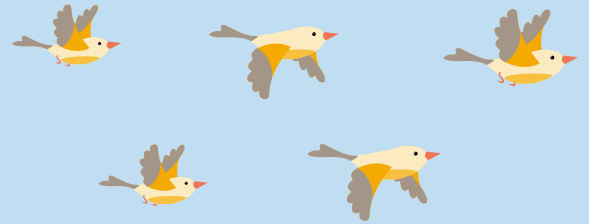


October 2019



# Time to act, together: Ofwat's strategy



**Ofwat**

[www.ofwat.gov.uk](http://www.ofwat.gov.uk)

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# Foreword

Water companies support all aspects of life. Safe and reliable water and wastewater services are essential for our day to day lives, our wellbeing, and our natural world.

The need to deliver these services while keeping bills affordable is not new, but the scale of challenge for the future is. We face a climate crisis, more volatile weather, and population growth. We are already feeling the impact: there are areas where water resources are scarce, and others where there are frequent floods. At the same time people increasingly expect companies to act ethically and in the interests of the planet and society. We want the water sector to seize this opportunity to restore the public's trust.

We cannot just muddle through. We need to act now to guarantee the future.

This strategy explains how we will drive progress in the water sector both now and over the longer term. It evolves and improves our existing approach, to make sure we are focused on sustaining progress over decades to come, not just for the next five years.

In Ofwat, we are setting ourselves up to achieve and equal the ambition of our new strategy. We will act confidently, with purpose and integrity. But we cannot do this on our own. We will join forces with regulators, governments, companies and civil society to deliver our ambition: for the water sector to provide the very best service for customers, improve the environment and improve life through water.

We are excited and optimistic that, as a sector, we can make a real difference. I look forward to working with you to achieve this better future.

**Rachel Fletcher**  
Chief Executive





# Time to act

The water sector faces profound challenges, not least from climate change, population growth, and the questions around companies' licence to operate. On top of those multi-faceted and complex issues, customers' demands are changing. We need to make sure this most vital service keeps pace and remains affordable for all. We must also make sure customers' diverse needs, and particularly those in vulnerable circumstances, are properly met.

There are also huge, untapped opportunities. Water companies are almost uniquely integrated into the communities they serve, with the potential to deliver a positive impact within their local environment.

The sector is deeply invested and reliant on our natural world. This is a heavy responsibility but also presents a powerful opportunity to protect and improve our environment. By embracing new thinking and innovation, including new technology, water companies

can improve performance, benefitting customers, communities and the environment while keeping costs down.

This strategy sets out our ambition for the water sector: providing the very best service for customers, improving the environment and improving life through water, both now and in the future – and the role we will play in achieving it.

It is based on:

- a vision of excellence, value and stewardship for the water sector that companies, regulators and governments are all working towards;
- an assessment of the current challenges, including climate change, affordability and company performance, and how these might develop over the long term; and
- the duties and objectives Ofwat has been given by the UK and Welsh Governments, government policy and insights from government reviews.

"We want to see passion and urgency"

"We want to see improvements in all dimensions of company performance and to see an increase in the pace and level of change"

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# What we have heard

Over the course of a year we have spent our time listening. We reached out to more than 2,000 people with an interest in the water sector and had face-to-face conversations with more than 250 organisations and members of the public as we developed our strategy. Those conversations have guided our thinking and shaped this strategy.

Many of the people we talked to emphasised the **urgency** of responding and adapting to **climate change** and the scale of the long-term environmental challenges facing the sector.

We heard how important it is for water to be **affordable** to all, and for water companies to be motivated by **public interest**.

Others highlighted the importance of understanding and involving **customers** and communities in decisions, as well as the need for behaviour change to cut water use and **pollution**.

We heard the importance of companies **working together** and regulators working in partnership, supported by insight from **data**.

See all the [responses](#) to our draft strategy, published in May 2019.



“Long-term aspirations are important to signal what the strategic direction of travel needs to be”

“We will work with governments and other regulators to set strategic long-term targets”



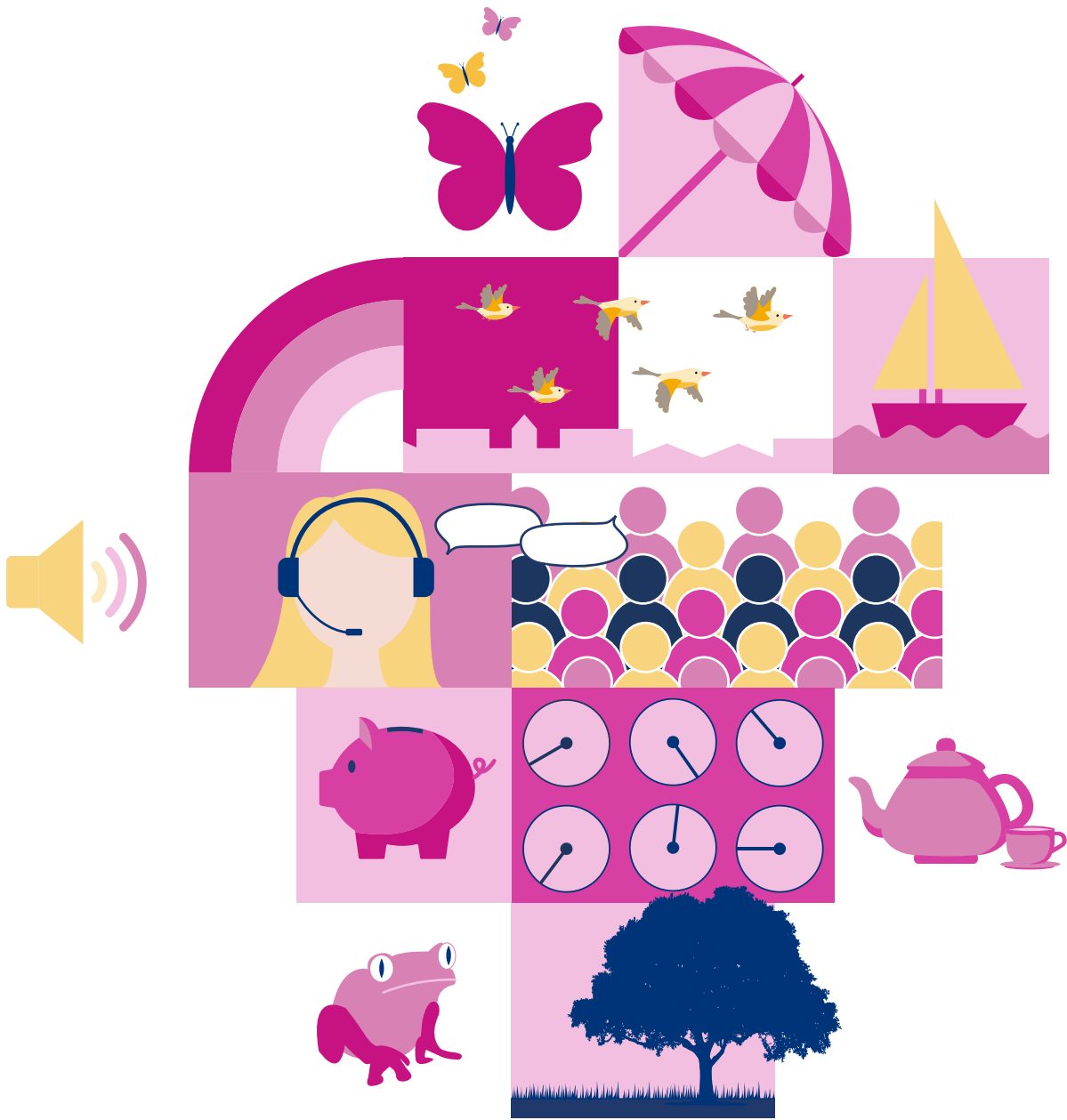


# What customers need

We have heard from members of the public how water is critical to every aspect of life. Through our conversations, we have identified what people want most from the water sector:

