether you give Ofwat the right remit? We know from the Report that customer prices are expected to drop by 12% between 2020 and 2025, and yet I know—because I have been discussing it for many years—that Thames Water would like to build vital infrastructure on Abingdon reservoir, which would help considerably with the resilience of supplies to London, but they have been consistently prevented by Ofwat from doing so because they are afraid that that would put prices up for customers.

Tamara Finkelstein: I think we do give the right remit. What we are asking Ofwat to do is to look at supply and to look at infrastructure resilience and long-term resilience as well, and, as part of that, to get good value for money for the consumer. It is a combination of things that we are asking them to look at, and that is what is reflected in the plans. We are looking for that mix of things; we are not just hanging things on reducing prices. It is a balanced remit that we are asking them to deliver.

- Q26 **Chair:** Ms Fletcher.

Rachel Fletcher: To echo that, we have a very clear strategic policy statement from DEFRA, requiring us to look at the long-term resilience of the sector as well as to keep bills affordable. In our work, we are looking to make sure that money is available to make the investment that is needed, and to make sure that investment is kept at an efficient level, so that customers do not pay any more than they have to. That is quite an important part of our remit, especially if you consider that the water industry's productivity over the last 10 years or so has flatlined, so it is quite important that we keep up pressure on efficiency.

Having said that, there is £1 billion of expenditure that has been made available to help with water supply and resilience over the next five years. The Abingdon reservoir scheme that you mentioned, Sir Geoffrey, is one of a number of projects. Nearly half a billion pounds has been set aside to work up these projects, to provide resilience for the south-east and to consider which combination of projects will provide the best value for customers and provide the resilience that the region needs, but will also provide the benefits for the environment. We have not struck that project out at all, and we are certainly—[Inaudible]—justified scheme for investment in new reservoirs. We would be including that and the—



HOUSE OF COMMONS

[Inaudible]—to pay for that investment, as we are seeing in Portsmouth, where a new reservoir is being built to allow Southern Water to reduce its abstraction from the chalk streams in Hampshire.

Chair: We will come back to some of the chalk stream issues. Is that all for now, Sir Geoffrey?

Sir Geoffrey Clifton-Brown: Yes, thank you.

Mr Mohindra: Ms Fletcher, off the back of Sir Geoffrey's question, you said the £500 million for—

Chair: Sorry, it was half a million—£500,000.

Q27 **Mr Mohindra:** Has that been guaranteed?

Rachel Fletcher: Yes. That is part of the allowed revenues that the companies are allowed to collect from their customers. We now have nearly 20 potential strategic investment schemes, which will be either transferring water from wet areas into drier areas of the country, or providing new reservoirs—even looking at desalination. There are a range of options. That money—£469 million—will be used to help understand which of those projects should start construction from 2025 onwards.

Q28 **Chair:** Can I just be clear on the figures? I think I misheard as a result of the sound quality. We are talking in the millions, not the hundred thousands.

Rachel Fletcher: That is right.

Chair: That makes more sense. I was thinking it wasn't very much money to do all of that.

Rachel Fletcher: Fair dos.

Q29 **Mr Mohindra:** Is the £469 million ring-fenced?

Rachel Fletcher: Yes, it is specifically to investigate those strategic resource schemes.

Mr Mohindra: Sir Geoffrey asked whether water companies could increase their charges if their customers wanted to, if the money was to be directly for infrastructure. Is that something that Ofwat has looked at—*[Inaudible.]*

Chair: Did you hear the end of that question, Ms Fletcher?

Rachel Fletcher: Not quite.

Chair: Will you repeat the question slowly, Mr Mohindra? You are fading in and out for some reason. Thank you.

Q30 **Mr Mohindra:** Sorry. My question is to do with water companies looking to increase charges that they believe their customers would be happy with on the basis that that additional money is spent on infrastructure. Does Ofwat have a view and, if so, what is it?



HOUSE OF COMMONS

Rachel Fletcher: As part of setting the allowed revenues that companies may collect from their customers over the last five years, we looked at customer research. Where customers gave strong support, above and beyond what the companies are required by statute to invest in—if that support was well founded and properly researched—absolutely, we allow additional investment in those circumstances. But, I would add, we do not at that point abrogate our responsibility to test that what is being put forward is an efficient level of investment. I don't think that any customer would want the company to spend more than is necessary to deliver a scheme efficiently.

- Q31 **Mr Mohindra:** My next question is to Tamara Finkelstein about the public estate. Water companies will rightly ask why we are not getting our own house in order. What work have you undertaken to ensure that the public estate such as hospitals or schools have efficient water usage?

Tamara Finkelstein: The public estate is part of non-household and businesses. We look to the retailers and wholesalers to work with them on how to drive better efficiency. They are part of what we are asking of the water companies, working through the retailers—to work with the public estate to encourage greater efficiency. They are part of that, and we are looking to improve efficiency in that way. That is the main way in which we are doing that work.

- Q32 **Mr Mohindra:** Could we build on that, similar to energy consumption today, which is signposted with what particular products are efficient, and which are not? Do you see that as the direction of travel?

Tamara Finkelstein: Most of the public estate will be metered and looking to save money, therefore driving greater efficiency, so that would be in their interests. Sally Randall might want to come in with a bit more information.

Sally Randall: To pick up on the point specifically, you are getting labelling, which makes it easier for all consumers of water—whether households, businesses, schools or hospitals—to choose products that use less water. In July, we consulted on a range of options that we think will help people to use less water, and will make it easier to use less water, including options on labelling, building regulations and how those might work together, so that people when living or operating in buildings have all the tools available to reduce water use. That is a really important part of the package, alongside the messaging. As well as exhorting people to use less water, that is much more possible if we make progress on those options, which we consulted on in July. The Government hope to respond to that consultation soon.

- Q33 **Mr Mohindra:** Are we looking at things such as planning regulations to ensure that we build efficient buildings for tomorrow, not just in energy but with water supply? Sally, do you want to answer that?

Sally Randall: That same consultation that I described also set out some options for how we might take forward building regulations. At the moment, there is a national standard for all homes, and local authorities



HOUSE OF COMMONS

have the option to require a higher standard, which they might do in a more water-stressed area. In the consultation, we explored some options to make that tougher standard national, as well as other options for upping our game on building regulations, so that water efficiency is built in from the outset, alongside product labelling. It is important that the two go together. We are considering the responses to the consultation, where we asked people for the evidence of what would be most effective.

- Q34 **Mr Mohindra:** Finally, if I may, Chair, I would like to ask: when are we expecting to hear about the results of those consultations and whether they have been implemented?

Sally Randall: We would expect to do those relatively soon. We consulted in July. Obviously, we were not able to respond to that consultation as quickly as we might have liked, because of the focus on coronavirus at the moment, but we are turning our attention back to that business now and we would hope to do this quite soon.

- Q35 **Mr Mohindra:** So is that later this month? Or is that being a bit ambitious?

Sally Randall: I don't know whether we could be that specific, but it is certainly high up our agenda now.

