

Water Commission Interim Report Analysis

June 2025

Executive Summary

The Independent Water Commission's interim report arrives at a critical time following years of escalating public pressure to clean up our rivers and coastlines. **While we welcome the report's diagnosis of the failures in the system, we believe that the report fails to provide the bold systemic reform necessary to shift the water industry from private interest to public benefit. River Action and Surfers Against Sewage believe that bringing sewage pollution to an end must be a core target of the final report.**

The report gives the sense that strengthening regulations and regulators can help align the current model of ownership and governance. However, we are concerned that there is not enough evidence that more regulation will be sufficient to enable the current model to end this crisis. This approach continues to work within the logic of a system that has already failed. We believe that this logic must be fundamentally reversed.

The system itself must be redesigned so that water companies are required – by design and duty – to operate in the public interest and for environmental outcomes as their core purpose. The Commission's interim report appears to accept the profit-driven model as a foundational principle, seeking only to limit instances where private gain overtly conflicts with the public good; this is not enough.

We need bold leadership and fresh thinking from the Labour Government. While we recognise that renationalisation is not currently under consideration, we urge you to recommend the use of the Special Administration Regime (SAR) as a tool to establish new models of ownership, investment, and governance. These must be capable of tackling the urgent challenge of reforming the UK's most significant polluters and delivering for millions of customers, starting with the companies such as Thames Water.

If this opportunity is not seized, the sector will remain trapped in a cycle of pollution, water scarcity, public anger, and political failure. The current trajectory risks entrenching the very conditions that led to this crisis in the first place, and costing the economy, public health and environment that sustains us in the long term.

River Action and Surfers Against Sewage believe the final report must aim to bring sewage pollution to an end. We believe that the Commission can achieve this by:

1. The system must be redesigned with public benefit and environmental protection as core operating and regulatory principles.
2. Democratise decision-making and governance with customers, environmentalists and local government having decision making power and oversight of local and regional water company planning, spending and performance.
3. Secure benign structures and long-term investment for water companies to drive delivery of their public benefit purpose. This should be through strengthened outcome-based regulation of water company ownership and finances including debt levels.

River Action and Surfers Against Sewage welcome the report's recognition of:

- Government failure to plan for long-term sewage treatment and drinking water needs.
- Weak, reactive regulation from Ofwat which allowed water companies to pile on debt and reward pollution with dividends and bonuses.
- An underfunded Environment Agency unable to monitor pollution and enforce environmental law.
- Water companies prioritising profits over people and planet, resulting in outdated infrastructure and pollution.
- Water companies' poor environmental performance driven by profit hungry short term shareholders.





Analysis of the interim report - Short read


The table below highlights our analysis of the Independent Water Commission's interim report against the five principles jointly set out by Surfers Against Sewage and River Action. These principles were included in our submission to the Commission and reflect the driving governance principles for water companies and regulators.

Each principle is given a RAG (Red-Amber-Green) rating to indicate the extent to which the interim recommendations align with our expectations:

- **Poor** – Little or no alignment; critical gaps remain unaddressed.
- **Partial** – Some recognition of issues, but no credible or enforceable measures proposed.
- **Strong** – Clear and meaningful alignment with our submission.



We have set out in the final column the changes required to achieve a green rating. These are practical, outcome-focused steps that we believe are both achievable and necessary to deliver the meaningful change the water sector needs.


Our 5 principles	RAG Rating	What changes are required?
Operating for Public Benefit	 Poor	<ol style="list-style-type: none"> 1) Water Companies restructured to operate for Public Benefit. 2) Recommendations for attracting long term low risk investment must not water-down regulatory enforcement from either environmental or economic regulators but instead incentivise outcome-based investments. 3) Debts must be regulated and accumulation of debt must be to deliver water companies' public benefit purpose.
Democratic Decision Making	 Partial	<ol style="list-style-type: none"> 1) Regional System Planning approach should be expanded to regional democratic governance 2) The commission should recommend a move towards a more municipal level with the proposed regional planners sitting above water companies with the power to oversee and direct water company investment, operations and delivery.
Protect Public & Environmental Health	 Poor	<ol style="list-style-type: none"> 1) Water companies to be restructured to operate for public benefit, with public and environmental health and performance embedded as a core principle. 2) All actors in the water sector including regulators, water companies and government should be given a legal duty to protect and improve public and environmental health.
Tough Independent Regulators	 Partial	<ol style="list-style-type: none"> 1) Water company operating permits must be withdrawn and a Water Industry Special Administration Regime (WISAR) triggered for environmental pollution and financial

