

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

WATER (SPECIAL MEASURES) BILL [*LORDS*]

First Sitting

Thursday 9 January 2025

(Morning)

CONTENTS

Programme motion agreed to.

Written evidence (Reporting to the House) motion agreed to.

CLAUSE 1 agreed to, with amendments.

CLAUSE 2 under consideration when the Committee adjourned till this day at Two o'clock.

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Monday 13 January 2025

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The Committee consisted of the following Members:

Chairs: DR RUPA HUQ, † MARTIN VICKERS

- | | |
|---|--|
| † Aldridge, Dan (<i>Weston-super-Mare</i>) (Lab) | † Maynard, Charlie (<i>Witney</i>) (LD) |
| † Dollimore, Helena (<i>Hastings and Rye</i>) (Lab/Co-op) | † Paffey, Darren (<i>Southampton Itchen</i>) (Lab) |
| † Farron, Tim (<i>Westmorland and Lonsdale</i>) (LD) | † Pakes, Andrew (<i>Peterborough</i>) (Lab) |
| † Fookes, Catherine (<i>Monmouthshire</i>) (Lab) | Ramsay, Adrian (<i>Waveney Valley</i>) (Green) |
| † Hack, Amanda (<i>North West Leicestershire</i>) (Lab) | † Reed, David (<i>Exmouth and Exeter East</i>) (Con) |
| † Hardy, Emma (<i>Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs</i>) | † Smith, Jeff (<i>Lord Commissioner of His Majesty's Treasury</i>) |
| † Hayes, Tom (<i>Bournemouth East</i>) (Lab) | |
| † Hazelgrove, Claire (<i>Filton and Bradley Stoke</i>) (Lab) | Simon Armitage, Aaron Kulakiewicz, <i>Committee Clerks</i> |
| † Hudson, Dr Neil (<i>Epping Forest</i>) (Con) | |
| † Kirkham, Jayne (<i>Truro and Falmouth</i>) (Lab/Co-op) | |
| † Mayhew, Jerome (<i>Broadland and Fakenham</i>) (Con) | † attended the Committee |

Public Bill Committee

Thursday 9 January 2025

(Morning)

[MARTIN VICKERS *in the Chair*]

Water (Special Measures) Bill [Lords]

11.30 am

The Chair: I have a few preliminary announcements to make. Members should send their speaking notes by email to hansardnotes@parliament.uk. Please switch electronic devices to silent. Tea and coffee are not allowed during sittings. Today, we will first consider the programme motion on the amendment paper. We will then consider a motion to enable the reporting of written evidence for publication. In view of the time available, I hope we can take those matters formally and without debate. I call the Minister to move the programme motion standing in her name, which was discussed yesterday by the Programming Sub-Committee for the Bill.

Ordered,

That—

1. the Committee shall (in addition to its first meeting at 11.30 am on Thursday 9 January) meet—

- (a) at 2.00 pm on Thursday 9 January;
- (b) at 9.25 am and 2.00 pm on Tuesday 14 January;
- (c) at 11.30 am and 2.00 pm on Thursday 16 January;

2. the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 16 January.—(*Emma Hardy.*)

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—(*Emma Hardy.*)

The Chair: We shall now begin line-by-line consideration of the Bill. The selection and grouping list for today's sittings is available in the room. It shows how the clauses and selected amendments have been grouped together for debate. Amendments grouped together are generally on the same or similar issue. Please note that decisions on amendments do not take place in the order in which they are debated, but in the order in which they appear on the amendment paper. The selection and grouping list show the order of debates. The decision on each amendment, and on whether each clause should stand part of the Bill, is taken when we come to the relevant clause.

A Member who has put their name to the leading amendment in a group is called first. Other Members are then free to catch my eye to speak on all or any of the amendments within that group. A Member may speak more than once in a single debate. At the end of a debate on a group of amendments, I shall call the Member who moved the leading amendment again. Before they sit down, they will need to indicate if they wish to withdraw the amendment or seek a decision. If any Member wishes to press any other amendment in a group to a vote, they will need to let me know in advance. I am sure that is clear to everyone.

Clause 1

RULES ABOUT REMUNERATION AND GOVERNANCE

Tim Farron (Westmorland and Lonsdale) (LD): I beg to move amendment 22, in clause 1, page 1, line 11, at end insert—

- “(1A) The Authority must use its power under subsection (1) to issue rules which require—
- (a) the interests of customers, and
 - (b) the environment,
- to be listed as primary objectives in a relevant undertaker's Articles of Association.”

The Chair: With this it will be convenient to discuss the following:

Amendment 18, in clause 1, page 2, line 3, at end insert—

- “(ca) requiring the management board of a relevant undertaker to include at least one representative of each of the following—
- (i) groups for the benefit and interests of consumers;
 - (ii) groups for the benefit and interests of residents of the areas in which the undertaker is operational;
 - (iii) experts in water and sewerage policy and management; and
 - (iv) environmental interest groups.”

Government amendment 1.

Amendment 19, in clause 1, page 2, line 8, at end insert—

- “(e) preventing a relevant undertaker from employing any individual who has been employed by the Authority in the preceding three years.”

Government amendment 2.

Amendment 21, in clause 1, page 4, line 35, leave out from “force” to the end of line 40.

Clause stand part.

Tim Farron: Happy new year to all colleagues. It is good to be in this place and it is a great pleasure to serve under your guidance as Chair, Mr Vickers. I put on the record my thanks to the Minister for her engagement, and to the Committee Clerks and the Minister's team for being immensely constructive throughout this process.

My hon. Friend the Member for Witney will speak to amendment 22, and I will make remarks on amendment 18, which, with your permission, Mr Vickers, I will press to a vote if the Government are not minded to accept it. I will also voice my concerns about amendment 2 and I give notice that we will vote against it.

Among the challenges that we face is the complete and utterly justified lack of trust in the water sector—water companies in particular, but also the regulatory framework. Amendment 18 was tabled to ensure that some of the people appointed to the boards of water companies, whatever their structure otherwise, have a connection to the benefit and interests of the consumers within the region; will benefit the residents within the areas in which the undertaker—the water company—is operational; and are experts and campaigners on environmental and sewage policy matters.

I am sure that Members on both sides of the House have people in their communities equivalent to the ones I will briefly mention. People from groups such as the Clean River Kent campaign, the Eden Rivers Trust, the

South Cumbria Rivers Trust and the Save Windermere campaign, in addition to citizen scientists and others who represent local interests and have great expertise, ought to be on the boards of the outfits that run our waterways in future, and that should be in the Bill.

The amendment would bring the expertise and accountability that we are seriously lacking, and it would build trust, which our water companies are also lacking. We think that the case for it is self-evident, because those bodies and others around the country self-evidently have the expertise, authority and tenacity to add huge value and to ensure that our water companies deliver for the communities they are meant to serve, not just their shareholders.

Government amendment 1 seeks to undo an amendment added by my hon. Friends in the other place. Our concern is that if the Government insist on it and we do not have a much tighter timescale, that will basically undermine the regulation and leave it open-ended so that we cannot be certain that we would be able to enforce the things that the Bill seeks to do in a timely fashion. To ensure that the Bill does what it is supposed to do, we should not cut the water companies any slack.

Charlie Maynard (Witney) (LD): I rise to explain amendment 22. On 11 July, the Environment Secretary issued a press release on the reform of the water industry that stated:

“Water companies will place customers and the environment at the heart of their objectives. Companies have agreed to change their ‘Articles of Association’—the rules governing each company—to make the interests of customers and the environment a primary objective.”

However, that commitment is not currently in the Bill. The amendment simply seeks to bring that commitment into this legislation.

Dr Neil Hudson (Epping Forest) (Con): It is a great privilege to serve under your chairmanship, Mr Vickers.

