

**Meeting:** Anglian Water Sustainability and Resilience Panel  
**Date:** Friday, 22 September 2017  
**Time:** 10.00 – 16.00  
**Location:** Templewood, Frogshall, Northrepps, Cromer NR27 0LJ

<b>Present:</b>	Craig Bennett (Chair), Barry Bendall (Rivers Trust), Geoff Brighty (Rivers Trust), Ian Butterfield (Natural England), David Diggins (Rivers Trust), Joff Edevane (AW), John Giles (Environment Agency), Jeffrey Halliwell (Chair of CEF), Katherine Hardcastle (River Nene Regional Park), Ben Orchard (Adnams), Alex Plant (Anglian Water), Richard Powell (Northumbrian Water), Jonah Tosney (Norfolk Rivers Trust), Phil Rothwell (RFCC) and Vicky Anning (CEF report author).
<b>Apologies:</b>	Julia Beeden (Cambridgeshire CC), Lu Gilfoyle (AW), Anne Ramsey (NE), Nathan Richards (RSPB), Rob Wise (NFU)

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## **Agenda Items**

## **Action**

### **1. Welcome and introductions**

CB welcomed the S&R Panel to Templewood House, a Grade II listed Palladian villa built in 1938 in 200 acres of woodland. Templewood is owned by Eddie Anderson – who hosted the meeting and led the subsequent tour of Northrepps Wetland. The theme of the meeting was **Natural Capital**.

### **2. Update from CEF Panel**

JH reported that CCG Chairs met with Ofwat to discuss the draft methodology for the PR19 Price Review. He was expecting an Aide Memoire from Ofwat that would give further guidance to CCGs. This would be circulated to CEF members as soon as available.

**JH**

JH had attended a recent Ofwat event, *Resilience in the Round*, at which speakers from various sectors (aerospace, financial, environmental and academic) challenged water companies on issues of financial, corporate and operational resilience. The report from this event will be circulated to panel members.

**JH/VA**

CB reported that the next S&R Panel meeting in January would be more outcome-oriented in order to start feeding comments into AW's draft business plan, which is due to be published in April. Further timelines would be clarified.

### 3. Strategic Direction Statement (SDS)

AP reported on work to refresh Anglian Water's 25-year SDS, taking into account new data on population, climate change etc.

The proposal includes four long-term ambitions:

- Being a carbon neutral business by 2050
- Enabling sustainable economic and housing growth
- Resilience to risks of drought and flooding
- Driving digital transformation.

AP reported that customer feedback has supported the direction of travel. One significant finding is that customers expect AW to be delivering now on digital transformation; AP suggested that this fourth long-term ambition may be revised accordingly to be more about how the company does business.

AP said he would also like to flag natural capital and circular economy as more of a priority in the SDS, and highlighted the challenges of making sure customers understand these concepts and their significance.

This led to a general discussion about the challenges and tensions between the long-term goals of sustainability and resilience vs. customers' needs, which are often focused on the shorter term (e.g. putting food on the table).

AP reported that the Government had finalised its strategic policy statement, which gives guidance to Ofwat for PR19. In this document, Government is clear that it expects companies to be addressing resilience and customer vulnerability. AW's recent event in Norwich over the summer had showcased to customers why they should care about the longer term outlook.

AP reported that consultation on the SDS had been extended until the end of October, to take into account AW's event on sustainable growth and natural capital on 17 October, to which members of the Panel had been invited. The SDS would be finalised by late October/early November, highlighting changes made as a result of customer feedback.

**CB/JE**

CB suggested that the S&R Panel should take the further opportunity to feed into the draft SDS and proposed holding an S&R Panel meeting on 17 October (without AW present) to feed into this process.

CB/JE to check on number of S&R panel members available and liaise with Chris Gerrard (event organiser) re. logistics.

CB fed back that there's been a strong focus in the S&R Panel on catchment management and he felt that this didn't yet show through as strongly in the SDS as he would have hoped. For the PR19 Business Plan, he suggested it would be useful for it to be something that can be interrogated by catchment as this would be an easier way for customers to engage.

There was general agreement on these points from the panel.

Link to the SDS [here](#)

#### **4. Government Guidance to Ofwat & AWS Ofwat PR19 Consultation Response**

AP reported that he had shared AW's response to Ofwat's draft methodology consultation with the CEF. The response expressed concerns that Ofwat's proposals do not support the long-term investment needed to deliver resilience and sustainability. The company felt that the proposed changes would increase the level of risk and introduce a framework with an asymmetric bias towards penalties. He reported that most water companies had made the same point in terms of financial penalties, risk and the linked question of the appropriate level of Weighted Average Cost of Capital (WACC). All of this underlined how important it is that AW's business plan has good customer support and they are looking at ways of sharing benefits with customers. Ofwat is considering responses and is due to publish a final methodology statement in December 2017.

This was followed by a general discussion about the pressures on Ofwat from media reports in outlets including the Financial Times and Radio 4. AP suggested that this climate had left Ofwat somewhat on the defensive.

There was a discussion about the tensions between potential increase in water bills and need for long-term investment in sustainability.

GB suggested you need to take customers on a journey to help them understand natural capital (e.g. by visiting projects like Northrepps).

CB said that bill payers today are paying more now than they would have done if there had been more investment in the past 20 years. He suggested this needs to come through to customers when looking at level of bills vs. investment in long-term sustainability.

