

Rt Hon Alistair Carmichael MP
Chair of the Environment, Food & Rural Affairs Select Committee
House of Commons
London
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4 April 2025

Dear Mr Carmichael,

Thank you for the opportunity to give evidence to the Committee as part of your inquiry into reforming the water sector. I hope that my perspective as someone new to the industry was useful to you, and I hope we can continue the discussion on the future of the sector as the work of Sir Jon Cunliffe progresses.

During the evidence session I promised to provide further information to the Committee on a few issues. I hope that the information below answers the questions of Committee members and helps to inform your report.

Anglian Water's remuneration policies

I promised to send some further information on how remuneration is determined by the Board. At the end of this letter is a statement from our Remuneration Committee Chair, Kath Durrant, outlining the steps taken recently to ensure we can recruit the talent necessary to take the company forward while fully respecting the expectations of our key stakeholders, and recognising the role we play in society, both as an essential public service, and a regional monopoly.

Our previous [Remuneration Report](#), published in July 2024, demonstrates action taken prior to my arrival as CEO. Our next Remuneration Report will be published as part of our Annual Integrated Report and Accounts in July 2025.

Some of the questions from the committee sought to understand whether remuneration has been reduced as a result of underperformance on pollutions, and I can categorically say yes, this is the case. Anglian Water Services operates a Performance Contract which accounts for 60% of variable remuneration for all our Senior Managers and Leaders.

The remaining 40% is focused on Personal Objectives. (The only exception to this was the former Chief Executive Peter Simpson, who in 2023/24 had a weighting of 70% Performance Contract and 30% Personal Objectives).

The targets listed within the Performance Contract cover a wide number of issues that matter to our customers and stakeholders. Our Performance Contract also accords with Ofwat's guidance on protecting customer interest on performance related executive pay (which includes a requirement to demonstrate a substantial link to stretching delivery for customers - including delivering on environmental commitments and obligations) ¹.

In 2023/24 the Performance Contract was split as follows:

¹ [Protecting-customer-interest-on-performance-related-executive-pay---recovery-mechanism-guidance.pdf](#)

- 30% focused on customer efficiency (how efficiently we've spent our allotted funding)
- 40% on environmental measures (including total and serious pollutions performance and storm overflows)
- 25% on customer delivery (including our customer service outcome delivery incentive (ODI) score and how well we've supported vulnerable customers in the year)
- 5% on being a responsible business (where we sit on the BITC Responsible Business Tracker)

Our 2023/24 targets were stretching relative to the rest of the industry and our 2024/25 targets went even further, focusing on pollution events and environmental performance, with increased weighting for serious pollutions, storm overflow spills and the introduction of a new measure for Treatment Works Compliance. Page 156 in our [Remuneration Report](#) outlines the specific measures that must be met (and associated weightings) for 2023/24 and 2024/25 in more detail.

Anglian Water's sampling programme

We absolutely refute the allegations published in the Observer earlier this year regarding 'no flow' samples at water recycling sites, and we have legitimate explanations for all the examples given, as well as standard, more general operational reasons as to why a site might have no flow.

Due to the geography of our region, we have many small rural sites, many of which operate in batch process, meaning often, especially in the middle of the day, there is legitimately no flow passing through the site. There may also be no flow if process units are out of service for maintenance. ☐

Our sampling programme is managed independently within our Quality and Environment Directorate, separate to our operational site teams, and the timing and location of sampling visits are only known by a small number of key personnel within our Laboratory, and are never disclosed to our operational teams. To ensure independence and impartiality, the sampling process is externally certified, and also independently audited by the Environment Agency.

We have a zero tolerance for malpractice. All our operational staff undertake rigorous compliance training, including specific training around impartiality, and we have a clear and robust whistleblowing policy, and actively encourage staff to report any concerns directly.

Disinfection of discharges to bathing waters

During the hearing, Jenny Riddell-Carpenter MP asked about disinfection of discharges into bathing waters, similar to the approach used in Europe. Performic Acid (PFA) chemical disinfection is used quite widely in Europe. However, as it stands, the main form of disinfection permitted by the Environment Agency here in the UK is Ultraviolet (UV) treatment.

