



Official

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Dear Amit

DISCUSSION PAPER ON PUBLIC VALUE IN THE WATER SECTOR – TIDEWAY RESPONSE

Thank you for the opportunity to comment on this paper.

While we differ in many ways from appointed water and sewerage companies, we believe that Tideway's experience offers useful lessons for the rest of the sector in embedding public value into a project from the start, and in growing that value further throughout the project's life cycle. Tideway's vision of reconnecting London with the River Thames also illustrates how companies can create an inspiring story around large infrastructure projects and seek to engage widely. Ofwat may find Tideway's experience particularly helpful in informing its approach to large projects that are currently in development.

Below, we summarise several factors that have enabled our successful delivery of public value, and some of the ways in which we have planned for, delivered and measured it. This brief summary draws from a very large pool of information and expertise, and we would welcome a meeting with you to discuss Tideway's experience in more depth.

As Ofwat develops its approach to public value, we encourage it to review existing frameworks that are already being used by regulated companies, such as the UN Sustainable Development Goals, and to base any new policies on measurement and reporting around such frameworks. This will enable the sector to build on the substantial effort and expertise behind these approaches, while facilitating comparisons with leading firms in other industries and countries.

Leadership and culture

We view motivated leadership and a supportive company culture as key enablers of public value. Tideway's Board is fully engaged with efforts on this front, including through dedicated workshops in 2020 focused on company purpose, values and culture, which considered how these reflect the needs of our stakeholders and the steps required to safeguard and develop these for future phases of the project.

Indicators of a culture that supports and encourages management and staff to deliver public value include: Standard & Poor's 2020 ESG assessment which gave Tideway an 'Excellent' rating for

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culture; positive conclusions from a 2019 staff round table on culture led by Tideway's NED representing workforce matters; and an impact report on the recent 'Make A Difference' campaign marking Tideway's 5th birthday.

Embedding public value in the project

The Thames Tideway Tunnel (TTT) project exists to deliver a core environmental benefit – cleaning up the River Thames. Tideway must also fulfil a number of further requirements within its Development Consent Order (DCO) and linked Section 106 agreements. Beyond this, we identified at a very early stage of the project that wider benefits could be delivered through construction of the TTT. Beginning around 2012, three years before licence award, we began to develop our own Legacy commitments.

These three sources of public value – the core benefits of the tunnel, DCO commitments, and our own Legacy commitments – were developed into criteria within the bidding process for the company prior to licence award. This in turn drove supporting commitments within main works contracts and throughout the supply chain. Tideway has also aligned the financing of the project to the company's sustainability commitments and has issued £1.8 billion of sustainable debt to date. The broad definition of value as set out in our Legacy commitments which included the Environment; Health, Safety and Wellbeing; People; Place and the Economy has served the project well.

We are pleased that our approach has been recognised through recent awards including 'Company of the Year' at the Global Good awards (September 2020) and 'Infrastructure Project of the Year' at the EDIE Sustainability Leaders Awards (February 2021). The EDIE judges noted that, "despite its scale, Tideway has integrated environmental and social impacts into its core approach from day one, championing a number of innovative approaches which really push the boundaries and [...] show a positive way forward for future infrastructure projects."

Similarly, for future projects we would recommend that public value commitments are discussed from the start of the development process, and that careful consideration is given to how all parties will be funded and incentivised to deliver such commitments.

Regulatory model

Tideway's regulatory model allows the company relatively broad freedom to 'define what good looks like' – beyond delivery of the tunnel to the required specifications, and incentives linked to cost and schedule, Tideway has no targets set by Ofwat. We believe that this model has enabled us to develop an approach to public value that best aligns to the needs of the communities and stakeholders impacted by the project. We would welcome a conversation about regulatory models with relatively light centralised targets, allowing for companies to define and hold themselves accountable to new targets and ambitions.

Community and stakeholder engagement

Tideway's public engagement is a vital way of maintaining trust in the project and ensuring we continue to be publicly accountable and deliver a sustainable legacy for London. The results of this continual engagement feed back into Tideway's decisions, helping us to refine our approach and deliver greater public value while providing an early warning of any challenges that need to be addressed.

In addition to engaging with government, regulators, local authorities, partners and suppliers, there are dedicated community relations teams in each of the three delivery areas, with Community Information Centres offering informal drop-ins, meetings and presentations, school visits and employment opportunity workshops. The independently chaired TTT Forum acts as a dialogue group between the project and its stakeholders, while the Tideway Reporting Group brings together the three independent stakeholder bodies for the project – the TTT Forum, Independent

Compensation Panel, Independent Complaints Commissioner - with reports available on Tideway's website. Involving these independent parties in key roles builds trust in our processes and provides us with a fresh viewpoint.

Community engagement is also embedded in our Legacy programme. Examples include: local groups and artists being central to our public art programme; engagement with schoolchildren (almost 9,000 in 2019-20) as part of our STEM education programme; and partnerships to support our vision to 'reconnect London with the River Thames', engaging the community to improve the river environment (Thames River Watch, with Thames21) and use the Thames for leisure and exercise (Active Row, with London Youth Rowing).

Looking towards the end of the construction stage of the TTT project, we have begun discussions with Thames Water on how the public value generated by our activities can be secured as the project enters its operational phase.

Accountability and transparency

Tideway remains focused on achieving the project's benefits. We hold ourselves to account by setting targets, monitoring progress and publishing our performance. As public value has historically been challenging to measure, we continually challenge ourselves to find better ways of evaluating the benefit and share our findings with others.

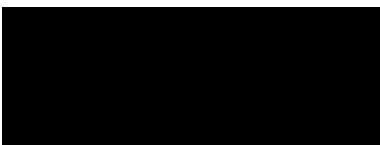
Taking our Legacy commitments as an example, our [Legacy strategy](#) contains 54 specific and measurable commitments supporting the five themes mentioned above, which have been mapped to target level of the UN Sustainable Development Goals (SDGs). We view the Legacy commitments as central to Tideway's business and performance: they are embedded within the commercial arrangements with our supply chain and are tracked and monitored on a quarterly basis. We report on our progress against SDG targets in our [Annual Report 2019/2020](#) and [Sustainable Finance Report 2019/2020](#).

Our approach to understanding and assessing the social, economic and environmental value generated by our activities and approach has evolved over the lifetime of the programme, with an increased focus on uncovering the real value being created and telling the story of how this is making a difference. Our most recent forecasts of social value indicate a return on investment for every Tideway pound spent of approximately £3.39. A final independent social value assessment of our Legacy programme is due in 2022, when construction works will be substantially complete.

Next steps

We suggest that a meeting between Ofwat and Tideway during late February or March, where we can explain Tideway's approach in greater detail and signpost some of the material available, could be a helpful next step. If you are open to this, please let me know your availability and we will be pleased to organise a session.

Yours sincerely



Matt Parr

Director of Strategy & Regulation