Various potential conflicts were highlighted (e.g. CC Water's focus on keeping bills down and Blueprint for Water's focus). CB also flagged issue of catchment management coming out of capital investment.

AP reported that the inbuilt bias towards capital investment schemes was no longer an issue since the move to TOTEX in AMP6.

#### **5. Panel work to date**

CB highlighted some of the issues covered by the panel so far (water resources, catchment management for metaldehyde) and some of the issues not yet covered such as: energy (use of renewable and alternative energy); coastal issues; flooding. He invited panel members to suggest other topics, which included: performance indicators (ODIs); population growth; businesses and their interaction with water stewardship/supply chain resilience; opportunity mapping; bathing water/amenities; resilience through skills (e.g. apprenticeships); learning from others (e.g. Thames Tideway Tunnel); transfer pricing.

BO from Adnams agreed it would be a good idea to look for additional business members to sit on the S&R panel. CBI was suggested and AP mentioned re-establishing links with British Sugar

and following up links with AstraZeneca.

**AP**

BB mentioned work with supply chain resilience with companies including CocaCola and Tesco. He would share contacts with JE. **BB**

CB was keen to set up a session on businesses and supply chain in the near future, liaising with BO. **CB/BO**

CB also said the panel should look at outputs other than the final report, drawing on skills of all panel members.

## **6. Natural Capital – an Introduction**

JE gave a presentation about Natural Capital, citing Ofwat's draft guidance: "Firms should have regard to the wider costs and benefits to the economy, society and the environment, including the sustainable use of natural capital – that is, our natural assets such as rivers and groundwater."

AW's SDS states: "We want to improve our understanding of the extent and state of natural capital in our region."

AW has a water footprinting tool and is also looking at a water resources footprint to develop better idea of impacts, as well as developing a biodiversity metric (with Imperial College).

UK Water Industry Research (UKWIR) is looking at a tool to assess natural and social capital. This is due out soon.

Environmental consultants Eftec are also working on a project to develop understanding of key natural capital impacts.

The presentation led to a discussion about the rush to find a metric for natural capital:

- AP said we should make a start with AW and then broaden out to think about the region, taking a more generic approach.
- BB from Rivers Trust would share a report on aggregating Natural Capital, now in second phase. **BB**
- PR from the Regional Flood and Coastal Committee (RFCC) reported on an upcoming workshop on natural capital and said EA was about to publish report on flood management.
- KH said she would share report on land use data that helped River Nene Regional Park plan resources. **KH**
- GB said there was a similar mapping report for Ouse Valley.

It was agreed that the S&R Panel should provide back up to AW's thinking on natural capital.

Presentations will be made available on sharefile

**JE**

## **7. Minutes of previous meeting**

Minutes from the 12 July S&R Panel meeting were agreed.

## **8. Ingoldisthorpe Wetland Presentation**

JT from Norfolk Rivers Trust (NRT) gave a presentation about a partnership project between NRT, AW and the Environment Agency (EA). The £500k project at Ingoldisthorpe in NW Norfolk is funded by AW to intercept waste water effluent and remove ammonia and phosphate. This is done by creating one hectare of manmade filtration wetland on existing farmland. This system has been used in Ireland and elsewhere but this project is a trial for AW. The land has been leased for 20 years from the farmer and the project is due for completion next spring.

JT also reported on a smaller-scale project on private land in Northrepps to reduce phosphates. This has been established for three years, with strong community & volunteer involvement. Three ponds take effluent from discharge from a small AW treatment plant (serving 800 households) before discharging into the River Mun. JT said initial engagement and consent was 'tricky' but improved – the wetland has now become a biodiversity asset. Volunteers planted 20 wetland species of plants in former meadow. This is now attracting warblers, otters, invertebrates. Ecological outcomes were also surprisingly quick – with a rapid change in plant community.

Water samples are being monitored (and verified by university team) and results so far are impressive – removing 80-90% of phosphates; the system also seems to be working for removing nitrates and ammonia.

JT reported that costs came in at about £35k, including monitoring costs. He estimated the project should last as long as 20 years. JT suggested there was a sea change in attitudes towards this kind of project – but this was yet to be translated into national policy. He would like to see similar natural wetland projects become community amenities in future.

KH talked about her experience of similar projects in Australia that had in-built resilience yet cost less than 10% of technological solutions.

The panel had a lively discussion and members were very supportive of both these projects. Various challenges were discussed (e.g. licensing, responsibility for discharge, scalability etc). CB asked JT what would make these projects easier to implement in future – JT replied: working in partnership.

JE said AW would look at where similar projects could be implemented for other assets once the National Environment Programme for PR19 was finalised.

The panel visited the wetland site at Northrepps and members were extremely impressed. A discussion ensued about the possibility of drawing on the community as a case study (e.g. conducting a survey to see whether increased understanding of natural capital/sustainable behaviour had resulted from the additional levels of community involvement).

## **9. AOB – NEP Progress, input to Business Plan**

CB suggested that the panel needs more detail in order to scrutinise AW performance results around environmental responsibilities.

Water Industry National Environment Programme (WINEP) report was due out the following Friday – this will be going out to water companies ahead of the final iteration next March. Obligations listed will have a traffic light system that reflects the level of certainty and evidence associated with proposed obligations, a red traffic light has less certainty etc than a green. Companies must make provision for green and amber obligations in PR19 business plans.

IB said he would circulate a Natural England document due to go out to water companies and CCGs in the next week.

**IB**