Chair: Okay, we can log that to remind you, but it would be helpful if you told us, when you know, when the likely timescale is, especially if it is while we are drafting our report—it would be helpful to know that.

Sally Randall: We will do.

Chair: I am going to ask James Wild MP to now come in.

- Q36 **James Wild:** Thank you, Chair. England has 85% of the world's chalk streams. My North West Norfolk constituency is lucky enough to have a number, including the Nar, the Burn and the Babingley. Last June, The Rivers Trust, and others, published the "Chalk Streams in Crisis" report. So the question to Sir James is: do you agree that chalk streams are in crisis, in Norfolk and elsewhere across the country?

Sir James Bevan: The first thing I will say is that I have a personal stake in this as well as a professional one; I live in the Chilterns and when I do my walk, I walk beside one of the most beautiful chalk streams in the country. I am conscious that nearly 80% of all the chalk streams in the world are in this country, and the Environment Agency and I are passionately determined that we are going to protect and enhance them. I will tell you briefly what we are doing, but as we think about protecting and enhancing chalk streams, as we must, we have to remember that right now the chalk streams that exist, particularly those in the south-east, and the aquifers that feed them are also providing essential drinking water for hundreds of thousands of people across the south-east. Some companies, such as Cambridge Water, are 100% dependent on chalk streams, and some businesses and some farmers are in the same place. So I think the way forward is to balance the needs of the environment and the chalk streams, and of the people, to make sure we have regard to



HOUSE OF COMMONS

both. The way to do that is to make sure that we do not take unsustainable amounts of water out of the chalk streams and their aquifers.

That is why we are engaged in a major programme of abstraction reform, which is reforming the licences that businesses, farmers and others need to take water out of the ground, including reforming many of the abstraction licences in relation to chalk streams. To date, we have made changes to 99 abstraction licences in relation to chalk streams, which will reduce significantly the amount of water that can be, or has been, taken out of them. For example, we have been working with Affinity Water on the Mimram, in their area, and with them we have agreed that they will stop taking water out of at least one chalk stream and significantly reduce their abstraction from another.

As well as thinking about water quantity, we also need to make sure we get the water quality right. Chalk streams are also threatened because of agricultural run-off, including, I imagine, in your constituency. So, along with Natural England, we are working with farmers to give them advice about how to farm in ways that do not dump lots of phosphates and nitrates in run-off off the land into the streams.

Finally, we are also doing work to restore many chalk streams that have been damaged. The Victorians engineered a lot of chalk streams into straight drains. One example, in Mr Mohindra's constituency, is the Bulbourne, a lovely chalk stream, where we work with local volunteers to re-wild it, to put back the curves, to clear up the water quality and to improve the habitat. That has had a really big effect, not just on the water quality; it has also become a fantastic amenity for the people living nearby. There are a whole bunch of things we can do, but the long-term answer is going to be to find alternative water supplies and to reduce demand.

Q37 James Wild: It is concerning to me that this report came out talking about a crisis five years after the WWF report, where one of my constituents referred to the state of our chalk streams as the equivalent of our burning rainforests. Is there the urgency here to deal with this problem? What specific targets are the Environment Agency working to, to restore these iconic rivers, which provide such valuable habitats and ecosystems?

Sir James Bevan: There is urgency and, as you know, if you have met any of the people who work for the Environment Agency, they are passionately committed to doing what they can for those communities and those fantastic natural resources. We have established a specific programme called the Revitalising Chalk Rivers programme, which is designed to work with not just the Environment Agency but local partners on chalk streams across the whole country. We have improved over 70 km of chalk stream habitat, we have removed weirs, and, as I was saying, we have put many of them back to their pre-Victorian state. That work is not done, however, and there remains a clear and present danger to chalk streams. We will continue to do that work as long as it is necessary.



HOUSE OF COMMONS

- Q38 **James Wild:** The final one from me is, what is the funding that was available previously that was effective in catchment and other investments looking like over the next three or four years?

Sir James Bevan: There are various funding streams that resource our work. We get funded partly by the charges that water companies and others who abstract water pay us to regulate what they do. We get some grant in aid from the Government for some of our habitat restoration work, and we work with Natural England on a programme called catchment-sensitive farming, which is also funded by the Government, to provide that advice and guidance to farmers.

None of us is as good as all of us, and the way to solve this issue with chalk streams is not just for the Environment Agency and the Government to be focused on it, which we are, but to ensure that other community groups, other volunteers and other environmental NGOs are also part of that family. That is very much our philosophy.

- Q39 **James Wild:** Would it be possible to have a note for the Committee on those different funding streams, how much is available and the forward look?

Sir James Bevan: Of course.

Chair: You can gather that we are very interested in the funding streams, especially with the pressures of covid-19 on the Budget. I am going to Sir Geoffrey Clifton-Brown on this issue.

- Q40 **Sir Geoffrey Clifton-Brown:** Long before covid came along, I was in touch with your agency—in fact, I have been for years. It is not a question of restoring chalk streams. I have chalk streams in my constituency, which is in an AONB, which are getting worse in quality every single year. Can I have an assurance today that if I correspond on behalf of a group of constituents who are pretty knowledgeable on this subject on the rivers Windrush, Evenlode and Colne, your agency will properly look at what they consider to be illegal discharges by Thames Water?

Sir James Bevan: The short answer is yes. The slightly longer answer is that I am aware of this issue and I know that you have been in touch with our local Environment Agency team in relation in particular to the concerns that your constituents have raised about Thames Water's sewage pumping station.

We regulate Thames Water as part of our duties. It is our job to make sure that they conform to the terms of their permits, which set very specific conditions and limits on what they can put out once they have processed sewage. If they are failing to meet those conditions, we will take action to make sure that they do meet those conditions, up to and including prosecution, which we have not hesitated to use against Thames Water in the past. If we conclude that the terms of those licences are unsuitable and are allowing too much of the wrong stuff to get into chalk streams, we will also look at that, so I will give you that assurance now.



- Q41 Sir Geoffrey Clifton-Brown:** My constituents believe that Thames Water are widely using the provisions in their licences to permit them to exceed the terms of those licences under storm discharges conditions. That is not legally defined, and my constituents believe that that loophole is being widely exploited. Will you look at that?

Sir James Bevan: Absolutely. I have seen no evidence that that is happening in relation to this case, but we will certainly look at it carefully. You are absolutely right, Sir Geoffrey, that combined sewage overflows, as they are called, which are of Victorian heritage and allow sewage to be discharged to local water courses, estuaries and the sea in times of storm overflow, will from time to time put sewage, or improperly treated sewage, into rivers or coastal waters.

We all want to see fewer CSOs. There are about 15,000 in this country, so it will be a long time before they are all replaced, but we are working with all the water companies, including Thames Water, to monitor what is going on in relation to those overflows and to work with them on a programme to replace them as soon as they can be replaced efficiently.