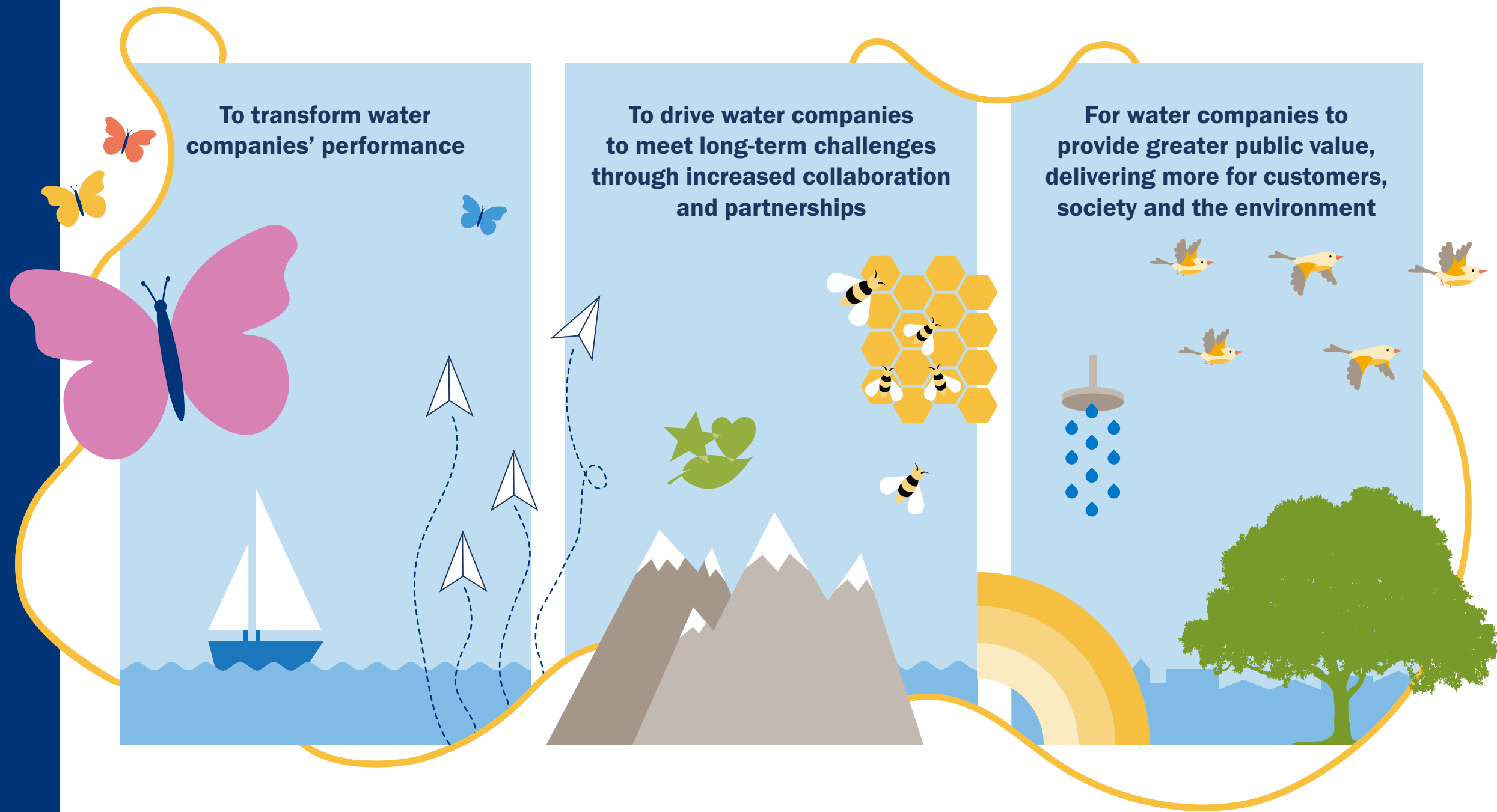
- reliable, resilient, safe and good quality water and wastewater services for everyone;
- water companies to leave the environment in a better condition for our grandchildren;
- value for money, keeping water affordable even for those on low incomes; and
- for water companies to act in the long-term interests of society and the environment while still providing the very best service for customers today.

All our work set out in this strategy will meet one or more of these needs. We will report clearly and regularly on what we have achieved so everyone can track our progress.



# What we want to achieve

Based on what we have heard, we have set ourselves three goals for the coming years.



# How we will do it

We will use all our existing regulatory tools and develop new ones, including building our influence, data and insight, to achieve these goals. As we do this, the sector will need to evolve and change.

- Companies will** need to have a more meaningful, trusted relationship with customers and communities.

**Companies will** need to improve the environment as a core part of their business to deliver sustainable, resilient water supplies.

**Companies will** need to be run with a clear purpose, adding wider public value for customers and communities as well as for shareholders.

**Companies will** need to collaborate and work with others within and beyond the sector, reflecting the needs of the places in which they operate.
- Ofwat will** listen to customers more directly to better test our policies and guide where and how we hold companies to account.

**Ofwat will** make the environment integral to all that we do, recognising that customers want tangible improvements, alongside reliable and affordable water supplies.

**Ofwat will** continue to strengthen companies' boards and evolve how we work to promote wider public purpose.

**Ofwat will** encourage greater collaboration across the sector and will work in partnership with others to increase our impact.
- Making these changes will help to meet customers' needs: reliable and safe water supplies today with a better environment, affordable bills and a resilient and sustainable future for water.
- As we do this, we will be working to fulfil the UK and Welsh Governments' strategic priorities for Ofwat, and UK and Welsh Government policy.



"The water industry has huge potential to increase its social value... All we need is leadership and creativity"

"People expect companies to act ethically and in the interests of the planet and society. We want the water sector to seize this opportunity and to restore the public's trust"







What we all need



Reliable, resilient, safe and good quality water services



A better environment for our grandchildren



Affordable water for everyone



Companies acting in the long-term interests of society and the environment

How Ofwat will do it



Ofwat will promote wider public purpose



Ofwat will work in partnership to increase our impact

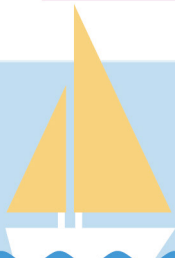


Ofwat will make the environment integral to all that we do

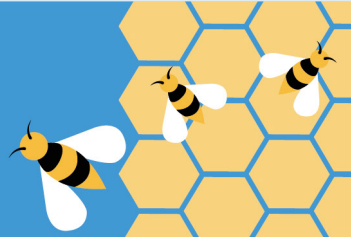


Ofwat will listen to customers more directly

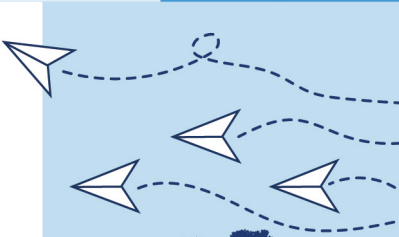
Our strategic goals



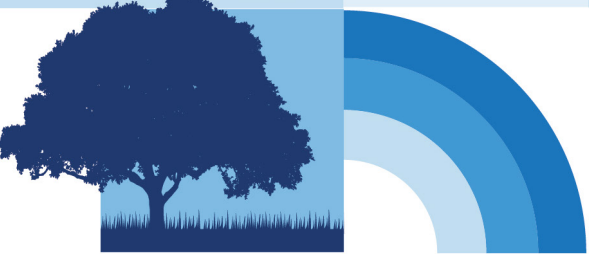
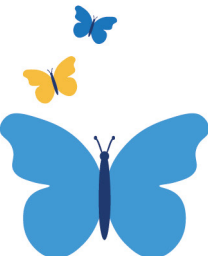
To transform water companies' performance



To drive water companies to meet long-term challenges



For water companies to provide greater public value



What companies need to do



Companies will need a more meaningful relationship with customers



Companies will need to collaborate and work with others



Companies will need to improve the environment as a core part of their business



Companies will need a clear purpose, adding wider public value





# Our approach and areas of work

Ofwat's three strategic goals are interrelated and mutually reinforcing. A laser focus on driving up performance and efficiency now will put companies in a better place to face the challenges ahead. As companies prepare for the future, they will need to innovate and make investment in assets and people, which should deliver near-term as well as long-term benefits. And if companies embed wider public purpose in their business, this should help them secure legitimacy and goodwill, allow them to unlock the full potential of their people, and attract new sources of investment to make them more successful overall.

