Southern Water Local Authority Stakeholder Group

17:00 – 17:30 on Tuesday 17 June 2025[1]
via MS Teams

Notes of Meeting

1. Introduction from Chair of Southern Water Stakeholder Group ("SWSG") - Cllr Rachel Millward (Wealden District Council) (2 mins)

RM welcomed Emma Hardy ("EH") to the meeting and provided some general background information about the Group. RM explained that the Group consists of over 20 councils representing more than 4 million people across all political parties in the south east, who have come together in a unique way to encourage change in how water companies collaborate with local authorities. By uniting, the Group aims to better serve its communities and the environment. This collective effort is intended to create a greater impact by addressing common issues together, streamlining processes and enhancing overall effectiveness. Ultimately, the goal is to assist the new Government in delivering the necessary housing and to work with Southern Water to drive improvements. The Group has already met with OFWAT and the Environment Agency to understand their perspectives and explore how to better integrate efforts.

EH was pleased to hear that the group is actively pursuing this initiative, involving cross-party collaboration and bringing together representatives from different areas. It is commendable that the group has also engaged with OFWAT and the Environment Agency collectively.

2. Introduction from Emma Hardy MP (Parliamentary Under-Secretary and Minister for Water and Flooding, Department for Environment, Food and Rural Affairs) (2 mins)

EH explained that since the new Government has taken office, it has made its stance clear: there is no excuse for poor performance. Water companies must instil greater confidence in their plans to assure the Government and regulators that they can achieve the necessary progress and meet growth targets in the coming years. Government is eager to collaborate with local Councils, groups like this and the regulators to identify and eliminate obstacles, ensuring continuous progress.

3. Questions from the SWSG, provided in writing in advance (5 mins per question/answer):

3.1 Growth and Infrastructure (Cllr Rachel Millward - Wealden DC)

As you will know, the Government is committed to the delivery of 1.5m new homes during this parliament, passing major increases in housing targets to Councils all

[1] Meeting was delayed by an hour due to Emma Hardy MP being called unexpectedly to vote in Parliament, resulting in the absence of some members

across Southern Water's region. Unfortunately, the pace of delivery at Southern Water means that new and improved infrastructure capacity is now acting as a break on growth. What more can the government do to ensure that Southern Water meet their obligations and allow new homes to be delivered, driving economic growth but without further harming our precious environment?

EH explained that in the past, many promises made by water companies were not always fulfilled. To address this, the new Price Review has been introduced, which includes the creation of a Water Delivery Task Force. This group in Parliament meets with MHCLG ministers, DBT and various government agencies to review key projects across the country.

The Task Force questions water companies about their progress in delivery. When a water company identifies a blockage in delivering a project, whether it be due to skills, regulation, or other factors, the Task Force aims to address these issues proactively. The growth duty now covers OFWAT, meaning regulators are considering the desirability of promoting economic growth, but not at the expense of illegal activities. Regulators must consider the impact of their activities and decisions on economic growth and if water companies fail to meet their obligations, regulatory action will be taken as necessary and proportionate.

For Southern Water, the expenditure allowance for PR24 is £8.5 billion, which will unlock economic growth. Companies are proposing 30,000 new jobs in technical and managerial roles, including 5,000 apprenticeships across the country. Southern Water is required to produce a statutory drainage and wastewater management plan, outlining how the company intends to manage and develop its infrastructure over the next 25 years. This plan ensures robust public sewage services, considering population growth, urban development, climate change pressures, and future needs.

Water companies also have a statutory duty to provide a secure water supply for customers through the water resources management plans, which addresses water supply and demand, including leak sustainability, over the next 25 years. Southern Water recently published its final draft Water Resources Management Plan, which is currently being scrutinised by regulators to advise the Secretary of State on the next steps. The Water Delivery Task Force will ensure that water companies are delivering on their plans by scrutinising them and monitoring specific projects around the country.

RM thanked EH for this update and clarified that this Group focuses on waste water rather than supply. RM inquired if EH was aware of the Grampian condition implemented by Wealden, which prevents houses from being occupied until the sewage system is satisfactorily set up? This condition has slowed down housing delivery, but it has been tested and upheld at the planning appeal stage. While this measure is not intended to hinder affordable housing schemes within Wealden, it exemplifies the direct tension being experienced.