On behalf of His Majesty’s Opposition, I rise to challenge the Government on their plans in Government amendments 1 and 2. Before I go into the detail, I will make some general comments about the clause that are pertinent to the amendments.

The Opposition worry that the Bill, rather than taking original and new measures to tackle these issues, is purely an attempt to copy and paste the work done by our previous Conservative Government. In fact, many of the measures have already been copied from previous measures that we introduced in government.

Helena Dollimore (Hastings and Rye) (Lab/Co-op): In the Environment, Food and Rural Affairs Committee, we took evidence from the chief executive of Ofwat, who was clear that the bonus that the boss of Southern Water, Lawrence Gosden, received this year would not have been paid had the previous Conservative Government brought the measures in this Bill before the House. The Conservatives had 14 years to change the rules, but they failed to do so.

Dr Hudson: With the greatest respect, I sat on the Environment, Food and Rural Affairs Committee in the previous Parliament, and we took evidence from the chief executive of Ofwat on some of the key measures

that the Conservative Government brought forward. Our Government gave Ofwat teeth and powers, and we need to make sure it uses them.

As detailed in the explanatory notes, Ofwat already has wide powers to set the conditions of water company appointments and licences. The Conservatives worked hard to strengthen its ability and power to do that since this issue came to the fore in order to drive the regulatory change that was vitally needed to tackle the scale of the crisis that came to light.

I again remind Members on both sides of the House that when Labour left office in 2010, only 7% of storm overflows were monitored; when we Conservatives left office, 100% of outflows were monitored. We found the scale of the sewage problem and were the first party to start to address it. The Conservative Government’s Environment Act 2021 gave Ofwat the power to consider, when deliberating about dividends, the environmental performance of a company and its credit rating, whereby Ofwat could stop the paying of dividends if it felt that the firm faced financial risks as a result of its actions.

Charlie Maynard: The hon. Gentleman said that 100% of outflows are monitored, but I am afraid that is not correct. In fact, 100% of the 14,000 storm outflows are monitored—he did not mention storm—but 7,000 emergency overflows are not currently monitored. On the other aspect that he just mentioned, Ofwat was entirely devoid of looking at the balance sheets of the companies under the Conservatives’ watch. That is the root of all our trouble, and it would be beneficial to acknowledge that.

Dr Hudson: If the hon. Gentleman checks *Hansard*, he will see that in my speech on Second Reading and just now I said “storm overflows”. I gently remind the third-party spokesman that in the coalition Government the Liberal Democrats had a Water Minister who did absolutely nothing on this issue.

Helena Dollimore: Will the hon. Gentleman give way?

Tim Farron: Will the hon. Gentleman give way?

Dr Hudson: I will make some progress, if I may.

Tim Farron: The hon. Gentleman has just referred to me—

Dr Hudson: I was referring to the hon. Gentleman’s colleague.

It is therefore worrying that although the previous Administration went to great lengths to ensure that water companies were financially resilient, this Government are doing quite the opposite with Government amendment 1. That amendment, which will leave out lines 4 to 8 of clause 1, would amend the requirement for rules made by Ofwat under the clause to specifically include rules on financial reporting. That could not more clearly delineate the Conservative approach that the Labour party so derided—it promised the British people that it would do things differently—from the actual approach that Labour has taken in power.

[*Dr Hudson*]

Government amendment 1 undermines not only the hard efforts of the previous Conservative Government in taking the issue seriously, but the efforts of the cross-party consensus that secured the commitment to having financial reporting rules made by Ofwat in the Bill. That cross-party coalition, which included my Conservative colleagues in the other place, forced the Government to ensure that the original commitment would be in place in the Bill. Labour voted against the commitment and is simply seeking to overturn a clear cross-party consensus for Ofwat to be given powers to set rules on financial reporting.

Ensuring that Ofwat can view a water company's financial structuring will help it to scrutinise and have an understanding of how the company is operating. It will also ensure that the consumers who have been let down by the water industry for far too long are protected. With close financial monitoring, water companies will face the necessary scrutiny to reduce the risk that ordinary consumers are left without a supplier. Financial mismanagement poses great risks, so every sinew must be strained to prevent it; financial reporting is key to ensuring that that takes place. The financial resilience of the water companies is not a hypothetical issue, but a paramount concern right now.

As recently as November, Ofwat's monitoring financial responsibility report identified 10 companies that needed an increased level of monitoring and/or engagement concerning financial resilience. Seven of those companies were placed in the elevated concern category, meaning that some concerns or potential concerns with their financial resilience have been identified. Three companies were placed in the highest category of action required, meaning that action must be taken or is being taken to strengthen the company's challenges with financial resilience, and therefore they need to publish additional information and report on improvements at a more senior level with Ofwat.

Catherine Fookes (Monmouthshire) (Lab): Does the hon. Gentleman agree that his Government had 14 years to reform Ofwat, during which time they did absolutely nothing?

Dr Hudson: I respectfully disagree with the hon. Member. We passed the Environment Act 2021, we gave Ofwat and the Environment Agency more teeth and, as I have said, we were the first party to start measuring and collecting the data that meant we could act on this issue. Moving forward, we are trying to ensure that Ofwat and the Environment Agency use the teeth given to them by the previous Conservative Government to make our waters better. To suggest with Government amendment 1 that Ofwat should not be concerned with financial resilience rules quite simply sends the wrong message to the public, so I urge the Government to reconsider. The Opposition will seek to push Government amendment 1 to a vote.

11.45 am

Government amendment 2 would remove the provision from the Bill that requires the remuneration and governance guidance provided by Ofwat to be brought into force through a statutory instrument laid before Parliament by the Secretary of State. It seems odd that, while in

opposition, the Labour party claimed that it wanted Ministers to do more and to take accountability for the water industry, yet now that it is in government, it is trying to avoid having ministerial—and therefore democratic—accountability.

Again, I must thank my Conservative colleagues in the other place for their efforts and for working hard to ensure that this measure was in the Bill. They were led by my friend and colleague Lord Roborough, who tabled the original amendment on this issue in the other place and secured its majority support there. As he pointed out to the Government, and I want to reiterate, it is not just about accountability; the measure that the Government are trying to remove would give them increased power and involvement in the rules that Ofwat would set. The Government claim that they want to take a tight grip on failing water companies, so why would they avoid measures that allow them more say in doing just that?

I understand that the noble Baroness Hayman, whom I have a lot of respect for, as I do for the Minister, said in the other place that the Government do not believe a statutory instrument to be necessary, and that it could impede the flexibility of Ofwat to adapt the rules as required. His Majesty's Opposition do not believe that that reason is justification for avoiding a statutory instrument. If the Government are informed that the rules need to be amended, a statutory instrument is a basic and more timely measure, compared with many others at their disposal, for making regulatory changes.

As I said, many of the measures in this Bill are quite simply trying to copy those introduced by the previous Government. If the Labour Government believe that time is of the essence for implementing new rules for the water industry, why did they not opt to use statutory instruments to adapt what is already in place rather than pursue a new Bill with all the stages and procedures that that requires?

Given that the Liberal Democrats go to great lengths to display how tough they are on the water industry and how they want accountability, it is disappointing and shocking that they would table amendment 21, which would likewise remove that requirement for a statutory instrument. Why would they also want to support this Government in trying to avoid accountability when it comes to Governments taking action on the water industry and practices? Again, are they haunted by their own record of being in government and doing nothing on this issue? I strongly urge the Government to consider their position on Government amendment 2, which we will also seek to push to a vote. In addition, if it is not withdrawn, we will seek a vote on the third party's similarly retrograde amendment 21.

Catherine Fookes: It is a pleasure to serve under your chairship, Mr Vickers. I take the opportunity to welcome the measures in the Bill, particularly those in clause 1, and to thank the Minister for her really swift work. We know all too well the damage that has been done by water companies and agricultural pollution across the UK. That damage has only been exacerbated by years of Conservative failure, allowing for record levels of illegal sewage dumping in our rivers, lakes and seas.