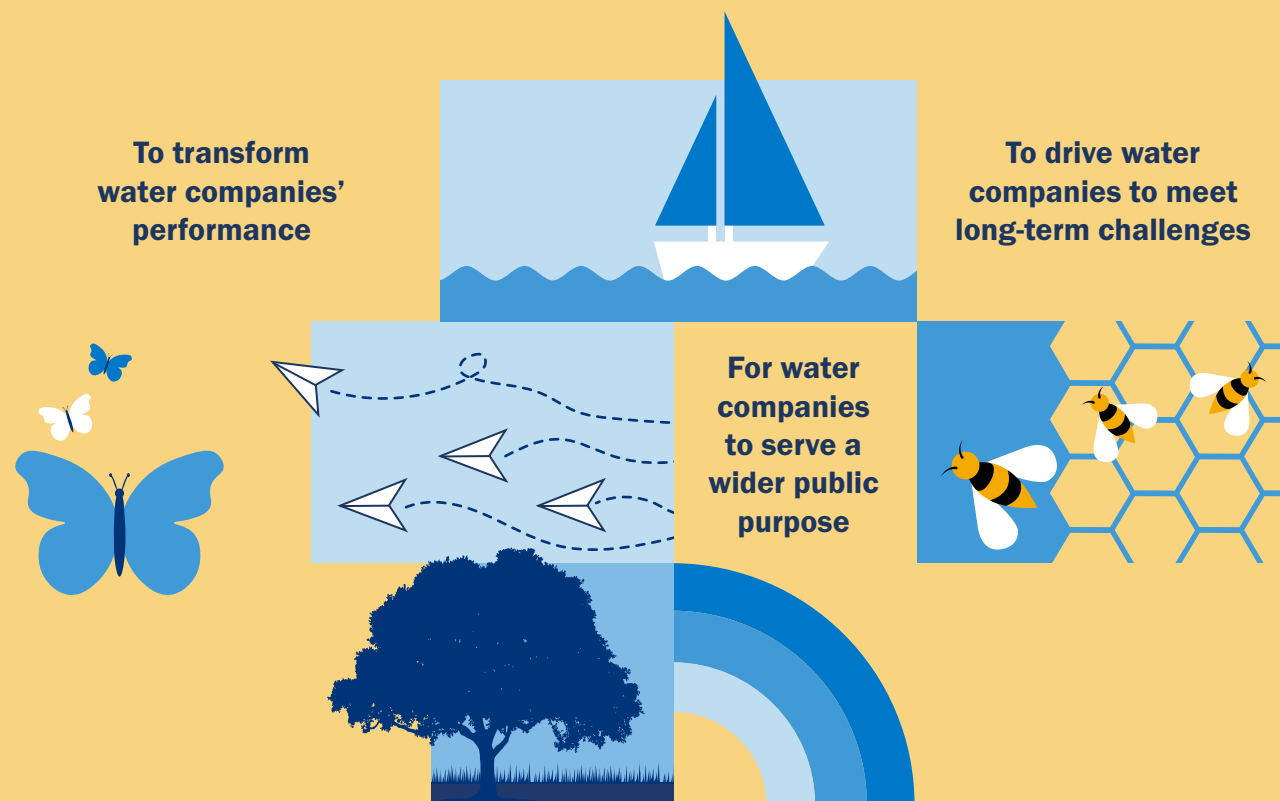
Here we identify the approach we will take and some of the key pieces of work we will do to support each of these goals. We will keep effectiveness of our work under review and refresh our priorities periodically.

We are not starting from scratch, but building on and refining the work we already do, providing continuity for investors. This includes our work in:

- setting price reviews;
- creating and improving markets;
- establishing a framework for strong financial resilience; and
- driving effective board leadership and governance.

To meet our goals we will use a wide range of tools and approaches – both formal tools such as new licence obligations and soft tools such as influencing and convening. We will work with the industry and stakeholders to address shared challenges or provide strategic support. The water industry has several regulators and government bodies, and we will work closely with them to provide a more consistent approach.

We will always regulate with the aim of achieving the best outcome for customers. The leadership, management and operation of water companies is the responsibility of their boards and executive teams. But where we see poor performance by companies or risks for customers emerging, we will not hesitate to step in, using our formal powers, if needed.



# Regulating in Wales

Our new strategy will deliver longer-term change across England and Wales. Our goals means that all English and Welsh customers and the wider community will benefit from a step change in company performance, a more resilient and reliable supply of water, and an increased focus on public purpose. In achieving these goals we will we meet the strategic priorities and objectives of both Governments.

The specific circumstances in Wales are important to us. Dŵr Cymru operates as a not-for-dividend company. Recent Welsh legislation, such as the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016 set out a clear framework for the development of policy and regulation in Wales. The Wales Water Strategy (2015) sets out the Welsh Government’s distinctive approach to water policy, recognising that water is one of Wales’ greatest natural assets and must be managed sustainably.

We will continue to regulate in a way that reflects any policy differences, including the different policy steers from the UK and Welsh Governments in relation to the use of competition and markets.

Our relationship with stakeholders is key to understanding the circumstances and particular challenges in Wales. From next year we will strengthen our engagement with the Welsh Government, Natural Resources Wales (NRW), the Drinking Water Inspectorate (DWI) and other stakeholders. We will work together to examine how and when we need to take a different approach to align with Welsh legislation and policies so that we achieve our goals in a way that works for Wales.

Alongside this, and to aid collaboration and the sharing of ideas, we are strengthening our presence in Wales. We will set up an office in Wales for the first time to make sure that we are properly participating in Welsh policy discussions, and making the best use of the expertise of stakeholders and regulators in Wales.



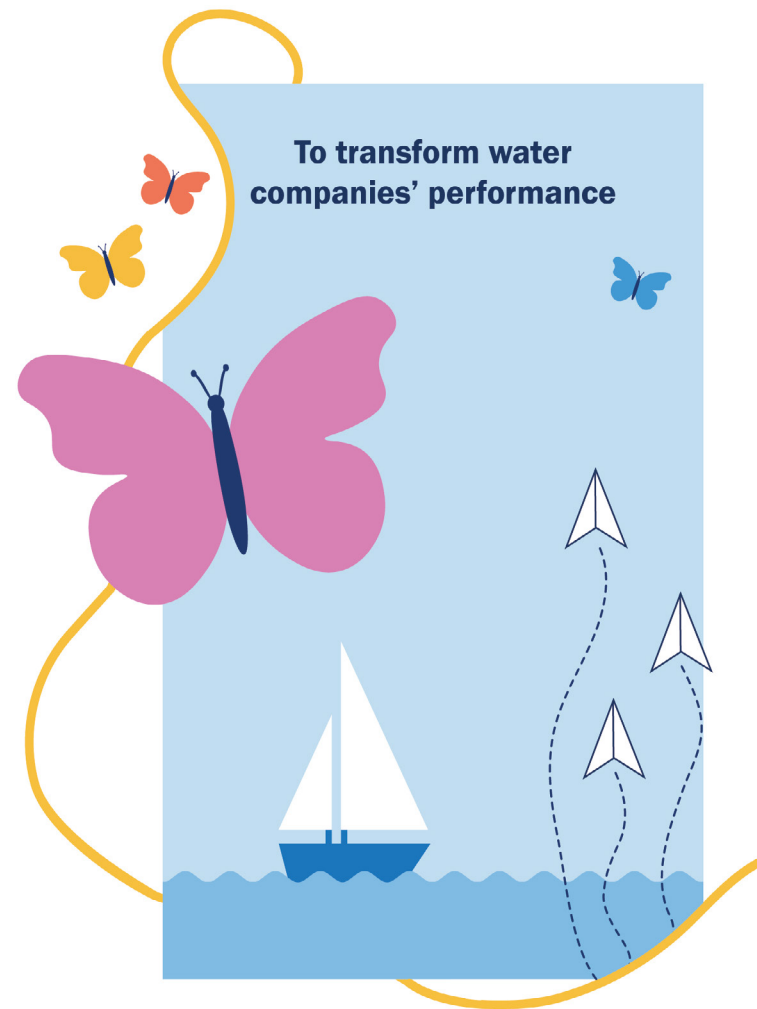
# Transforming water companies' performance

## Why is this goal important?

We want to be more successful in improving all dimensions of water company performance and to see an increase in the pace and level of change. This goal is challenging. Performance has stagnated in some areas, is patchy across companies, and customer and society's expectations are changing. Service in other sectors is increasingly personalised and digitally enabled, and the water sector lags behind. There is justifiable concern at current levels of pollution, and the legacy of poor corporate behaviour in some companies still impacts the legitimacy of the sector as a whole.