EH thanked RM for the information, noting that the situation sounds quite concerning. EH requested more details on the matter. **Action**: Wealden to provide additional information on the aforementioned Grampian condition, as this new condition is causing delays in projects that are otherwise ready to proceed, which is not the desired outcome.

3.2 Regulation (Cllr Paul Clarke - Horsham DC)

We have responded to the Independent Commission for Water consultation, with a particular focus on how water companies such as Southern Water are regulated. Our work talking to the EA and OFWAT has shown that from the moment water companies business plans are approved there is no on the ground regulation of their delivery of those plans, until sewage is being spilt and the environment and people's lives ruined. What more can the government do to ensure that water companies are regulated on an ongoing basis?

EH explained that one of the first actions the new Government took, just six weeks into its term, was to introduce the Water Special Measures Act. This was a key part of our manifesto commitments to place companies under special measures and strengthen regulations. It was laid out on the first day back in September after recess to demonstrate how seriously we are taking this issue and our commitment to improving the performance of water companies.

There has been news coverage about banning bonuses and how we have fulfilled our commitment to hold companies accountable if they fail to deliver for customers and the environment. However, we knew that this alone would not solve the problem. EH is pleased that this Group have submitted evidence to the Independent Commission, as we aim for a consensus on what needs to be done and changed when the final report is published.

Following our initial actions, OFWAT have introduced 12 new performance targets for Price Review 24, including reducing spills from storm overflows, cutting operational greenhouse gases and improving biodiversity. Any failure to meet these performance commitments will result in automatic penalties for companies. For water companies under the Special Measures Act, we are also looking at introducing automatic penalties for non-compliance, similar to a speeding ticket, where there are immediate consequences for infractions.

The Special Measures Act has passed and the consultation on specific measures will be out soon, if not already. The interim findings from the Independent Commission are out and we are awaiting the final report this summer. We are focusing on five key areas for wide-ranging and fundamental change: clearer direction from Government, stronger regulation of water companies, green decisions on water systems closer to local communities, greater focus on responsible long-term investors, and more. We anticipate further legislation next year.

About a month ago, we announced an increase in water company inspections, with 81 new criminal investigations into water companies due to a significant rise in inspections. As previously mentioned, having rules is pointless if they are not enforced. This is why we have increased the number of environmental agency water inspections. We are looking at a fundamental reset through the Independent Commission, taking action on delivering on penalties and performance with the Water Special Measures Act, and increasing water inspections. Additionally, the Water Delivery Task Force, which previously mentioned, focuses on the deliverability of large infrastructure projects.

PC thanked EH for the update, noting that it was reassuring. PC added to RM's previous comments about Grampian conditions related to discharge, mentioning

that there are also Grampian conditions introduced at Horsham District Council concerning the supply of water due to water neutrality concerns.

3.3 Protected Landscapes (Cllr Jonathan Brown - Chichester DC)

Section 245 of the Levelling Up & Regeneration Act 2023 strengthens the legal duty placed on relevant authorities to seek to further the statutory purposes of protected landscapes (National Parks and National Landscapes) in their work. The Southern Water region includes land within the New Forest and South Downs National Parks, the Chichester Harbour National Landscape and the High Weald National Landscape. The Defra guidance confirms that Southern Water are a 'relevant authority', so should take appropriate, reasonable, and proportionate steps to explore measures which further the statutory purposes of Protected Landscapes; seek to avoid harm and contribute to the conservation and enhancement of the natural beauty, special qualities, and key characteristics of Protected Landscapes; and should be able to demonstrate with proportionate, reasoned, and documented evidence the measures to which consideration has been given when seeking to further the statutory purposes of Protected Landscapes. There are many examples of Southern Water's operations detrimentally impacting our nationally protected landscapes, through spills and other activity and we therefore ask what the Government will do to hold statutory undertakers (including Southern Water) to account in the delivery of their legal duty to conserve and enhance our nationally protected landscapes?

EH replied that, as previously mentioned, the capacity of water company assets has been increased. From April 2024 to March 2025, 4,000 inspections were completed. This number will rise to a further 10,000 inspections per year starting from April 2025. This significant increase is a result of the Water Special Measures Act, which allows the Environment Agency to recover costs from water companies for enforcement activities. This cost recovery will make a substantial difference, as it ensures that the expenses of investigations can be recouped.

