

# Review of the water industry national environment programme – consultation document

July 2021

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## Message from the Environment Agency, Defra and Ofwat

We are delighted that you are interested in this cross-regulator and government led review of the Water Industry National Environment Programme (WINEP). The WINEP is an important mechanism for investing in improvements to the natural environment in England. We have made welcome strides over the last 3 decades in terms of improvements to the water environment – two thirds of all bathing waters are now classed as ‘excellent’ compared to less than a third 25 years ago, and changes to abstraction licences have prevented over 37 billion litres of water per year being removed from the environment. The WINEP review continues this work, ensuring that we get the maximum benefits from water company<sup>1</sup> investment and the best value for water bill-paying customers.

The water environment is facing profound environmental challenges, not least from climate change, population growth, pollutants such as microplastics and chemicals; and issues around flooding and storm overflows are of real concern. We are starting to see the effects of these challenges now as more frequent and intense flooding events cause storm overflows to operate more frequently and droughts are affecting the resilience of water supplies. Therefore, our ambition to improve the water environment must be high, reflecting society’s high expectations and the government’s own ambition to leave the environment in a better state for the next generation.

The WINEP needs to evolve to make sure that the water sector can deal with these growing pressures and challenges. Along with providing a cleaner environment for society. In recognising this, we have come together as a dedicated taskforce, made up of government and regulators, water companies, environmental groups, academics and independent thinkers to review the WINEP. Our work has been led by a joint ambition: to enable a step change in the condition of the water environment and deliver greater value for money, creating a WINEP that is more outcomes focused. In doing so, we are preparing for the future. We are creating a WINEP that has the flexibility to allow for greater innovation, more partnership working, and the increased use of catchment and nature-based solutions to address some of our biggest challenges.

Now, more than ever, it is important that the water sector is proactive, not only in coming together to address the challenges facing the water environment, but also in looking outside the sector for solutions. Through catchment partnerships, we have already seen water companies deliver on outcomes, while also delivering on a range of wider environmental benefits. This approach needs to be applied consistently and

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<sup>1</sup> This includes both water and sewerage companies and water only companies

scaled up across all water companies, and an improved WINEP process can help facilitate this.

Through working together in reviewing the WINEP process, we have developed a shared understanding of the role of WINEP. This has led to the co-designed solutions and proposals you will see in this consultation. For future WINEPs, water companies will have greater involvement in the development process. This is an important part of the sector adapting, so that it can address increasingly complex environmental challenges.

We are committed to making sure that this improved WINEP process is transparent. It is supported for the first time by a methodology, which sets out in one place our approach to implementing the WINEP. This will help ensure a consistent approach is applied across England and will support water companies to make greater use of co-design, co-delivery and co-funding opportunities.

By evolving the WINEP in this way, and by making it more outcomes focussed, we are helping to ensure that our long-term approach delivers real and lasting improvements to the environment and for future generations.

Thank you for helping to shape the future of the WINEP.

Anne Dacey,  
Deputy Director for Water Resources, the Environment Agency

Kirstin Green,  
Deputy Director for Water Quality, Defra

Bart Schoonbaert,  
Director for Environment, Public Value & Governance, Ofwat

## About this consultation

The Water Industry National Environment Programme (WINEP) is the most substantial programme of environmental investment in England. For 2020 to 2025 it consists of £5.2 billion of asset improvements, investigations, monitoring and catchment interventions<sup>2</sup>. The 2020 to 2025 WINEP aligns with the Ofwat 2019 price review period (PR19) and the 7<sup>th</sup> UK water industry asset management plan period (AMP7).

Last year, the Department for Environment, Food and Rural Affairs (Defra), the Environment Agency and Ofwat came together to lead a review of the WINEP ahead of the next price review (PR24). The aim is to ensure that it delivers greater benefits to the environment for every pound invested by water companies.

A dedicated WINEP taskforce was formed to undertake this review, made up of representatives from Defra, the Environment Agency, Ofwat, Natural England, the Drinking Water Inspectorate (DWI), Consumer Council for Water (CCW), water companies, and environmental non-governmental organisations (eNGOs). Through the review, the WINEP taskforce members have co-developed a series of proposed solutions for redesigning the WINEP.

A wide range of views were considered throughout the review, including those of a specialist Advisory Group and those of our wider stakeholder group. The WINEP taskforce also conducted stakeholder engagement workshops and targeted surveys. They have used recommendations from stakeholders to better inform the options development process.

We would now like to use this consultation as an opportunity to ask for your comments on these proposed solutions.

The consultation is set out in 3 parts.

Part 1 opens the discussion, sets out the background and context, and outlines the challenges.

Part 2 explains the proposals for redesigning the WINEP and asks a series of questions about these proposals. We also introduce a draft WINEP methodology, a

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<sup>2</sup> This is made up of the revenue allowances from the 2019 price review final determination cost allowances for WINEP for the water companies operating wholly or mainly in England and the additional funding for green recovery schemes for these companies. See '[PR19 final determinations: Securing cost efficiency technical appendix](#)', Ofwat, December 2019, pp.91 and 100 and '[Green economic recovery: draft decisions](#)', Ofwat, May 2021 for details.

separate document attached to this consultation. The methodology describes how the WINEP development process will work for the next WINEP cycle. The responses to the questions in this section will inform the final methodology.