## What is already happening?

We are setting stretching targets on performance and efficiency as part of the five-yearly price review. We have in place new requirements to improve financial resilience, and board leadership and governance. We continue to drive up performance for customers by reporting on good and poor practices in areas such as operational resilience and by taking enforcement action where necessary. Competitive pressure on retailers selling water to business customers and companies providing services to property developers should also drive improvements in efficiency and service, as well as bringing much needed innovation.



## What will success look like?

If we are successful, we should see more companies achieving and sustaining sizeable improvements in their delivery for customers, communities and the environment. Companies that are failing on their commitments will improve. We should see fewer serious service failures and pollution incidents, and, when they happen, they should be addressed more quickly. We should see more dynamic markets driving efficiency and performance improvement, but also bringing forward a variety of business models and new tools to improve the customer experience. We should see the water industry moving up cross-sectoral league tables on customer service, responding to the diversity of their customers' needs including those in vulnerable circumstances. We should see the sector succeeding in reducing per capita consumption. Water company customers and their communities should have more confidence that their water company is responding to their needs and expectations.

## What more will we do?

To speed up the pace of change and push service standards to meet changing expectations, we will build on what is in place to:

- encourage companies to adopt innovative approaches and technologies.
- explore an open data approach from water companies;
- drive improvements in the sector's relationship with customers and its ability to meet their diverse needs, especially those of the most vulnerable in society;
- make better use of the information available to us, taking a targeted approach to holding individual companies to account and exploring cross cutting issues; and
- continue to enable the development of new and existing markets where they can bring the biggest benefits to customers.

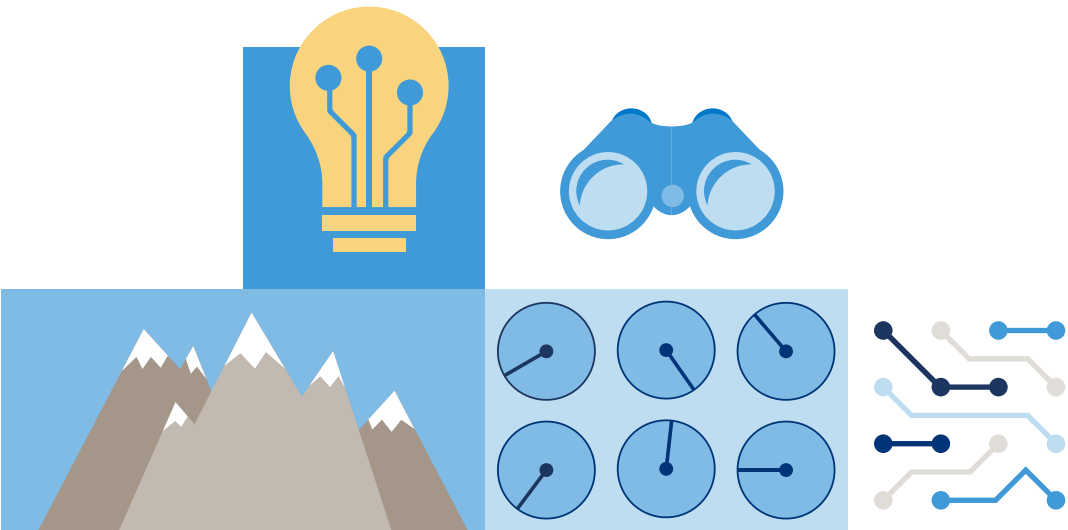
We explain each of these new initiatives in more detail below.

# Innovation

Innovation is crucial for meeting the challenges we face in a cost-effective and sustainable way. Our price review framework already promotes innovation by setting water companies stretching outcomes and allowing them the flexibility to adopt innovative means of delivering, and we are encouraged to see some companies demonstrate real ambition in this space.

But there remain significant untapped opportunities for the industry to work with each other, the supply chain and those in other sectors to trial and adopt new practices and technology to transform performance. Existing initiatives need to be streamlined so that efforts are complementary rather than duplicative, learning is shared, and technology that is proven to work can be easily adopted across the industry. With that in mind, we have asked companies to consider whether they should establish a water centre for excellence – a collaborative hub for expertise, market knowledge and insight – and an innovation strategy for the sector.

We have [consulted](#) on how to drive innovation in the water sector and we will reach a final decision on additional innovation funding later in the year. We will also continue to reflect on the role regulation should play as enabler for innovation. We will trial a one-stop-shop within Ofwat to provide informal regulatory advice to anyone looking to get innovations off the ground.



## The role of markets

Competition and markets can deliver significant benefits for the sector by bringing about cost efficiencies and encouraging higher service levels, while also incentivising innovation. We will focus our attention on enabling the development of new and existing markets where they can bring the biggest benefits to customers. We will do the following.

- Work closely with the market operator (MOSL) to assess the performance of the business retail market in England, challenging wholesalers and retailers to all play their part in maximising benefits to customers.
- Continue to examine ways to encourage the markets for new connections (NAVs) and developer services.
- Explore and encourage water resources and bioresources trading, competitive tendering for major infrastructure development (DPC), and the development of open bidding platforms for environmental services.
- Continue to use our regulatory tools to ensure market participants do not engage in anti-competitive behaviours, including utilising our formal powers where needed.

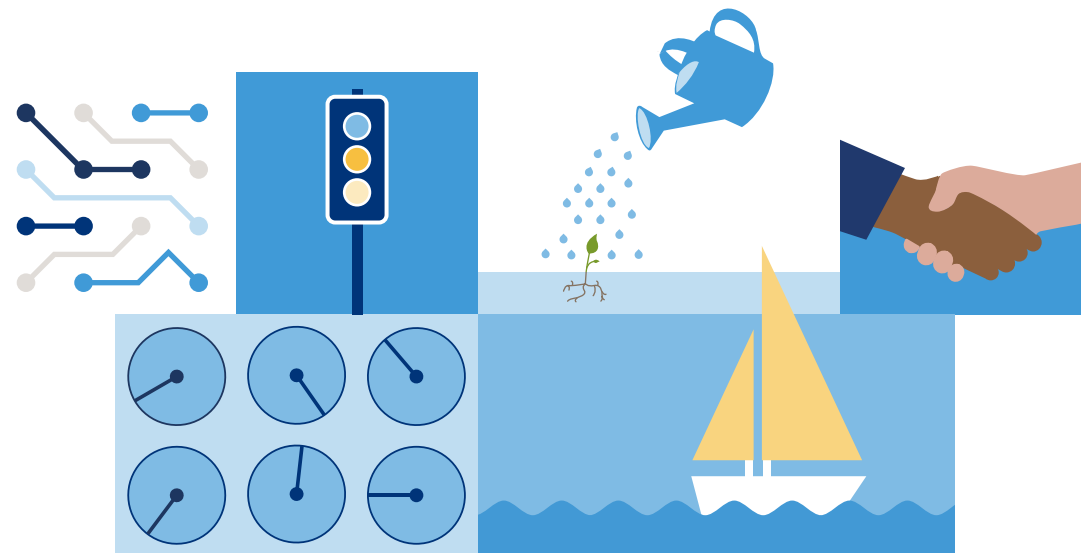
We recognise the different policies from the UK and Welsh Governments in relation to the use of competition and markets and will continue to engage with Welsh stakeholders on this.

# Open data

Open data means making data freely available to everyone to access, use and share. Many companies and public bodies in sectors such as banking, food and transport, now share their raw data. The National Infrastructure Commission (NIC) in its report ‘[Data for the public good](#)<sup>1</sup>’ points to the need for increased data sharing on infrastructure assets to drive public value. In water, very few companies have introduced open access to their data sets.

An open data approach to information held by water companies could stimulate innovation and collaboration, and encourage new business models and service offerings that benefit customers. There is the potential for others to use the data, developing apps that enhance the customer experience or providing insights for the company on the performance of their assets. Open data could improve transparency for customers and the owners of companies, and build trust in the water companies.