		<p>misconduct or insolvency, as per the Water Industry Act 1991.</p> <p>2) Removal of Constrained Discretion recommendation in favour of systemic mainstreaming of nature-based solutions.</p> <p>3) Recommendation for restoration of regulators' budgets and capability to ensure full enforcement of existing law, including access to legal resources and courts.</p>
Transparency	 Partial	<p>1) Mandate real-time public access to pollution and performance data.</p> <p>1) Enforce full financial transparency and link investor returns and executive rewards to environmental performance.</p> <p>2) Introduce mandatory disclosure of dividends, debt structures, and financial engineering.</p>


Analysis of the interim report - Long read

We're also sharing a detailed long read analysis of the Water Commission's Interim Report, structured around the five principles we set out in our joint submission to the Call for Evidence. The analysis identifies areas of progress, highlights key concerns, and identifies 'red flags' on any recommendations we believe should not appear in the final report. In the final column, we propose how each rating could be improved to green for the final report, offering a clear path to achieving the transformational change the water sector urgently needs.

Our 5 Principles (as outlined in our submission to the Call for Evidence)	RAG Rating	Commentary and Red Flags 	What changes are required?
Operating for Public Benefit			
a. Financial and governance structures of water companies should no longer be privatised without assurance that public benefits and democratic municipal oversight is embedded into the ownership, investment, governance and operating structure. They should be modelled on successful public benefit systems in Europe including wholly publicly	 Poor	<p>a. Water Companies allowed to continue to operate for private interest Instead of restructuring Water Companies to operate for public benefit the commission is relying on regulators to simply ensure that water companies' private interests do not lead them to behave against the public interest. This is locking in the existing failed system which has led to rampant sewage pollution and does nothing to reset the priorities of the industry. The entire water sector including companies, regulators and government must all have a clear priority to deliver public benefit and environmental outcomes.</p> <p>b. Focus on existing investors over public benefits The interim report references "public benefit" just twice, whereas "investors" are mentioned 53 times. Rather than recommending a systemic reorientation towards public benefit-driven ownership or</p>	<p>1) Water Companies restructured to operate for public benefit and environmental outcome.</p> <p>2) Recommendations for attracting long-term, low-risk, low-cost investment which must not water-down regulatory enforcement from either</p>



<p>owned, not-for-profit and regional water authorities.</p> <p>b. Customers must get what they paid for. A new system must be regulated to attract much-needed investment in upgrading and maintaining sewerage infrastructure from long term low risk lenders investing over time.</p> <p>c. Investment should be prioritised for the use of innovative and effective catchment scale solutions - including nature-based solutions - to help tackle the causes of sewage pollution and deliver cost effective co-benefits for biodiversity and climate.</p> <p>d. Regulators must ensure finances are used efficiently and debt managed sustainably and at minimum cost, with financial penalties ring-</p>		<p>governance models, the report centres on restoring “investor confidence” into our existing broken system.</p> <p>c. RED FLAG  Need for long term low risk investment risks undermining regulatory enforcement</p> <p>Whilst we welcome the commission's view that long-term, low-risk, low-cost investors are needed to finance reform of the industry we are concerned the Commission may be listening to industry and creditors who are calling for the weakening regulatory enforcement to enable this. The Commission cites that industry have argued fines, outcome-linked payments and comparing the best and worst companies to one another mean water companies can't guarantee long-term returns for investors. However, we argue that strengthening these exact mechanisms will attract the right kind of investors who will push water companies to deliver public benefit outcomes in order to receive returns. The Commission's final recommendations must be clear that the means to attract long-term investment must not water-down regulatory enforcement from either environmental or economic regulators.</p> <p>d. Failure to regulate debts</p> <p>The Commission has highlighted that the level of water company debt has had a negative impact on company operational performance and investment, with ‘company decision-making on debt... not always been in the public interest’ (para 147). The Commission, however, has not drawn any clear conclusions of its own and has not made any clear recommendations. We recognise that debt can be used to effectively deliver on long term projects. But debts must be regulated sustainably so as not to impact the water company's operational performance.</p>	<p>environmental or economic regulators but instead incentivise outcome-based investments.</p> <p>3) Debts, the cost of servicing them (i.e. interest payments) and the ratio to equity must be regulated, and accumulation of debt must be to deliver water companies' public benefit purpose only, not to reward investors as has been done in the past.</p>
---	--	---	--

