

# Annual report of Southern Water Independent Climate and Environment Group

2023 H2 -end 24



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# 1. Executive summary

Southern Water have had a poor environmental reputation, with a low point of unacceptable historic practices which led a few years ago to the largest environmental penalty in UK history. In recent years they have had only 1 or 2-star Environmental Performance Assessment (EPA) ratings from the Environment Agency. For much of 2024 progress in terms of regulatory compliance had stalled and, in some areas, slipped.

This masks some positive environmental actions, and on balance we judge that with some blips the overall direction is probably now (end 2024) towards improvement. We are strongly supportive of Southern Water's surface water pilots. We commend Southern Water for their early transparency over publishing data on sewer overflows on the coast and its extension to inland waterways (all companies have to do this from 2025), and their voluntarily releasing historic data - while we want to work further with them on facilitating public interpretation of this data. In response to justified criticism the company have also sought to make further changes - e.g. by enabling download of large quantities of reports/data points.

We support Southern Water's desire to maximise the use of nature-based solutions and sustainable drainage where appropriate.

There is good (by the standards of the industry) monitoring of carbon emissions - and though emission reductions may be thrown off course in the short-medium term by some large construction projects this may be offset by the use of SUDs in place of concrete storm tanks, and we hope that some at least of the nature-based solutions may provide Carbon sequestration.

A highlight of the last 15 months has been the move to co-invent, at least at high level, the company's forthcoming environment strategy with the ICEG. This is still at a relatively early stage but could if carried through become something of an exemplar for the wider industry .

We should state that we could not have asked for better interaction with the CEO, Lawrence Gosden, and have had good access also to the main Board ESG committee.

Southern Water working with the ICEG have also enhanced work with partners, many of whom are represented on the group. This includes moving to establish strategic partnerships (though the proof of this will be how much difference it makes in the way PR24 is actually delivered), and creating areas of joined up delivery.

We commented in our last report however that Southern Water remained an inwardly facing and siloed organisation on environmental issues and identified culture change as something which was urgently needed. This was in our view inhibiting the repair of its environmental reputation.

The cultural position, while needing further progress, has probably improved somewhat. We pressed for, and Southern Water agreed to, the reestablishment of a single head of catchments and waste-water discharges. We have also received assurance that lessons had been learnt from a couple of significant reporting failures and we received a briefing on the company wide culture change programme.

There is a critical need for culture change to be sustained in terms of:

- a) Consistency across the company, particularly at the front line. More join up can also be done between customer engagement and environmental engagement, building on welcome ad hoc discussions. The promised joint agenda setting etc between independent customer and environment committees has yet to happen.
- b) An external focus in terms of understanding the viewpoint of those who are concerned about key issues and going the extra mile in thinking through how to present and engage with these groups. An example here would be the communication of the fact that a relatively small percentage of discharge monitors will not be working at all times.
- c) We recognise that Southern Water has been an organisation under fire, and we agree with the apparent 'under-promise, over deliver' approach - though this could be applied more consistently. The organisation could recognise more fully the tendency to turn in on itself which can easily follow being under fire. And the organisation could sometimes be better at doing what it says it will - one example, and we could cite others, would be the case for Southern Water's procurement to more fully recognise the value of working with NGOs/SMEs/local authority delivery partnership, which we raised in our last report and were given positive undertakings but where the lack of progress has been disappointing. (By contrast there has been good movement in more strategic partnership through the use of grants.)

Areas where the ICEG have agreed ongoing discussion and work with Southern Water include:

- Better facilitating the interpretation of spills data, for example when a spill is likely to engender public health risks and or risks to the aquatic environment and when it is likely to be inconsequential
- Extending automatic alerts of spills to organisations working in the aquatic environment beyond protected areas
- Developing the assessment of Carbon considerations in individual decisions and projects
- Creating models for local Carbon sequestration and using this to enhance water efficiency messaging.
- Assurance that Southern Water fully understand and are reducing the environmental footprint of their supply chain.
- Developing considerations of the footprint of the company's' activities on landscape and amenity - beyond some good practice with the two National Parks
- Issues surrounding adaptation and climate resilience
- Helping move to a better place based/locational presentation of issues and data and thereby building consistent messaging to and working with communities;
- Following conclusion of the new environment strategy and the price review, nesting individual environment actions and communication within a coherent big picture;
- The water resources side of the business, particularly given concerns - which we need to examine - raised in the recent letter to the company from its regulators [OFF-SEN-AR24-JRL-letter-Southern-Water-Draft-Final.pdf](#). Given the prevalence of chalk streams in the company's patch, it's crucial that we and they don't solely focus on wastewater and pollution, despite the public interest in these topics, to the detriment of securing sustainable abstraction. ;

Professor Martin Hurst Chair

## 2. Background

This is the second annual report of this group, which was formed at the suggestion of Southern Water at the start of 2022-23. It covers both our assessment of Southern Water's performance on environment and climate, so far as we are able, to add to the regulatory 2-star EPA scoring from the Environment Agency for 2023, and our assessment of how Southern Water are working with the group and with its wider environmental community.