Part 3 sets out some wider considerations for government, regulators and water companies to achieve the ambitions of this WINEP review. It outlines what needs to be done to make sure that we are all ready to take forward the proposals for change. This includes increased collaboration, more data sharing and organisational culture change.

## **How to respond to this consultation**

In response to the COVID-19 pandemic we are following government advice to manage the risks of coronavirus to our organisations. This is so we protect the health, safety and wellbeing of our staff and sustain our critical operations. Our offices are currently closed and our staff are working remotely, therefore we are unable to receive responses by post. If you would like to comment online, please use the online consultation tool in Citizen Space.

If you would prefer to submit your response by email, please email:

[Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk)

## **How we will use your response**

Responses to the consultation will help inform the development of our revised WINEP methodology and the longer-term roadmap for the development of the WINEP. The Environment Agency will publish the updated WINEP methodology in autumn 2021

## **How we will use your information**

The Environment Agency will look to make all responses publicly available during and after the consultation, unless you have specifically requested that we keep your response confidential.

We will not publish names of individuals who respond.

We will also publish a summary of responses on our website in which we will publish the name of the organisation for those responses made on behalf of organisations.

In accordance with the Freedom of Information Act 2000, we may be required to publish your response to this consultation, but will not include any personal

information. If you have requested your response to be kept confidential, we may still be required to provide a summary of it.

## Consultation principles

We are running this consultation in in line with the government's Consultation Principles.

If you have any queries or complaints about the way this consultation has been carried out, please email: [Price\\_Review@environment-agency.gov.uk](mailto:Price_Review@environment-agency.gov.uk)

## Part 1: Introduction

### Background and context

The WINEP is a programme of actions that water companies will undertake to improve the environment. The actions included in a water company's WINEP reflect the company's obligations arising from environmental legislation such as Urban Wastewater Treatment Regulations, Water Environment (Water Framework Directive) Regulations, Bathing Waters Regulations, and Conservation of Habitats and Species Regulations. The WINEP may also contain non-statutory actions.

Water companies include these actions in their business plans so that they can be funded through customer water bills.

The WINEP is currently developed by the Environment Agency and Natural England in consultation with water companies. It focusses on the actions that are required to meet new environmental obligations, or existing environmental obligations where evidence or investigations show that action needs to be undertaken.

Through the WINEP, water companies have played a crucial role in protecting and enhancing the water environment. The WINEP, and its predecessor the National Environment Programme (NEP), has been the main mechanism for improving the state of the water environment since 1995.

However, despite continued significant investment from water companies, increasing pressures from harmful pollutants, a growing population, and climate change are reducing the effectiveness of the investments made through the WINEP.

These pressures are only likely to increase in future. It is important that we understand how the WINEP can be updated to ensure that every pound invested from customers' water bills is delivering greater benefits for the environment. Ultimately this will help us to deliver a much-needed step change in the state of the environment.

### A vision for the future

The government's [25 Year Environment Plan](#) is the basis for an improved WINEP – the ambition to leave the environment in a better state than we found it. The reforms we are proposing will help achieve this, in particular, to meet the goal of providing clean and plentiful water. An improved WINEP will contribute to:

- an improved natural environment through the protection, restoration and enhancement of the natural environment, biodiversity and habitats



- the government's 2050 net zero target
- improved water quality
- greater drought resilience and delivering improved flood resilience in line with the National Flood and Coastal Erosion Risk Management Strategy
- reduced unsustainable abstraction
- clearer links between the natural environment and public wellbeing

## Outlining the challenge

To outline the extent of the changes needed for meeting the ambition of the WINEP review, the WINEP taskforce conducted an industry workshop. It involved government, regulators, consumer bodies and water companies. They identified the main aspects of the WINEP development process where change was needed to improve environmental outcomes and to make better use of customer money. Through this exercise the WINEP taskforce identified that the WINEP would need to:

- evolve towards a cross sector environmental programme
- be made more accessible to enable the involvement of partner organisations
- meet customer expectations
- have a clearer role for non-statutory activity
- contain integrated solutions at a local, regional and national level of which water is one of the main conveners in the catchment but not the only player
- focus less on a 5-year cycle and have a longer-term outlook which will help with solutions which have multiple benefits but where the risk may be higher
- reflect the ambition of government's 25 Year Environment Plan

The WINEP taskforce then defined 3 focus areas around which solutions could be developed to enable these changes to be made. These focus areas were:

### New environmental outcomes

New or wider environmental outcomes that an updated WINEP could support in delivering in the water environment.

### Ways to deliver outcomes

How the WINEP could allow for more flexibility to deliver better environmental outcomes. For example, by enabling greater use of nature and catchment-based solutions and shifting the focus of investment away from the 5-yearly cycle. This includes evaluating the value for money delivered through the WINEP and updating how costs and benefits are assessed within it.

## Greater involvement of the water companies and other organisations

How water companies and other organisations could be more central to the design and development of the WINEP. This includes considering how we could enable other organisations in the catchment to have a role in delivering and co-funding.

