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Public value in the water sector: A supporting set of principles

Ofwat

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About this document

In December 2020 we published a [discussion paper on public value](#) to which we received a number of helpful responses. This paper sets out the key themes from the responses. We provide our reflections on the points made and how we might build on this to support the delivery of further social and environmental value. We consider that the co-creation of a set of principles to underpin public value would be the most effective approach, building on the work already underway. These principles should be flexible, robust and informative, and help to drive consistency. In addition to assisting the framing of these issues, they should also be applicable to a wide range of company and Ofwat activity.

We would like to engage further with companies and other relevant stakeholders over the coming months to discuss our suggested principles for public value. If anyone wishes to send in comments, we can receive these at strategy@ofwat.gov.uk.

Contents

About this document	2
Contents	3
1. Introduction	4
2. Responses to our discussion paper	5
What we heard: Scope and ambition	5
What we heard: Incentives and barriers	6
What we heard: Understanding impact	7
What we heard: Other	8
3. Development of a framework: principles for public value	9
Scope of public value	10
Collaboration and systems thinking	13
Maturity and focus	14
4. Public value in action	15
Next steps	16
Overview of public value principles	17

Introduction

- 1.1 In our Strategy: [‘Time to act, together: Ofwat’s strategy’](#), a key pillar is for water companies to provide greater public value, delivering more for customers, society and the environment. We made a commitment to develop a framework to understand and evaluate social and environmental value. In December 2020 we published our [discussion paper](#) on public value in the water sector. It followed a range of conversations with companies, and insights from annual reports and wider engagement. Our ambition is for the sector as a whole to seize the opportunity to integrate public value more deeply and systematically into the delivery of their functions for the benefit of all.
- 1.2 In our discussion paper we set out that water companies have a clear social and environmental footprint as long-term stakeholders in the communities they serve. The essential nature of the services they provide means they inevitably have a key role in helping to address some of the main challenges society faces. Companies already have a strong public service focus, and many see delivering public value as ‘in their DNA’. Many people see the services companies provide as being inherently about public value, not least because of the contribution to public health. There are many examples of schemes and initiatives delivering social and environmental value by water companies.
- 1.3 Ofwat’s regulatory regime reflects the importance of social and environmental value to companies and other stakeholders in a number of ways, for instance through performance commitments and outcome delivery incentives (ODIs) in the price control framework. In our [Board Leadership, Transparency and Governance \(BLTG\) principles](#) we set out that a company’s purpose, strategy and values should reflect the needs of all those it serves, on the premise that doing so will ultimately deliver better outcomes for all: the company, customers, the environment, and investors. Being able to demonstrate how they consider, and are adding, social and environmental value is increasingly central to companies maintaining stakeholders’ trust and confidence, and also to achieving resilience for the long term.
- 1.4 We set out here our further thoughts on the issues raised in our December 2020 discussion paper, in light of the responses received and more recent developments. We are already seeing examples across the sector of companies considering further how to approach public value in their decision-making, their day to day activities and their interactions with their customers and other stakeholders. This thinking is also apparent in submissions to the first round of Ofwat’s innovation competition; submissions to the PR24 Future Ideas Lab; the sector’s work on the green recovery; and the sector’s work on water resources planning.

Responses to our discussion paper

- 1.5 Our discussion paper set out a number of questions under three themes: Scope and ambition; Incentives and barriers; and Understanding impact. We received helpful responses and comments from 15 respondents, almost all of them companies in the sector. The key points from responses are outlined below, and responses will be published on our website. A more [detailed summary of responses](#) is published alongside this document.