We will consider how open data could play a central role in our proposals to drive innovation. Through the UK Regulators Network (UKRN), we are exploring the opportunities and risks associated with [open data](#), and the role of regulators. We will continue to advocate transparency and encourage water companies to adopt aligned approaches towards their data.



<sup>1</sup> The NIC report applies to water companies in England only.

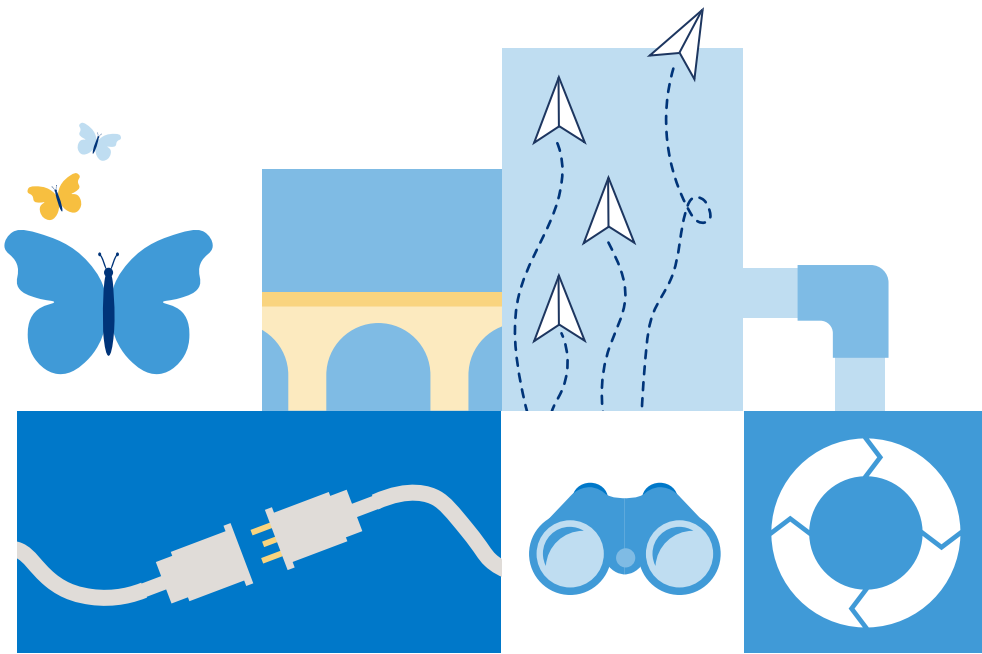
# Insights

We will turn the information we hold, along with information from other sources, into insight that will help us drive improvements in water company performance.

We will use this insight to understand the progress that is being made in improving the industry’s performance and in meeting long-term aspirations. This insight will shape our policy priorities and focus areas, and allow us to evaluate our effectiveness.

It will form the basis of regular engagement with each water company, allowing us to deepen our understanding of each company over time. It should help us spot risks to delivery for customers, helping us to take swift and targeted action where necessary.

We will also do more to share our insights publicly, including providing examples of good and bad practice, where this is helpful in driving better performance.





# Customers and communities

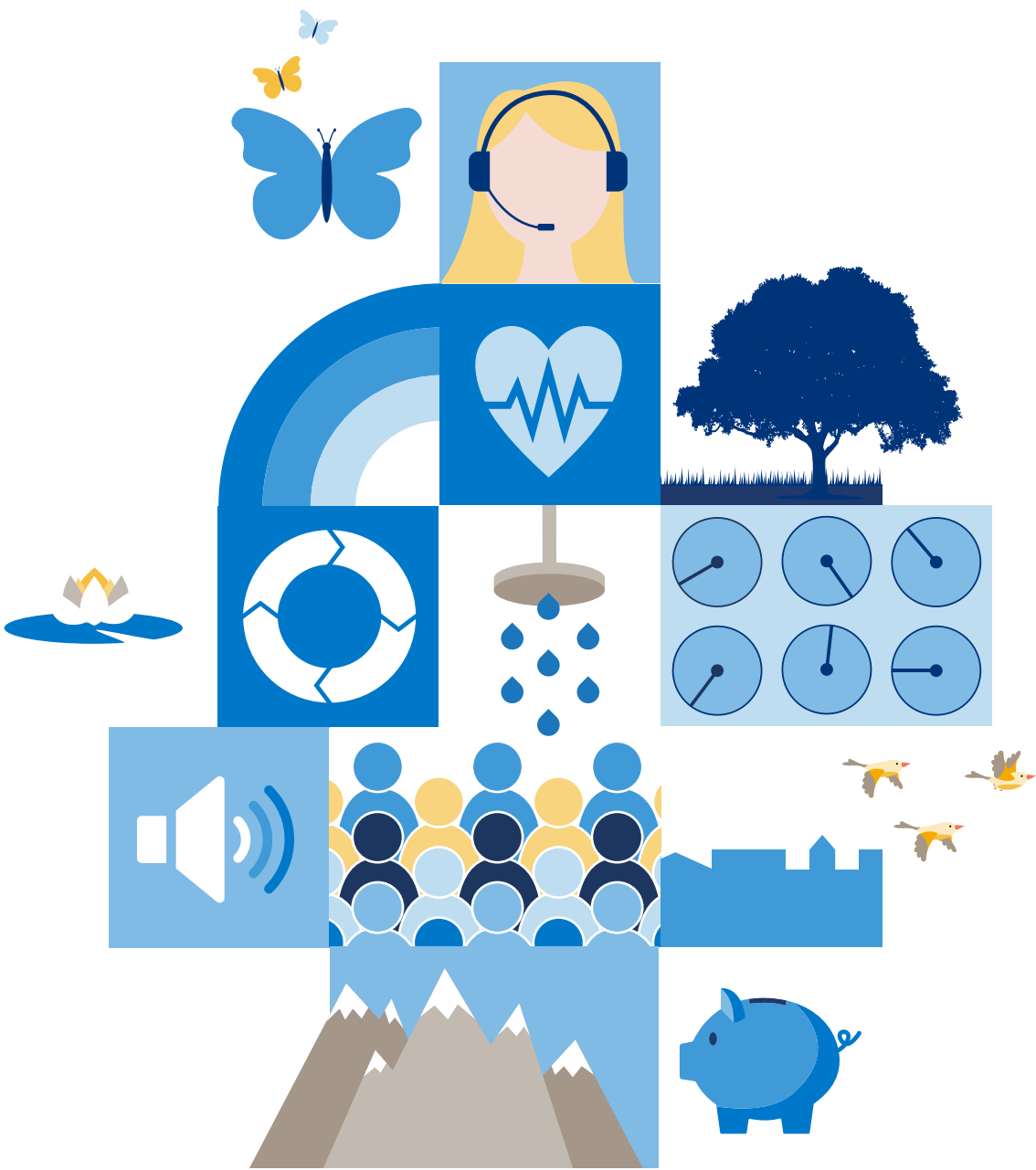
We want to see water companies transform their ability to serve customers and respond to the full diversity of customer needs, particularly those in vulnerable circumstances.

Water services are inherently local. We want to see companies build on the research they have done for their business plans to deepen their understanding of and relationships with their local communities and to improve their ability to meet the needs of the communities they serve.

We expect companies to work with local partners to address strategic challenges. Strong customer and community participation is key to behaviour change needed to use water wisely and reduce the risks of pollution from sewer blockages. We will work collaboratively to investigate what our role should be enabling these initiatives.

There are a range of other actions we will take to improve outcomes for customers and communities. We will do the following.

- Do more to listen and understand people’s needs and priorities. We will use customer research and social media, and work with the Consumer Council for Water (CCWater) to improve the body of evidence on people’s attitudes and experience. We will use this to test our own policies as well as to challenge companies about their performance and the maturity of their partnerships and collaboration with the people they serve.
- Work jointly with consumer bodies and regulators in other sectors to provide a more holistic support framework for customers in vulnerable circumstances.
- Improve the customer complaints handling process so that customers are helped more effectively and quickly.
- Consider the case for new high-level licence obligations to provide binding requirements on how companies treat their customers and the most vulnerable in society.