## Identifying a way forward

From these main focus areas, the WINEP taskforce identified 6 objectives to guide the development of the options for updating the WINEP. The objectives were to develop a WINEP that:

- focuses on delivering outcomes
- enables wider environmental outcomes to be supported
- allows for plans to be developed to a longer-term horizon
- accommodates a systems and catchment-oriented approach, including facilitating a greater use of nature-based solutions, which promotes more innovation and company collaboration
- allows relevant parties to co-design, co-deliver and co-fund
- makes the best use of and improves available data

The options development process was a multi-organisational effort involving Defra, the Environment Agency, Ofwat, water companies, DWI, CCW, Natural England, and eNGOs. The process was also informed by wider stakeholder engagement workshops, industry surveys, and analysis of existing guidance and documents relating to the WINEP.

Once several options had been generated, each was scored against a set of pre-defined assessment criteria. Through this exercise the WINEP taskforce identified which options should be discounted, which should be implemented for PR24, and which should be considered for PR29 and beyond. The options that were identified as the recommended solutions for updating the WINEP have been set out in Part 2 of this consultation document, and in the accompanying draft WINEP methodology.

## Part 2: Proposals and consultation questions

### The WINEP roadmap

The WINEP roadmap describes the steps needed for the 6 WINEP review objectives to be met. The roadmap comprises 2 steps:

#### Step 1: Actions to be delivered for the next price review in 2024 (PR24)

To enable water companies and the Environment Agency to take these steps, we set out proposals for WINEP evolution and reform, which are detailed further in the separate '[Draft water industry national environment programme \(WINEP\) methodology](#)' document. The draft WINEP methodology sets out in one place – for the first time – the overarching process for designing, developing and delivering the WINEP. It is intended to be an easy-to-follow guide to how the WINEP works, which will help ensure that a consistent approach is applied across England.

#### Step 2: Actions to be considered for future price reviews (2029 and beyond)

These are the steps that could not reasonably be taken in time for PR24 owing to the scale of change required and the impact on time, resources, or costs. Instead, it is recommended that these steps are taken for the price review in 2029 (PR29) and beyond.

The proposed solutions that have shaped the WINEP roadmap are set out in Part 3, alongside the consultation questions that relate to these proposed solutions, the roadmap, and draft WINEP methodology.

Responses to the consultation will inform the development of our final WINEP methodology, and the longer-term roadmap for the development of the WINEP. We will publish the updated WINEP methodology in autumn 2021.

**Figure 1: WINEP roadmap**

Previous WINEPs	Proposal for updated WINEP	Proposed actions to be delivered for PR24 WINEP	Proposed actions to be delivered for PR29 WINEP
<p>Environment Agency set delivery requirements at output level</p> <p>Proposed solutions not explicitly linked to any wider outcomes</p>	<p>To introduce a tiered approach for including actions in the WINEP</p>	<p>Government and regulators to set out in the methodology the tiered approach to proposing solutions (high-level outcomes at Tier 1; area- or issue-specific goals at Tier 2; specific actions at Tier 3)</p> <p>The WINEP to clearly link all proposed actions to a high-level outcome</p> <p>Government and regulators may set delivery requirement at outcome level, rather than output level</p> <p>Government and regulators to develop and issue optioneering and appraisal guidance specifying how water cos should produce a WINEP programme that is of high quality, effective, evidence based that will allow them to meet their regulatory obligations and the needs of customers</p>	<p>Government and regulators to determine how the policy and regulatory framework could change to further enable a more outcomes-based approach</p>

<p>WINEP focussed on what could be achieved in next 5 years</p>	<p>To better incorporate long-term planning in the development of the WINEP</p>	<p>Water companies will propose solutions for a period spanning at least 10 years, with a clear programme of work for years 1 to 5 and indicative proposals for years 6 to 10, replacing elements of traffic light system</p> <p>Water companies will plan and estimate monitoring, investigation, intervention timetables in advance</p>	<p>Government and regulators to determine how to align the WINEP and statutory planning cycles, such as, RBMPs</p>
<p>Relationship between WINEP and other statutory planning frameworks not clearly or consistently established</p>	<p>To clearly establish dependencies between the WINEP and other statutory planning frameworks</p>	<p>Government and regulators to use the methodology to set out the role of WINEP in delivery of outcomes from other planning frameworks</p> <p>Water companies to work at a catchment level to draw together the long-term goals from other statutory planning frameworks to understand catchment objectives for next 25 years</p> <p>Water companies to include actions from other planning frameworks in WINEP where appropriate</p>	<p>Water companies to look for further opportunities to align different planning frameworks and realise efficiencies</p>

<p>Improvements defined at asset level</p> <p>Use of C&amp;NBS limited and restricted to certain drivers</p>	<p>To increase the use of catchment and nature-based solutions to meet statutory obligations</p>	<p>Water companies to define problems collaboratively at catchment level</p> <p>Government and regulators will include principles in the optioneering and appraisal guidance that explicitly encourage use of C&amp;NBS</p> <p>Government and regulators to consider changes to the assessment of C&amp;NBS so that they are incentivised appropriately in the cost assessment framework</p>	<p>Water companies to become further integrated into wider natural capital planning, such as LNRS</p> <p>Government and regulators to consider impacts of making legislative changes to further encourage the use of C&amp;NBS where appropriate</p>
<p>Emphasis on addressing predominantly statutory water quality measures</p>	<p>To take account of wider environmental outcomes when deciding on solutions in the WINEP</p>	<p>Water companies to include assessment of impact on wider environmental outcomes in assessment of options for addressing problems</p> <p>Government and regulators will assess evidence has been identified to support delivery of wider environmental outcomes</p> <p>Government and regulators will consider evidence presented of customer support and costs, including protection of customers in relation to co-funded proposals in price review</p>	<p>Government and regulators will evaluate whether changes made to the WINEP methodology have led to an increased uptake in use of C&amp;NBS, thereby supporting wider environmental outcomes</p>