In my constituency of Monmouthshire, we have the majestic rivers the Wye, the Usk and the Monnow. Armies of citizen scientists, co-ordinated by the wonderful Save

the River Usk group in Usk with Angela Jones, have been monitoring the river over the past few years. Sadly, it is getting worse and worse. The levels of phosphate pollution in the River Usk are the worst in all the nine Welsh rivers that are special areas of conservation—SACs.

This Labour Government have only been in office for six months, yet we are already taking more action to tackle the scourge of sewage than the Conservative party did—indeed, more than the Conservative party and the Liberal Democrat party did—when they were in government. Instead of obfuscation and delay, we are getting serious action to end the disgraceful behaviour that we have been discussing. That is especially evident in clause 1, which seeks to ban bonuses for water bosses unless high standards of protecting the environment are met. Water bosses must also involve consumers in decision making. In addition, the clause ensures that failing water bosses will no longer be able to be water bosses. This action is essential if we are to hold water company bosses to account and ensure that they act in the best interests of the public and the environment, rather than in the interests of their own pockets.

I am pleased that in Wales we have the not-for-profit water company Dŵr Cymru. Sadly, however, that status has not stopped the company from leaking sewage. In 2023, we had 2,383 sewage dumping incidents in Monmouthshire, which is 2,383 too many. In 2022, chief executive Peter Perry took home £332,000 and a further £232,000 in bonuses, while in the latest financial year Ofwat had to step in and stop the company from paying out £163,000 of bonuses from customers' money.

I am sure that I am not alone in recognising the injustice of such bosses' being paid hundreds of thousands of pounds in bonuses while polluting our environment. It is clear to me that significant Government action and regulation is needed, and the clause delivers it. It finally ensures that the polluter pays. I support it wholeheartedly.

Jerome Mayhew (Broadland and Fakenham) (Con): I am pleased to see you in your place, Mr Vickers.

I am not going to speak to the Government amendments; I merely repeat the very good arguments put forward by my hon. Friend the Member for Epping Forest. At this stage, however, I will just express a couple of concerns that I have about amendment 18, tabled by the Liberal Democrats.

I understand the rationale or the intention behind amendment 18; we all want the water companies to pay closer attention to the interests of their consumers. I note in passing that they already have a statutory duty—a consumer-focused statutory duty—but the actions taken by the Conservative Government over the past 14 years to ask questions about the state of sewage discharges and to get information about them, so as to take effective action to bring them to an end, bring with them an additional need.

The hon. Member for Westmorland and Lonsdale highlighted a loss of trust in the water undertakers, and I agree with him on that. There has been a significant loss of trust as their poor behaviour, which was uncovered by the Conservative Administration, has been met with considerable outrage—justifiable outrage—by the Government and by members of the public.

However, I fear that there will be some significant unintended consequences associated with the drafting of amendment 18, relating to the legal obligations of a

board member. The hon. Member for Westmorland and Lonsdale referred to those new positions being on the boards of companies. There are legal obligations that apply to all board members and I question whether the representatives of consumers and of the voluntary organisations that have been so active in this area over the past few years would really want to be exposed to the legal obligations of being a member of the board of a plc, because those obligations are significant and onerous.

Charlie Maynard: It is fairly standard on boards today to have directors and officers insurance; indeed, all board members have it. What is the problem with the new people also having D&O insurance?

Jerome Mayhew: I am grateful for that intervention. However, it seems an odd way to proceed if it is recognised that there is a risk to voluntary members who join boards, exposing them to personal obligations, such as a fiduciary duty of care. There is also a legal duty of loyalty to the organisation, which such volunteers might find quite difficult to stomach. There is a duty of obedience to the organisation as well. It seems odd at this drafting stage to say, “We recognise that there is a risk, but don't worry: you can take out insurance and you'll probably be okay.” It seems odd to introduce an amendment in an imperfect form, rather than perfecting it.

Charlie Maynard: First, it is up to each individual to sign up or not; they do so of their own free will. Secondly, this is standard insurance which almost all boards have in the UK and internationally nowadays, which protects board members. It would not be specifically for those board members; it would be for all board members. To say that that is a concern, and that we should not make this provision on those grounds, seems odd.

Jerome Mayhew: I have expressed my concerns. It would be perfectly possible to achieve the object, which I share, of improving the voice of the customer in water companies, or of improving the implementation of the existing obligation on water companies to take account of the consumer interest. I do not think that the current drafting is the best that we can do. I raise these concerns so that they may be properly considered.

Helena Dollimore: I thank the Minister for all her work in introducing this Bill so quickly in the new Parliament. It is a Bill that my constituents in Hastings and Rye desperately need. As I have said many times in this House, our constituency of Hastings, Rye and the villages has suffered hugely at the hands of Southern Water. Litres of raw sewage has been pumped into the sea. Our town centre has been flooded twice, leaving homes and businesses under sewage water, and our taps have run dry twice in less than a year. We in Hastings and Rye felt the impact of 14 years of Conservative failure to crack down on water companies' bad behaviour.

David Reed (Exmouth and Exeter East) (Con): I agree with many of the hon. Lady's points. Many of our constituents are feeling the same effects, but does she not agree that the reason why the Bill has been introduced so quickly in this Parliament with so few new ideas in it is that most of the work was done by the previous Government?

Helena Dollimore: I think Opposition Members are slightly confused about the record of the Government of the past 14 years, of which both the Liberal Democrats and the Conservatives were a part at different points. My constituents in Hastings, Rye and the villages would find the hon. Gentleman's assertion that the last Government fixed the crisis in our water companies very bizarre indeed. I draw his attention to the powers that this Government are introducing to ban bosses' bonuses when they fail our constituents. The last Government left thousands of outlets unmonitored, and when there were monitors, they were reporting to the water companies themselves. What this Government are doing differently is not allowing the water companies to mark their own homework; we are saying that monitors should report directly to Government, not the water companies.

Jerome Mayhew: The hon. Lady says that it was the last Government who allowed the water companies—the undertakers—to mark their own homework. Does she not recall that it was actually the Labour Government in 2008 who specifically changed the rules to allow water companies to do just that in relation to their environmental performance?

Helena Dollimore: I am yet to hear an apology from the Conservatives for their failure to put monitors on any outlet in my constituency, their failure to make those monitors report to Government at all, and their failure to address the severity of the sewage scandal that has caused so much disruption for my constituents, for local businesses and for so many people up and down this country.

I pay tribute to campaigners in so many of our constituencies. Many are in the Public Gallery and they have done so much work exposing this scandal for what it is. We would not be discussing the scale of this scandal were it not for their hard work. In my constituency, Clean Water Action Group campaigners go out regularly of their own accord and out of their own pockets to test the water to expose what Southern Water is doing in our community. I pay tribute to them.

What we are discussing today is a measure to ban bosses' bonuses, because it is so important that we do not see what we have seen over the last 14 years of Conservative Government—the continued failure to prevent Southern Water from rewarding bosses with bonuses. Laurence Gosden, the chief executive of Southern Water, received a bonus last year when we had seen repeated failure in Hastings and Rye under Southern Water's watch. As I said earlier, the chief executive of Ofwat confirmed to the Select Committee that had the measures in the Bill been put in place last year by the Conservative Government, the bonus would not have been paid. Laurence Gosden only received that bonus because of the failure of the Conservatives to act when they had 14 years to do so.

12 noon

I was also shocked to hear that the legislation that the previous Government drafted meant that there was only a tiny set of reasons for which bonuses could be banned. Under the last Government, to ban a water boss's bonus there would have to be criminal failure. I do not know about other Members in this House, but my constituents who go to work, some of whom receive

bonuses, would find it crazy to set the bar for banning bonuses at breaking the law, rather than not doing a good job and meeting customers' needs. That speaks for itself in terms of the absurd record of the last Conservative Government.

