

By email

23 August 2021

Dear Regulatory Directors

Code for Adoption Agreements – Accreditation requirements for staff competence and training

I am writing you regarding the [Code for Adoption Agreements \(the Code\)](#) and the accreditation arrangements currently in place for self-lay providers (SLPs) and your company's own contractors and staff. We wrote to you last year to request information on this issue.

In this letter, I set out that we consider there should be greater consistency in how companies assure the competency of their own contractors/staff and SLPs. We are looking for companies to take the lead and to **write to me by 30 November 2021** setting out how they are going to achieve this.

Background

As a reminder, during the WaterUK-led consultation and subsequent Ofwat review of the [water sector documents](#), the accreditation requirements for SLPs was a key area where companies and SLPs were not in complete alignment.

SLPs must have accreditation from the Water Industry Registration Scheme (**WIRS**). Not all water companies, however, require this from their own contractors/staff. SLPs do not consider this fair and raised concerns that the current accreditation arrangements could potentially enable anti-competitive behaviour by water companies in two respects:

- Preventing those SLPs that are unable to spend the time and money on WIRS accreditation from participating in the market.
- Preventing SLPs from employing staff who have previously delivered works on behalf of water companies without experiencing costs or delays (i.e. creating barriers in a potential labour market). Conversely, SLPs perceive that companies can take on new starters almost immediately.

SLPs consider the above issues lead to significant barriers to SLPs entering the market.

You may remember that companies previously committed to exploring this issue outside of the Code arrangements and appointed a consultant who put forward some recommendations. This included, for example, a national passporting scheme. Disappointingly, this did not result in any sector-wide action to respond to SLP concerns.

Our information request

With the above in mind, in July last year, we wrote to water companies to gather further information. The information we received was helpful in aiding our understanding of how companies assure themselves of the competency of their own contractors/staff. Overall, we found:

- Companies use a mix of contractors and their own staff to deliver new connections work.
- Some companies currently require contractors to be WIRS accredited to carry out new connections work. Our understanding, based on the information we gathered, is that this is the case for Northumbrian Water, Sutton and East Surrey Water, Southern Water, South West Water and Yorkshire Water. For these companies, the requirements on their contractors are the same as the requirements on SLPs.
- Some companies do not use WIRS accredited contractors (or sub-contractors). Whilst this means that the requirements are different to that of SLPs, we also acknowledge that there may be a broad equivalence in what these companies require of their own contractors/staff. For example, most companies set minimum competency requirements of their contractors/staff to assure themselves they are competent to work on the network, regularly assess the competency of their contractors/staff, conduct regular audits and maintain records or skills/training and can access these regularly.
- In contrast, there are areas where the requirements on SLPs are not as onerous as the requirements on companies (and their contractors).

Taking the above into account, we maintain our view from prior to the information request that there are good reasons why SLPs must be accredited to demonstrate the skills and competence of their staff. Companies need to ensure the quality and longevity of adopted assets so they can fulfil their long-term obligations in terms of the safety, resilience and reliability of public water supplies. When SLPs provide infrastructure, they are only responsible for a short period, whereas companies are responsible for an asset for its lifetime.

Having said this, it is not entirely clear why some companies are comfortable requiring formal accreditation of their contractors (i.e. through WIRS), while others are not. We consider there are likely to be some difficulties with staff moving from those companies who do not require formal accreditation of their contractors to SLPs, and we think greater consistency is desirable to facilitate movement within the market.

Next steps

Taking the above into account, we consider there to be room for improvement. Whilst we understand why the current arrangements are in place, we consider there should be greater consistency in how companies assure either their own contractors/staff or SLPs competency. And we are looking for companies to take the lead in how to achieve this. As set out above, we were disappointed that, having previously committed to exploring this issue, companies did not take any sector wide actions. We are looking for companies to commit to achieving a better outcome this time.

The [Code](#) sets out (3.5.2 (a)) that the terms of a water adoption agreement may require the relevant party to demonstrate it is suitably competent to provide the proposed self-laid works, for example by means of WIRS accreditation. With this in mind, we consider the Code provides sufficient flexibility for companies to explore alternative solutions to how competency is determined.

Companies may consider the following illustrative options for achieving greater consistency in treatment of staff/contractors and SLPs:

- companies who do not currently use WIRS accredited contractors working towards doing so;
- companies who do not currently use WIRS accredited contractors/staff making available to SLPs the arrangements they have in place for their own contractors/staff where there is a material difference;
- companies ensuring their experienced company/contractor staff can move readily to work for SLPs and vice versa. This might be achieved through mandatory accreditation or a national passport scheme recording skills and experience; and / or
- companies amending WIRS, or their own requirements, so SLPs can recruit experienced workers without having to immediately train them in line with WIRS.

There may also be other solutions companies may wish to explore. Companies may also wish to form a working group to explore this in more detail.

We recognise that the water sector guidance and model water adoption agreement set specific requirements around accreditation and contestability, and, as such, depending on the solution(s) reached, may need amending. Should this be the case, companies should explore submitting a change proposal through the [independent water adoption panel](#).

I am asking companies to write to me setting out their plans, milestones and the progress they are making on this topic by 30 November 2021. Please also note that we are copying this letter to SLPs and will shortly be publishing it on our website.

If you have any questions regarding any of the above, or need any further information, please do let me know.

Yours faithfully



Michael Deakin
Principal, Performance and Outcomes