<p>EA took primary ownership of the WINEP</p> <p>Role of companies varied and mostly limited to asset management</p>	<p>To increase water company involvement in the WINEP development process</p>	<p>Full utilisation of existing flexibility in the existing WINEP framework to enable greater level of co-working between Water companies, Environment Agency and Natural England</p> <p>Water companies with necessary resources and experience to co-design WINEP with Environment Agency and Natural England</p> <p>Water companies to follow the optioneering guidance when developing solutions for the WINEP</p>	<p>Water companies with necessary resources to fully develop the WINEP, with Environment Agency holding an audit role in the process</p>
<p>Approach to involving other organisations and external funding not consistent</p>	<p>To increase involvement of other organisations and external funding in the WINEP development</p>	<p>Water companies to work with Government and regulators to select one or more catchment partnerships to work with them to trial co-design and co-development of the WINEP</p> <p>Water companies to target at least 20% co-funding of non-statutory actions and seek further co-funding beyond this level at their discretion</p>	<p>Government and regulators to incentivise the need for co-design</p>

## **Proposal 1: To introduce a tiered approach for including schemes in the water industry national environment programme**

The WINEP is about improving and protecting the water environment. It can be difficult for stakeholders to draw a clear line of sight between actions in the WINEP and specific environmental outcomes, but this link always exists. For example, monitoring water quality may not lead directly to improvements, but it is essential to understanding the problem and to design the right solution. There is broad agreement across regulators that focussing on outcomes will give companies more choice as to how they fulfil their WINEP obligations. Greater flexibility in the programme will also drive innovation and help secure wider benefits for the environment and for society.

In this WINEP we propose introducing a new 3-tiered outcomes approach (3TO).

3TO is a planning approach that aims to give companies' more responsibility for the development of their work programmes. It will add transparency to the process and provide a better understanding of the outcomes associated with the WINEP. The approach complements the Environment Agency and Ofwat's existing regulatory frameworks. Where required, water company actions will still need to be permitted under the appropriate regulatory regime. And companies will need to provide Ofwat with information on costs and benefits as part of the business plans assessment.

We will start to adopt the 3TO approach during development of the WINEP for PR24 before fully implementing it in future price review periods. For PR24, a list of tier 1 outcomes will be linked to, for example, improving river water quality, biodiversity net gain and surface water management. Companies can choose how their obligations in these areas are reflected in the WINEP; either as tier 2 goals, or tier 3 outputs. Every tier 2 goal or tier 3 output will be linked to a tier 1 outcome. The tiered system is explained below:

### **Tier 1: outcomes**

Tier 1 outcomes are the highest level. These set the water companies contribution to delivering an overall outcome. Examples of tier 1 outcomes could include the following:

- water company delivers its polluter pays sector level contribution to achieving the water body objectives in the [named] catchment
- reduces groundwater abstraction in [named] catchment in line with regional water resources management plan

Tier 1 outcomes will relate to the 25 Year Environment Plan and the statutory planning frameworks. As far as possible, all parts of a water company programme should link to at least one tier 1 outcome. This includes investigations and monitoring



actions as these will gather data towards achieving tier 1 outcomes. Tier 1 outcomes can be set at a variety of geographical scales such as catchment or protected area.

The template for the WINEP spreadsheet will include a list of possible tier 1 outcomes.

## **Tier 2: goals**

Tier 2 allows companies to propose goals for contributing towards the achievement of water company environmental obligations, and the wording will be agreed collaboratively between the water companies and the Environment Agency. Goals contribute to achieving the tier 1 outcomes. There will be some flexibility within the framework for local tailoring of tier 2 goals.

Examples of tier 2 goals could include the following:

- reduce water company contributions to the phosphorus load in the [specific] catchment by [x]%
- reduce abstraction in the [specific] catchment to ensure compliance with the EFI
- ensure water company assets do not impact on the movement of fish in the [specific] catchment

More information will be provided in the driver guidance documents<sup>3</sup> on where it is appropriate to set outcomes at a tier 1 or tier 2 rather than a tier 3 level.

## **Tier 3: outputs**

Tier 3 outputs are the site or asset specific actions that are required to deliver the tier 1 outcomes and tier 2 goals.

Examples of tier 3 outputs could be:

- a licence change
- reflected as a permit limit in the WINEP, with the associated measure being an asset or site based action such as grey infrastructure improvements, a site-specific nature-based solution, or sustainable urban drainage
- monitoring
- asset or site specific investigation

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<sup>3</sup> driver guidance - a document that explains what water companies should do to meet the need for action in relation to a specific driver.

The Environment Agency expects companies to identify where actions can be defined at the tier 1 or tier 2 level and thus where a more outcomes-based approach can be adopted. For 2025 to 2030, tier 1 and tier 2 proposals will be appropriate for some, rather than all, drivers.

