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By email

6 June 2022

Dear Regulatory Director,

**A joint approach for how water companies should consider flood and coastal resilience in the context of their statutory roles and duties**

Ofwat and the Environment Agency have a shared ambition to ensure that water company infrastructure is fit for the country's long-term needs, as a vital part of ensuring resilient places and communities. We have therefore developed a joint approach for how water companies should consider flood and coastal resilience in the context of their statutory roles and duties. This joint approach reflects strategic commitments in Ofwat's strategy '[Time to Act, Together](#)', and in the Environment Agency's '[National Flood and Coastal Erosion Risk Management Strategy for England](#)'.

By working together with other stakeholders to manage water in a more integrated way, water companies can improve the resilience of services and communities to all sources of flood and coastal risk, enhance the natural environment and deliver value for customers.

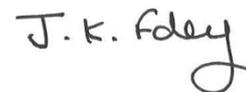
We know that you are already doing great work in this space, and we hope that this joint approach will support you in your partnership working.

We will also be sharing this with the flood and coastal risk management authorities to provide clarity on how we can all work together to achieve a resilient water industry, that better supports outcomes for people and wildlife.

Yours sincerely

A handwritten signature in black ink, appearing to read "Harry Armstrong".

Harry Armstrong (Ofwat)

A handwritten signature in black ink, appearing to read "J. K. Foley".

Julie Foley (Environment Agency)

# **A joint approach for how water companies should consider flood and coastal resilience in the context of their statutory roles and duties**

## **Ofwat and the Environment Agency**

### **1 Context**

This joint approach reflects commitments made in the [National Flood and Coastal Erosion Risk Management Strategy for England](#) (FCERM Strategy), the Environment Agency's Water Industry Strategic Environmental Requirements, and Ofwat's strategy, [Time to Act, Together](#). Making sure water company infrastructure is fit for the country's long-term needs is a vital part of ensuring resilient places and communities.

Water companies own and operate a wide range of infrastructure, from water supply reservoirs and sewers to sustainable drainage systems. Infrastructure owned by water companies plays a vital role in draining urban areas and reducing the likelihood and impact of sewer and surface water flooding. But this infrastructure is vulnerable to all sources of flooding and coastal change and if it fails this can have serious adverse consequences for customers and the environment. Where it represents an efficient delivery of their services to customers, water companies also work in partnership with other risk management authorities to contribute to a range of projects that increase resilience to flooding and coastal change.

### **2 Our joint approach**

Ofwat and the Environment Agency share the ambition to achieve a water environment that is cleaner, healthier, and managed in a way that is more resilient to flooding so that it better supports people and wildlife.

We want water companies to provide greater public value, delivering more for customers, society, and the environment as part of their [core services](#). Helping to manage flood and coastal erosion risk is an important part of this role.

To support the effective management of flood and coastal erosion risk, we expect water companies to collaborate and work in partnership with others within and beyond the sector, reflecting the needs of the areas in which they operate. We want companies to routinely consider the wider, long-term benefits to communities and the environment when putting forward solutions, using a systems and catchment oriented approach. They should use adaptive approaches to maintain a focus on the long term and identify, develop, fund, and deliver schemes to improve resilience of the water supply and wastewater and drainage services provided to customers, including to the risks posed by floods and climate change.

By working together with other stakeholders to manage water in a more integrated way, water companies can help to improve the resilience of services and

communities to all sources of flood and coastal risk, enhance the natural environment and deliver value for customers.

These choices should be underpinned by evidence and consideration of best value solutions.

### **3 Clarifying statutory roles and duties**

Through its 'strategic overview' role the Environment Agency exercises its strategic leadership for all sources of flooding and coastal change.

As the economic regulator of the water industry, Ofwat's duties include protecting the interests of consumers, securing that companies properly carry out their functions, and securing the resilience of water supply and sewerage systems so that water companies take steps to meet long-term customer needs for water supply and sewerage services.

Both water only companies and water and sewerage companies are risk management authorities (RMAs) for the purpose of the Flood and Water Management Act 2010.

RMAs in England have a duty<sup>1</sup> to act in a manner which is consistent with the FCERM Strategy when carrying out their FCERM functions. In the case of water and sewerage companies, this means their function to provide a public sewer system, in relation to any [sewer that conveys surface water](#). Water and sewerage companies also have a [duty to co-operate](#) with other RMAs (including the Environment Agency) in the exercise of this function.

Water only companies do not carry out any functions that are defined as flood risk management functions within the Flood and Water Management Act 2010. They are however an RMA and have an important role to play. Specifically, in exercising their functions in a manner which may affect a flood or coastal erosion risk, both water only companies and water and sewerage companies in England must have regard to the FCERM Strategy's objectives.