- Q42 Dame Cheryl Gillan:** Sir James, may I echo what Sir Geoffrey has just said about his chalk streams? You will be familiar with the Misbourne and Chess in Chesham and Amersham, and in particular the discharges into the Chess have been causing a great deal of alarm to constituents recently. The Environment Agency must not be in denial about this and must look very seriously at what is happening with Thames Water.

I had another question for you, because you said there is a clear and present danger to our chalk streams, and I see that as coming partly from the public estate, because High Speed 2 is a major construction project, and unlike what was put in the Affinity Water resource management plan 2019—I think that said HS2 was going to demand 6 million litres a day— it is more likely to be in excess of 10 million litres a day. What powers do you have to control a project like that and the inevitable effect that it will have on our chalk streams, whether it is in terms of the abstraction patterns that will have to change, or indeed the pollution that we potentially had over the weekend at Shardeloes Lake?

Sir James Bevan: We will always look at any reports of concerns from your constituents, so please do keep us posted on those and we will follow them up.

On the broader issue of HS2—again, that is a local issue for me as well as a professional one, given where I live in the Chilterns—we have a series of interactions with HS2 as the Environment Agency, making sure that anything that they do does not cause environmental damage or is remediated if it is likely to, being a key part of that. As you say, we are currently looking in particular at the plans for phase 1, which takes HS2 through the Chilterns, and what effects that would have on groundwater and surface water, in particular for the tunnelling and the construction of the various shafts and the Colne Valley viaduct, which you know all about.



HOUSE OF COMMONS

We take that very seriously; we are doing a lot of due diligence to make sure we understand the potential impacts and the potential damage that might occur to groundwater and therefore to chalk streams, among other things. We will not give approval—I will give you this assurance now—to any part of that plan on HS2's part until we have both identified and set out and agreed acceptable mitigation against any potential groundwater impacts that it would have through the Chilterns.

- Q43 **Dame Cheryl Gillan:** Sir James, are you telling me that you can actually call a halt to this project if you do not believe that the environmental standards have been met, to protect the Chilterns and our environment?

Sir James Bevan: I am not convinced that the Environment Agency has the power to call a halt to HS2 itself, nor do we necessarily want to. What I am saying to you is that we will use to effect the powers that we have, which require HS2 to agree with us arrangements where they wish to remove groundwater for their own purposes and require them to agree with us arrangements to identify and mitigate, as far as possible, any negative environmental consequences that the construction or running of the line might have.

Chair: Thank you, Dame Cheryl. Gagan Mohindra, on this issue, briefly.

Mr Mohindra: Dame Cheryl mentioned the River Chess; as my neighbouring MP, she will know that comes through my constituency as well, so I will not repeat the question. Thank you.

Chair: Thank you very much. I will now turn to Sir Geoffrey—sorry, so many knights of the realm in today's meeting. I turn to Sir Bernard Jenkin.

- Q44 **Sir Bernard Jenkin:** Thank you very much and good afternoon to our witnesses. Listening to this conversation, it is very striking that the short-term resilience of the system—Sir James, you described how you met and collaborated with the Department, the regulators and the water companies to build in that short-term resilience—and the long-term resilience are very much the same thing. If you run out of water, that is probably reflecting a long-term problem, not just a short-term problem. It all requires investment to increase the water supply, and indeed to reduce the number of times that there is flooding or high water output into estuaries, such as the Colne estuary, or the Stour estuary in my own constituency, as well as the chalk streams.

It all requires investment, yet the water companies are telling us that the Government have not provided a sufficient steer on how to balance the need for investment with maintaining affordable bills, so what kind of conversations, on a collaborative basis, take place in order to reach an understanding of the parameters of the relationship between the various bodies involved? Anybody?

Tamara Finkelstein: I very much agree with you on the issues around long-term resilience. Part of the national framework, which Sir James talked about, was about us collaborating with the water companies, across the regulators and with the Environment Agency on the long-term



framework and some basic planning assumptions that will underpin future planning. It is, at the end of the day, for the water companies to make that assessment of the balance of things they are going to do to meet the requirements, and Ofwat will play the role of assessing those plans, together with us. We think we give quite a lot in the guidance, around how to do options appraisals and so on, to allow the right tools to make those judgments, but the responsibility eventually lies with the water companies to make those judgments.

- Q45 Sir Bernard Jenkin:** I hate to spoil your afternoon, but I expected you to say something like that. Of course, the industry has been privatised, but companies are responsible for operational decisions and investment decisions only within very tightly defined parameters laid down by Ofwat and by your Department. Frankly, if a part of the country runs out of water, the questions are going to be in the House of Commons to the Secretary of State. He or she is going to be held responsible whatever—the responsibility and accountability migrates upwards.

I am not trying to focus blame on anybody; I am just trying to find out how you have more positive and forward-looking conversations so that there is a common understanding about how you make these investment decisions. At the moment, Anglian Water, for example, want to put in a big transfer main, but they are having to go to war with Ofwat and the Competition and Markets Authority about how much they are allowed to raise from their customers to pay for it.

Chair: Shall we start with Rachel Fletcher? Ms Fletcher, from Ofwat.

Rachel Fletcher: Perhaps I can build on that point in two ways. Alongside the national framework that both Tamara and Sir James talked about, Ofwat, the Environment Agency and DEFRA met with every single water company several times to have very, very detailed conversations about their own water resource management plans out to 2045, so there is really intense and detailed engagement between us collaboratively, as a group of policy makers and regulators, and each company, to help them to figure out how to get the best balance between demand-side measures, like leakage reduction, and the additional supply investments that they need. And I have to say that, on the price control, what the companies have put in their water resource management plans has indeed been funded by Ofwat, so the transfer scheme that you mention, Sir Bernard, in Anglian's area—we are in dispute with Anglian around how much it should cost and how much customers should pay; we are not in dispute at all around the need for that major water transfer scheme. There is a process for deciding and agreeing on what an efficient cost should be, as well as a process for us all arriving at an agreement over what investment is needed to meet the long-term needs of water customers.

- Q46 Sir Bernard Jenkin:** But can I ask you as a team how you increase your collective understanding and collective learning in order to make the system work better and deliver better? That might be one for the permanent secretary.



HOUSE OF COMMONS

Tamara Finkelstein: It feels to me that we have been on a very effective journey in terms of working very closely together and what Ms Fletcher was talking about around those shared conversations on the draft resource management plans building into the final plans. We are now working together with the water companies to develop the national framework, which will underpin our strategic policy statement and the next set of guidelines. There has been a ratcheting up of really strong collaboration and learning, to enable that to happen. That feels key to getting to the right answers to the big questions for which we all have an element of responsibility—including the public—so we all have to work together. From what I see, the collaboration has been building and continues to build.

- Q47 **Sir Bernard Jenkin:** In your Department, how good is the continuity of care for the water industry? What is the churn rate in the top official who is responsible for water? Is it a DG?

Tamara Finkelstein: Sally is director for water. I think she has been in post for two years or a year and a half.