When the Environment Agency assesses the solutions put forward by water companies in the WINEP, it should look at what evidence a company presents to support the proposal. To encourage the use of less traditional interventions, the Environment Agency may – at its discretion – allow actions to be included in the WINEP where the actions are not linked to a specific tier 3 output and are instead set as a tier 2 goal or a tier 1 outcome (for non-permitted actions). Sufficient evidence will need to be provided by the company to support the benefits of setting an action at tier 1 or tier 2 level. Companies will need to provide evidence that:

- there are benefits to the environment, customers or communities of setting proposals at the tier 1 or tier 2 level instead of the tier 3 level
- they have followed the relevant guidance, including the optioneering and appraisal guidance and Environment Agency position statements
- they have established an approach to measuring and, where appropriate, permit the delivery of the action with the Environment Agency
- they have an approach to managing risks to ensure customers and the environment are protected

**Question 1a: Do you think the proposed 3TO will achieve a greater focus on outcomes?**

- a) yes
- b) no
- c) unsure

**Please explain the reason for your answer.**

**Question 1b: How else can we support an ambitious move towards a greater focus on outcomes? For example: enabling water companies to propose a Tier 1 measure in their business plans.**

## **Proposal 2: To better incorporate long-term planning in the development of the water industry national environment programme**

In its current form, the WINEP represents a set of actions that the Environment Agency and Natural England require the water companies operating in England to complete in a 5-year period to make progress towards meeting their environmental obligations. Through engaging with water industry representatives and assessing the

impacts of the 5-year WINEP cycle, the WINEP taskforce identified several limitations of the current approach, including:

- the requirement to deliver schemes within a 5 year price review period drives water companies towards tried and tested ‘grey-infrastructure’ solutions and is not as conducive to the use of Catchment and Nature Based Solutions (C&NBS) which often take much longer to plan and develop, and can take time to achieve full impact
- the relatively short-term planning horizon often results in companies taking a piecemeal approach to tackling substantive environmental issues and increases the risk of investing in expensive, short-term solutions that might address an immediate problem, but may have to be replaced or upgraded by the next WINEP
- focusing on what can be achieved within the next 5 years limits the extent to which companies can work towards more ambitious outcomes or tackle more complex environmental issues which would require planning and adaptation over much longer timescales
- the 5-year planning cycle can contribute to some discontinuity in the level of expenditure between the end of one AMP and the start of another. In turn, this results in inefficient stop-start investment and is disruptive to the supply chain. It can also delay water companies from taking action if an investigation phase is required to justify monitoring or implementation of measures
- the mismatch between the WINEP and other environmental planning frameworks – the River Basin Management Plans (RBMPs) in particular – creates uncertainty around actions that are driven by the Water Framework Directive, and results in an inconvenient and ever-changing ‘phase lag’

Considering this, the WINEP taskforce proposed the following solutions to enable long-term planning to be better incorporated in the development of the WINEP.

### **Set the WINEP in the context of long-term plans**

Water companies should bring together the evidence and data from other strategic environmental planning frameworks to understand what needs to be achieved within each catchment over the next 25 years and should use this understanding to inform the priorities for each WINEP. This process should focus on existing strategic environmental planning frameworks that define long-term environmental outcomes and objectives, including River Basin Management Plans (RBMPs), Water Resources Management Plans (WRMPs), Regional Water Resource Plans, and Drainage and Wastewater Management Plans (DWMPs).

This proposal has similarities to Ofwat’s initial view that overall business plans should be set in the context of long-term strategies, as set out in Section 4.2.2 of the [PR24 and beyond: Creating tomorrow, together](#) document. This will lead to more efficient investment decisions in the long run; rather than just focussing on solutions to improve individual environmental parameters for each water body, investment

decisions will be better informed by the broad range of environmental outcomes that water companies need to deliver.

### **Extend the WINEP planning horizon to 10 years plus**

The planning horizon for the WINEP should be extended from 5 years to 10 years+, against which we would expect water companies to produce the following:

- a firm programme for years 1 to 5
- an indicative programme for years 6 to 10
- an indicative note of anything that might be expected in years 11+, but with no expectation for a full programme to be provided for this period

The programme will be updated every 5 years to confirm the 'indicative' aspects and to make any necessary adjustments. The longer-term time horizon should allow for solutions that require an extended period to mature before delivering maximum benefits, such as some C&NBS, to be used in place of traditional solutions. Planning the main decision points over a longer time horizon should also allow companies to move from monitoring, to investigations, to implementation without unnecessary delay between price reviews.

The programmes of work for both years 1 to 5 and for years 6 to 10 should be clearly aligned with long-term catchment objectives, and water companies should make clear how the actions will enable progress towards these objectives being achieved. The longer planning horizon for the WINEP will complement increased focus on the longer term that Ofwat is aiming to achieve for PR24 (see Ofwat, ['PR24 and beyond: Creating tomorrow, together'](#), pages 30 to 41). Whilst the 5-year price review cycle will remain in place for regulatory purposes, the impact of the 5-year cycle on actions to improve the environment will be reduced.

### **Consider aligning other strategic planning cycles**

A separate project should be commissioned to investigate the impact of making legislative changes beyond PR24 to align the 5-year WINEP with the planning cycles (RBMPs, FRMPs) with each other. This review should consider the needs of other stakeholders outside of the water sector as well as the benefits to water companies. It should consider the optimum planning horizons for each environmental plan.