For example, OFWAT and the Environment Agency have launched the largest number of criminal and civil investigations ever into water companies since the discharge regulations were implemented, covering over 2,200 treatment works with more than 30 dedicated staff working on the investigations. Actions could include criminal prosecution by the Environment Agency, with the possibility of unlimited fines.

So to recap, the Government has increased regulation, introduced new cost recovery measures, implemented new penalties under the Water Special Measures Act and increased the number of personnel conducting investigations.

3.4 Working Together (Cllr Emily O'Brien - Lewes DC)

Can the minister reassure the group that the reform to the planning system and the regulation of the water system are joined up and that MHCLG and DEFRA officials and ministers understand the need to do both right, for the good of the environment and to stop housebuilding being caught in limbo between two uncoordinated systems? And given our repeated and ongoing difficulty obtaining basic information from Southern Water on planned upgrades, sewer capacity and more, can the

minister confirm her expectations around the obligation on water companies to work with local authorities to deliver this growth?

EH emphasized the importance of having a coordinated solution, which is why the Water Delivery Task Force was established. With EH's department focussing on wastewater and water supply, MHCLG handling building regulations for new homes and local authorities being responsible for delivery, a strategic oversight is crucial to understand what is happening and where. Since the current Government took office less than a year ago, efforts have been made to break down siloed ways of working by bringing together different government departments such as flooding and water delivery. EH encouraged sharing specific examples of issues on the ground where agencies are not performing in a joined up way, as this information is valuable for unlocking solutions at the government level. The goal is to ensure that this coordinated approach is reflected at local levels as well.

EB thanked EH for the response and emphasized the significant issue surrounding the credibility of housing delivery targets if there is not the corresponding infrastructure in place. Without the necessary infrastructure in place, the existing system is perceived as non-functional, especially in an environment where the government aims to increase housing delivery. This creates a credibility gap in achieving these targets. Relying on a vague duty to connect assumes that water companies will fulfil their obligations, which is not always the case. EB suggested that it would be helpful if the Group were to provide specific examples of where issues have been raised with OFWAT, the Environment Agency and others. **Action**: the Group to pull together some good examples for passing to EH.

3.5 Clean Rivers and Seas (Cllr Stephen Scoffham - Folkestone & Hythe BC)

We are repeatedly told that sewage discharges are a result of surface water in the combined water system. Does the minister therefore share our frustration that at the same time we are being warned about hosepipe bans due to a lack of rainfall, we are still seeing sewage discharges into our rivers and seas? We understand that this is a long term problem and will require complex solutions, but when does the minister expect us and our children to swim in our bathing water without fear of getting sick?

EH emphasized the importance of bathing waters, highlighting their significance for both tourism and the local community. Beaches are popular for family outings and EH fully agrees on the importance of this issue. One of the measures introduced in the Price Review 24 is the increase in outcome delivery incentives for companies, focusing on serious pollution, storm overflows, and bathing water quality. This is just one aspect of the many issues that need addressing.

In prioritising bathing waters, the aim is to achieve a significant reduction in pollution. This initiative is based on national priorities and involves incentivising companies to unlock financial rewards for good performance or imposing financial and reputational penalties for underperformance. A combination of incentives and penalties, along with increased inspection capacity, has been implemented.

For Southern Water, they are expected to deliver a 24% reduction in storm overflow and have been allocated £1.1 billion for this purpose. Additionally, they are tasked with reducing the amount of harmful nutrients entering rivers by 39%, with an

allocation of £627 million through the OFWAT price process. The funds are available and it is crucial to hold Southern Water accountable to ensure they deliver on these commitments. The Government has emphasized that improvements to storm overflows must also consider bathing waters, as it is a public health issue.

SS thanked EH for her explanation and appreciated the recognition of the serious issues affecting not just the area, but especially the regions where many visitors come to enjoy the seaside. SS suggested that his local community is not fully convinced that Southern Water's investment plans for the 2025-2030 period will significantly address the current problems. SS offered to provide further information if it would be helpful.