<p>fenced for investment in sewage infrastructure and nature-based solutions.</p>		<p>e. Ownership models only acknowledged While international models such as not-for-profits, municipal utilities, and regional water authorities are mentioned, the report treats them as peripheral rather than viable blueprints for reform. No substantive attempt is made to assess or promote models that prioritise reinvestment, democratic governance, and cost efficiency - as proven by cities like Paris or Stockholm.</p> <p>f. Structural reform is missing The report's emphasis on improving business models rather than transforming ownership structures reflects an approach that avoids addressing the core failings of England's privatised water system. Despite extensive evidence linking overleveraged financial structures to poor performance (e.g., Thames Water), the Commission refuses to endorse any shift to public interest models. Instead, it seeks to "rebalance" incentives within a fundamentally flawed framework.</p> <p>g. Public infrastructure investment left to market logic The interim report recognises the urgent need for long-term infrastructure investment, including resilience frameworks and asset renewal. However, the proposed mechanisms do not resolve the core issue - private companies operating with minimal accountability are still in charge of public assets. There is no requirement to reinvest profits into infrastructure and a diagnosis of the problems with dividends with few solutions.</p> <p>h. Nature-based solutions are mentioned, not mandated The Commission mentions nature-based solutions and catchment-scale innovation but offers no enforceable framework or funding model to prioritise them. The interim report lacks any mechanism to make these solutions the default rather than the exception.</p>	
---	--	---	--


Democratic Decision Making			
<p>a. Decisions about how water is planned, funded and managed should be taken on a regional and local level with the input of local stakeholders including water users, customers, local authorities, environmental groups and engineers.</p> <p>b. These stakeholders crucially must have real decision-making power enabled through participating in the governance structures of water companies (i.e. operating entities providing sewage treatment and water supply services) combined with municipal oversight.</p> <p>c. Decisions at a local and regional level must align with and enable the</p>	<p> Partial</p>	<p>a. Regional System Planning approach should be expanded to regional democratic governance The proposal for regional water system planning is a step in the right direction. We welcome the Commission's recommendations that these regional system planners will be formed democratically with local stakeholders and should have real <i>authority in relation to water industry investment (para15)</i>. However, we are concerned that these regional planners would always be at the whim of water companies making decisions at a higher level without democratic involvement from local authorities, or environmental representatives. In contrast, our principle calls for embedded, formal governance roles at both company and regional levels-mirroring successful participatory structures seen across Europe.</p> <p>b. Company reforms remain top-down and investor-led The report notes that most water companies have amended their Articles of Association to include the environment and customer interest as objectives. While symbolically valuable, this is largely a voluntary and top-down corporate reform, not a shift toward a different model, e.g. municipalisation. There is no mention of regionalised governance, community-led cooperatives, or a return to localised decision-making as seen in systems in France, Switzerland, Finland or the Netherlands.</p> <p>c. Ofwat's enhanced powers still centralise decision-making Ofwat's new authority under Water (Special Measures) Act 2025 (WSMA) to introduce rules around consumer panels and executive accountability is important, but it consolidates power within the</p>	<p>1. Regional System Planning approach should be expanded to regional democratic governance.</p> <p>2. The commission should recommend a move towards a more municipal level with the proposed regional planners sitting above water companies with the power to oversee and direct water company investment, operations and delivery.</p> <p>3. Water company boards should include customers and other public representatives to ensure decision-making is made in the interests of the</p>

<p>delivery of a national strategy for planning, financing, governing and regulating sewage treatment, water quality and supply to ensure a joined-up approach to securing water and clean rivers, lakes and seas.</p>		<p>regulator, rather than redistributing it to communities. There is a missed opportunity to devolve governance to regions or create a framework where local authorities hold a formal 'golden share'—a successful model seen in the Netherlands.</p> <p>d. No role for stakeholders on customer boards</p> <p>Whilst the commission has considered options for adding stakeholders to water company boards they have decided against this citing new powers in the Water Special Measures Act and Independent board members. However, whilst the introduction of consumer involvement provisions via the WSMA are welcome, many customer boards already exist and have no real decision power. These provisions are limited to consultative input, with no commitment to meaningful voting or decision-making power for consumers. In addition, while the report highlights board independence from management and investors, this is still corporate independence, not democratic oversight. Independent non-execs are not synonymous with citizen or stakeholder representatives. European models such as Eau de Paris and Berlinwasser embed public, employee, and civil society seats on governance boards - demonstrating a much deeper commitment to transparency and engagement with the public. The commission must look again at the role local stakeholders can play at governance level.</p>	<p>public, customers and the environment, not just investors.</p>
Protect Public and Environmental Health			
<p>a. The water companies deliver a vital public service whose priority</p>	<p>● Poor</p>	<p>a. No reference to specific regulatory interventions tackling public health</p> <p>Our submission calls for specific regulatory interventions- updated</p>	<p>1) Water Companies to be restructured to</p>