What we heard: Scope and ambition

- 1.6 Overall there was a consensus that the delivery of public value should be a core consideration for companies, and is not something that can be delivered by one part of the organisation or by individual projects.
- 1.7 Water companies were keen to point to the range of activity that they already undertake to support public value in the water sector, and it was suggested that this is reflected in the high degree of trust which customers already have in the sector. It was noted that a long-term mindset can help companies to deliver optimal public value outcomes.
- 1.8 Some companies told us that motivated leadership, supporting governance (such as Environment and Public Value Committees) and a supportive company culture are needed in order to fully embed delivery of public value outcomes in company activity. It was noted that in this context, each company would have a different 'story to tell' about how it is delivering public value.
- 1.9 In terms of risks in the pursuit of greater public value with a diverse range of stakeholders, it was noted that different interest groups may prioritise different public value outcomes which could result in a lack of consensus and a failure to fully optimise public value as a result of conflicts between outcomes and having to make trade-offs. This in turn might lead to a perception that local views and priorities did not count if they remained unfulfilled. Fully understanding and weighing the views of customers and a diverse range of stakeholders in a transparent way was cited as a key mitigation.
- 1.10 Others suggested a narrower approach of more concerted two-way engagement with customers to really focus on issues that are important to them. One company offered the view that public value initiatives need to be closely linked to wider government policy as well as the outcomes of customer engagement on priorities; otherwise there is a danger that public value could become vague and self-serving without providing tangible support to the environment and communities.
- 1.11 The impact of public value activity on customer bills was also mentioned. It was noted that there is a risk that water customers' bills could be used as the vehicle for collecting revenue for investment in creating public value that should otherwise be delivered

through general taxation and wider government actions. In a similar vein, one company felt that its legitimacy is intrinsically linked to doing what customers want from the company specifically, in exchange for the bills that they pay, and that they should only focus on social and environmental issues to the extent their customers and stakeholders demand or support it.

- 1.12 Some companies mentioned the varied experience and capability across the industry to define and deliver public value (e.g. accounting for natural capital), as well as the importance of maturity of delivery partners. It was recognised that a partnership approach to the delivery of public value will often bring significant operational benefits, but that there was the potential for a lack of cooperation from others (including, specifically, other regulated utilities).
- 1.13 Unsurprisingly, both an enabling culture and targeted approach were considered to be important to have the ‘best’ impact. It was noted that an ‘enabling culture’ – on the part of both the regulators and the regulated companies – can help more creative and innovative methods of public value delivery to be explored. At the same time, it was recognised that companies need to focus efforts on the issues that have the greatest relevance to stakeholders; and that this would vary from company to company, and between communities.

What we heard: Incentives and barriers

- 1.14 A number of companies noted that there are no significant inhibitors to the maximisation of public value in the delivery of core services within the existing regulatory framework. Some characterised the regulatory framework as being there to ensure companies deliver their core service, and it was observed that the existing regulatory framework could better serve to incentivise companies to deliver greater public value against core outcomes. Recent evolutions in the regulatory framework, and in particular the shift to outcomes-based regulation, were credited with enabling companies to reflect customer preferences in the round.
- 1.15 Some companies highlighted the trade-offs they face under the current regulatory framework, and the tension between ‘lowest cost versus most cost beneficial approaches’ and ‘lower-risk versus higher-risk approaches’, where in both cases the latter might deliver greater social and environmental benefit. Companies also suggested that a greater risk tolerance by regulators could be explored to encourage more innovative approaches.
- 1.16 There were mixed views on the role of the price review in encouraging company delivery of public value. Some noted there is no “reward” to go beyond their core service to achieve public value outcomes, and that more could be done to incentivise companies, including through the ODI framework. Others suggested that the price review must focus on the delivery of outcomes related to the existing regulated activities. Process

incentives were also suggested, including the potential for Ofwat to ask companies to demonstrate how they will deliver public value over the current asset management plan (AMP) period, and use this to reward and incentivise (e.g. fast track status) companies that demonstrate a track record in achieving social and environmental benefit. These issues are being considered further in the design of PR24; for more details see [PR24 and beyond: Creating tomorrow, together.](#)

- 1.17 Some companies felt that the delivery of public value is being achieved by the water industry acting on their own accord, in the absence of direct regulation, and without any need for regulatory monitoring. Whilst some companies consider that as private monopolies it is their duty and responsibility to lead in this area, others are clear that we can encourage new forms of delivery and champion best practice, in a way that goes beyond the current system of incentive-based regulation.