# Meeting the long-term challenges ahead

## Why is this goal important?

Future generations, as well as today’s customers, need high-quality, reliable and affordable water and wastewater services, and a thriving environment to enjoy. We, as a sector, must take action together now to find solutions to meeting the long-term challenges that climate change and population growth pose to this objective.

## What is already happening and what more will we do?

We already ask companies to place their five-year business plans in the long-term context and to make indicative 15-year performance commitments. But there is more to be done.

To play our part we will:

- work with governments and other water regulators to set a number of strategic long-term targets for the sector;
- create a more robust approach to water resources planning and management;
- strengthen the industry’s approach to achieving long-term operational resilience in its assets;
- make the environment integral to all that we do, recognising that customers want tangible improvements, alongside reliable and affordable water supplies; and
- review our approach to how we use the price review.



## What will success look like?

If we are successful, the industry will know what is expected of it in the long term. This should drive innovation, collaboration and other near-term actions such as developing people with the new skills the industry needs to face up to the future. We will have stronger partnerships with governments and regulators, and build coherent, future-focused policy frameworks. We will take joint action, where needed, for future generations, and will be able to assess and accelerate the sector’s progress.

As we go into future regulatory periods, we will have much stronger arrangements in place to ensure that there is enough good quality water for future generations and the environment, playing a strong role in meeting the ambition to leave our environment in a better state than we found it. Each company will have a more mature understanding of the impacts of population growth and climate change on the performance of their assets and how to mitigate against these challenges. Overall, we will drive companies to improve the environment while delivering services people can afford.

## Long-term aspirations and targets

We are working with the UK and Welsh Governments, the Environment Agency (EA), NRW and the DWI to develop long-term aspirations and targets. These will focus on three areas – resilience, the environment and service excellence. The aim is to provide increased clarity to the industry on long-term strategic priorities in these areas, and to provide a framework to measure progress. The aspirations will provide context for future price review priorities.

We will align the aspirations and targets across England and Wales, but we will use different measures to take account of English and Welsh priorities where appropriate. When these are finalised, we expect to report regularly on progress, and to review and refine our approach to reflect evolving technology and innovation.

These long-term aspirations will be high level, allowing room for companies to decide how to achieve them, and will complement rather than replace both PR19 performance commitments and the [aspirations](#) the industry has set on plastics, leakage, water poverty, carbon reduction and social mobility.

## Long-term water supplies

The NIC’s report ‘[Preparing for a drier future](#)’ has highlighted the need for new water supplies, increased water trading and demand-side solutions.

We are working with others in the sector to create a new National Framework for water resource management planning, with the aim of achieving resilience, affordability and environmental improvement. This framework will strengthen regional planning and bring coherence to the way water is used for public supply, agriculture, thermal power and industry. It will draw on catchment-based solutions as well as demand management and new supplies.

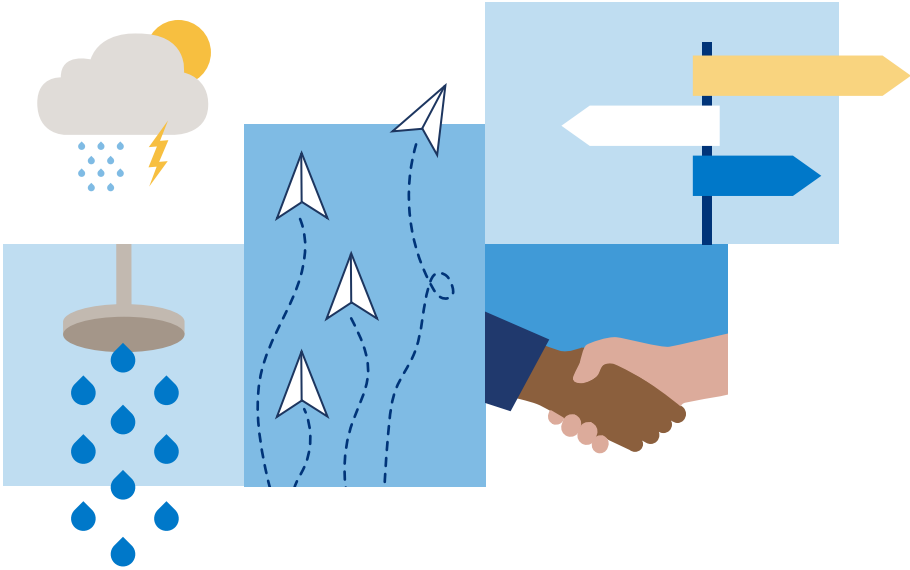
A stronger approach to regional and interregional planning is already bringing forward proposals for strategic infrastructure projects to meet our future needs. We have set up a joint team (the Regulators’ Alliance for Progressing

Infrastructure Development – RAPID) with the EA and DWI, which will also work with NRW. The team is tasked with overseeing the strategic projects proposed by water companies and improving the regulatory framework for water resource planning, complementing existing decision-making and planning processes. The aim is to have a portfolio of cost effective and environmentally enhancing projects ready for construction from 2024 to address long-term supply issues.

## Operational resilience

The industry needs to continually develop its approach to managing and operating assets if it is to meet the resilience challenges arising from population growth, flooding, drought and extreme weather. We expect all companies to have a sufficient understanding of their assets. This means that they can efficiently target their maintenance and replacement activities, be smarter in how they operate them to reduce risks, be proactive in mitigating the impacts of climate change, and reduce leakage and service failure risks to customers.

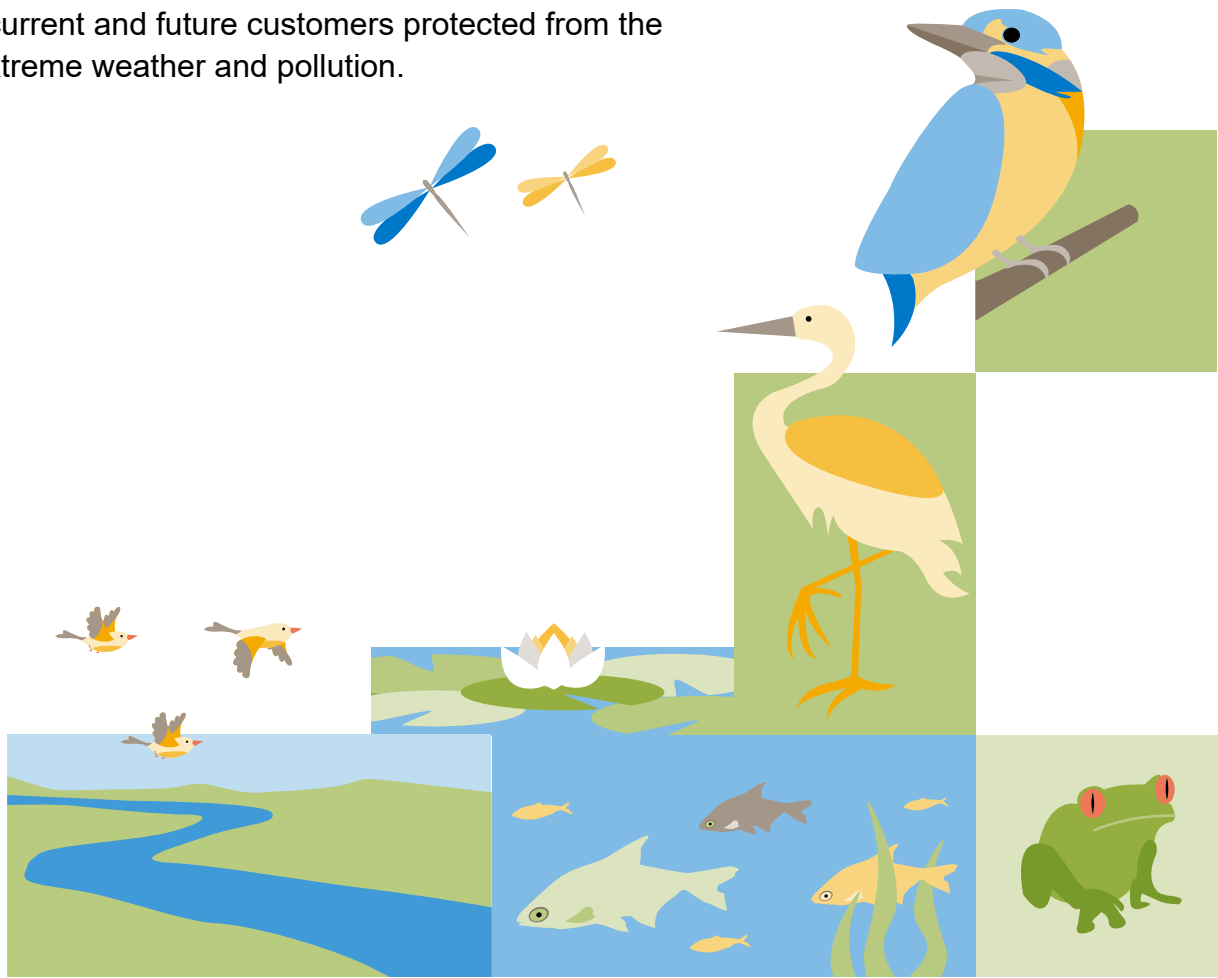
Recent incidents of poor resilience to bad weather suggest that significant improvements in operational resilience may be required. We will seek further information from companies in this area so we can devise an approach for driving improvements.