<p>must be to protect and improve public and environmental health.</p> <p>b. This means prioritising action to protect the health of the thousands of people who use the water and restoring natural environments over making profit or returns for shareholders.</p> <p>c. Permits to operate must ensure treated effluent is at a sufficient quality that reflects the use of the local waterways they discharge into, with permits requiring tertiary or quaternary treatment in areas where water user health may be at risk. All permits to operate must be reviewed as a matter of urgency by the regulator.</p>		<p>permits, enforced treatment standards (tertiary/quaternary), and immediate permit reviews for high-risk discharge zones. None of these appear in the interim report. The failure to call out untreated sewage discharges as a direct threat to public health, despite overwhelming evidence, demonstrates a troubling reluctance to confront industry malpractice.</p> <p>b. Regulatory tensions leave public health marginalised The report notes tensions between regulators' economic, environmental, and public health objectives but fails to propose any framework for resolving them. In doing so, it implicitly maintains the status quo in which public health is subordinated to economic regulation. This undercuts the idea that water companies deliver a vital public service and should be regulated as such.</p> <p>c. Health framed as a future problem The interim report acknowledges that public health is an increasingly important concern, particularly in light of growing recreational water use, and suggests that water quality frameworks may need to be broadened to include public health objectives. However, this is presented as a future consideration rather than a core principle underpinning immediate reform. This is an issue already impacting thousands of water users. Since 2020, SAS has received 6,000 sickness reports caused by sewage pollution and action is needed immediately.</p> <p>d. No urgency to align with European best practice While the report acknowledges the EU updating its Urban Wastewater Treatment Regulations (UWWTR) to introduce stronger public health protections, the Commission merely cites this as an example, rather than a benchmark. The UK should aim to align with</p>	<p>operate for public benefit and environmental outcomes.</p> <p>2) All actors in the water sector including regulators, water companies and government are given a legal duty to protect and improve public and environmental health and align with EU best practice standards.</p>
--	--	---	--

		best practices in Europe but there is no sense of urgency to align with best international practice on public health.	
Tough Independent Regulators			
<p>a. Regulators must enforce the law and hold polluters to account. In particular, preventing illegal discharges occurring outside of exceptional circumstances.</p> <p>b. They must end pollution for profit by stopping all forms of financial reward for water companies' executives, shareholders and creditors who break the law and deliver consistently poor environmental performance.</p> <p>c. Regulators must be independent and sufficiently resourced to carry out the monitoring, enforcement and</p>	 Partial	<p>a. Strong diagnosis, but lacks bite The Commission provides a thorough diagnosis of regulatory failure - acknowledging public disillusionment, enforcement failures, budgetary erosion, and regulatory complexity. However, the emphasis on "supervisory" models and smarter oversight lacks the directness and bite required to enforce the law and confront systemic abuse. The report still largely prioritises efficiency and optimisation, not accountability and deterrence.</p> <p>b. RED FLAG :  Constrained discretion for regulators The commission introduces the worrying concept of 'constrained discretion' (para 119.). Which would allow regulators to act more flexibly in order to deliver outcomes the Government wants to see. The commission believes this could allow an increase of nature-based solutions. However, we are deeply concerned that this could also lead to the watering down of environmental safeguards which would allow greater pollution of our waterways if projects helped regional growth. This is entirely against what the public wants to see. The concept of constrained discretion must be removed and regulation improved to mainstream use of nature-based solutions.</p> <p>c. Enforcement remains a secondary concern Despite acknowledging that EA prosecutions increased in 2025, the report shies away from recommending the full enforcement of the</p>	<p>1) Removal of Constrained Discretion recommendation in favour of systemic main streaming of nature based solutions.</p> <p>2) Recommendation for restoration of regulators' budgets and capability to ensure full enforcement of existing law, including access to legal resources and court time.</p> <p>3) Full enforcement of the Water</p>