Further to its application in Europe, with consent from the Environment Agency, we have been trialling PFA chemical disinfection at our Southwold Water Recycling Centre as a potentially lower cost, lower carbon and quicker to install alternative to UV. Our Southwold PFA plant is the first of its kind in the UK and we are pleased with its performance; Since its installation, the Southwold Denes bathing water has improved from the 'sufficient' classification to the highest 'excellent' standard.

However, there is further work to be done before it can be rolled out to other sites. The Environment Agency have requested a national laboratory-based study of its effectiveness at killing viruses be carried out first. We successfully launched this study via UK Water Industry Research (UKWIR) and it is due to conclude in early 2026. After this, the EA will consider whether to issue permits for further PFA chemical disinfection plants in the UK.

Engagement with citizen scientists

Both Jenny Riddell-Carpenter MP and Jayne Kirkham MP asked questions about engagement with citizen scientists. I'm pleased to confirm that we have significant ongoing engagement with citizen scientists across our region.

Our Citizen Science pilot project – launched in 2023 as part of our wider Get River Positive programme – supports communities in understanding and safeguarding their local watercourses. As part of the project we have provided over 30 community groups with free testing kits, alongside training and guidance. These kits measure key indicators such as pH, temperature, ammonia, nitrates, free and total chlorine, dissolved oxygen, and phosphates. By supporting communities to self-monitor safely and accurately, we aim to learn more together about the health of rivers in our region. We have so far convened two Citizen Science conferences bringing together local river groups to share findings, best practice and actions.

In Jenny Riddell-Carpenter MP's Suffolk Coastal Constituency, we've worked closely with the Save the Deben Campaign, Deben Climate Centre and other local Citizen Science Groups. This has included many stakeholder meetings, including tours of our treatment works, listening to their concerns about nutrient loading and bathing water quality as well as support with analysing and interpreting their sample data. We've also invested in our own bacteria sampling programme to complement data from citizen science groups, and we've shared the results with them.

All of the technical knowledge gained from our engagement was fed into our PR24 capital enhancement delivery planning and costing process. As a result, there is provision in AMP8 for significant capital delivery under the statutory bathing water driver of the Water Industry National Environment Programme (WINEP), if found to be required by the next phase of our investigations.

Sewer flooding in Kessingland

Andrew Pakes MP referenced persistent sewer flooding issues in Kessingland, on behalf of the local MP Jess Asato. I'm pleased to say my team held a planned meeting with Kessingland Parish Council and Jess Asato MP on 21st March.

As Andrew mentioned, there have been longstanding instances of some flooding in the village, primarily caused by hydraulic overload from surface water in times of heavy rainfall. Our maintenance team carried out 2,200 metres of sewer jetting around the village last month, and as part of our increased sewer monitoring programme, we have a further 20 sewer monitor alarms installed to provide early warning of sewer performance. I have asked our local sewer networks team to install, review and relocate more sewer level monitors to collect data to understand where the overloading of the foul system is occurring. This will take place over the next few months and provide vital information about the possible route cause of the surface water issues affecting the village, so we can then plan and implement appropriate mitigation measures to help reduce the likelihood of future flooding.

Increased flows in our network caused by infiltration of surface water into the foul sewer network is a challenge which is increasing across our region. As climate changes results in more extreme weather, we are seeing an increase in flooding caused by surface water entering the foul network, and this also impacts on our spills performance. As part of our AMP8 business plan we will be investing £96 million to 'slow the flow' to prevent rain and groundwater from getting into sewers to begin with, helping to reduce the risk of flooding and making spills less likely.