What we heard: Understanding impact

- 1.18 For many companies, this is the beginning of a journey to adopt a more integrated evaluative approach. Companies offered a number of practical suggestions of markers of progress on public value, ranging from water sector measures (performance commitments), and local community stakeholder satisfaction, to generalised measures of customer satisfaction such as the UK Customer Satisfaction Index (UKCSI). Largely there was a view that the most revealing measure of progress on public value was the level of customer, stakeholder and community satisfaction.
- 1.19 Others mentioned the existence of frameworks that recognise the monetary benefits of public value, including natural and social capital, such as the “six capitals” framework, or the “best value” approach required by the Environment Agency in the National Framework for Water Resources and its [Water Resources Planning Guidelines](#).
- 1.20 It was also noted that there are already a number of recognised methodologies now being more widely used to measure a company’s impact on society, for example Environmental, Social and Governance (ESG) methodologies, Task Force on Climate-related Financial Disclosures (TCFD) and the UN Sustainable Development Goals (UNSDGs). Benchmarking through third parties (that also compare outside the water industry) such as The Global ESG Benchmark for Real Assets (GRESB), B-Corp, and Investors in People, Business in the Community, British Standards Institution (BSI) standards was also suggested.
- 1.21 It was also noted that greater transparency and openness can give stakeholders an insight into company activity. By sharing what they are doing and the value it is bringing to a relevant stakeholder group, companies can be held to account by their stakeholders. This could include:
- evidence of a purpose that the company, led by its board, has developed with a broad group of internal and external stakeholders;

- evidence that the purpose is driving strategy, including ESG strategy, and objective setting;
- evidence that public value creation is integrated into core business processes, such as decision-making at all levels, investment prioritisation and policies; and
- a high degree of integration between people strategy and public value outcomes for example through learning and development, and reward and recognition strategies.

- 1.22 It was noted in this context that clear and regular communication about public value objectives and delivery, both internally and externally (e.g. in the company's annual report) was important, as well as feedback on the impact achieved by public value activities from stakeholders and customers.
- 1.23 There was a general view that Ofwat should not use standardised reporting for public value and that a pre-determined set of outcomes is not desirable – it was noted that there isn't yet a common approach to reporting public value, and while many companies are experimenting with new models it would make sense for that experimentation to continue for a time until some consensus emerges. It was noted that while, at a practical level, there was a need for a valuation framework to identify opportunities and prioritise them based on both their contribution to core services and the additional social and environmental value they bring, it would be difficult for Ofwat – or any organisation – to create a set of standardised metrics at this stage; and that this could have the adverse consequence of creating a compliance or “box ticking” mind-set.
- 1.24 Rather, it was suggested that a broader framework that defines public value in a water sector context but allows companies the freedom to consider the issues material to their stakeholders and to innovate to deliver them would be more appropriate. This would provide flexibility for companies to deliver the outcomes which are most important to their stakeholders, and allow for greater innovation.

What we heard: Other

- 1.25 There were also a number of wider themes that were noted in the responses. One argued for a greater strategic dialogue between Ofwat and company boards and expressed concern that shareholders' priorities should not hold greater value than those of their customers or the wider public. Some also suggested that collectively developing a set of principles to guide the water industry's approach could be beneficial, noting that within that set of principles, companies will wish to retain flexibility to tailor their approach to public value to reflect the regional priorities within the communities they serve.
- 1.26 Dŵr Cymru noted that it published Wellbeing Commitments aligned to the core aims of the Well-being of Future Generations (Wales) Act 2015 and a scorecard to measure progress against them, which will be reported against in the company's 2021 Annual

Report and Accounts. Some companies in England have noted that having a clear understanding of Ofwat's and the government's expectations on enhanced public value, could help ensure the sector can deliver a step-change in activity. It was also noted that alignment in timescales and desired outcomes between government, regulators and key policy mechanisms is critical to securing best overall public value.