It is absolutely right that this Labour Government have acted to ringfence the water companies' money for investment in the crumbling pipes in my constituency of Hastings and Rye, and are stopping that money being diverted into bosses' bonuses and rewarding failure.

Jerome Mayhew: Will the hon. Member give way?

Helena Dollimore: I will make some progress, because I know that we need to make progress in the debate.

In conclusion, I thank the Minister for her work on bringing the Bill before the House so quickly. I know that this is just the start of the change that we need to deliver on our water companies. This Government are acting where the previous Conservative and coalition Governments failed, and are working to clean up our water system.

Charlie Maynard: I have a question for you, Mr Vickers. This is my first Bill Committee and I am trying to understand how everything works. There are six amendments to clause 1, and our task is to do line-by-line scrutiny. My ambition is to understand why the Government support or reject each of those amendments. At the moment, in our debate of clause 1, we are swimming quite happily between those amendments. I would love your advice, Mr Vickers, as to how we work to understand what the story is on each amendment in turn, because I am not clear on that.

The Chair: There will be an opportunity to force any amendment to a Division, if the hon. Member wishes. We are attempting line-by-line scrutiny—I think it is more like a debate on Second Reading, but that is by the way. Does that answer your question? The Minister will respond.

Charlie Maynard: Perhaps, since I am standing, I will make the other two points I want to make.

We have touched on Government amendment 2 already, but I think it is important. I was very pleased to see the wording coming in about bonuses. Proposed new section 35B(3) of the Water Industry Act 1991 says:

“Rules made for the purposes of imposing the prohibition mentioned in subsection (2)(a) (“the pay prohibition”).

That is the ban on bonuses. While the explanatory statement says that it is to prevent the need for a statutory instrument—which the Liberal Democrats support and seek to do in further amendments—the impact of the Government's change is also to remove the requirement for the rules to be published by Ofwat within six months. That we find very odd.

I take it in good faith that the Government are keen to have the measures implemented, so we do not understand why they would take the timeline out. The Government want to ensure that it happens, but as currently stated, they are removing the timeline. Taking it on good faith that Ofwat will publish the rules is less strong than keeping in that commitment to six months.

I will correct the hon. Member for Epping Forest on our amendment 21. Our amendment relates to the same aspect of the Bill as Government amendment 2. However, we want to retain the need for Ofwat to publish the rules on bonuses within six months but remove the option for that to be kicked into the long grass by requiring the Secretary of State to lay a statutory instrument to bring them into effect. By taking out that provision, we remove that risk. That is the purpose.

Andrew Pakes (Peterborough) (Lab): As a new Member, it is a privilege to serve on a Bill Committee under your chairmanship, Mr Vickers—I hope I will get all of it right. I felt particularly moved to speak on these amendments and clause 1, given some of the earlier comments. I was a bit worried that we had been transported by the Opposition back to a previous Conservative age, because we seem to be being told that water customers have never had it so good—as one of their predecessors said—because of all the action that was taken.

There has been a lot of talk about teeth. I ask the Minister to confirm that the Bill is about the dentistry that is needed to put more teeth into the water sector. When she responds, will she identify whether the clauses that the Government have tabled help to address some of the very real anger that my constituents feel about the way they have been ghosted and treated by the big water companies and the behaviour of some of the senior leadership? Representing a seat with Anglian Water, which I think applies to some other Members present, I place it on the record that there is real frustration at the performance and actions of such a large company when at the same time as more than 3,000 hours of sewage were being dumped into rivers around my area, the fens and John Clare county, we saw the Anglian Water chief executive receiving £1.3 million in a package of pay and bonuses, despite that poor performance. The anger and the desire and drive of this Government, but also the public, to see action is palpable, so I very much welcome the Bill and I seek clarity on that. It is absolutely right, as the Government have outlined, that we have a fast Bill to get these teeth and this emergency dental treatment delivered quickly, so that we can come back and put the braces on for the rest of the water sector—[*Laughter.*] I think I am running out of places where that analogy can go; it is getting very dangerous.

When we get the Cunliffe report and others, we will look at some of the bigger issues for the water sector, but I am very concerned by that £1.3 million. I serve as a member of the Environment, Food and Rural Affairs Committee and I share the concerns expressed by my hon. Friend the Member for Hastings and Rye that when we directly asked Ofwat whether it had the dental tools to challenge and put the surgery on to the water companies, Ofwat was very clear that it did not. I specifically asked the chief executive and leadership of Ofwat about another *bête noire* of the debate, which is Thames Water. Up until March 2024, in those three months, the chief executive gave himself a £195,000 bonus. Since 2020, we have seen £41 million given to water company chief executives in bonuses and incentives, so can the Minister reassure this Committee that the clauses that the Government have put forward will help to restore trust and put in place initial measures so that we can get on with this, end the delay, take action and start to put right the problems that the Government have inherited, and then look at the wider issues when we get the report later in the year?

Tim Farron: I will just have a quick canter through three things that I should have talked about earlier. My apologies, Mr Vickers, and thank you for your indulgence. I will speak to amendments 21 and 19 and new clause 26 briefly.

I reiterate the comments by my hon. Friend the Member for Witney about amendment 21. I have great respect for the hon. Member for Epping Forest, but I think he has misunderstood. As my hon. Friend said, our amendment seeks to ensure that we do not run the risk of kicking into the long grass the taking of action against bonuses by sticking that provision anywhere other than in the Bill. We were not planning to divide on it, but we will be happy to be the ones voting in favour of immediate action rather than kicking it into the long grass, if that is what he wishes to do.

I do not want to bore anybody about the coalition, but it has been mentioned—give me 20 seconds on it, Mr Vickers. The privatisation of the water industry was where all this went wrong. All the parties that have been in government in the 35 years since then share some responsibility. Just for the record, it is worth stating that DEFRA had no Liberal Democrat Minister in it at all for the majority of the coalition period. For 18 months, my great friend Dan Rogerson served in that position. That was the time during the coalition, by the way, in which we undid some of the foolish capital costs that were made at the beginning of the coalition. It is the opposite of the truth to say that we did nothing; we actually did the only thing that did happen during that time. It is also worth bearing in mind—people might remember—that we were in the EU then and properly regulated, and things were different. That is the end of that defence.

Dr Hudson: Will the hon. Gentleman give way?

Tim Farron: Oh, go on.

Dr Hudson: His recollection is perhaps different from many people and the public at large regarding the Liberal Democrat record on water. His party seemed to jump on this bandwagon once the Conservatives were the party that actually started measuring the scale of the problem.

Returning to amendment 21, the hon. Gentleman has the word “Democrat” in the name of his party. I do not know why they are so scared of having democratic and ministerial accountability by having a very simple clause in the Bill that would provide for a statutory instrument being laid so that the Secretary of State for DEFRA would have some accountability for that. I take on board the point about the first part of paragraph 5 in terms of the first six months of the Bill, but with the amendment would remove two thirds of that clause, which was put in with cross-party consensus in the other place. I am surprised that they are scared of democratic accountability.

Tim Farron: Well, that is bizarre. With total respect for the hon. Gentleman, he completely misunderstands. We are seeking to put this on the face of the Bill and not kick it off to a statutory instrument. That seems the opposite of anti-democratic—or, indeed, democratic.

Let us move on to the other issues I would like to briefly mention. New clause 26, which is in this group—

The Chair: Order. We have agreed to discuss new clause 26 separately.

Tim Farron: In that case, I will speak to amendment 19, which is about revolving doors. Amendment 19 seeks to prevent a revolving door between water companies and the regulator. In July 2023, the chief executive of Ofwat stepped down to very swiftly pick up the role of interim chief executive of Thames Water. An analysis by *The Observer* in 2023 found 27 former Ofwat directors, managers and consultants working in the industry they helped to regulate until shortly beforehand, with about half of them in very senior posts.

