

**Wednesday 3 April, House of Commons  
Committee Room 11, 5.00 – 6.30pm  
Future of the Water Sector  
(Non-Verbatim Minutes)**

**EXTRAORDINARY GENERAL MEETING**

**1. Welcome**

Angela Smith MP chaired the meeting and welcomed attendees.

**2. Election of Group Officers**

Angela Smith nominated Baroness Young of Old Scone as an Officer of the group. This was seconded by Baroness McIntosh. Following this, the AGM was closed.

The All-Party Parliamentary Group's February meeting was on the topic the future of the Water Sector. The following were guest speakers:

- **John Russell, Senior Director, Strategy and Planning, Ofwat**
- **Daniel Johns, Head of Public Affairs, Anglian Water Services**
- **Caroline Wadsworth, Water Innovation Hub Manager, Twenty65**
- **Paul Horton, Chief Executive Officer, Future Water Association**

**Angela Smith** chaired the session, welcomed attendees and introduced the panellists, inviting John Russell to speak first.

**John Russel** opened by stating that the water sector is facing a number of interconnected challenges such as climate change, population growth and environmental degradation. He described the current situation as a 'water sector trilemma', whereby water companies must provide resilient and reliable water supplies for future generations at affordable costs whilst leaving the environment in a good shape.

He said that the best way to meet these challenges is through ambition, innovation and collaboration. Ofwat are currently working on a new vision and strategy for the water sector and want water companies to be ambitious in serving customers with a social purpose and use innovation to unlock solutions to drive better outcomes.

Speaking about PR19, he said that Ofwat has examined the business plans, which show that water companies are clearly being ambitious, highlighting proposals to spend £5.3 billion on the environment, cut leakages by 50% and reduce pollution incidents by around 40%.

He said that there are a number of areas where the sector needs to do more. Ofwat is currently examining why the sector is not as innovative as it could be and has identified a range of reasons which include a lack of culture of innovation and the lack of inter-sector collaboration. He concluded that there is a real sense of change coming to the water sector.

**Daniel Johns** stated that he had recently joined Anglian Water from DEFRA where he was responsible for extracting money from the Treasury for water infrastructure projects such as floods. He learnt from this experience that if the water companies were to be brought back into public ownership then it would be toward the bottom of the list of government spending priorities. He pointed to the example of Northern Ireland, where the water company is controlled by the government, but it lacks the funding it needs to support new housing growth.

The water sector needs to find a way to retain the benefits of private sector investment and private sector efficiency whilst also doing a better job of connecting water companies with their customers, employees and other stakeholders so that they feel that they are able to have a say in the decisions made in boardrooms. He outlined three ways in which water companies could improve public trust, including explaining what steps have already been taken to improve efficiency, working with Ofwat to improve the incentive-based system of economic regulation and ensuring that water companies hold themselves to high standards of corporate governance.

He then explained some of the steps that Anglian Water has already taken, including independent non-executives as a majority on the board and reinvesting £165m profits to make an early start on resilience projects. He added that decisions by the board should seek to deliver social and environmental outcomes for customers, communities and employees in addition to fair returns to pension fund shareholders.

**Caroline Wadsworth** introduced the work of the Water Innovation Hub which has been developed as part of the collaborative research programme TWENTY65. The hub is central to the coordinated delivery of the research and facilitates industry, supply chain, regulatory and policy links. She added that the hub is revolutionising the way innovation is thought about and is paving the way for a future water sector that is inspired and enabled by research. Twenty65 are utilising a number of techniques and mechanisms to drive the re-visualisation of the UK's water systems and to encourage a shift away from thinking that the systems of the future have to be based around legacy infrastructure.

She then argued that the industry needs a change in mind-set and culture if innovation is to flourish. The sector must recognise that innovation in the water utilities is uniquely complex and that there are numerous conflicting drivers, enablers and blockers. She said that in the UK, water utilities deliver high quality drinking water with minimal environmental impacts, however this approach sometimes stifles innovation through breeding a risk averse culture and a reluctance to try new things. She recognised that a number of water companies have responded to the innovation challenge by creating innovation teams and internal processes designed to drive innovation, but that this frequently struggles to adopt and deploy at scale due to underlying risk aversion. Finally, she said that to increase innovation capability, water companies need coherence of approach, with easy access to science, research, test facilities, expertise and investment.

**Paul Horton** set out Future Water Associations' (FWA) vision stating that it is about shaping the future of the water sector which has a focus on innovation, skills, collaboration and engagement. He said that FWA has a diversity of membership and now has more than 150 companies ranging from water utilities through to innovation.

He said that FWA has been bringing the supply chain point of view in to the discussions and have recently responded to the EFRA inquiry in to water regulation, as well as a Treasury consultation on Innovation in Regulated Utilities and the most recent NIC consultation on the scoping study for Infrastructure Resilience.

He said that all of FWA's responses have focused on the need for the future of the sector to be determined by how resilient it is in terms of the environment, supply chain and resources. Achieving this resilience will be critical to drive innovation in the sector and foster a more agile and open innovation system.

Finally, Paul Horton added that from a supply chain perspective, there is a need to bring in a systems-based approach to business planning process for utilities. This would ensure that the approach connects with other regulators and other sectors and will drive innovation through the supply chain.

**Angela Smith** thanked the speakers for their contributions and then opened the floor to questions from the audience.

**Baroness McIntosh** said that there had been attempts in the past to set the sector on a path to efficiency, but this has stalled. She asked what more could be done to put this on the agenda in a way which it has not been before.

**Paul Horton**, responded by saying that the water sector needs to self-reflect and be better at interlacing with other sectors, for example property developers.

**Daniel Johns** said that water efficiency is going to be high on the agenda this year, and is expecting a call for evidence. He said it is important to decide what kind of target they need to set in the future.

**Angela Smith** said that there is a role for the Government for promoting the issue of innovation and setting up a catapult innovation hub for the industry as a whole.

She then thanked panellists and attendees for their time and closed the meeting.