Development of a framework: principles for public value

- 1.27 We are grateful for all responses to our discussion paper, and these have informed our suggested way forward.
- 1.28 We consider that a lot of the direction of travel and wider perspective set out in our prior discussion paper remains valid, and stakeholder responses overall reflected this. We are also reminded that the delivery of public value and stakeholder perception can be fragile, as highlighted by the recent and ongoing debate and heightened concern in the context of storm overflows. Customer and public trust cannot be taken for granted.
- 1.29 It is also clear that there are differences in companies' resources and capabilities, and that community and environmental needs are different in different areas; within company boundaries, between companies, and between England and Wales. This means that what social and environmental value is delivered, and how much of it, is likely to be area and context-specific.
- 1.30 We therefore consider that we should adopt a flexible approach, while providing a framework – as many stakeholders suggested – to help drive a level of consistency, including in the price review and the multiple processes that feed into that (such as the water resources planning framework). We consider that a set of principles is the best way to do this, to help to guide our and the sector's approach to public value.
- 1.31 Principles offer flexibility because initiatives are chosen by companies based on opportunity, capability and customer and stakeholder engagement and support, without undue prescription. Additionally, principles can be applied across a wide range of company and Ofwat activity, as appropriate. Nonetheless a principles-based approach can also be meaningfully robust and informative, and drive consistency where relevant. Principles can set boundaries around the activities and behaviours which we wish to promote, which can in turn help to set expectations as to Ofwat's approach to assessing initiatives in different contexts; e.g. at PR24, or in the context of our thinking on the role companies can play in flood risk mitigation.
- 1.32 Questions of public value are likely to arise throughout the portfolio of Ofwat's work, and where relevant we should be able to apply principles flexibly to all the work we engage in. We have identified the following components around which principles could be based, although it is possible to group them in different ways:
- scope of public value
 - drivers for decision-making and transparency

- collaboration and systems thinking
- maturity and focus

Scope of public value

Principle 1: Companies should seek to create further social and environmental value in the course of delivering their core services, beyond the minimum required to meet statutory obligations.

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In response to our discussion paper, companies agreed that public value approaches should be firmly rooted in the delivery of core services to minimise the risk of a loss of focus. Water customers cannot be expected to fund activities that are not related to a water company's statutory functions. We consider it is therefore right that as a regulator our focus should also remain on public value delivered in the course of carrying out those functions¹.

There is a range of different types of value which companies consider in designing the way they operate as a business and deliver their core services, including human capital and intellectual capital, amongst others. These are important and our work on board leadership, governance and transparency, and on innovation reflect this. More generally, however, we consider our focus should be on social and environmental value. Indeed social and environmental factors are mentioned specifically in the current UK government's [strategic priorities and objectives statement](#)² for Ofwat and in the Welsh Government's [strategic priorities and objectives statement](#) for Ofwat.

We recognise that a significant amount of social and environmental value is already created in the normal course of companies carrying out their statutory responsibilities. As set out in company responses, water and wastewater services have intrinsic social and environmental value and impact, and companies have to comply with a range of social and environmental obligations in delivering even a basic service. This principle aims to make clear that our interest moves beyond the delivery of the minimum to fulfil statutory obligations, instead focussing on encouraging companies to consider how they can deliver more public value in the course of the provision of their core services by doing things differently where feasible and appropriate.

¹ It is also relevant that section 142 of the Water Industry Act 1991 states companies have the power to charge household customers for services provided in the course of carrying out their functions.

² A revised UK government strategic priorities and objectives statement is expected to be consulted on soon.

Drivers for decision-making and transparency

Principle 2: The mechanisms used to guide activity and drive decision-making should facilitate the delivery of social and environmental benefits that are measurable, lasting and important to customers and communities.

Principle 3: Companies should be open with information and insights on operations and performance.

Principle 4: Delivery of public value outcomes should not come at greater cost to customers without customer support.