# Our environment

The natural world is fundamental to the water sector, but it is facing profound challenges in the form of climate emergency, wildlife loss, and environmental degradation. If we are to build a sustainable, resilient future, we must step up to address these challenges.

We expect water companies to consider the environment an integral part of their business, inseparable from the services they provide. We want to see the sector work with stakeholders to restore and improve the ecological status of our water environments and add value to the land they hold and use. We want to see current and future customers protected from the impacts of extreme weather and pollution.



The environment will be an integral part of everything we do too. We will do the following.

- Work with environmental regulators and UK and Welsh Governments to ensure the next environment programmes (WINEP in England and NEP in Wales) and plans for the water sector (including the Drainage and Wastewater Management Plans) bring forward the greatest strategic benefits to both customers and the environment; and in Wales, ensure that they enhance biodiversity and promote the resilience of ecosystems.
- Work with others exploring how we can best use natural capital accounting methods to evaluate companies' activities, and how companies can best use them to make decisions.
- Consider how to best to bring about effective change in how people use water and the wastewater system to reduce overall demand and pollution, taking into account Defra's consultation on measures to reduce personal water use.
- Encourage companies to make more use of nature based solutions, including Sustainable Urban Drainage Systems (SUDS), and market mechanisms in key areas such as bioresources and ecosystem services.
- Strengthen the sector's approach to climate change mitigation and adaptation, building on the companies' commitment to achieving net zero emissions by 2030, and push them to do everything they can to be ready for the challenges climate change will bring.

# Price reviews

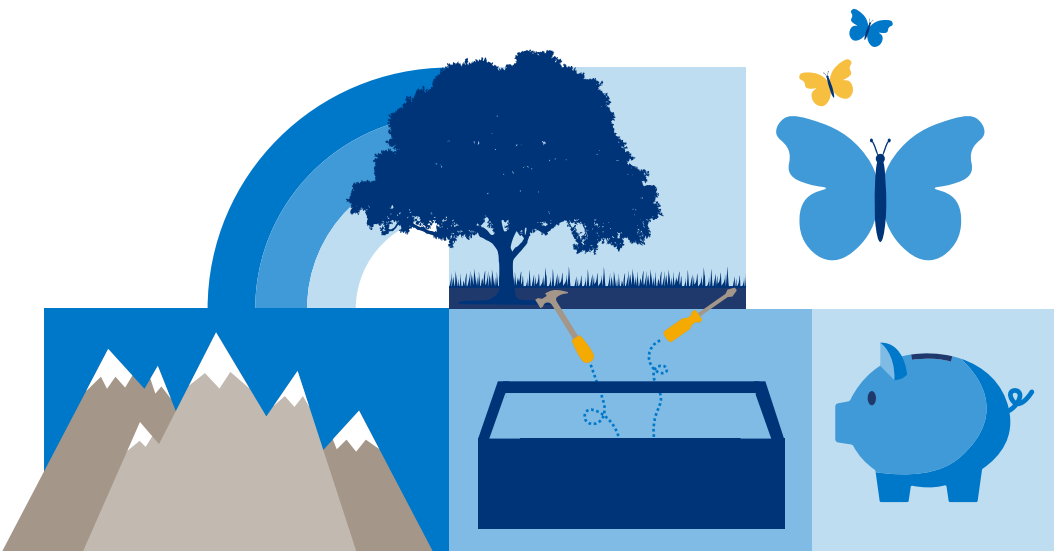
The price review is an essential regulatory tool. It drives investment and sustainable change in water companies that benefits bill-paying customers, the environment and wider society over the long term.

As a key part of our strategy, the core elements of the existing price review framework will remain: companies’ plans built on a deep understanding of customers’ needs, an outcomes-based approach with meaningful incentives for outperformance, separate price controls where appropriate for distinct markets and an allowed return on the regulatory capital value (RCV).

Looking past PR19, we want to learn lessons in shaping our approach in 2024 and beyond. We will examine how we best use it as an effective regulatory tool to achieve our goals. For example, we will:

- Examine whether there are some areas of company activity that should be considered outside of the price review, for example large infrastructure investment that may cover multiple regulatory periods, which can be best addressed by direct procurement processes or where a modified approach to setting price controls may be appropriate given market developments such as with bioresources.
- Explore how we could use stronger insight and reporting capacity in Ofwat to assess company performance and efficiency on a more regular basis during the regulatory period. Companies would be expected to develop business plans taking account of this insight, meaning that less intervention should be required in a price review. This may also allow the streamlining of the price review process for companies with a strong track record.

- Consider how to improve the ability of customers and stakeholders to shape and challenge the companies’ future business plans. As part of this we will consider how we can enable a more consistent approach to customer research to avoid differences in methodology driving results.
- Build on the indicative outcome performance commitments to 2035 that we introduced in PR19, recognising that company focus may still be principally on meeting five year targets at the expense of longer-term thinking. We will consider how the price review aligns to delivery of agreed long or medium-term aspirations and targets



# Providing greater public value

## Why is this goal important?

With their clear geographical and environmental footprint, water companies are ideally placed to provide significant public value as they carry out their core function of delivering water and wastewater services for customers. Public health and environmental benefits are already being delivered and there is a strong public service ethos amongst those working in the sector. There is scope for the companies to do much more without distracting from their core functions or making water unaffordable. This would bring benefits – for customers, communities, companies and their investors alike.

People increasingly expect companies in all sectors to behave ethically and consider their wider impact – be it on their employees, the environment or society. For the water companies, a stronger focus on public purpose could help them rebuild legitimacy in the eyes of the public and allow them to enlist the support of customers and other partners in tackling the challenges ahead. Some evidence suggests that companies guided by the objective of making a positive difference reap business benefits over the long term. They can find it easier to attract, retain and get the full participation from their staff, gain access to lower cost finance or make efficiency gains from the innovations that come from their partnerships.



## What does public value mean?

This goal involves companies looking for ways to deliver social value through conducting their core activities differently. Examples include using nature based solutions rather than hard infrastructure in water and wastewater treatment processes; or deciding to locate training facilities in deprived communities to stimulate local economic development. Features of a company working with a strong public purpose might include the following.

- Every part of the business and every business decision is seen as an opportunity to add value to society. Over time, there is a sustained culture and mind-set shift that stretches from boardroom to frontline employees.
- The company strives to find win-win solutions that are lower or equivalent cost to traditional methods, but that deliver greater public benefits. The company places a stronger focus on the long-term business case; uses partnerships to bring in new sources of funds and expertise; and forms commercial arrangements with landowners, local government, businesses and others.
- The company aims to go beyond the standards and norms set by regulators where this is the right thing to do. It is proactive in engaging with regulators and policy makers to highlight and help remove regulatory barriers.

A commitment to public purpose goes beyond bolting together existing corporate social responsibility activities or pursuing initiatives without a deep understanding of communities’ needs. A commitment to social purpose cannot compensate for shortcomings in the delivery of safe, resilient and affordable water and wastewater services and responsible corporate practices. It is essential that companies do not undertake activities that could significantly distract the board, management and staff from delivering core services to customers.