The membership of the group has expanded over the year, and the current membership is attached at annex 2. It comprises local and national NGOs, government regulators, the consumer council for water (CCW), local authorities (including their delivery partnerships) and national parks, along with a climate expert. We should stress that while the EA, NE and CCW are extremely valuable members of this group, in recognition of the tension with their statutory roles this report covers only the views of the other members of the ICEG - EA in particular have stressed that they cannot be portrayed as supporting all the views in the report.

The group is very grateful to Sean Ashworth and Dan Ross in Southern Water for excellent support and has enjoyed good access to senior executives from the CEO down with the main Board ESG sub-committee. We would in particular commend the support and willingness to submit himself to questioning of Lawrence Gosden, the CEO - and welcome his positive response to the idea of an environmental page in plans / reports, summarising the environmental outcomes that PR24 will deliver.

The group have also had access to, and we hope informed, many of the key Southern Water processes/statutory or regulatory documents. Obviously given the timing, the ongoing price review has been central. We have delayed this report in order to take on board any issues which have arisen as a result of the company's reaction to the draft determination and to the EA's annual EPA rating.

## 3. Environmental water quality

The region covered by Southern Water has a number of important types of aquatic biodiversity:

- Globally important chalk streams, with 2/3 of the chalk streams in the world being located in the south and east of England. The Test and the Itchen are rightly regarded as the jewels in the crown, but many other chalks streams are also important.
- Other river environments such as those on Kent clay.
- Marine ecosystems including kelp, and sea grass. These also support important shellfish waters.
- Coastal ecosystems including salt marsh/intertidal habitats. These provide among other things important habitats for overwintering waders.

There are a number of sources of data on the aquatic environment in the company's region, but many of these are partial/driven by reporting against particular pieces of statute. The ongoing work on the company's environment strategy has enabled some at least of these to be brought together at company level.

We also welcome the company's production of natural capital accounts for selected catchments.

There is notably poorer data on the state of marine/coastal habitats – even allowing for WFD reporting up to 1km offshore.

## 4. Catchment and partnership working

Southern Water have a track record over some years in working at catchment level with partners such as the Rivers Trusts and Wildlife Trusts. Particularly good examples might be the Arun Valley, River Anton and the Beult.

More recently they are directly providing top-up funding to a number of the formal catchment partnerships in the region. This is welcome.

Building on this, we have been glad to see strengthening partnership work being undertaken in the area around Chichester, Langstone and Pagham harbours under the Three Harbours Strategy development and on the Test and the Itchen rivers. We also strongly support work on aquatic initiatives in and with the two National Parks in the region: the New Forest and the South Downs - though we would not say this has yet gone as far as best practice particularly in relation to duty in s245 of the LURA to further the purposes of National Parks which relates to all public bodies and undertakers (including SW and Ofwat) <https://www.gov.uk/government/publications/the-protected-landscapes-duty/guidance-for-relevant-authorities-on-seeking-to-further-the-purposes-of-protected-landscapes>

These partnerships aim to galvanise existing collaboration and focus resources on the most pressing priorities. Their success is dependent on continued buy-in from leadership across partnership organisations, particularly Southern Water, sustaining growing momentum and refining focus.

A separate initiative we have provided a measure of assurance on and warmly welcome are the surface water pilots, initially with the Isle of Wight and now being rolled out more widely, initially to Kent but with the intention of joint working with all the upper tier authorities in the region: in addition to Kent these are East Sussex, West Sussex and Hampshire (noting that the Isle of Wight is a unitary, not an upper tier authority).

Finally, and critically, we have actively promoted and welcomed Southern Water's work to establish strategic partnerships with the NGO delivery bodies. We believe that without this we cannot built up the supply chain and expertise needed to make the case for the fuller roll out of catchment/nature-based approaches.

## 5. Pollution incidents

Southern water has a very poor historic record on pollution incidents and breaches of license conditions, as demonstrated in the table below showing EA EPA ratings:

Year	EPA Rating	Definition
<b>2011</b>	2 stars	Below average company
<b>2012</b>	2 stars	Below average company
<b>2013</b>	1 star	Poor performing company

<b>2014</b>	2 stars	Below average company
<b>2015</b>	3 stars	Above average company
<b>2016</b>	3 stars	Good company
<b>2017</b>	3 stars	Good company
<b>2018</b>	2 stars	Company requires improvement
<b>2019</b>	1 star	Poor performing company
<b>2020</b>	2 stars	Company requires improvement
<b>2021</b>	1 star	Poor performing company
<b>2022</b>	2 stars	Company requires improvement
<b>2023</b>	2 stars	Company requires improvement

This performance has to date, at best, stabilised. Neither the ICEG nor the company view this as an acceptable future outcome - the company's improvement plan however aims to secure 3 stars in 2024 or 2025. The ICEG agreed new quarterly management information with Southern Water and seeks to monitor this performance closely.