**Question 2a: Do you agree that introducing a 10+ year planning horizon will help to address the issues identified above?**

- a) **yes**
- b) **no**
- c) **unsure**

**Please explain the reasons for your answer.**

**Question 2b: What are the key considerations in implementing a 10+ year planning horizon?**

**Question 2c: What else could be done to better incorporate long-term planning?**

### **Proposal 3: To clearly establish dependencies between the water industry national environment programme and other statutory planning frameworks**

Water management within the water sector is governed by statutory planning frameworks, with government seeking to make provision for an additional statutory framework through the Environment Bill<sup>4</sup>:

- River basin management plans (RBMPs)
- Water Resource Management Plans (WRMPs)
- Flood Risk Management Plans (FRMPs)
- Drainage and Wastewater Management Plans<sup>5</sup> (DWMPs)

All statutory planning frameworks have, or will have, an influence on the development of the WINEP. The relationship with RBMPs and WRMPs has been established through previous planning cycles. The RBMPs set out the statutory environmental objectives (Good Ecological Status or Potential and Protected Area objectives) which need to be delivered through the programme of measures. The WINEP is the water industry's contribution to the programme of measures. The sustainability reductions required in WRMPs are delivered through the WINEP. However, at present the relationships between the other plans and the WINEP is not clearly established. This could lead to inefficient delivery of actions from the plans, and potential missed opportunities to achieve efficiencies and realise multiple benefits by linking up the planning frameworks. It could also mean that some actions are not delivered as there is no assessment of their strategic importance across all planning frameworks.

The WINEP taskforce therefore proposed that the dependencies between the WINEP and the statutory planning frameworks should be clearly established by:

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<sup>4</sup> This refers to drainage and sewerage management plans currently being developed on a non-statutory basis and known as Drainage and Wastewater Management Plans (DWMPs)

<sup>5</sup> Statutory from 2023

- recognising and agreeing the role of the WINEP in the delivery of outcomes for the strategic plans, and building in an agile relationship with the WINEP development process
- embedding actions from the DWMPs, WRMPs and FRMPs within the WINEP, where the WINEP is the most appropriate delivery mechanism

**Question 3: What are your views of aligning the cycles of the strategic planning frameworks?**

**Proposal 4: To increase the use of catchment and nature-based solutions**

There is growing recognition of the important role that natural systems can play in improving water services and securing better outcomes for customers and the environment. C&NBS can provide a cost effective and sustainable alternative, or addition, to the grey infrastructure and end of pipe solutions that are traditionally delivered through the WINEP. They also have the potential to deliver wider benefits and generate broader customer support.

C&NBS are already an established part of the WINEP, but their use has been restricted to certain drivers, with the majority (85%) of C&NBS associated with drinking water protection drivers in the past. The Environment Agency has enabled the use of specific types of C&NBS known as Catchment Nutrient Balancing and Catchment Permitting by the use of Operating Techniques Agreements under the Environmental Permitting Regulations. The use of Operating Techniques Agreements increases permitting flexibility, for example using catchment loads. Such approaches have been in place for several years although their take up is low. We expect companies to utilise the opportunities of C&NBS more in PR24.

The WINEP taskforce identified 2 main issues that could be driving the low uptake of C&NBS:

- 1 There is a reluctance from water companies and regulators to accept the risk and delivery profiles of 'green' C&NBS schemes instead of traditional 'grey' infrastructure schemes. This is underpinned by a lack of certainty over the effectiveness of C&NBS in tackling different issues, and a lack of clarity over how the risk of failure can be managed.
- 2 Legislative and regulatory constraints meaning that C&NBS cannot be used as a solution to deliver some environmental improvements.

The WINEP taskforce proposes the following solutions to increase the use of C&NBS:

- adjust the current Environment Agency WINEP and Ofwat regulatory framework (for 2025 to 2030) to allow and support actions in the WINEP to be set at outcome-level where possible
- embed C&NBS principles within the draft WINEP methodology and consider how nature-based solutions we can better incentivised through the price review<sup>6</sup>
- Defra to consider and investigate the impacts of legislative changes to further encourage the use of C&NBS and implement these changes where appropriate

The proposed C&NBS actions should be developed according to the following principles.

C&NBS should:

- be in line with the appropriate position statements or framework documents, for example, Catchment Nutrient Balancing or Integrated Constructed Wetlands
- be a solution that meets the driver requirements in a timely manner
- adhere to the Environment Agency's polluter pays planning approach for water quality (for wastewater and water quality solutions)
- be permitted where the Environment Agency deems appropriate
- be co-designed with relevant partners, if possible, to maximise wider environmental outcomes for customers across a range of drivers within the scheme's geographical area
- be considered early in the planning phase when defining the problem and any potential solutions, to increase the likelihood of capturing the full range of issues
- build on effective work where this exists, such as catchment partnerships and Catchment Sensitive Farming initiatives and draw on learning and evidence from previous catchment solutions
- be sustainable over the long-term, for instance in relation to mitigating and adapting to climate change
- where appropriate, include a fall-back option in case the approach does not deliver the required improvements
- be evidence based and the outcomes measurable - consideration should be given to innovative approaches to evidence and managing uncertainty, for instance, using third party data and the views of local stakeholders
- be informed by a catchment wide understanding of physical process and pressures to optimise locations for and selection of appropriate approaches

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<sup>6</sup> See: [PR24 and beyond: Creating tomorrow, together - Ofwat](#)

that work with nature. Approaches which seek to restore and work with natural processes will often offer the most sustainable option

Only some water companies will be eligible for all types of C&NBS. Certain qualifying criteria must be met in some cases, such as catchment nutrient balancing.

