WEST BERKSHIRE COUNCIL SCRUTINY COMMITTEE – 15 September 2026

Presentation by David Willis, Area Environment Manager, Environment Agency.

Update on the Environment Agency's ongoing actions in regulating Thames Water.

Good evening and thank you for inviting me to speak at this session to provide an update on the Environment Agency's role and ongoing actions in regulating Thames Water. There have been significant developments on this since I updated you at the last session in October 2024.

The Environment Agency's regulation of Thames Water remains focused on ensuring that the company delivers its environmental responsibilities and covers three principal areas –

1. The assessment and reporting of the company's environmental performance.
2. Providing guidance on and assessment of the company's plans to protect and improve the environment.
3. The determination of environmental permits and associated compliance assessment and enforcement.

I will summarise the latest position on each of these three areas.

In relation to the assessment and reporting of Thames Water's environmental performance, the Environment Agency undertakes annual assessments which are published each autumn. The assessments cover several key aspects of the company's environmental performance and result in a 1 star to 4 stars performance rating, with 1 star being poor and 4 stars being industry leading.

Thames Water received a poor rating of 1 star for 2024 showing that the company requires urgent and significant improvements to its environmental performance. Performance had declined from 2 stars in 2023 with particular concerns regarding the total number of pollution incidents, the high number of serious pollution incidents and the delay to some environmental improvement schemes.

The publication of the Environmental Performance Assessment for 2025 is due out in October. The details will be published next month, but we remain seriously concerned with the company's environmental performance. We have also completed a consultation on revisions to our annual Environmental Performance Assessment methodology including proposals to extend and tighten the assessment, and this is being implemented for the 2026 assessment.

In relation to the provision of guidance and assessment of the company's plans to protect and improve the environment, the Environment Agency's role includes the provision of advice to government on a range of water company plans and leading on the Water Industry National Environment Programme (WINEP) as a key part of the 5 yearly water company Price Review led by Ofwat. The WINEP sets out a 5-year investment programme of schemes required to deliver environmental obligations. Water company plans also include Drainage

& Wastewater Management Plans, Pollution Incident Reduction Plans and Water Resources Management Plans. These are all vital to set out the company's future plans to protect and improve the environment over the short, medium, and long term.

Thames Water submitted its business plan for 2025-2030 to Ofwat in 2023 including the WINEP which sets out the company's plans to improve the environment. This plan is critical to deliver key environmental improvements by 2030. The plan includes implementation of the governments Storm Overflows Discharge Reduction Plan.

The Final Determination by Ofwat for 2025-2030 was published in December 2024 which for Thames Water allowed £20.5 billion to improve services and the environment (this is £8.4 billion, approx. 70% higher than 2020-2025). The Environment Agency's position is that Thames Water must deliver all statutory improvements as set out in the WINEP and Water Resources Management Plan and fully comply with all environmental permits. The environmental improvement targets for 2030 included in the final determination for Thames Water include reducing pollution incidents by 30%, reducing storm overflow spills by 29% and reducing phosphorous entering rivers from the company's Sewage Treatment Works by 15%. Thames Water are currently appealing Ofwat's final determination with the Competition and Markets Authority, and this is currently deferred pending ongoing work on the recapitalisation of the company.

We welcome the large increase in investment and associated environmental improvement targets which includes a large number of schemes across Berkshire. We expect water companies to ensure assets are well maintained and resilient to extreme weather patterns and the pressure of population growth. The health of our rivers is not where it needs to be, and improved wastewater treatment investment is one of the key actions required to make progress.

The Environment Agency's role includes determining appropriate environmental permits under the Environment Permitting Regulations with conditions that control their environmental impact. It also includes undertaking appropriate compliance assessment and enforcement actions.

In relation to Thames Water, we undertake a wide range of compliance assessment activities relating to the environmental permits that the company have been issued. These include data return assessments, site inspections and audits.

Since April 2024, the Environment Agency has received significant additional government funding and water quality permit charge increases to fund a larger and more specialised workforce to enhance our water company regulation. We have now set up six new teams which regulate Thames Water and deliver a step change in our water quality compliance and enforcement activities. For example, the number of physical inspections we undertake on Thames Water wastewater assets increased fourfold to over three hundred inspections in 2024/25 and increased further in 2025/26 to over 850 inspections. Our large increase in wastewater asset inspections is driving improved compliance with environmental permits.

We have undertaken a range of enforcement action against Thames Water. For example, since 2015 we have had successful prosecutions at 17 Thames Water sites with fines totalling in excess of £37M.

We also have a significant number of live investigations that are currently underway at a national and local level. Our local investigation into the serious river pollution incident at Thatcham in 2020 is currently before the Crown Court alongside offences at several other sites, with the next hearing due at Reading Crown Court in November. We also currently have several other serious cases relating to Thames Water pollution offences before the courts.

At a national level, our largest ever criminal investigation into potential widespread breaches of environmental permit conditions at over 2000 sewage treatment works by all water and sewerage companies continues to make progress. Our assessment indicates that there may have been widespread and serious non-compliance with environmental permit conditions. We continue to undertake further investigations on specific sites.

The Environment Agency welcomes the Water (Special Measures) Act 2025 which is driving significant changes in how we regulate water companies. It gives us new powers helping us to hold water companies to account faster and more easily. The Act is:

- Enabling us to speed up our enforcement response by imposing faster and more predictable civil penalties for the less serious levels of offending. Defra have recently published the outcome of its consultation on this and we are currently consulting on required changes to our enforcement and sanctions policy. Our new powers and duties for civil penalties are expected to commence on 1 January 2027 subject to Parliamentary approval this autumn.
- Enabling us to focus our prosecution activities on the most serious offences and allow us to better recover enforcement costs from water companies.
- Strengthening penalties for obstruction offences, to prevent water companies blocking investigations and to make sure they face the consequences of their actions and inaction.
- Ensuring accountability through the introduction of a new statutory requirement for water companies to publish annual Pollution Incident Reduction Plans (PIRP). Thames Water published its first statutory PIRP in March 2026 and following review the Environment Agency has recently issued the company with a warning letter for not appropriately addressing some sections of the requirements.

The Environment Agency also welcomes the governments publication of ‘A New Vision for Water’ earlier this year and we are working with Defra and other regulators to help shape water reform and inform decisions on the future scope and functions of the Environment Agency.

Summing up

- We remain seriously concerned about Thames Water's poor environmental performance which is unacceptable and needs to improve rapidly.
- We have significantly expanded our specialised workforce and have implemented a step change in our water company compliance and enforcement activities.
- We will continue to hold Thames Water to account to drive improved environmental performance including increased investment in the company's operations and assets.
- We welcome the new Water (Special Measures) Act 2025 which is driving significant improvements in how we regulate water companies.
- We expect Thames Water to deliver a step change in investment and environmental performance through delivery of its business plan 2025-2030.
- We welcome the governments publication of 'A New Vision for Water' earlier this year and we are working with Defra and other regulators to help shape water reform.

I hope that my summary has been useful to update on the Environment Agency's latest position on the regulation of Thames Water and I will be happy to take any questions.