Principle 2: The mechanisms used to guide activity and drive decision-making should facilitate the delivery of social and environmental benefits that are measurable, lasting and important to customers and communities.

A key issue identified in responses to our discussion paper is that companies should understand the impacts they are having as they conduct their business, both positive and negative. This will enable companies to scope out issues that need to be addressed or could valuably be addressed. They should be able to articulate to customers and others what those impacts are and their trends over time, in a way that is accessible and sufficiently comprehensive.

While some aspects of public value are wide-reaching, many potential interventions or activities by companies are rooted in the local or regional level. We also recognise that different communities are likely to have different needs and priorities. A meaningful public value approach should entail extensive engagement to uncover the wide range of potential stakeholders who are impacted by a core activity. That group is likely to be diverse, including customers (including a perspective on the likely views of future customers), communities, investors, and environmental and wider stakeholders. Responses to our discussion paper also suggest companies should tailor their approach in a way that resonates with each constituency, capturing the insights and capitalising on the contributions that informed and interested parties can make to identify opportunities for public value delivery.

A British Academy report has suggested that traditionally across the economy, businesses have decision-making processes and frameworks which are geared to the outcomes that matter to the company and its investors and hence are key to investment and prioritisation in the business³. Tools are now increasingly available which enable companies to take a view of the costs and benefits of different options to inform their decisions, such as the ‘multiple-capitals’ approach being explored by a number of water companies. These have improved in sophistication in recent years to enable companies to take a view of decision-making that includes criteria in the social and environmental sphere. The exposure of this information

³ The British Academy report Principles for a purposeful business at [future-of-the-corporation-principles-purposeful-business.pdf](https://www.thebritishacademy.ac.uk/future-of-the-corporation-principles-purposeful-business.pdf) (thebritishacademy.ac.uk) p23

should enable companies to take a balanced view of competing priorities and to choose or prioritise projects which deliver greater social and environmental value where appropriate.

In committing to a course of action, articulating the impact the company is intending to achieve should result in measurable outcomes being defined, so that the company's progress can be followed and understood, regardless of whether these feature in any regulatory framework. In order to be meaningful, interventions should not result in impacts that are merely transient.

Principle 3: Companies should be open with information and insights on operations, impact and performance.

The best means of making information transparent is likely to depend on the circumstances. In terms of reporting, a number of integrated and standardised reporting methodologies are developing rapidly. We currently consider that there is no obvious need or benefit for Ofwat to set out a standard, integrated reporting approach, noting – as several companies observed – that our current reporting requirements, e.g. against outcomes and performance commitments, already suit this space well at this stage. We also recognise that wider reporting requirements imposed on (some) companies already, are also highly relevant to public value, such as the [Task Force on Climate-related Financial Disclosures](#) (TCFD). Many companies have made progress in presenting ESG reports which are geared to investors and the wider financial community, while some have been experimenting with reports based on the six capitals, including reporting on diversity, employee welfare and climate change.

We consider the openness of data to public scrutiny will enable wider groups to understand the sector and how it works. A culture of open data, to which the sector has committed, will enable a wide range of interested parties to engage in discussing what public value can be delivered. It also facilitates engagement of stakeholders in the supply chain and in research communities which can potentially offer solutions in this area. In our Innovation Competition we have already noted the positive impact that digitalisation and open data can have in the context of proposals for innovation in the sector.

Sharing insights and learning from their investments in public value outcomes is more likely to engender trust in companies⁴. We would encourage companies to embrace the learning opportunities that their work on public value has to offer.

Principle 4: Delivery of public value outcomes should not come at greater cost to customers without customer support.

Responses to our discussion paper on public value were clear that customer support is a key driver of legitimacy and trust in the sector, and that where there is customer support for delivery of benefits that accrue to society as a whole Ofwat should take this into account. We agree that customer support is an important consideration in justifying particular courses of action, especially where the chosen options involve greater cost. In such cases the evidence base to support proposals will need to be robust. We recognise of course that customer

⁴ Purpose Union report Public value in the water sector, at [Ofwat-Purpose-And-Public-Value-Report-Purpose-Union.pdf](#) p15

considerations should take account of the interests of both current and future generations, with long-term solutions needing to reflect the interests of both.