Sally Randall: I have been here since January last year. My predecessor, Sarah Hendry, was in post for several years before that; you will see her name on a number of the documents. Importantly, we are extremely well supported by a team that includes a number of deep experts and people who have been working with the water industry for a number of years. That is also true of the regulators. There are people who have had different roles, and we also have people who have worked in the industry. We have a very effective secondment scheme, whereby young professionals from the water industry come and spend six months in my team—I think some of them do the same in Ofwat and the Environment Agency—to ensure that we all understand each other's perspectives and that we have a deep understanding of the whole sector, not just of our own role.

- Q48 **Chair:** I know, Sir Bernard, that Ms Fletcher and Sir James were hoping to come in on that. I know that we want people to give short answers, but did you want to come in first, Ms Fletcher?

Rachel Fletcher: Thank you, Chair. I agree that we will never reach the end of the learning about long-term water resource planning; it is a deeply complex and really important area. However, one of the things we have learned over the last year is the importance of regional planning on water resourcing. Typically in previous years, we have seen each individual company trying to balance its own supply and demand. Collectively, we have been pushing for the water companies in each region to join together and look at their challenges on a regional basis. Indeed, we have now set up a new team called RAPID—it is actually a joint venture between the Environment Agency, Ofwat and the Drinking Water Inspectorate—so that we can take those regional plans and make sure that we are properly looking at the business case for the different investments needed for the future, and so that we can flush out gaps and barriers in our policy and regulatory framework. Not only are we determined to learn and improve over time; I believe that we have put together collaboration between the

three regulators that will make that learning much quicker and bring forward the investment that is very important for the future of the country.

Sir James Bevan: As Rachel says, we will never be perfect, and we must continue to constantly strive to work more closely together, but I will give you three ways in which we are in a better position as a country than we were when I started as the chief executive four and half years ago. First, there is now a broad consensus on the strategy. Nobody in the water industry, and nobody among the regulators and the Government, disputes that the right answer to the big challenge is both to manage down demand—through personal consumption limits, through more efficient ways of running our lives, and through fixing leakage—and to provide greater supply through infrastructure investment in reservoirs, desalination and water transfers. That is now agreed by everybody.

The second thing that is better is that we have a mechanism to deliver it. Rachel referred to the national framework, which does bring together all the players who need to be involved in delivery, around a strategy which we are all agreed on, with a timeframe and with some specific planning assumptions to get there, which will be regularly overseen; and that did not exist until a year or so ago. The third thing that is different is that I really think there is much closer working between the regulators—the three water regulators which Rachel referred to—and between the regulators and the Government, through DEFRA. Now, it is not cosy. It should not ever be cosy; but it is a very close, collaborative relationship, and I think that is the best place for us to move forward from.

Q49 **Sir Bernard Jenkin:** I was just going to ask, what are the disincentives for investment that water companies identify, and what are you doing to remove those disincentives?

Rachel Fletcher: I could come in on this. There is a very strong incentive to invest to meet the demands of your own customers; and, indeed, the companies have got a requirement, and that's part of what the water resource management process planning process has been all about. I think where it is harder is where, say, a big new reservoir or a transfer scheme is needed not just to meet the needs of one company but indeed to meet the needs of the customers of a region or, indeed, perhaps wider than that. One of the things that we are doing through the regulatory alliance is actually considering what regulatory framework—what arrangements—are needed to bring forward investment in a scheme that is actually for joint company use. We believe, actually, that in many cases, both environmentally and in terms of bill impact, the optimal solution for future water resources is not a purely company-by-company scheme, but is some of these bigger, strategic investments. So we are determined to make sure that we have got a framework that allows that investment to come forward.

Q50 **Sir Bernard Jenkin:** What particular measures are you considering?



HOUSE OF COMMONS

Rachel Fletcher: At the moment, if a water company invests, that investment is recovered through the regulatory asset base and through the price control arrangements we have in place. If you were to have a joint scheme you might need to set up a new company, for example, and you might need to apply that approach to a new company, much as has been done with Thames Tideway, for example. There are a number of models for us to consider, here, but there are some already that we can look to and adapt.

Sir Bernard Jenkin: The Report absolutely identifies the limited collaboration that takes place between water companies, and that is something I think we would certainly want you to address. I think I am pretty well done.

Chair: Okay. We can always come back to you at the end if you would like to—in which case I am going to go to Sir James Wild, and I know that Sir Geoffrey Clifton-Brown will come in just afterwards.

- Q51 **Sir Bernard Jenkin:** I have one final question, which is: there is abstraction; there is perhaps desalination; and then there is leaks. I know we are going to come to leaks, but are these all looked at on a similar benefit-cost ratio? What is the argument for reducing leaks from a financial point of view? What we don't want is madly spending money reducing leaks when in fact we should be spending the money more efficiently on doing other things. How do you balance that?

Rachel Fletcher: All of these things are looked at through the water resource management planning process; so the engagement that we have with the companies collectively is examining exactly what is the correct balance between leakage reduction on the one hand—[Inaudible]—and investment in new supplies, and that is exactly the tenor of the conversation that we have been having.

- Q52 **Sir Bernard Jenkin:** Are they looked at on a level playing field, so to speak? So: the benefit-cost ratio in investment in the new supply of water is the same return you would expect from stopping leaks.

Rachel Fletcher: Yes, and it is not just on financial terms. It is also thinking about the impact on the environment of these different measures; so new capital investment might be quite carbon-intensive, for example. Increasingly we want the companies to be looking at the carbon impact of their schemes. The other interesting thing about leakage that is worth bearing in mind is that actually, it is very difficult to persuade customers to use water wisely if they see their local water company leaking. There is a knock-on effect—a chilling effect, if you like—on water consumption, so these things absolutely need to be looked at holistically.

Chair: Thank you. Over to Sir James—to James Wild, not Sir James Wild, not yet.

- Q53 **James Wild:** Not yet. Thank you, Chair. The water companies have a statutory duty to promote the efficient use of water. This is a question for Rachel Fletcher: how do you measure the impact of that obligation on



their activity?

Rachel Fletcher: The companies have to report on what we call per capita consumption figures, and that is the ultimate test of their ability to assist their customers to use water wisely. We have also set the companies targets to drive down per capita consumption over the next five years, so we are hoping that on average, across the country, we will see something in the region of an 8% reduction in per capita consumption. Again, the companies face penalties if they fail to achieve those targets, and those that exceed them will receive some rewards, so there is an incentive mechanism as well as annual reporting on this matter.

Q54 **James Wild:** We, per household, use more water than any other country in Europe, so as the Report makes clear and as has been talked about, a huge behavioural change is going to be needed here. I want to ask about the "Love Water" campaign that is referred to in the Report. Sir James, you are listed first in the press release announcing this campaign, so it would be interesting to understand how this works. What is the budget for that campaign over the next 12 months?

Sir James Bevan: It does not have a budget; it is unfunded. It is a collective campaign funded partly by the water companies that want to chip in; partly by Water UK, the water industry body; and partly by the Environment Agency. The reason we launched it last year was, precisely as you say, apart from all of the technical interventions that we talked about that will address long-term water security, perhaps the most important one is to change the way that people think about water and behave towards it.