EH thanked SS for his comments and suggested that other water companies have provided mapping data of where their storm overflows are, along with plans for upgrades and when. Southern Water should have similar information available, which can be requested.

SS confirmed that Southern Water had shared some information, but there were doubts about its effectiveness. EH inquired if the data provided was at a detailed granular level, specifying the timeline for each upgrade. SS confirmed that they had not received such detailed information. EH suggested that this level of detail would be useful and offered to support this information request on the Group's behalf. She highlighted that other water companies have shared such detailed plans. SS thanked her for the offer of help and would like to take up the offer.

RM endorsed the acceptance of EH's help, noting that it would be significantly beneficial. RM mentioned that while Southern Water had shared strategic goals, there was a particular lack of granular detail. Any support EH could provide would be greatly appreciated. **Action**: EH to follow up with Southern Water on the Group's behalf.

4. Final comments and meeting close – Cllr Rachel Millward (1 min)

4.1 Where is the funding for the extensive work that needs to be done coming from? (Cllr Ian Tysh, Wealden District Council)

Customers are facing higher bills and there is a constant tension between the cost of living and the necessary funding needed to implement these changes. Many people feel that they have already paid and much of their money has been diverted to executive bonuses and unwarranted dividends. How is necessary funding going to be secured within the required timeframe, without causing significant delays in development, potentially spanning decades. Additionally, would the Government consider clawing back payments that were inappropriately made to major shareholders or executives who did not deserve them?

EH replied that regarding actions taken before the introduction of the new legislation, there is limited recourse as these were under the previous Government. However, the current Government has ring-fenced funds meant for infrastructure. If the allocated funds for infrastructure projects are not delivered, they will be refunded to the customers. The figures for allocated funds and the percentage of bill increases designated for infrastructure have been reviewed. These funds cannot be used for

dividends or bonuses and must be refunded to customers if not spent on infrastructure improvements. This measure, along with the Unfair Bonus Ban, ensures that bonuses are tied to specific performance metrics. If these standards are not met, bonuses will not be awarded. These changes have been implemented to address past issues and the focus is now on the actions taken by the new Government.

Additionally regarding the cost of living crisis, EH highlighted the importance of promoting social tariffs. Local authorities are encouraged to help raise awareness about social tariffs as much as possible, as many people are unaware of their existence. Only one utility company offers automatic enrolment, while most do not. There is support available for vulnerable customers, but it is not widely known. **Action**: Local Authorities to promote social tariffs to their vulnerable customers.

4.2 Is the government considering green solutions, such as natural flood management, alongside grey ones, and are there plans to support these through policy? (James Winkworth, Director of the South Downs National Park Authority)

Is the Government considering green solutions alongside grey ones? We believe there is a significant opportunity for natural flood management to address the issues we are discussing. The challenge is that it currently lacks the same policy support. Has this been considered? The insurance industry has a great opportunity to benefit from this and there could be ways to use the existing system to reinvest in natural flood management schemes. Are these considerations being taken into account?

EH thanked JW for this question, which is an issue close to her heart. The flood funding formula is being revised to look at changing the rules on how flooding is financed. In the past, it was challenging to get nature-based solutions approved because flood protection had to be demonstrated to move to a new risk band. While it is easier to show the effectiveness of a concrete wall, it is more complex with wetlands. We are currently consulting on changing this rule and would appeal to the Group to respond to the consultation.

Additionally, we are proposing a simpler formula for flood protection funding. The first £3,000,000 would be straight government funding, and beyond that, it would require 10% partnership funding. Given that most nature-based solution projects are relatively inexpensive and small, this would provide certainty of funding for nature based solutions. If everyone agrees with the consultation, we can make these changes. Sometimes, engineered solutions are necessary, but nature-based solutions offer benefits for both nature and public enjoyment of beautiful spaces while managing flooding. The consultation closes in 4-5 weeks, so the Group's response would be greatly appreciated.

RM thanked EH for her time today and inquired about the best way to follow up on the areas discussed and the information to be sent on to her. EH suggested emailing her at ps.emma.hardy@defra.gov.uk, marking it for the attention of Sam Jolly who can pick it up

In the meantime, EH will contact Southern Water on this Group's behalf, to provide the local authorities within this Group more detailed information on forthcoming planned works in their respective areas.