**Question 4a: How well does the proposed draft WINEP methodology appropriately encourage consideration of catchment and nature-based solutions?**

**Question 4b: What are your views on the proposed principles for C&NBS?**

### **Proposal 5: To take account of wider environmental outcomes when deciding on solutions in the water industry national environment programme**

The emphasis of the WINEP has historically been on addressing predominantly statutory measures for the water environment using an outputs-based approach that is implemented over a 5 year regulatory period.

The WINEP will remain the programme of actions that water companies need to take to meet their statutory environmental obligations. Non-statutory environmental improvements may additionally be delivered as water companies carry out their actions.

While we are not changing the requirement to meet statutory obligations, we are proposing a change in the way that companies consider the delivery of their actions such that wider outcomes are also considered.

The traditional outputs-based approach offers certainty in delivering statutory obligations and non-statutory environmental improvements. However, it can restrict innovation and does not maximise opportunities for the WINEP to contribute to wider environmental outcomes.

We are therefore introducing clearly defined, wider environmental outcomes that companies will need to account for when developing options to deliver the WINEP. Requiring companies to take account of these wider environmental outcomes should improve the value for money of the WINEP for water customers, communities and the natural environment. It should encourage greater innovation and collaboration within the industry and other sectors, while avoiding significant compromises or trade-offs between deliverables.

To support this, we are developing optioneering and appraisal guidance, which will set out the evidence required to support options being taken forward into actions.



Four potential new environment outcomes have been proposed for consideration during development and optioneering of WINEP actions.

The Environment Agency will lead, in collaboration with other regulators and the water sector, on the development of the optioneering and appraisal guidance over the summer of 2021 and will publish it alongside the finalised methodology in the autumn 2021. For more detail please see chapter 3 of the draft WINEP methodology.

Here are the 4 potential new environment outcomes.

## **Recommended new environmental outcomes for the WINEP**

### **1. Natural environment**

Improvements to the natural environment through the protection, restoration and enhancement of biodiversity and habitats. The net impact of actions should be taken into account when assessing WINEP options. This is a primary outcome.

### **2. Net zero**

Contributions to achieving a balance between the amount of greenhouse gas (GHG) emissions put into, and the amount taken out of, the atmosphere. The net embedded and operational GHG emissions of actions should be taken account of when assessing WINEP options. This is a primary outcome.

### **3. Catchment resilience**

Contributions to catchment flood and drought resilience, better surface and groundwater management, restoring or increasing environmental capacity, and securing sustainable alternative water resources. This is an important outcome, but the natural environment and net zero take precedence over catchment resilience.

### **4. Access, amenity and engagement**

Contributions to improving access to, amenity of and engagement with the natural environment to support customer and community wellbeing. This is an important outcome, but the natural environment, net zero and catchment resilience take primacy over access, amenity and engagement.

The WINEP taskforce have recommended that these 4 new environmental outcomes are incorporated into the WINEP design process for PR24. These environmental outcomes will ensure that the next WINEP acknowledges:

- that the natural environment, biodiversity and environmental net gain are the main components of government and regulator priorities
- the importance of the government's 2050 net zero target, and Ofwat's commitment to strengthening the sector's approach to climate change mitigation and adaptation
- that companies can contribute to wider, catchment resilience initiatives (such as flood resilience, environmental capacity and sustainable water resources) to address pressures such as those associated with climate change
- that benefits relating to local access and engagement can be achieved where cost-benefit and customer support is evidenced

**Question 5: Will the draft methodology enable water companies to deliver wider environmental outcomes?**

- a) yes
- b) no
- c) unsure

**Please explain the reasons for your answer.**

### **Proposal 6: To increase water company involvement in the water industry national environmental programme development process**

The extent to which water companies have previously been involved in the WINEP development process has been varied. The Environment Agency has taken primary responsibility for developing the WINEP.

The Environment Agency has a strong understanding of local environmental risks. However, water companies are better placed to consider the feasibility of available options, particularly when assessing how options fit with an existing asset base. This capability will be increasingly important for future WINEPs as the challenges facing the water industry become more complex. Adapting the WINEP to allow for greater water company involvement is seen as a way of encouraging water companies to select options which tackle wider issues facing the environment going forward.

To this end, the WINEP taskforce proposes that:

1. For all water companies, the next WINEP (PR24) should be developed through a greater level of co-working between the Environment Agency and water companies, with water companies identifying opportunities to fully utilise the existing flexibility within the current WINEP framework.