Recent experience shows that you can change behaviour. The covid episode shows that if you give people a simple message with a powerful effect, like "Stay home, save lives", most of them will follow it. It needs to be the same, ultimately, for "Love Water". The ambition is to ensure that people generally understand where that water comes from, how precious it is, and that they have agency and everybody can play a part in making sure we have enough water for the next generation.

Q55 **James Wild:** I understand the logic of the campaign, but what is the financial muscle behind this? For the messages, and the ad spend that is needed to get those messages across, is there an actual communications plan with budget lines and money that has been put forward, whether by the industry, Ofwat or yourselves? What has happened since it launched in June last year?

Sir James Bevan: We launched last year, putting together this coalition of the willing. These are early days. As I said, this is an unfunded campaign at the moment. It is funded by its members; it does not have a central pot, but we have 40 partners who are all contributing. The first year—last year—was about assembling that coalition, developing an identity and a set of messages, which I think we have. I summarised some of the ones we would want to get out.



HOUSE OF COMMONS

This year, we want to be more ambitious. We will be discussing the next steps on Friday at the National Drought Group, which I mentioned earlier in this hearing. Right now, we need to make sure that we combine any work that “Love Water” is doing nationally with the work that each of the water companies themselves are doing, because the water companies themselves do have budgets for this kind of promotion, and they are going to be a very important part of getting us through—

Q56 **James Wild:** Sorry, but to press the point, how much money have the companies contributing put forward to this campaign thus far, in pounds?

Sir James Bevan: I do not have that figure; we can get it for you, but as I say this isn't money contributed to a central pot. These are resources that each member of the coalition is bringing to the table.

Q57 **Chair:** Sir James, you were quite effusive about the campaign in your opening comments, and you talked about a big ambition, yet you cannot tell us how much is spent. Can you give us a ballpark figure for how much money is being put in by the water companies to fund this? Tens of thousands? Single figures?

Sir James Bevan: I do not have that figure, but there is commitment from many of the water companies to support this. We saw that last year and I can certainly get you the statistics that we may have.

Q58 **James Wild:** Having done some research and looked around all this, the only thing that seems to exist, apart from the initial press release, is a Twitter feed. Quite a lot of the recent feeds have been about not putting wet wipes down the toilet, which is obviously important but less focused on the “Love Water” campaign.

That Twitter feed has fewer than a thousand followers. It seems like it is a very, very slow burn, when it has got to be one of the key parts of getting a sustainable water supply. It does not feel like there is any urgency from industry or the companies to get this going.

Sir James Bevan: I accept that we need to do more. I reiterate that these are early days and that we are ambitious, and we are nowhere near meeting the height of the ambition that I have set out. Last year was about establishing the structures. We ran some campaigns last year, for example a joint promotion with Sainsbury's in December about not tipping oils and greases down the sink, which is a big problem for water.

On Friday we are talking with water companies and others in the National Drought Group about the next steps, and we are talking to a major FTSE-100 company about supporting us in further campaigns this summer. I accept that we are not yet where we will need to be, but it is a long-term campaign and we have ambitions to get there.

Q59 **James Wild:** Finally, my constituents and people across the country have been told today not to use sprinklers to save water. When 3 billion litres of water are leaking out of pipes every day, how far do you think it is a problem that people will see that and think that their ability to have an impact, compared to that, is limited?



HOUSE OF COMMONS

Sir James Bevan: I think it is a problem. As Rachel was saying, the water companies themselves know that nothing maddens their customers more than leakage, so they need to fix it for that reason as well as the damage it is doing to the environment. It also undermines the “use water wisely” messages, so it absolutely does have to be addressed.

Chair: Thank you very much.

- Q60 **Sir Geoffrey Clifton-Brown:** On the matter that James Wild has raised, may I please ask you, Rachel Fletcher, when do you think we will get to a situation where, in the minds of the general public, using less water is just as important as using less power?

Rachel Fletcher: That is a very good question. I echo what Sir James and James Wild have been talking about in terms of the importance of raising customer awareness. I think we generally have a much more engrained awareness about energy saving than we do about water saving. That is something that the regulators, Government and the industry collectively all want to address.

I see water companies stepping up their efforts on customer awareness raising. We are beginning to see some innovative steps taken by some companies to try to incentivise customers to use water wisely. At the moment, one company is offering to put money into community funds for every volume of water saved by local customers. I agree that we are a long way off in terms of general awareness, and we all have a responsibility here.

- Q61 **Sir Geoffrey Clifton-Brown:** Would it be wise in their five-year plans to set the water companies a target for water consumption reduction?

Rachel Fletcher: They do, Sir Geoffrey. Overall it is about an 8% reduction. If they meet the targets that are set to 2025, average water consumption should come down from 143 litres per person per day to 131 litres. That is still a long way from where we need to be. The national framework that we are talking about today sets an ambition of personal consumption of 110 litres by 2050.

Somebody mentioned that we have one of the highest water consumption levels in Europe. German consumption per capita, for example, is 121 litres. We have a huge amount still to do. Awareness raising and education, alongside white goods labelling and building standards, are desperately needed.

Chair: Sir Geoffrey, this is your last one, I think.

- Q62 **Sir Geoffrey Clifton-Brown:** Yes, indeed. This is for the permanent secretary, Tamara Finkelstein. One of the most effective ways of changing behaviour is by cost. For example, when the Government changed the taxation on leaded petrol, almost overnight the public switched to unleaded petrol. Would it not possible to devise a scheme for the water companies to give their customers rebates if they saved water compared to the year before?



HOUSE OF COMMONS

Tamara Finkelstein: That is not something that I am aware we have looked at. I understand the issues around the difference in the cost compared to energy. It is not something that we have looked at, but I understand the point.

Q63 **Sir Geoffrey Clifton-Brown:** Would it be worth looking at?

Tamara Finkelstein: Let's take that away. I suspect, from the look of Rachel, that it might be something we have looked at, so maybe Rachel can pick that up.

Chair: Very briefly, Ms Fletcher, and then we will go to Dame Cheryl, who has been patiently waiting. I recognise that it is a big fiscal issue, so just give us a brief headline of where things have been.

Rachel Fletcher: Some companies have been giving rebates in kind or in money for customers who are doing particularly well in saving water. We are seeing a number of trials going on, to see what really helps to shift the dial.

Chair: Thank you very much. I think there is a whole area of work to be done there, potentially.

Q64 **Dame Cheryl Gillan:** Following on from Sir Geoffrey's questioning, I am really worried that we have just not done enough on a timely basis. For example, today Severn Trent has come out with a statement saying that the demand for water is the highest that it has been in 30 years, and the CEO has said that there is poor pressure and loss of supply. It feels like we are fiddling while Rome drowns—or doesn't drown. Surely we need to get a better advanced warning system to the consumers that we are approaching crises within all our water areas, and it cannot be outwith the wit of man—or woman, particularly, in this case—to try to get better systems. Would you like to comment on that, Ms Fletcher?