My operational team is going to keep in touch with the parish council and Jess, and we have committed to work with the local community on sewer use awareness. As is common in many towns where the wrong things are disposed of down toilets and sinks, such as wet wipes and cooking fats and oils, we have

experienced blockages and problems with unflushable material and fats, oils and grease in some parts of the Kessingland sewer network. With the seasonal tourist impact on the village, we are keen to support the parish council with messaging around this for the visitor population, while supporting the tourism economy. We have also pledged to support Jess Asato MP as she looks to convene a multi-agency meeting with all flood risk partners, including Suffolk County Council, Highways, East Suffolk District Council, planning officers and local representatives in the summer to review the village drainage systems and to ensure everyone is working collaboratively to minimise flood risk.

2050 targets for water security

You asked about our 2050 targets for water security, and whether targets of that length are meaningful. Water companies have a duty, every five years, to produce plans which set out how they will continue to supply water in their supply area over at least the next 25 years. We do this through our [Water Resource Management Plans](#) (WRMP). These statutory plans take a 25 year look into the future to assess the impacts of population growth, climate change and other factors on water resources and sets out the action needed to ensure a resilient supply. Our latest WRMP was published at the end of 2024, and therefore the 25 year time horizon for that plan takes us to 2050.

The equivalent plan for drainage, the [Drainage and Wastewater Management Plan](#) (DWMP) has only recently become a statutory document, but achieves the same for the water recycling aspects of our operations.

Whilst these plans take a long term view 25 years into the future, they also include detailed breakdowns of the action that needs to be taken in each five-year AMP to ensure water supply resilience and water recycling resilience. These feed into the Price Review process to ensure those interventions and investments are included in our business plan.

So, the 2050 timeline for our WRMP ensures we take a long-term view of the factors impacting our ability to provide water for the region, but 2050 is not the deadline for action to be taken. Our WRMP sets out the time of our planned interventions, including smart metering, our strategic pipeline, and new reservoirs, all of which will be in place significantly before 2050.

Flooding in Hickling

Josh Newbury MP raised concerns about sewer flooding in Hickling in Norfolk. The tidal rivers in the low-lying East of England, including the Norfolk Broads, are heavily impacted when flooding hits. In this case, Hickling, which is on the edge of Hickling Broad, is particularly vulnerable.

The record rainfall levels seen throughout the winter of 2023/24 overwhelmed both the separate foul and surface water networks. Flood waters filling up the sewer network left no space for normal flows, which meant some residents weren't able to use their own toilets and showers.

Misconnections have proved to be a significant contributor to the village's flooding problems – a catchment survey has shown more than a third of the catchment is misconnected. This is where downpipes from homes or the highways road drains have been wrongly connected to the foul sewer, reducing its capacity and ultimately causing flooding. The amount of rain that runs off from an average roof can be equivalent to the foul sewage produced from 100 homes, so it's easy to see why this excess water can cause such a problem.

The surveys also highlighted points where groundwater was infiltrating the sewer system. Infiltration is an often misunderstood, but common cause of flooding. Sewers are simply not designed to be completely sealed systems, and when extreme rainfall combines with saturated ground, excess water gets into our

sewer network through minute holes, cracks and joints, resulting in the pipes becoming overwhelmed and leading to flooding.

Flooding is often an extremely complex issue with many different organisations responsible for various aspects of drainage. In Hickling, these organisations include Anglian Water, the Environment Agency, the Broads Internal Drainage Board and local authorities from county to parish level. In addition, home and business owners also have a part to play. No one organisation has complete oversight of flooding, or the drainage network, meaning that significant improvements aren't possible without cross-sector collaboration.

Building on the burgeoning success of the Norfolk Strategic Flooding Alliance (NSFA), which was established in the wake of devastating floods during the Beast from the East storm in winter 2021, the Hickling Working Group has brought all the relevant authorities into one room to cut through the red tape that currently surrounds flooding.

Importantly, the Hickling Working Group's success has been driven by the village's residents and parish council. In an effort to prepare the village for another wet winter, people in Hickling have worked to clear culverts and ditches, maintain pipework, and remove surface water from the foul sewer network.