2. Where possible the next WINEP (PR24) should be co-designed between the Environment Agency and water companies. Water companies, together with the Environment Agency, Natural England and others will collaboratively identify risks and issues to be addressed through the WINEP. Water companies will be responsible for proposing solutions to address these risks and issues, which the Environment Agency will assess, with support from Natural England and Ofwat. This can be maximised to support and inform a further move towards company design for PR29 and beyond, as set out below.
3. For some environmental drivers (for example for the Urban Wastewater Treatment Directive) this will not be possible. However, this new approach should enable:
  - greater involvement and integration of water company local priorities
  - greater opportunities to align the WINEP with other water company plans
  - better targeting of long-term environmental outcomes
  - increased understanding, collaboration, and engagement
4. Future WINEPs (PR29 and beyond) could be fully developed by water companies, with the Environment Agency holding an audit role in the process. This should provide clear opportunities to:
  - involve customers and stakeholders in the creation of an outcomes based WINEP
  - greater alignment with other water company plans
  - facilitate innovative solutions
  - multiple benefits in delivering nature-based solutions through enhanced opportunities for collaboration with partners and stakeholders

However, this approach will require changes to the way that both water companies and the regulators work. Similarly, for some water companies, fully developing the WINEP will require step changes. If this option is to be taken forward for PR29, the process for implementation should be initiated for PR24.

**Question 6a: What further steps need to be put in place to enable water companies to contribute more to the development of the WINEP for PR24?**

**Question 6b: Do you think the ambition to have a WINEP developed by water companies by PR29 is achievable?**

- a) yes
- b) no

c) unsure

Please explain the reasons for your answer.

### **Proposal 7: To increase involvement of other organisations and external funding in the water industry national environment programme development process**

The involvement of other organisations, including any interested and relevant party, and external funding does not currently form part of a consistent approach between the water companies and their regulators in developing the WINEP.

Where there has been collaboration between water companies and other catchment partners, water companies have been able to deliver on outcomes whilst also enabling a range of wider environmental benefits to be delivered. However, there is considerable scope for further collaboration to be pursued through catchment partnerships. Furthermore, there are currently no guiding principles or agreed mechanisms for water companies to leverage external funding, other than from their customers, to co-fund water quality schemes in the WINEP.

An improved WINEP process, allowing the development and delivery of schemes with other interested parties, and which opens the WINEP to external funding to maximise environmental gain, could help achieve multiple goals in the government's 25 Year Environment Plan. Engagement with both water industry and Catchment Based Approach (CaBA) members throughout the WINEP review has also highlighted an appetite for greater partnership working. This aims to increase the range of benefits delivered through the WINEP.

For the next WINEP, the WINEP taskforce has proposed that:

- water companies should work with the Environment Agency to select one or more catchment partnerships to trial the co-design and development of the WINEP
- the WINEP methodology should set out how water companies will work with interested organisations in the catchment to jointly design and fund WINEP schemes
- consideration to be given to co-design, co-delivery and co-funding solutions and to include them in water companies' plans to deliver the WINEP. We are proposing that water companies target getting at least 20% co-funding for their non-statutory actions and seek further co-funding beyond this level at their discretion

For future WINEPs:

- Defra to determine how water industry investment can align with other public sector expenditure, such as, Environmental Land Management Schemes (ELMs) and Flood and Coastal Erosion Risk Management (FCERM), within individual catchments. In doing so, Defra will need to determine how the policy and regulatory framework can better support water companies combine funds to enable opportunities for environmental improvements across catchments
- water companies, by taking a greater role in the WINEP, should develop an open-source website or source of information to bring together co-funders, catchment groups, interested stakeholders and water companies to pool resources, ideas and projects

**Question 7a: Will the proposed approach set out in the draft WINEP methodology, including the proposed timetable, be effective in increasing the involvement of other organisations in the WINEP for PR24?**

- a) yes
- b) no
- c) unsure

**Please explain the reasons for your answer.**

**Question 7b: Do you agree with setting a target for co-funding non-statutory actions?**

- a) yes
- b) no
- c) unsure

**Please explain the reasons for your answer.**

**Question 7c: If you agree with setting a target, what level should a target this be set at? Please explain why you have suggested this target.**

## **Part 3: Wider considerations**

### **How we operate**

Through the work of the WINEP taskforce we have identified wider opportunities for improving how we operate as a sector to make sure that we get better outcomes for the environment.

## Collaboration

As a sector, we need to support each other to meet long-term challenges through increased collaboration and partnerships. Through the work of the WINEP taskforce, we have seen the benefits of close working relationships between government, regulators, water companies and other environmental stakeholders.

As government and regulators, we are committed to strong partnership working and building clear, future-focused policy frameworks. We will take joint action where needed and encourage and facilitate greater collaboration and partnerships across the sector. Not only will this generate better outcomes for the environment, it will also stimulate innovation and new thinking.

## Behaviour and culture change

The work of the WINEP taskforce has enabled a rethink of how we deliver environmental improvements through the WINEP. It has also signalled to us that the sector must continuously look at how it works, from developing people with the skills needed to meet future challenges, to ensuring that water companies consider the environment an integral part of their business.

## Next steps

To support water companies when they develop their WINEPs using the WINEP methodology, we are developing optioneering and appraisal guidance. We will be engaging with water companies on this guidance over the summer 2021 with the aim of publishing these documents with the final methodology in autumn 2021.

This guidance will provide clarity on the Environment Agency's expectations of water companies. It will set out what evidence is needed when proposing actions for inclusion in the WINEP. The guidance will aim to provide instruction on the approaches to evaluation of costs and benefits to maximise consistency of evidence across companies and areas. The Environment Agency will use the optioneering and appraisal guidance when it assesses the quality of the evidence water companies provide to support their proposals.