This approach reflects our approach to PR14 and PR19. And we have noted in our Green economic recovery draft decisions that it is important schemes deliver value for money and where additional expenditure is involved, customers support it⁵. We also set out this approach in our [PR24 consultation](#).

Collaboration and systems thinking

Principle 5: Companies should consider where and how they can collaborate with others to optimise solutions and maximise benefits, seeking to align stakeholder interests where possible, and leveraging a fair share of third-party contributions where needed.

Principle 6: Companies' public value activities should not displace other organisations who are better placed to act.

Principle 5: Companies should consider where and how they can collaborate with others to optimise solutions and maximise benefits, seeking to align stakeholder interests where possible, and leveraging a fair share of third-party contributions where needed.

Water companies' services do not exist in isolation, but within a number of interdependent systems connecting the environment, communities, businesses of various sorts, and other types of infrastructure. Some of the opportunities to increase public value exist where different systems intersect across and within company boundaries. In these situations it should be possible for a company to achieve a better overall public value result by collaborating with other bodies.

Companies have told us that to truly deliver optimal public value there needs to be broader recognition of the importance of working in partnership with a wider range of stakeholders, all empowered to develop and deliver regional priorities. We agree and are supportive of local and regional partnership working.

Nevertheless, water customers should only be expected to fund schemes that are consistent with the proper carrying out of a company's functions. Solutions delivered in partnership allow companies to leverage input from third parties. Funding should be allocated such that each partner pays its fair and efficient share of the costs, taking into account the relative benefits of the solution to water companies and third parties, and the incremental costs compared to a solution the water company would implement to address only its requirements. Similarly, where combining efforts generates cost savings overall, these too should be fairly allocated across parties.

⁵ <https://www.ofwat.gov.uk/wp-content/uploads/2021/05/Green-economic-recovery-draft-decisions.pdf> pp8-9

This is an approach we also set out in [our draft decisions](#) on companies' Green Recovery proposals. Looking to secure third party funding has been part of water companies' proposals for greater investments in their communities through environmental improvements. Severn Trent Water, for example, intends to work with local authorities in delivering their flood resilience proposal using 'blue-green' infrastructure. Partnership schemes, or maximising benefits from working together, can lead to lower overall costs compared to working on solutions in isolation. Where this is the case, we would expect opportunities to be realised where companies and customers benefit from the collaboration in terms of costs being lowered⁶.

Other principles are also particularly relevant for partnership working, especially principle 4 on customer support and principle 6 on displacement.

Principle 6: Companies' public value activities should not displace other organisations who are better placed to act.

Many of the potential means of delivering public value may sit outside water companies' core skills, and in those areas other organisations may have greater skills and capability. In some cases, other organisations may also have a responsibility or duty of their own to act. It is not our intention that water companies should deliver public value where other organisations have greater capability and/or a duty to act. We recognise that water companies are key players in their local and regional economies and communities, and that there is a strong pull on companies to support other parties in their efforts. As above we support relevant partnership working, but this does not mean it is always for companies to step in.

Maturity and focus

Principle 7: A company should take account of its capability and circumstances in scoping the delivery of greater public value.

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Responses to our discussion paper on public value noted that both companies and delivery partners have different levels of maturity and ability to define and deliver additional public value. At the same time a number of companies noted the risk of pursuing public value outcomes where this could detract from, or shift focus away from, actually delivering the core service. This principle aims to make clear that companies should be cognisant of their ability, and the ability of their partners, to deliver (including in the context of third-sector and voluntary organisations) and not do more than feasible. This is not to say, however, that companies should not be ambitious. We welcome companies experimenting and innovating, so long as the risks are managed appropriately.