Rachel Fletcher: The water companies have been aware that water demand patterns have changed very radically in recent weeks, and they have been aware of the pressure that that is putting on their production and distribution systems. In most parts of the country, there is sufficient raw water to serve customers' needs, but we are seeing a challenge on cleaning up the water and transporting it. I agree with you; I think we do need to be giving customers early notice if there are short-term issues like this coming over the hill. I think some companies have been more on the front foot than others, warning their customers up to be careful with water, but we have the confluence here of people in lockdown and hot, dry weather. Once one or the other of those passes, I think we will find things going back to normal. That does not mean that we can take our eye off the longer-term challenges that we have been discussing today.

Q65 **Dame Cheryl Gillan:** You have just given the clue in your answer. One of the things that Select Committees are very keen on is trying to get best practice out there and learn from what has happened before. What is happening to Severn Trent today is not happening for the first time. We have had hosepipe bans and all sorts of things. Surely there is a way of



HOUSE OF COMMONS

taking the best practice from all these water companies and at least setting out guidelines. In my view, that should have been done a long time ago, because co-operation is not just about the water companies; it is about the people who use the water, and if they are not getting that message early on, and on a timely basis, it will result in the situation in the Severn Trent area, where I gather there is a loss of supply in the evenings. Is that not something you could help with? Is there not an initiative we could take? Maybe Ms Randall would like to comment on that as well.

Rachel Fletcher: I know that the companies are working collaboratively on this issue. It is one that is being seen across the country to a lesser or greater extent. I can assure you that, with a lot of things, we will be working with the companies to make sure that they learn the lessons from this and adopt best practice.

Sally Randall: The only point that I would add—James was trying to come in and might want to say the same thing—is about the role of the National Drought Group in bringing together all the companies, all water users and all those with an interest to do exactly that. It shares experience and best practice to make sure that we collectively give the best possible service to customers and improve that with every dry weather event. James may wish to say a little bit more about that.

Sir James Bevan: We have a duty at the Environment Agency to safeguard water resources in England and we seek to execute that in a range of ways. We seek to predict what is going to happen by monitoring the weather and analysing its effects with the Met Office. We make sure that the water companies have and exercise their drought plans. Every water company has to have a drought plan; they are all standardised and we check that they make sense and that they are regularly rehearsed.

When prolonged dry weather arrives, we seek to bring partners around the table to co-ordinate measures in the National Drought Group, which I have already mentioned. We take regulatory action to turn off or turn down some of the abstraction that is coming out of the environment to make sure that we can get through periods of prolonged dry weather.

We actually have a role ourselves in water supply. The EA runs its own water transfer schemes in various parts of the countries which move water around alongside the water companies. There are systems there. That is the basis for managing better, but what is actually happening is that the system is being tested more sternly now as we reach this long-term water crisis.

- Q66 **Dame Cheryl Gillan:** At a time of national crisis when people are feeling unsettled, can you assure me that the people who have been suffering very low pressure in their water, or indeed water outages and have not been able to receive water, have had enough advance warning and have been reassured that this is nothing to do with the national crisis and adding to the stress and strain that is already being put on the population?



HOUSE OF COMMONS

Sir James Bevan: I can reassure you that we are in regular touch with the water companies whose job it is to make sure that there is enough water, even in periods of prolonged dry weather, and whose job it is also to communicate with their customers about the situation and what customers need to do in response. We will have regular conversations with the water companies about that, but that is their duty, not ours.

Q67 **Dame Cheryl Gillan:** Okay, so you cannot give me that assurance.

Sir James Bevan: I cannot give you that assurance, because it is not in my power. I can assure you that we are working with the water companies in whose powers it is.

Q68 **Nick Smith:** The fact is that there has been very little progress in reducing leaks. Rachel Fletcher says it is complicated and consumers hate it when they see leaks in their roads. Sir James says that this absolutely needs to be addressed. You have all talked about working together to get things done. Tamara Finkelstein, why do you put up with this contradiction? Why are we not seeing reduced leakage?

Tamara Finkelstein: It is disappointing that we have not seen the reduction in leakage that we would have hoped to see, but we have built into the next set of plans very ambitious targets around reducing leakage. The collaboration was very much between DEFRA, Ofwat and the Environment Agency in driving the plans with ambitious plans around leakage. It will be very much that Ofwat will be looking at that performance, assessing the progress that is being made and taking action where that is not being made. That is what is required.

I recognise that we are looking for big shifts in this, but it has been a time coming, and the water companies recognise that this is absolutely for them to do, that their reputation is on the line and that there are risks for them around the penalties and enforcement that can be in place if they do not take that action. My understanding—Ms Fletcher might want to say more—is that our expectation is that they are in a position to meet those. They have signed up to these targets in the knowledge that those are ones that we will drive them to meet.

Q69 **Nick Smith:** Rachel Fletcher, my sense is that you were not that bothered about dealing with leakages. Will you get behind this agenda?

Rachel Fletcher: Absolutely. If you have taken that impression, I must correct you. For the past four years, Ofwat has been very clear with companies that overall performance on leakage is not acceptable. That is why we have set them a 16% leakage reduction target over the next five years. It is also why we took enforcement action against Thames Water in 2018 for failing to meet its leakage targets.

I am pleased to say that, while we are nowhere near where we need to be, the worst performing companies in the country, such as Thames Water, are beginning to get their act together. Despite a very bad start to the last five-year period, it looks like Thames Water is likely to meet its targets for 2020, partly as a result of some very tough enforcement action from



HOUSE OF COMMONS

Ofwat, involving returning £120 million to customers, because we felt that Thames Water was failing customers by not paying enough attention to leakage.

This issue is very near the top of our agenda. I am pleased to say that we are now seeing companies put the money into innovation and new technologies that are needed to drive leakage down once and for all.

Q70 Nick Smith: Thanks for that. That sounds good. Why has it failed in the past few years to make sufficient progress? What has gone wrong up until now?

Rachel Fletcher: Until 2016, I do not think there was enough attention on it, frankly. It was seen as an economic problem. There was not enough focus on the environmental damage that leakage causes. There was not enough recognition of the public's leakage. I think everybody took their eye off the ball.

That situation changed radically four years ago. Since then, progress has been a little slow. There have been some setbacks, partly to do with weather, as there will be from time to time, which impacts on leakage. The direction of travel now is clear. The national infrastructure commission says that we should halve leakage by 2050. Our target of a 16% reduction in leakage by 2025 is one milestone towards that very important target. We expect a further milestone in 2030: the companies have committed to reducing leakage by a third by then.

There is a huge amount to do. We are beginning to see new techniques and technologies coming forward. We are seeing companies working together on this and sharing best practice.

Q71 Nick Smith: Thank you for that. I am pleased to hear the emphasis you are giving this. Please show us your best in class and worst in class, across the country, at achieving that objective.

Rachel Fletcher: We certainly will do that.