Attendees (in organisation alphabetical order)

Name	Council
Catherine Hutchins	Adur & Worthing Councils
Cllr Sue Wallsgrove	Arun District Council
Anne Shattock	Basingstoke & Deane Borough Council
Cllr Kate Tuck	Basingstoke & Deane Borough Council
Cllr Trevor Muten	Brighton & Hove City Council
Cllr Bill Brisbane	Chichester District Council
Cllr Jonathan Brown	Chichester District Council
Fjola Stevens	Chichester District Council
Emma Hardy MP	Department for Environment, Food and Rural Affairs ("DEFRA")
Carla Jones	Department for Environment, Food and Rural Affairs ("DEFRA")
Louis Rawlings	Department for Environment, Food and Rural Affairs ("DEFRA")
Michael Charlton	Department for Environment, Food and Rural Affairs ("DEFRA")
Sam Jolly	Department for Environment, Food and Rural Affairs ("DEFRA") - Water Industry Strategy
Cllr Stephen Scoffham	Folkestone & Hythe District Council
Owen Devine	Gosport Borough Council
Andy Hill	Greater Brighton Economic Board
Cllr Mark Etherington	Hastings Borough Council
Getachew Mamo	Hastings Borough Council
Cllr Paul Clarke	Horsham District Council
Neil Collins	Lewes & Eastbourne Councils
Cllr Emily O'Brien	Lewes District Council
Cllr Paul Keene	Lewes District Council
Cllr Michael Summersgill	Maidstone Borough Council
Cllr Simon Curry	Medway District Council
Dean Brunton	New Forest District Council
David Illsley	New Forest National Park Authority
Cllr Teresa Killeen	Rother District Council
Holly Harrison	Rother District Council
James Winkworth	South Downs National Park Authority
Renato Messere	Tandridge District Council
Annemarie Field	Wealden District Council
Chris Bending	Wealden District Council
Cllr Ian Tysh	Wealden District Council
Cllr Rachel Millward	Wealden District Council
Kellie Eldridge	Wealden District Council (notetaker)
Nichola Watters	Wealden District Council
Stacey Robins	Wealden District Council

Apologies

Cllr Jude Harvey	Adur District Council
Cllr Steve Neocleous	Adur District Council
Karl Roberts	Arun District Council
Alex Voce	Brighton & Hove City Council
Cllr Tim Rowkins	Brighton & Hove City Council
Andrew Frost	Chichester District Council
Martin Woolhead	Department for Environment, Food and Rural Affairs ("DEFRA")
Cllr Jim Murray	Eastbourne Borough Council
Mike Culver	Eastleigh Borough Council
Cllr Jim Martin	Folkestone & Hythe District Council
Cllr Steve Hammond	Gosport Borough Council
Cameron Morley	Hastings Borough Council
Cllr John Cannan	Hastings Borough Council
Cllr Judy Rogers	Hastings Borough Council
Eleanor Evans	Hastings Borough Council
Cllr Elizabeth Lloyd	Havant Borough Council
David Fitzgerald	Havant Borough Council
Cllr Grainne Rason	Havant Borough Council
David Hayward	Havant Borough Council
Emma Parkes	Horsham District Council
Marc Dorfman	Lewes & Eastbourne Councils
Matthew Hitchen	Lewes & Eastbourne Councils
Nadeem Din	Lewes & Eastbourne Councils
Thom Hoang	Maidstone Borough Council
Tom Gilbert	Maidstone Borough Council
Dave Harris	Medway District Council
Gabrielle Bussley	Medway District Council
James Smith	New Forest District Council
Cllr Theresa Fowler	Rother District Council
Carlyn Kan	Sevenoaks District Council
Emma Henshall	Sevenoaks District Council
Tim Slaney	South Downs National Park Authority
Adam Bennett	Tandridge District Council
Cllr Catherine Sayer	Tandridge District Council
Cllr Chris Farr	Tandridge District Council
Tom Jones	Tandridge District Council
Cllr Dennis King	Tonbridge & Malling Borough Council
Julian Ling	Tonbridge & Malling Borough Council
Ria Hotchin	Tonbridge & Malling Borough Council
Cllr Vicki Wells	Worthing District Council