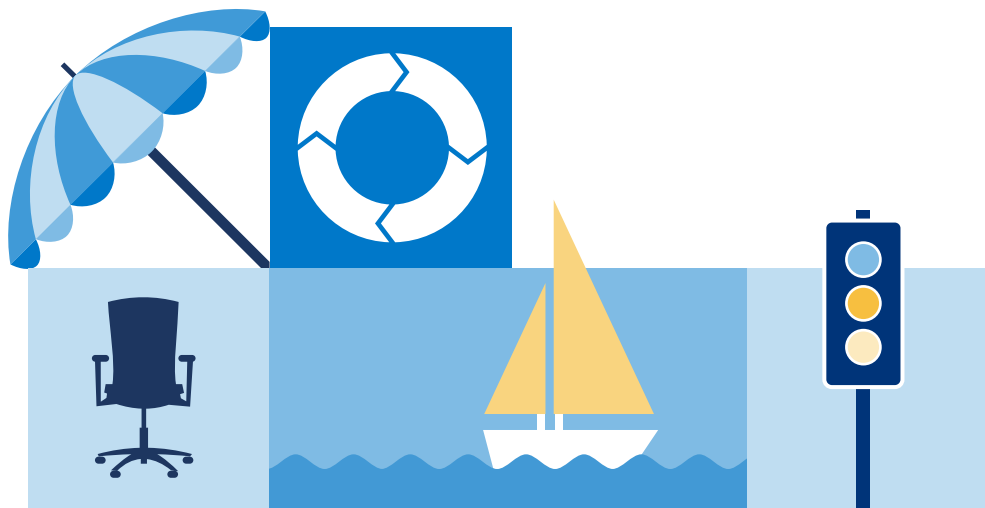


What is already happening?

We have already started to encourage this approach in the industry, requiring regional companies to be financially resilient, and for their boards to set a purpose for the companies to follow. Price review performance commitments include help for those in vulnerable circumstances, assistance for those in debt, and greater renewable energy use and creation.

Most companies are already engaged in corporate social responsibility activities, such as philanthropy and volunteering, and some have created their own ‘social contract’. Others have, or are considering, embedding a social purpose through changes to their Articles of Association or their licence. All English water companies have signed up to a Public Interest Commitment with specific 2030 commitments on carbon, leakage, plastics, social mobility and water poverty. Water companies in Wales operate within the framework of Well-being of Future Generations (Wales) Act 2015, which embeds and encompasses those public commitment values.

Despite encouraging steps, the sector as a whole has not yet seized the opportunity for integrating public value more deeply, and more systematically.



What more will we do?

We want to leave companies space to consider how to embed a public purpose, but Ofwat will continue to be active in this area, promoting public purpose and exploring the implications for our regulation. We will do the following.

- Develop a framework to understand and evaluate social and environmental value.
- Consider using process and reputational incentives and ongoing company performance monitoring to encourage widespread adoption across the industry.
- Assist early adopters where we can, for example by considering with companies how public purpose can be reflected in a formal licence commitment.
- Keep our finance and governance requirements for companies under review so they are effective in attracting investors focused on the long term and public service delivery.
- Keep examining the case for public purpose companies and highlighting the opportunities for collaboration, as we did at our [Future30 conference](#). We are now working with water companies and Ignition Brewery in Lewisham to pilot ways of recruiting staff with additional educational needs so that our workforces better reflect the communities we serve.



# Living our strategy

The three strategic goals and the changes to our regulatory approach we set out here mean that we need to evolve how we work. As a regulator we are setting ourselves up to achieve and equal the ambition of this new strategy. It matters to us that things on the ground really change so that our impact on customers, the environment and the future of water is tangible and meaningful.

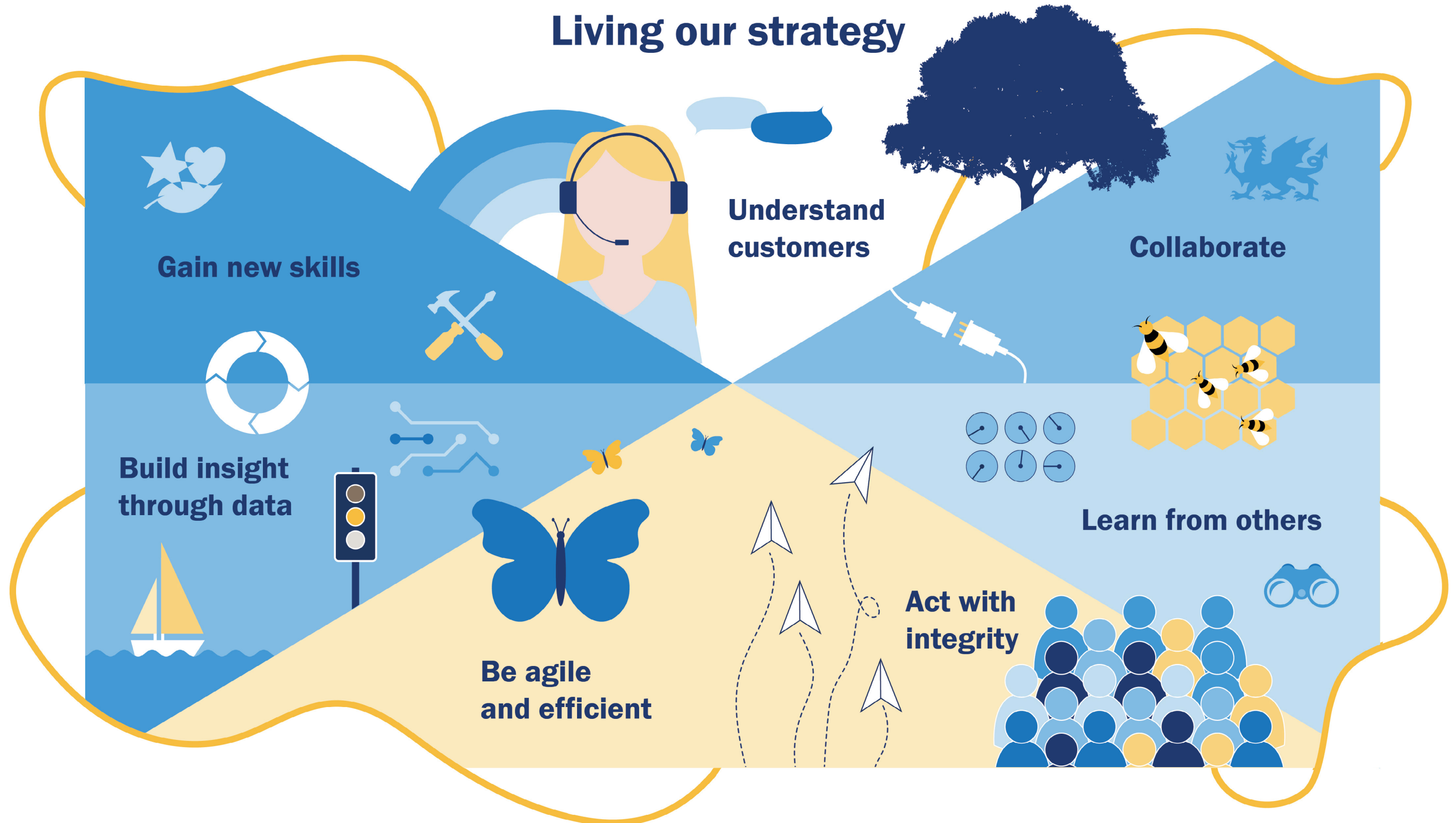
To achieve this we will do the following.

- Improve our understanding of the issues faced by customers, communities and companies so we can drive positive change.
- Connect and collaborate with others across the sector and beyond, using systems thinking, our voice and influence as well as our traditional regulatory powers.
- Increase our engagement with the industry, getting out and about more so that we can see for ourselves the work that water companies are doing and learn from this and other sectors.
- Build on our experience of creating interdisciplinary teams so we are agile and efficient in everything that we do.
- Develop a data strategy and build further capability in this space, enabling us to improve our actionable insight, effectively target our activities and improve our regulatory processes.
- Develop thought leaders and people leaders, as well as new skills, across all our areas of expertise.

We will adapt, be confident, act with purpose and integrity and continuously improve so that we make the greatest contribution possible to improving life through water.



# Living our strategy



Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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