⁶ See <https://www.ofwat.gov.uk/wp-content/uploads/2021/05/PR24-and-Beyond-Creating-tomorrow-together.pdf> p105 for further information

Public value in action

- 1.33 We want our principles to be helpful, meaningful and applicable to all relevant areas of companies' work, and to our own work, from our innovation competition to the major 'feeder' processes into PR24, such as Water Resources Management Plans (WRMPs), the Water Industry National Environment Programme (WINEP) and Drainage and Wastewater Management Plans (DWMPs); and PR24 itself.
- 1.34 For example, our principles have helped to inform, and have also been shaped by, the work done on the [Green Recovery](#). In July 2020, we – alongside Defra, the Environment Agency, the Drinking Water Inspectorate (DWI) and the Consumer Council for Water (CCW) – invited English water companies to play their part in the green economic recovery from Covid-19. We set out our ambition to build back greener from the pandemic: delivering lasting environmental improvements for current and future generations, while meeting the economic and social challenges England faces. Numerous proposals made by companies include innovative approaches such as partnership working and seeking to leverage 3rd party funds where benefits are also delivered against the responsibilities of others, so that customers pay only their fair share.
- 1.35 In another context, WRMPs set out how water companies intend to achieve a secure supply of water for their customers and a protected and enhanced environment. This already has a strong focus on social and environmental impacts, and adopt a 'best value' approach. The principles we set out here align with that approach, and where applicable and helpful can further support this direction of travel. In the context of the WINEP, the proposed reforms to it⁷ are also reflected in the principles set out here. Similarly our work with the Environment Agency under its Flood and Coastal Erosion Risk Management (FCERM) Strategy for England⁸ can be supported and guided by these principles.
- 1.36 Our principles also need to support our work for PR24. In terms of PR24 the delivery of greater social and environmental value is a key part of our proposed approach, recognising that water companies have always had a clear environmental and social footprint and they are a long-term stakeholder in their communities. At PR24, we want to encourage companies to routinely consider the wider, long-term benefits to communities and the environment when putting forward solutions, using a systems-oriented approach. For example, nature-based solutions can not only deliver direct benefits like better water quality, but can also improve biodiversity, reduce flooding, reduce emissions, and help to eliminate harm from storm overflows⁹. In our PR24

⁷ There will be a consultation on reforms shortly

⁸ The Environment Agency's FCERM Strategy for England sets out that Ofwat and the Environment Agency will develop a joint approach for how water companies should consider flood and coastal resilience in the context of their statutory roles and duties.

⁹ [PR24-and-Beyond-Creating-tomorrow-together.pdf \(ofwat.gov.uk\)](#) p. 15

consultation, we consider – and ask for views on – various aspects relevant to the delivery of greater public value.

Next steps

- 1.37 Our work on public value to date, including through our engagement with the sector on our prior discussion paper, has underscored the importance of an enabling company culture and regulatory framework for the delivery of public value outcomes. Responses to that paper also made clear the importance of co-development and co-creation in forming an approach that is useful to the sector and provides the right momentum. We would therefore like to engage further with companies and other relevant stakeholders over the coming months to discuss our suggested principles for public value.

Overview of public value principles

Principle 1: Companies should seek to create further social and environmental value in the course of delivering their core services, beyond the minimum required to meet statutory obligations.

Principle 2: The mechanisms used to guide activity and drive decision-making should facilitate the delivery of social and environmental benefits that are measurable, lasting and important to customers and communities.

Principle 3: Companies should be open with information and insights on operations and performance.

Principle 4: Delivery of public value outcomes should not come at greater cost to customers without customer support.

Principle 5: Companies should consider where and how they can collaborate with others to optimise solutions and maximise benefits, seeking to align stakeholder interests where possible, and leveraging a fair share of third-party contributions where needed.

Principle 6: Companies' public value activities should not displace other organisations who are better placed to act.

Principle 7: A company should take account of its capability and circumstances in scoping the delivery of greater public value.

**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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