Some work that the Liberal Democrats did in the last 18 months found that the director for regulatory strategy at the country's largest water firm, Thames Water, was previously an Ofwat employee. Meanwhile, a senior principal at Ofwat moved directly from Thames Water, where they worked on market development. We also found links between Ofwat and Southern Water, Northumbrian Water and South West Water, including directors who work on regulation. The amendment tries to prevent that revolving door, which clearly brings in a potential conflict of interest. It also builds the quite justified absence of trust. I can feel an intervention brewing—go for it.

Jerome Mayhew: I am not against the principle of this—in fact, I am strongly in favour of it—but I have some practical questions. I wonder whether this would bump up against individuals' human rights and restraint of trade arguments in the courts. I must confess that I was previously a barrister. That was a long time ago, so I have dangerously little knowledge now, but it was certainly the case that the courts would habitually not enforce a restraint of trade clause on a contractual basis that was in excess of 12 months. I know that this would be legislation, but to have such a wide-ranging blanket prohibition for such a long period against all employees, irrespective of the role they undertook and the role that they might in future undertake with a water company, might be challenged successfully under human rights legislation. I wonder whether the hon. Gentleman has considered that in his drafting.

The Chair: I remind Members that interventions should be short—much shorter than the last two. I have been very generous.

Tim Farron: I appreciate that, Mr Vickers. I am very grateful for the helpful and constructive intervention the hon. Gentleman just made. Look, this is not an amendment we are seeking to press to a vote, but it is an issue that is clearly very serious in terms of the quality and safety of regulation. We are perfectly happy for the Government to use all the legal might they have available to find a way of amending the Bill on Report to deal with the issue in a way that builds confidence and prevents obvious conflicts of interest.

Tom Hayes (Bournemouth East) (Lab): It is a pleasure to serve under your chairmanship, Mr Vickers. This is an important topic and Committee, but before I talk about that, I wish gently to remind the hon. Member for Epping Forest that the Conservative party was in power for 14 years. I know the general election defeat was historic—quite enormous—but I do not think the bump

to the head should have caused such an enormous loss of memory about what was achieved, or not achieved, over the past 14 years. Residents of Bournemouth East are incandescent about the state of water infrastructure and the sewage that they are enduring as a seaside town. It is no surprise that as a consequence, when I was campaigning in the general election and knocking on doors since, people raised this hot topic with me.

12.15 pm

I want to draw particularly on the views of four constituents who have been in touch, knowing that I am on this Committee: Jane in Southbourne, Ray in Boscombe, Denise in Strouden Park and Kat in Littledown. They are deeply concerned that over the past 14 years there has been such underinvestment in water infrastructure, to the point where it crumbles and as a consequence we have so much sewage in our rivers and seas. It is shocking to them, and to me, that £41 million was paid out in shareholder dividends and bonuses since 2020. That is an enormous sum of money to be taken away from investment in our water system. It is also shocking that bonuses can go to CEOs as they pollute wilfully, seemingly without any consequence.

I strongly welcome the Government moving forward so rapidly with the Bill, particularly its requirement that the regulator can limit or stop bonuses, and can hand out significant consequences in cases of malpractice, including the option of jail time. When I knock on doors and talk to residents, they do not think it is right that crimes can be committed, and that someone can have such disregard for our nature and water system, and that that goes unpunished.

Dan Aldridge (Weston-super-Mare) (Lab): As a fellow Member from a coastal town, I echo my hon. Friend's point about the anger and frustration on the doors from residents in Weston-super-Mare. Over the past decade the quality of water on the three main beaches has got worse and worse, and the bathing water at all three is now classified as poor. The anxiety among every sector of the community is really high, and political point scoring aside, the situation is dire. This week raw sewage was spilled on Uphill beach because of the crumbling infrastructure. I urge the Government—I am pleased we have grasped the nettle—to take on the big challenges.

Tom Hayes: I thank my hon. Friend for his important intervention. It is great to see him championing his constituency, and it goes to show why Labour won in so many seaside and coastal towns. The people of those towns and cities trusted Labour to bring forward a Bill such as this as quickly as we have done, and this is just the start of change. As we have heard, more legislation will come forward, but so that we do not delay and wait for the full package, the Minister is bringing forward this action rapidly to respond to the urgent case that is being made on doorsteps all around our country, particularly in our seaside towns.

I have constituents who are livid about the fact that while infrastructure has crumbled, no investment has gone in, and money has gone out the door in bonuses and shareholder payment dividends, bills are rising. That is not just water bills—bills on a whole host of things contribute to the significant cost of living crisis that so many in our country have felt. I welcome the

efforts of this Government, and I congratulate the Minister on all the hard work that she and her officials have been undertaking. I very much look forward to seeing further development of our programme of investment.

The Parliamentary Under-Secretary of State for Environment, Food and Rural Affairs (Emma Hardy): It is a pleasure to serve under your chairmanship, Mr Vickers, and if I may I will start by wishing everyone a happy new year. I thank members of the Committee for the engagement with the Bill they have shown, and I also thank all the environmental groups, everyone who submitted evidence, and Members in the other place for the work they did on the Bill.

I am pleased to be back debating this vital piece of legislation. As I set out on Second Reading, the Bill will drive meaningful improvements in the performance and culture of the water industry as part of wider efforts to ensure that water companies deliver for both customers and the environment and, as has been mentioned in the debate so far, act on the real anger and mistrust we feel towards our water sector at the moment.

However, the Bill is one part of the Government's ambitious and long-term approach to fundamentally transforming the water sector. As Members will be aware, in October 2024 the Government announced an independent commission, which will be the largest review of the water sector since privatisation. The commission has a broad scope and will consult experts in areas such as the environment, public health, engineering and economics, as well as customers and investors. It will look closely at financial resilience as one of its key areas—I know we all care about that.

I reassure members of the Committee on the timeline; the commission will report to the Government by quarter 2 of 2025. The UK Government and the Welsh Government will then respond and consult on proposals that they intend to take forward, and we expect those to form the basis of future legislation.

Charlie Maynard: Does that mean the beginning or the end of Q2?

Emma Hardy: We expect the commission to report to the Government in June. I reassure the hon. Member that when I respond at the end of every session, I will go through each and every amendment in turn.

I turn to Government amendments 1 and 2 to clause 1. The Government have carefully considered all non-Government amendments made in the other place and how they fit within the wider plans for reform of the water sector, including the amendments tabled by Lord Roborough and Lord Cromwell. I thank them, and indeed the other place, for their careful consideration of the Bill, particularly for the constructive way in which they worked with the Government during the Bill's passage through the Lords. That collaborative approach enabled the Bill to be strengthened, for example, through the introduction of new requirements relating to the implementation of measures in pollution incident reduction plans. However, the Government have determined that the amendments from Lord Roborough and Lord Cromwell are not necessary and should be removed from the Bill.

Government amendment 1 concerns financial reporting. During the Bill's passage through the other place, it was amended in such a way that required rules made by Ofwat under clause 1 to include reporting requirements on company finances. The Government strongly agree with the need to ensure water company finances are closely monitored, especially given the current financial issues experienced by some companies. However, having considered the Lords amendment in detail and having had further discussions with Lord Cromwell about the intent behind his amendment, we feel that it is duplicative of existing processes as well as conditions in water company licences.

Ofwat already has processes in place to monitor where a company may be heading towards financial difficulties. It is already a condition of water company licences that companies are required in their annual report to publish by a set date financial performance metrics, including interest on their borrowing, financial flows and analysis of their debt. Based on those reports, Ofwat sets out its observations on financial resilience across the sector in its "Monitoring financial resilience" report. Ofwat is also alive to the potential for financial engineering to occur outside of regulated companies and is thoroughly monitoring the financial position of all water companies. The Lords amendment would therefore duplicate existing requirements, with the potential to create confusion in what is already a complex regulatory landscape. This is important: we also retain concern about the potential for the Lords amendment to pre-empt forthcoming reforms following the independent commission led by Sir Jon Cunliffe. On that basis, the Government have tabled Government amendment 1 to remove Lord Cromwell's amendment from the Bill.