Anglian Water has also carried out a full survey of its sewers, which identified several issues that are now being addressed. With all sewers having now been relined, the team is confident that there is no infiltration occurring – but staying engaged with the local community will be key to maintaining this. As a result, Anglian Water is frequently attending parish council meetings, and is proposing funding for 50 sustainable drainage system (SuDS) pods, which will help residents better manage excess surface water at their properties.

All this work is just the start. Responding to flooding is an iterative process, with each year's rainfall bringing new challenges. The scale of the challenge is huge, but multi-agency approaches such as the Hickling Working Group and the NSFA are delivering new, innovative ideas at a previously unimaginable pace. It's clear that, to tackle flooding effectively, working together is crucial.

If there is any further information I can provide to support the work of the Committee, please do let me know.

I look forward to seeing the Committee's report following these evidence sessions, and to working together in future.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Thurston', with a large, stylized 'Q' at the end.

Mark Thurston
Chief Executive

Information on remuneration from Independent Remuneration Committee Chair

Over the past year, we have developed a new remuneration framework which has been designed to ensure we can recruit the talent necessary to take the Company forward whilst reflecting the expectations of our key stakeholders and recognising the role that our business plays in society, both as an essential public service, and a regional monopoly.

We continue to set stretching targets for our Executives and wider workforce which means that pay and reward mirrors company performance. We also have a robust reward framework which includes broad power to adjust the indicative out-turn which means that we can, and do, override formulaic outcomes where they don't feel right and don't mirror the experience of our customers and stakeholders.

Entering the new AMP, we face unprecedented challenges, not least as we plan to deliver our largest ever capital investment programme, with our business plan totalling £11 billion across the next five years, created in collaboration with our customers and other stakeholders. They all understand the need for greater investment both in this five-year period and also in the decades following, recognising a shift towards capital investment in critical infrastructure and the changing landscape of our business. Further, through the PR24 Price Review, we have worked to build a plan that addresses the current and future needs of our region. The Government has made clear its priority to drive growth to stimulate the economy and has already highlighted the critical role water plays in this.

This has been a factor in driving a change in our thinking on our executive remuneration, in particular, how we are able to reward our Executive Directors. It is essential that they remain engaged with our business and the undoubted challenges across the next AMP. Against this backdrop, we have redesigned the Anglian Water Services bonus plan to provide a distinct annual bonus focusing primarily on non-financial factors linked to the ambition to undertake significant infrastructure spend and reduce pollution levels.

This involves use of a new scorecard assessing performance in the round, which includes an increase in the performance weighting for our environmental measures – specifically, serious pollutions (Category 1 and Category 2), internal and external flooding and storm overflows, to 50% for 2025/26 and beyond.

It is clear that many of the challenges we face require investment over multiple AMPs to resolve, particularly for example pollutions, which will require significant and sustained investment in our network before we can achieve a zero pollutions environment. Whilst this investment is being delivered, it is vital that we are able to retain the talent we have appointed to solve the problems we face.

Many Executives across the industry will face the prospect of no bonuses from their operating companies in spite of their leadership being a critical part of the solution to long standing issues. This is particularly the case for newly appointed Executives. We must take care not to create unintended consequences that make the sector even less attractive to talented people who have employment choices elsewhere.

We continue to monitor the remuneration market for water, utilities and other infrastructure organisations to ensure we remain competitive for Executive pay, but we remain committed to ensuring that delivery for the environment and customers are key measures for our variable pay schemes going forward.

Finally, it is also important to note when considering remuneration that Executive Directors' often have a broader role across a group of companies and their remuneration package reflects this. For Anglian Water the water company pays for 70% of the Executive Directors' remuneration and the Group pays for 30%. As a result, elements of remuneration will not be linked to water company performance, as they will instead be contingent on performance measures for other companies in the group.

I hope this information satisfies Committee members that we take performance-linked remuneration incredibly seriously, and have the framework in place to drive the performance we all want to see.

A handwritten signature in black ink that reads "K.L. Durant." The signature is written in a cursive, slightly informal style.

Kath Durant
Chair, Independent Remuneration Committee