Q72 Chair: Thank you. I want to continue with this issue for a moment, before going back to issues around consumption. Ms Fletcher, you acknowledge that there was an issue up to 2016. The targets that you have outlined between now and then mark a huge upshift in the ability to tackle leaks after such little progress. What convinces you that that will be delivered? Are you just giving us warm words, or can you give some concrete examples of measures in place that will deliver a reduction in leakage?

Rachel Fletcher: First, the companies have had a lot of warning of that 16% reduction. We went public with it—we laid down the gauntlet—in 2017. They have had three years to prepare for a step-change in leakage. Yes, it is an ambitious target, but we have seen some of the better-performing companies make those levels of reduction in recent years, so we don't think it is unachievable. We think that if a company applies its mind and thinks creatively, it can achieve that level of reduction.

Numerous different types of technologies are being deployed across the country, with new techniques to detect leaks, and to detect them accurately.

- Q73 Chair:** That is interesting. As you would expect, we have had quite a lot of evidence on this. To quote from Portsmouth Water, which, on the one hand, says that it is driving unprecedented environmental resilience and customer service ambition, while on the other, mandating significant downward pressure on bills. Obviously, you will get a bit of that from the companies pushing back, stating that they haven't got enough money, but you are using a lot of words here to explain what is happening. Can you give a real, precise example of where a company, for example, is detecting water leakages better? Will you explain why that wasn't happening before? If it is as simple that, it just begs the question of why there has been so little progress? Is that the main problem?

Rachel Fletcher: The technology exists—there is new technology, the types of material used in pipes that reduce the propensity to leak, and lots of technology around detecting leaks and managing to fix them quickly, even robots that can go through pipes, detect leaks and fix them. The technology is there; it has just not been deployed sufficiently.

- Q74 Chair:** In the Report, in figure 10, the water companies clearly offered up what reductions they could deliver, then they were pushed to higher targets. Were they really being unambitious, or is there such a drive to have a reduction in leakage at pace—understandably, because we all want to see it—that they are now in effect being set up to fail?

Rachel Fletcher: We do not believe that they are being set up to fail; we believe that we have set a target that is stretching but achievable, if a company has this near the top of its agenda. Fixing leaks should be near the top of a company's agenda—that is what customers expect.

I think the numbers you are looking at were in the company's original water resource management plan. DEFRA, Ofwat and the Environment Agency challenged the companies on the level of ambition in those plans, particularly on the demand side. Let us be clear: fixing leaks and helping customers to use less water are some of the cheaper solutions to meeting our long-term water resource needs. That twin-track approach, and paying sufficient attention to the demand side measures, is important. That is one of the things that, rightly, we all collectively challenged the companies on.

As has been said elsewhere this afternoon, most of the companies have accepted the targets that we put in their plans for the next five years. I am confident that we will see many companies create new ways to tackle leakages, surprising themselves about what they can achieve.

- Q75 James Wild:** The data in figure 6 show that in 2001, 3 billion litres were being leaked every day. The figure is higher today than it was 20 years ago, so not only has this not been on people's agenda, but performance has been pretty abysmal. What are the financial incentives here? What are the largest fines that you can levy if companies do not meet the 16% reduction over the next five years?



HOUSE OF COMMONS

Rachel Fletcher: There are automatic penalties in all the companies' regulatory settlements if they do not meet their annual targets. For example, Thames Water could be penalised by up to £80 million if they do not meet their annual targets. On top of that, if we believe that a company is so badly failing its annual target to suggest that it is not giving the topic sufficient priority—that there is a deep failing in the company, as opposed to a one-off annual issue—we have the right to use our powers to take further enforcement action against that company. That is what we did with Thames Water in 2018, because our investigation of their leakage performance showed that they had contracted out leakage reduction and that their board was paying no attention to it. That is why they were put on a stringent path to recovery and had to return £120 million to customers.

Q76 **James Wild:** How early will you know if they are on track? I mean, are these targets largely backloaded, so that it is in years four or five that we will see the reduction? What is the profile?

Rachel Fletcher: They are annual targets and they will be tracked annually.

Q77 **James Wild:** And they could be fined £80 million each year, or over the five-year period?

Rachel Fletcher: I think that Thames Water's exposure is £80 million over the five-year period, but, as I said, we have got the power to fine a company up to 10% of their annual turnover if we believe they are not running the company properly.

Q78 **Chair:** I just wanted to go back briefly to the issue of consumption. I think it was Ms Finkelstein or Ms Fletcher who mentioned the issue around white goods and the supply chain. Do you think, Ms Finkelstein, that you have enough powers to make sure that you are building in water usage reduction into the building of all new properties—homes, offices and so on?

Tamara Finkelstein: We are working with other Government Departments to respond to the consultation that we were given in the last half of last year, to look at those and see where we can take action. So that is exactly what we are working with other Departments on, around the rules and regulations around white goods and building regulations—

Q79 **Chair:** But this is not new, is it? It is a very long time since I shadowed the brief around energy use; even then, there was a gap in it. So, it is very much the same here. There are shallower baths, for example, and toilets with lighter flushes. Can you give us some examples of the sort of thing that would make a significant impact on reduction of water use—things that are in the frame?

Tamara Finkelstein: I could perhaps bring in Sally on that, but it is very much around toilet and bathroom appliances, and so on, and then also about building regulations and what you need to build in. So, it is a whole range of products and regulations that we have done some consultation on



HOUSE OF COMMONS

and are looking at. Sally might be able to give a bit more granularity to that.

- Q80 **Chair:** In particular, Ms Randall, can you focus on why it is taking so long? These are things that we have been talking about for a long time. I have been in Parliament for 15 years and there are others on this Committee who have been here longer than me, and this issue is not something that is new, so give us some examples of when we will actually see a difference, and what impact that will have on water usage, in terms of litres.

Sally Randall: Absolutely. The measures that we have been being consulting on in terms of building regulations build on the existing potential lower standard—well, lower or higher standard—of 110 litres a day that can be used by local authorities in water-stressed areas. There is already potential for local authorities to require a high standard on water efficiency. That has worked in some areas and what we are consulting on is whether that should in fact be a mandatory national standard. That would take it to the next stage.

What we are also consulting on is changes to product labelling. As you say, energy is a long way ahead of water on this. I think we would readily admit that this is some way behind energy in the widespread adoption of product labelling. And we see the two as potentially working quite importantly together, because you are asking about specific examples and it is about fittings; it is quite detailed and it is in the toilets, the taps, the showerheads. Many of those are things that could be taken out of a building by a user once they are in, so it is really important that the labelling is also right for products that somebody might take out of a home after they move into it. There is a really important interplay between the building regulations and the product labelling. That is what we have been consulting on and we hope to—

- Q81 **Chair:** Okay, so you have been consulting on it, but it is always going to be better tomorrow; that is a bit of an issue here. Seriously, as you say, water is a long way behind energy, which is not even itself in a perfect place. Why has it taken so long for Government to act? Is it because no one is really in charge? There are three organisations represented today and there is a lot more if you take the supply chain, for example, that could be involved in other parts of Government. Is that one of the problems?