Helena Dollimore: During the debate, we have heard a lot of words from the Opposition parties, but we had very little action during their 14 years in Government. We on the Government Benches have raised clear examples pointed out by Ofwat where it has not had the necessary tools to ban bonuses when it wanted to do so with Southern Water. While we are on that topic, I express my surprise that the hon. Member for Waveney Valley has not turned up to this sitting of the Committee.

Emma Hardy: I have to say that it is slightly disappointing that we do not have a full contingent for such an important Bill Committee, which matters so much to people up and down the country. There could be personal reasons, so let us reserve judgment, but it is a little surprising to me too.

Dr Hudson: The Minister said that she worries that the amendment from Lord Cromwell would duplicate things. Actually, it is quite a simple amendment that achieved a lot of cross-party support in the other place. If it duplicates things, a bit of repetition is not a bad thing to ensure annual financial reporting by water companies. It would not create confusion: repeating this important matter on the face of the Bill would just create clarity, so we urge the Government to reconsider.

The Chair: Just for the record, I am advised by the Clerk that Adrian Ramsay has sent his apologies, as he is ill.

Emma Hardy: I am pleased that we have that on the record. This is an important Bill, and I encourage everyone to attend.

I believe, first, that the Lords amendment is duplicative of the work that Ofwat is already doing and, secondly, that it will pre-empt any forthcoming reforms from the water commission.

David Reed: We have heard repeatedly that this is just the start of the legislative process to bring our water companies back to heel. Will the Minister please explain what she thinks the Bill lacks and what she hopes to do in the future to strengthen and add to it?

Emma Hardy: The hon. Gentleman tempts me to look into the future before we have had the water commission. To clarify—just so there is no misunderstanding—the commission will not amend this Bill but will produce another piece of legislation that looks at everything.

Jayne Kirkham (Truro and Falmouth) (Lab/Co-op): The review will be very wide ranging. We are talking in great detail about the regulators' powers, and there are four regulators. I assume—I think the Government have made this clear—that the review will look at how water is regulated, right down to how many regulators there are and how they operate, so that is completely up for grabs. We are prejudging what may be in that review, but that will be for Sir Jon to work out for himself. I feel like this is something that may be covered in the review, but will the Minister please confirm that regulation is all up for grabs?

Emma Hardy: My hon. Friend is absolutely right. Information will be coming out shortly about how each and every Member across the House can contribute to that review.

Government amendment 2 seeks to remove the amendment that requires rules made by Ofwat under clause 1 to be brought into force by statutory instrument within six months of the Act's coming into force. Alongside my amendment, I will also address amendment 21—I thank the hon. Member for Westmorland and Lonsdale for tabling it—which is largely in line with the intention behind mine.

Although the Government understand the need to ensure the rules relating to remuneration and governance are subject to efficient scrutiny, this additional process risks compromising Ofwat's independence, which must be protected. The necessary secondary legislation would be prepared by the Government, and therefore would represent significant Government interference in the independent regulatory process. That kind of interference has the potential to have adverse effects on investor confidence. The consultation requirement in clause 1 already provides the Secretary of State and other interested parties with the opportunity to raise major concerns with the regulator on the content of the rules. We are confident that Ofwat will continue to work constructively with the Government and other stakeholders to determine a robust and appropriate set of rules.

Charlie Maynard: Will the Minister give way?

Emma Hardy: I will finish what I am saying. I might answer the hon. Gentleman's question in my upcoming remarks—who knows?

The additional requirement for the rules to be confirmed for affirmative resolution statutory instruments could also risk delaying the introduction of the first set of rules. That is counter to the other aspects of Lord Roborough's amendment, which requires Ofwat to publish the first set of rules within six months of Royal Assent. I reiterate that the Government expect Ofwat to have the rules in place as soon as possible. Indeed, Ofwat has already concluded its initial policy consultation on the rules, demonstrating its commitment to meeting the Government's expectations. I highlight the fact that Ofwat today submitted to the Committee written evidence of its statutory consultation on the proposed timelines for introduction of the rules, demonstrating its commitment to getting this done as quickly as possible. I urge all hon. Members to have a look at that evidence.

12.30 pm

However, we do not think it is appropriate to hold Ofwat to a six-month deadline. While we are confident that Ofwat can deliver the rules in that timeline, we are mindful that there may be unforeseen complications in finalising the rules. Not allowing adequate time to account for such unexpected complications risks undermining the effectiveness of the rules, opening potential loopholes. For that reason, the Government largely agree with the intent behind amendment 21, tabled by the hon. Member for Westmorland and Lonsdale. It is not appropriate to bring Ofwat's rules into force via secondary legislation, which is why we have tabled an amendment to remove that from the Bill.

Charlie Maynard: I will just express disappointment. The Bill currently sets a deadline of six months, which is not exactly a moment in time; six months is a long time to get something done. I respect what the new Government are doing by trying to go after the bonuses and hold people to account, but to take a step back and say, "Actually, we are going to weaken the Bill", which is what amendment 2 is doing—the Government are taking out the deadline—is retrograde and a real mistake.

Emma Hardy: I strongly disagree that this amendment weakens the Bill or is retrograde. Instead, it is doing things effectively. If we were to put a six-month deadline in the Bill and rush to get the rules done in that period of time and there were complications, we would risk leaving a loophole that could be exploited by companies that have exploited loopholes for an incredibly long time and become rather apt at doing so. With respect, I would rather do it properly.

Dr Hudson: The Minister says that she would like to do this properly. We all agree around this House on the scale of the problem, the public outrage at some of the things that have happened with water companies and the fact that we are trying to address and improve our water quality. I am therefore curious why both the Government and the third party are shying away from giving the Secretary of State and the Department the democratic powers and accountability to pass statutory instruments, which, as we all know, can be done very quickly. We have talked about dental analogies. I am an equine vet; I have rasped many teeth in my time. It would help ministerial oversight to see that the dental work is being done properly.

Emma Hardy: I am desperately searching for a dental analogy. I have already outlined to the hon. Gentleman that we tabled this amendment to protect the independence of Ofwat, protect investor confidence and ensure that rules under clause 1 are effective and in place as soon as possible. It is therefore necessary to remove Lord Roborough's amendment. I again urge hon. Members to look at the written evidence supplied by Ofwat today. On that basis, and considering the arguments I have put forward for removing the six-month deadline for the rules to be published, I ask the hon. Member for Westmorland and Lonsdale not to press amendment 21.

Turning to amendment 22, also tabled by the hon. Member for Westmorland and Lonsdale, public trust in the water sector has been severely damaged and the number of serious pollution incidents is increasing. At the same time, companies are paying out millions in bonuses. I therefore fully support the intention behind the amendment and agree on the importance of ensuring that customers and the environment are put at the heart of companies' objectives. That is why the Secretary of State announced immediate action to improve the performance of the water industry in his first week in office. That included an agreement that companies would update their articles of association to make the interests of customers and the environment a primary objective. I am pleased to inform the House that a number of companies have already made that change, and DEFRA is working to ensure that all companies implement it as soon as possible.

This is a Government of service, focused on improving people's lives, and it is important that consumer interests are represented at the heart of decision making. That is why, under clause 1 of the Bill, Ofwat must make rules requiring consumer involvement in corporate decision making. Companies will be required to put in place arrangements to involve consumers in decisions that have a material effect on consumer interests. I trust therefore that the hon. Member for Westmorland and Lonsdale is reassured by the steps being taken by Government and he feels able to withdraw amendment 22.