### **4 Examples of existing good practice**

Companies already carry out a range of important activities that contribute to flood resilience, for example taking steps to protect their infrastructure and systems from flood risk, planning and maintaining their assets to mitigate against harm as a result of under-performance of their systems, and collaborating with other risk management authorities to secure, maintain and enhance flood resilience in the course of carrying out their functions.

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<sup>1</sup> Section 11(1) Flood and Water Management Act 2010

Examples of these activities are wide-ranging, from companies choosing sustainable drainage and nature-based solutions, to fulfilling their responsibilities as reservoir owners<sup>2</sup> (including preparing reservoir flood plans<sup>3</sup>), through to considering wider resilience benefits, including reducing flood risk, when developing options under the national framework for water resources.

We expect to see the use of sustainable drainage systems and nature-based solutions to be considered where appropriate. These techniques slow, store and filter flood water, which can provide a cost-effective way of keeping surface water out of sewers and increasing the resilience of networks, and surrounding communities. Catchment approaches of this type can also provide additional biodiversity, water quality and water resource benefits, as well as carbon benefits, when compared to engineered solutions.

As RMAs, companies are also able to participate in the government's FCERM partnership funding scheme and as beneficiaries of flood resilience schemes, water companies should have a clear and systematic approach to assessing partnership opportunities to co-fund solutions.

Anglian Water has contributed £3 million to a coastal erosion project led by Tendring District Council in Essex that has a total cost of £36 million. The project will reduce risk of coastal erosion to about 1,570 homes and will also protect Anglian Water's sewerage infrastructure alongside this section of coastline. It is a good example of sharing costs to deliver shared outcomes between partners and value for money for water bill payers. *(Source: National FCERM Strategy)*

Northumbrian Water, the Environment Agency and North Tyneside Council are together investing over £5 million to manage surface water in the Killingworth and Longbenton areas of North Tyneside. As part of this, a watercourse is to be diverted out of the combined sewer, thereby increasing the combined sewer capacity, and reducing the risk of flooding during heavy rainfall. Over 3500 properties in Killingworth and Longbenton have benefitted from increased flood protection from the sewer network, surface water and river improvements as a result of this scheme. *(Source: Water UK DWMP Framework)*

Severn Trent Water and third-party beneficiaries are together investing £85 million to deliver the equivalent of up to 60% of the anticipated future network storage required in Mansfield by 2050 through blue-green infrastructure. The scheme will include partnership delivery of assets such as street planters, raingardens, detention basins and permeable paving, and will provide improvements to all flooding pathways (above ground and underground), beyond just sewer flooding improvements, as well as delivery of wider aesthetic and social benefits. *(Source: Ofwat Green Recovery final decision).*

<sup>2</sup> Including those set out in the Reservoirs Act 1975

<sup>3</sup> Required by the Flood Plan (Reservoirs Emergency Planning) Direction 2021

## 5 Wider Application

Both the Environment Agency and Ofwat support the role water companies can and do play in broader resilience against flood and coastal erosion risks, and we encourage companies to carry out their functions with flood and coastal erosion risk in mind. Going forward, we would like to see companies exercising their functions in a way that enhances value for customers and the environment even further. This should include considering where and how collaboration with others may optimise solutions and maximise benefits, including potentially playing a convening role as part of multi-party solutions where appropriate.

Where integrated solutions can deliver greater benefits, we expect companies to explore co-funding opportunities, to ensure their customers are not funding the responsibilities of others. Where a proposed solution goes beyond a company's minimum statutory obligations, companies will need to demonstrate customer support in order to justify customer funding. [Ofwat's Public Value Principles](#) support and enable the delivery of greater public value by water companies and reflect this approach.

We want to create a landscape where water companies have clear opportunities to further their ambitions in flood risk resilience. For example, the [Water Industry National Environment Programme \(WINEP\) methodology](#) states that water companies are expected to take account of the contribution their proposed options make to WINEP wider environmental outcomes, including catchment and flood resilience, in designing and proposing solutions that meet the core WINEP requirements.

Drainage and wastewater management plans provide further scope for companies to contribute to flood risk resilience in the exercise of their functions, providing a strong evidence base for PR24 and beyond. Our shared expectations on DWMPs have been set out in the [Guiding Principles and Ofwat's expectations for strategic planning frameworks at PR24](#). Solutions of the future will need to be different to those of the past. Innovation and collaboration can drive best value, sustainable solutions for improving flood resilience and the environment.

Through our joint work with Defra, Water UK, the Consumer Council for Water and Blueprint for Water on the Storm Overflows Taskforce, we are continuing to work towards the shared goal of eliminating harm from storm overflows in England. Improving the resilience of water and sewerage companies' infrastructure against flood risk plays an important part in this.

We will collaborate on learning from innovative approaches that can better enable this joint approach such as the [Flood and coastal resilience innovation programme](#) and Adaptation Pathway pilots. Making the right investment decisions at the right time will help secure sustainable growth and environmental improvements, as well as resilient infrastructure.