<p>prosecution that will ensure full legal compliance and dramatic environmental improvement.</p> <p>d. All regulators must have a legal duty to protect public health and the environment and fulfil their duty to use the Water Industry Special Administration Regime when a water company fails to meet its financial, services and environmental obligations.</p>		<p>Water Industry Act 1991 which allows discharges only in exceptional circumstances and the required review of permits to deliver this. It also glosses over the court backlog and delays that continue to undermine deterrence.</p> <p>d. Resourcing gaps are not matched with commitments The report accepts that capacity and skills shortfalls (e.g. in the Environment Agency and Natural Resources Wales) have impaired regulators' performance, but it fails to call for dedicated, ringfenced, or increased public funding. While reference is made to updated cost-recovery models, these rely on industry charges and will not cover the full scope of modern regulatory needs. A clear budgeted plan for restoration of regulatory strength is still missing.</p> <p>e. Still no clean water duty or legal accountability Despite referring to environmental outcomes and a need for clearer national direction, the Commission does not propose reinstating a legal duty on regulators to protect water quality or public health. The emphasis on "discretionary powers" and "strategic direction" from the Government leaves regulators in the same weak position—politically exposed, lacking clarity, and still without the teeth to drive compliance or use tools like a Special Administration Regime in serious cases.</p> <p>f. More clarity needed on when the Government would use the Water Industry Special Administration Regime (WISAR) We were encouraged to see that the WISAR will be covered in the final report. We understand WISAR as a temporary restructuring tool, not a route to permanent nationalisation, to provide space for a water company to be run for public benefit while a stable solution can be found. We would welcome more clarity from the Government on the circumstances in which it would exercise its</p>	<p>Industry Act 1991 including withdrawal of water company operating permits and triggering Water Industry Special Administration Regime for failing to meet its financial, services or environmental obligations.</p> <p>4) Bust the myth that deploying a Water Industry Special Administration Regime will cost billions and recommend that Thames Water is put into an immediate WISAR.</p> <p>5) Recommend to the Government that Thames Waters should put</p>
--	--	---	---

		<p>powers under WISAR, and the costs of doing so, and in particular the recent consideration given by the Government and Ofwat to Thames Water, which we believe would provide very useful clarity for the sector. We are very concerned that the Government's understanding of the law is based upon biased reports from the water industry that using WISAR would cost billions, whereas the law states clearly that the valuation of water companies in a WISAR is limited and the costs would be minimal.</p> <p>g. Evidence needed for how privatised model works You asked for evidence that alternative ownership and investment models can work. We would welcome your committee sharing its evidence of how the existing privatised system can be made to work after decades of failure. Ultimately, while there is much to be learned from other countries, no other country faces the same crisis or was caused by the same regulatory and structural failures. We need to see leadership from the Labour Government and innovation. We understand that you are not instructed to consider renationalisation of the water industry, however we implore you to recommend that the Special Administration Regime should be used to create ownership models, investment and governance that prioritise public benefit and are fit for the challenge of fixing the UKs biggest polluter and serving millions customers, starting with failing water companies.</p>	<p>into immediate WISAR and restructured to end the pollution and profiteering seen in the past decades.</p> <p>6) Use the WISAR to innovate future-proofed ownership, investment and governance models to enable public benefit and environmental performance.</p>
Transparency			
a. Water Companies must reveal the truth about their operations across	 Partial	<p>a. Acknowledges transparency gaps, but lacks specifics The interim report recognises that public trust has been eroded and that transparency must be restored, particularly in regulatory</p>	<p>1) Mandate real time public access to pollution and</p>

<p>the business including pollution monitoring, impacts on the environment and financial performance.</p> <p>b. Water Companies must provide the public with consistent and easily understandable information and data to protect water users' health.</p> <p>c. Data must be shared openly between government agencies and regulatory bodies so that effective monitoring and enforcement is possible.</p> <p>d. There should be complete transparency around the funding and rewards paid out by water companies to ensure no one associated with the business can profit from pollution.</p>		<p>frameworks and business planning. However, there is little in the way of concrete, enforceable obligations for companies to make data openly available - especially regarding pollution, outflows, or financial arrangements. Aspirations are expressed, but the mechanisms are missing.</p> <p>b. Data sharing and monitoring remain vague commitments Although the Commission notes that real-time monitoring, catchment-level planning, and improved digital infrastructure are important, it stops short of mandating public access to these datasets or requiring companies to release user-friendly information on pollution and health risks. Our submission calls for consistent, accessible information for the public.</p> <p>c. Financial transparency and profit from pollution go unchallenged The report does not meaningfully engage with the issue of dividends or executive rewards linked to environmental failure. While WSMA 2025 includes powers to block bonuses in cases of serious failure- and has recently been announced by the Government- the Commission offers no call for full transparency around dividends, debt servicing, or financial engineering.</p> <p>d. The polluter still gets to self-monitor Crucially, the report does not recommend ending self-monitoring by water companies—despite acknowledging public mistrust and technological alternatives. It gestures toward future digital solutions but misses the chance to demand real-time public monitoring and automatic alerts. Without transparent, independent data capture and proactive enforcement, the culture of cover-ups and "dry spills" will persist.</p>	<p>performance data.</p> <p>2) Enforce full financial transparency and link executive rewards to environmental performance.</p> <p>3) Introduce mandatory disclosure of dividends, debt structures, and financial engineering.</p>
---	--	--	--