David Reed: There is a lot of additional work being pushed towards Ofwat. Could the Minister confirm whether Ofwat has the internal capacity to meet that workload? If not, is there a ringfenced budget in DEFRA to allow Ofwat to employ more people?

Emma Hardy: I thank the hon. Gentleman for his helpful question. Yes, we obviously have regular conversations with Ofwat to ensure that it is capable of delivering everything here. There is an impact assessment on the table in the room, if the hon. Member would like to look at exactly how that all works out.

Amendment 18, also tabled by the hon. Member for Westmorland and Lonsdale, speaks to the representation of customer views and those of wider groups. The Government are clear on the importance of elevating the voice of consumers in water company governance and decision making. That is why—as I have mentioned—under the Bill, Ofwat will set rules requiring water companies to have arrangements in place for including consumers in company decision making.

In October last year, Ofwat published a public consultation on the rules on remuneration and governance and how they will apply. The proposed options put forward by Ofwat include giving a non-executive director the

responsibility for oversight of consumer interests on the board and providing opportunities for consumer panel representatives to meet with the CEO on a regular basis. Furthermore, companies already have a range of environmental obligations that they should be meeting, and experts in water and sewage policy should already be considering those obligations to inform board-level decision making. I trust the hon. Member for Westmorland and Lonsdale is therefore reassured by the Government and Ofwat's approach and is content that amendment 18 is not needed.

I will now take a little time to discuss clause 1 itself and the importance of it standing part of the Bill. As hon. Members know, clause 1 provides Ofwat with new powers to set rules on pay and governance in the water sector and requires that Ofwat make rules on four topics. I have already spoken about one of these, consumer representation. The legislation also provides Ofwat with new powers to issue rules on remuneration and governance, and requires that Ofwat set rules that make the payment of bonuses contingent on companies achieving high environmental standards. As the independent regulator, it is more appropriate for Ofwat to determine the performance metrics to be applied when setting the rules for performance-related pay.

In addition, Ofwat must also make rules covering the fitness and propriety of chief executives and directors. That means that it will be required to set standards of fitness and propriety that chief executives and directors must meet in order to be appointed by water companies or stay in post. People holding those senior roles will be held accountable against those standards and, if they fail to meet them, companies may need to take corrective action or ultimately remove executives from post if necessary. Ofwat's initial policy consultation outlined some proposed standards of fitness and propriety that included ensuring that individuals have sufficient knowledge of the duties of water companies, are financially sound and have not been the subject of regulatory investigation. Collectively, those rules on remuneration and governance will help to drive meaningful improvements in the performance and culture of the water industry and form a central part of the Bill.

To pick up on the point made by my hon. Friend the Member for Hastings and Rye about whether the rules go further than the previous Government's, the short answer is yes. The legislation will provide Ofwat with legal powers to ban bonuses, whereas currently it can only set expectations, and it will require Ofwat to set rules prohibiting the payment of bonuses in certain circumstances. Executives will no longer be able to take home eye-watering bonuses where companies fail to meet standards on environmental performance, financial resilience, customer outcomes or criminal liability. We will go further by requiring Ofwat to set rules requiring water companies to ensure that directors and executives meet the highest standards of fitness and propriety, and that customers are involved in company decision making that impacts consumers.

Finally, turning to amendment 19, also tabled by the hon. Member for Westmorland and Lonsdale, I would like to reassure the hon. Member that both the Government and Ofwat take the handling of actual or potential conflicts of interest very seriously. Ofwat employees are already bound by a range of robust rules and processes that support the management of conflicts of interest,

Amendment 25, in clause 2, page 5, line 27, after “occurrence” insert “and impact”.

Amendment 24, in clause 2, page 5, line 29, at end insert—

“(ea) the use the undertaker plans to make of nature-based solutions for reducing the occurrence and impact of pollution incidents.”.

Amendment 6, in clause 2, page 7, line 14, at end insert—

“(5) An implementation report must be published on the relevant undertaker’s website in a form which is publicly accessible.”

Clause stand part.

Tim Farron: I will speak to amendments 23 and 25 first, as they are connected, then amendment 24, and then amendments 9 and 6, which were tabled by those on the Conservative Front Bench. I think amendments 9 and 6 are both fine and helpful, and we would be supportive of them.

In amendments 23 and 25, tabled in my name and that of my hon. Friend the Member for Witney, we are referring to impact. There is reference in the Bill to an incident reduction plan, to reduce occurrences and to have reports about occurrences. Our concern is about much more than occurrences; it is about impacts. We know, for example, that a spillage into the River Kent, River Eden, Windermere or Coniston may last a certain amount of time, but we do not know about the volume. We may have a trickle over a day or a deluge over a half-hour period.

It is important to understand the impact not only on marine life, fish stocks and biodiversity, but on things such as leisure activities. As an occasional wild swimmer myself, and as somebody who knows a lot of anglers, canoeists and sailors in my constituency, it seems wrong that we should not put front and centre, not just a greater awareness of and action on incidents, but a look at the impact—the measured impacts on biodiversity, wildlife, livestock, farmers and the tourism economy in places like the Lakes, which is the biggest visitor destination in the country after London. I would be very grateful if amendments 23 and 25 were taken on board by the Government.

Amendment 24 relates to nature-based solutions and looks at incident reduction plans. As the Chartered Institution of Water and Environmental Management put it:

“Nature-based solutions...can help address many of the water sector’s challenges while also providing significant benefits for people and planet, such as water quality improvement, flood risk reduction, carbon sequestration, climate resilience, nutrient neutrality, biodiversity enhancement, community engagement, and public health and wellbeing.”

Indeed, nature-based solutions are also a vital source of funding and income for farmers. Examples include natural flood management techniques, such as wetland restoration, tree planting across catchments of areas of unproductive land—not of productive agricultural land, I hasten to add—and building resilience to flooding; the construction of treatment wetlands and reed beds to treat waste water and improve water quality; the creation and restoration of ponds and pondscapes; climate mitigation and adaptation; and the building of resilience to drought.

Finally, the multiple benefits delivered by working with nature also create opportunities for blended finance by drawing in private investors or gaining income from buyers and ecosystem services. That further increases taxpayer value for money at a time when the delivery burden on the water industry, and therefore customer bills, is at a record high. Investment in nature-based solutions will help to ensure that water industry spending supports the delivery of the maximum environmental and social benefits.

Amendments 23, 24 and 25 are about assessing the damaging impact of pollution incidents in our lakes, coastal areas and rivers in my communities and across the country. Through amendment 24, they also try to provide practical solutions that will help to address those issues. They are meant to be helpful amendments and I hope that the Government will take them on board.

Dr Hudson: I rise to speak about amendments 6 and 9, proposed by His Majesty’s Opposition. I hope that they are self-explanatory amendments that are quite simply about the core concept of accountability, which was at the heart of the previous Government’s mission to improve our water system. We must remember that at the heart of every failure that damages our waterways, it is the Great British public—those who rely on our waterways as consumers and as members of communities served by them—who are let down and denied the rights to pollution-free water systems to which they are entitled.

Amendment 6, which would require water companies to publish their implementation reports accessibly online, gives the public a tangible and visible sign by which water companies can be held to account for the promises they make and the actions they say they will take. It is a vital step in trying to restore the trust that water companies may be seen to have lost in recent years with the public through their inadequate actions to deal with this issue, as people have seen and as hon. Members have articulated today on both sides of the House. It is very much about having not just words and promises but explicit standards to judge water companies by, and it would form a kind of contract between the companies and their consumers, who would then know what to expect from their individual company.