Tamara Finkelstein: It is clear to us that it is for us to drive that action. There is clearly work that we will need to do with other Departments to pull that together. We clearly need to take and co-ordinate that action, and our Ministers are driving that. We hope to respond to the consultation shortly.

- Q82 **Chair:** It feels like jam tomorrow, rather than actual action in the past. Looking at this Report and hearing what you have to say today, there is lots of ambition, which is a good thing, but the question for me is: who is in charge of this whole system? In a way, it is you, Ms Finkelstein, but



HOUSE OF COMMONS

you personally cannot be held responsible for the whole system because you have only just arrived in the Department. Do you think that the system is strong enough to deliver these changes? Each organisation can do its own thing, but it seems to me that the co-ordination is, at times, weak. We have the water companies, Ofwat, the Environment Agency, yourselves, the supply chain and other Government Departments. Where is the problem? What would you like to have in your toolkit—what powers would you like to have in the Department that would mean we could really motor on the issues of water consumption and planning?

Tamara Finkelstein: There is a system, and that inevitably will involve lots of players. The danger is if the different players in the system do not know what their roles are or are not working together. Some of that is about the system and linkages, but there is also a lot about the behaviours. As you say, I have come to this relatively recently. While you are right to say that there is a lot of ambition into the future, I would say that there is an alignment around what the objectives are, what people's roles are and working effectively together. You have seen the examples. We have RAPID, which brings together the regulators and the work we do, and the national framework, which brings us together with the water companies. We have talked quite a lot about how we need to engage the public in being part of that system. If you are going to take one thing, ramping up our ambition to make the public also feel part of that system is what I would like to see. It feels to me as if we have the right things in place, but we need to hold ourselves to account—I am sure you will also hold us to account—and now use what we have to drive action.

- Q83 **Chair:** You talk about involving the public. Mr Wild highlighted some of the issues around the "Love Water" campaign—there was a lot of ambition but not much money put into it. Is there a sign that there will be a Government funded and supported campaign, especially with the dry weather, to use less water and buy more water-friendly goods?

Tamara Finkelstein: We have to look at what is the most effective way to do this. As Sir James said, each of the water companies does work in this area, and he is using work to try to co-ordinate that. We recognise that there is much more to do in that space, and we will take that even more out of both the NAO Report and the conversation today. It is about piecing together the money that the companies are going to put into this, but we will need to look at what is the most effective way of using that.

- Q84 **Chair:** It is a bit about carrot and stick, and there are sticks in there, but the problem is that all of you individually will be moved on by the time most of these targets come along. That is not a criticism of any of you individually; it is just that this is a long-range plan in a complex system. Who is ultimately responsible, and where will the buck stop among you all? Who is going to put their hand up to that? Ms Finkelstein, you are the accounting officer, but it may not be you.

Tamara Finkelstein: As accounting officer, I have some responsibility for ensuring that there is clarity in what people are supposed to do. The idea that you might not have enough water is a huge and massive challenge,



HOUSE OF COMMONS

and our Ministers recognise that. There is a huge amount of responsibility. It is a system. Clearly, I have that role in it, and I have a role in ensuring that the different parts are working well together. I think we are in a reasonable position on that, but there is a lot to do and a huge amount of ambition. We need to hold ourselves to account in the different ways that we can and hold the water companies to account too.

Q85 Chair: Thank you for that. We will be watching this closely.

I just want to cover one last point with Ms Fletcher that we have not quite covered about business switchers. Not many businesses are switching supplier. They are obviously, many of them, big users, depending on the industry. What are you doing about that and how does that fit in with the targets?

Rachel Fletcher: You are absolutely right. The business water retail market has been open now for three years. We do an annual report each year, so we have done two of those. We are just looking at the data for year three. Last year, when we looked at the data, it was very obviously disappointing in terms of the number of businesses that are engaging in that market, and indeed the benefits that they are seeing, whether that is in water saving, money saving or in saving time, say, through aggregate bills. We have had, in the first two years of the market, only about 13% of businesses active in the market. Last year, we saw only about £10 million being saved through switching. Those are pretty low figures, I think we would all agree, and the water—

Q86 Chair: What are you doing about it?

Rachel Fletcher: We are looking to improve the way the market works. We are working with the market operator to make sure that there is better data—for example, more accurate meter reads—which will help customers to switch but also to save water and understand their water consumption. In March, jointly with the Environment Agency, we wrote to all the retailers and wholesalers and asked them to think about what they can do collectively to improve water efficiency in the market. I am pleased to say that they are now working together. We are expecting to get a plan back from them in the autumn. There is focus on this, but it is part, if you like, of a wider sense of disappointment that we have with this market and a wider set of work that we are doing—

Chair: Again, it seems to lag behind the energy sector very much in that respect. Last word to Sir Bernard Jenkin.

Q87 Sir Bernard Jenkin: It is something that we suggested in our brief, but I think it deserves a question on its own, frankly. How are we going to get the water industry to net-zero carbon emissions by 2050? How is that embedded in the regulation, the collaboration and the conversations?

Tamara Finkelstein: It is a very important point, and clearly, the Government's ambition. I think there is more of this that we want to build into our resource planning. The water companies themselves have a commitment around net zero by 2030, but we are working together with



HOUSE OF COMMONS

Water UK to look at how we build that more into the water resource planning framework, and ensure that we do not disincentivise nature-based solutions to some of the infrastructure issues. We have a number of things in place. I do not know if either James or Rachel wants to pick up further on what we are doing.

Q88 **Chair:** Any last points from Sir James or Ms Fletcher?

Sir Bernard Jenkin: Perhaps you could say how confident you are that you are going to achieve the target.

Tamara Finkelstein: The overall target or the target for the water industry? It is critical that we do. It is the challenge of our generation. It is critical that we do. For DEFRA, it is part of everything we think about and everything that we are doing. We have to meet that target. There is no choice.

Q89 **Sir Bernard Jenkin:** Does anybody else want to comment?

Chair: I will bring in Rachel Fletcher, then Sir James Bevan for last quick points please. You do not need to repeat each other.

Rachel Fletcher: Just to agree, and to say that in assessing the strategic resource plans through RAPID, the carbon footprint and the whole-life carbon of those schemes will be part of the evaluation. It needs to start getting embedded in how we evaluate options in the water sector.

Sir James Bevan: The Environment Agency has also set itself a 2030 target of becoming carbon neutral by then. Like the water companies, we pump a lot of water, either in drought or in flood, and we pour a lot of concrete when we are building flood schemes. We will learn as we go forward and we will share that knowledge with the water companies and seek to learn from them so both of us can hit that target.

Chair: Thank you very much. I thank all our witnesses very much for their time and everybody for their forbearance with the sound, which is not a reflection on the House of Commons. We all have our own individual sound problems and no individual sound engineers to deal with them. Thank you for your patience. We will be producing a report on this in the next month or so, but in the meantime, I thank you all, in all your organisations, but particularly, Ms Finkelstein, you and your civil servants for the work that you are doing to support us all during covid-19. We have some ambitious targets on water reduction, and we look forward to holding you to account in future on those issues.