His Majesty’s Opposition have no objections to the principle of clause 2 and its requirement that water companies publish an implementation report, nor in the specific details that companies would be expected to produce in proposed new section 205B of the Water Industry Act 1991. In fact, we welcome the Government’s willingness to listen to the concerns from Conservative peers, including Lord Roborough, and peers from other parties in the other place to strengthen clause 2, including the requirement for implementation reports to be drafted by water companies in the first place and ensuring that the requirements for pollution incident reduction plans also include water supply system-related incidents, not just sewage-related incidents.

However, we believe that amendment 6 would go even further to strengthen that proposal and advance the accountability that we all want water companies to have. Requiring implementation reports to be published online in an accessible way sets out an explicit and clear definition to water companies of how they are expected

[Dr Hudson]

to publish any such plans, as the clause requires, and demonstrates how water companies must comply with the law in unequivocal terms.

In stressing accessibility, amendment 6 would end the ambiguity that can sometimes exist for the public, which means that it is often too easy for companies to hide away behind protocol and procedure. By making such information available to consumers, we would ensure that there could be no hiding in murky waters on this vital issue and the concrete commitments to improving our waterways.

Water companies can also benefit from the chance to make reflections on their progress available in full sight of the public. In all walks of life, sometimes people's efforts to make good on promises cannot come to full fruition for reasons beyond their control. If genuine reasons arise for not meeting targets, there can be full transparency for the public as to why, so they can understand more about the nature of the industry and the issues involved in protecting the quality of our water system. In other words, full transparency is in everyone's interests.

A 2023 review commissioned by Ofwat about the importance of open data was clear that open data provide great benefits in a range of areas when it comes to the water industry. In terms of the environment, it highlighted that open data from sewage overflow monitoring were beneficial to the creation of the predictive analytics tools used in Wessex Water's intelligent sewers competition, which helped to identify sewage blockages much earlier than they otherwise would have been. That demonstrates an explicit link between the work of recent years to require data monitoring in the water industry, such as on storm overflows—I reiterate that 100% are monitored thanks to the work of the previous Conservative Government—and improvements in the water industry's tackling of pollution. That is in addition to the improved accountability and the responsibility that data publication places on water companies to get the issue right.

The report highlighted, however, that at the time there was a trend towards companies sharing data with their key partners, rather than making information completely and clearly available for unrestricted public access. The report therefore explicitly recommended that companies in the water sector should look at the data they had been sharing only with specific groups and partners, and take steps to make available those data where they can.

Amendment 6 would solve the problem of information reports before it could even arise—upstream—by unequivocally stating that water companies must publish implementation reports on their websites that would be accessible to all members of the public, not just those with the time and influence to ask for such data. We talked about citizen science: this will give those data to the people to analyse and hold water companies to account. The Conservatives will therefore be pressing amendment 6 to a Division.

I am conscious of time, Mr Vickers. Are you going to call stumps in about 20 seconds?

The Chair: No. We can keep going until 1.30 pm.

Dr Hudson: On that note, I will move on to amendment 9, which would make it a requirement for pollution incident reduction plans to include how an undertaker intends to reduce the occurrence of pollution incidents in national parks attributable to their water system. The Opposition tabled the amendment to strengthen the existing plans that the Government have put forward, so that no stone is left unturned in ensuring environmental protections from our water companies. The amendment ensures that water companies make it clear how they will work to reduce pollution incidents in national parks in a system that a water company operates in.

National parks are an area that the previous Conservative Government took great efforts to protect in their legislative programme on protected landscapes. We worked to encourage water companies to invest in peat restoration, and allowed teams at national parks to bid for investment that improved their water environments. The history of recent work on national parks goes beyond just the most recent Government, with the Glover review being published in July 2019. In a response to that review, the Conservatives highlighted their commitment to national parks and water quality, such as through developing the natural capital and ecosystem assessment, which combined data science, citizen science and earth observation technology to inform water quality improvements as a priority target; and ensured that capital and natural capital reporting were embedded into the management plans of protected landscapes.

1 pm

Despite the effort and progress made by the previous Government, the new Government still need to make a concerted and ongoing effort to ensure that our rivers and waterways are truly as pristine in their content as they look from the outside. Studies have found chemicals and pollutants in waterways in national parks that simply should not be there. Of course, that is not just about environmental beauty or water quality; it affects our wildlife standards, animal health and welfare, and biodiversity. The creatures of the natural world that rely on those waterways are put at risk if the pollution from our national parks is not reduced. That is true not only of the animals that live in and around waterways, but of any animals that rely on them in their food chain for survival.

We Conservatives have taken great pains to improve the consideration of nature-based solutions. I take on board the comments of the hon. Member for Westmorland and Lonsdale about nature-based solutions. We all agree that it is important to use nature-based restorative functions for things such as flood mitigation, through planting trees in the right place, re-wiggling rivers and so on. It is important that we work collectively to do that, and the introduction of the environmental land management schemes in the previous Parliament was very much part of that.

With this amendment, we are trying to ensure that the water company pollution reduction plans, as required by the Bill, have the maximum effect, so I hope that the Government will consider accepting it. As I said to the Government on Second Reading, we want to ensure that the Bill is the best that it can be to deliver for the constituents of all Committee members and Members right across the House of Commons and the other place. We tabled it and other amendments in exactly

that spirit: not as a hindrance or for the sake of party politics, but to make this Bill even better for the country that we serve. We will therefore be pressing amendments 6 and 9 to a vote.

Jerome Mayhew: I will speak primarily in support of amendment 6. I pay tribute to the former Member for Ludlow, the right hon. Philip Dunne, who throughout the previous Parliament was the Chair of the Environmental Audit Committee, on which I sat. The EAC's work on water quality and the seminal report that we produced started this huge public interest in water quality and led to the legislative changes in the Environment Act 2021, among other things.

One of the key lessons we learned from the work that we did on the EAC was the need for transparency of data and information, which can unlock the power of citizen science. We visited the citizen scientists working on the River Windrush, who had difficulty analysing the data that was then publicly available but very hard to find to work out whether storm overflows were being used in the way the water companies were describing. Their very detailed, hard-to-do work exposed the shocking misuse of storm overflows.

As those citizen scientists understood, an event duration monitor is a very simple piece of equipment: it is either on or off. It is set on the outflow of the storm overflow tank. When it detects flow on that channel, it turns on, and when that flow ceases, it turns off. What it does not do, as the hon. Member for Westmorland and Lonsdale rightly pointed out, is measure volume. It also does not measure what is passing. It says that something is passing or not passing, but it does not measure volume or quality. That leads me to support amendment 6, tabled by the loyal Opposition, and to question not the intention behind the Liberal Democrat amendments—amendments 24 and 25 and those to clause 3, which I

suspect we will talk a bit more about—but the effectiveness of having new machines that measure volume, in addition to whether it is on and off, but not quality.

A better solution may be the one that the Environmental Audit Committee recommended all those years ago—I stand to be corrected, but I think we wrote that report in 2021. It called for the upstream and downstream monitoring of water quality, typically in the outflow river, so that in addition to a signal that there has been an event, there is close to real-time reporting of the comparative water quality upstream and downstream of a discharge outlet. That would simplify the technical requirements of having to install a whole load of new equipment, which other amendments from the Liberal Democrats anticipate, at an unknown cost and implementation speed. Instead, it would look at the actual real-time impact on a particular water body.

Amendment 6 would require the publishing of the information on the undertaker's website. I am surprised that that was not part of the Bill in the first place and, given that it was not, that the Government have not adopted the amendment. All it does is to apply consistency to the legislative programme. Section 81(2) and (3) of the Environment Act 2021—I know the Minister is familiar with it, but just in case she is not—require the publishing of event duration monitor data within an hour and in a format that is readily accessible by the general public. The loyal Opposition's amendment is simply trying to ensure consistency between what we already require for EDMs on undertakers' websites and this area.

Ordered, That the debate be now adjourned.—(*Jeff Smith.*)

1.7 pm

Adjourned till this day at Two o'clock.