It was disappointing that process failures led to unacceptable delays in reporting a few important incidents. We have sought assurance that lessons are being learnt and been given undertakings that this is the case - we will continue to watch this area closely.

The issue of sewer overflows is one with a huge public profile, and one where there are statutory obligations on water companies. While ultimately what matters is the state of the environment, and action on sewer overflows needs to be prioritised and judged against action on other pollution sources such as treated wastewater, land management and run off from roads and industrial estates, all agree that the number and frequency of sewer overflows needs to fall.

The ICEG has been monitoring Southern Water's glide path towards the medium-term aim of significant reduction in spills by 2030, and on the programme of actions to achieve this and the longer-term objectives out to 2050.

We recognise of course that annual or within year figures on number of overflows will be heavily weather dependent but aim to be able to assure ourselves whether the underlying trend is on track. While 2024 has not been an easy year for a number of companies, with some adverse weather, Southern's regulatory performance seems likely to have stalled over the year as a whole, or even deteriorated. There are also indications that the condition of some of their assets has been allowed to deteriorate excessively.

We are encouraged by the quality of Southern's root cause analysis, but the acid test of this - and their wider culture change programme - will be demonstrable improvements in pollution incidents and in plant operation. This has, we have to say, yet fully to materialise - and further improvement will be needed if Southern are to meet their aspiration of a 3-star rating in 2025

On balance there is a lot of good work, though the jury is out on whether this will be sufficient

## 6. Core processes

The ICEG have had what we found to be valuable discussions with Southern Water on a number of key regulatory returns, such as relevant elements of PR24.

The company is on a journey here, but two recommendations we made last year have not been fully followed through:

- a) That reference to the ICEG become more automatic. So, for example, some members have noted less engagement on adaptation planning.
- b) That engagement be better joined up between engagement with ICEG and with the CCCG (Customer and Communities Challenge Group): at the moment, despite agreement in principle on a way forward, how the two bodies are engaged on environmental issues remains ad hoc.

## 7. Transparency

Southern Water's early adoption (relative to the statutory requirement of Jan 2025) of transparency on sewer discharges is a good initiative, as , with 'beachbuoy' - now Rivers and Seas Watch - leading to full disclosure of discharges to the marine/coastal environment and now to inland discharges plus historic data.

The ICEG views transparency as an essential part of regaining trust. We accept that it comes with a risk, and that a 'dip' in trust initially may be part of the price as people see levels of discharges they were not aware of.

Even with the discharges data however we think there is more Southern Water could do to ensure there is a trusted explanation of the relationship between discharges and their implications in terms of public health and environment damage. We rather doubt the company alone can provide this, given the trust deficit they face.

More widely, we feel that Southern Water are generally reluctant to provide third party assessment and assurance. This may be a result of the company 'turning in on itself' following the extent of criticism in the media.

We would very much like to work with the company to help them move to better third-party assurance and thereby ensure that their reputation for transparency is enhanced, and that the transparency comes with rapid understanding of what data/proposals are really saying.

## 8. Carbon/net zero

Southern Water's plans to deliver net zero carbon emissions are laid out in their document "Our Net Zero Plan". This is a clearly written plan and seems to cover the issues very well. There is a clear approach to net zero, articulating a hierarchy with reducing emissions given highest priority, through replacing sources of carbon and in some cases sequestering carbon by nature-based solutions, and then with offsetting for emissions that cannot be avoided as the last priority.

There remains more work on Carbon emissions from operations than from new projects - specifically emissions from supply chains - the so called 'scope 3' emissions. This could be a concern; for example, a change from delivering directly through SWs own operational activities to buying in a service from an external contractor may reduce SWs operational emissions yet overall emissions will not have reduced in practice.



That said, the plans and commitment seem robust, and Southern Water are to be commended that they started looking at scope 3 before a number of other water companies.

The ICEG now receive annual returns on carbon and will continue to hold Southern Water to account on delivery against objectives.

We think more work could also be done on calculating and reporting relative emissions from different approaches, and in particular on the potential benefits of some nature-based approaches in terms of sequestration of Carbon.

## 9. Procurement

We have referred to our suggestions on procurement above. Our concern remains that Southern Water's procurement is set up to provide for large (£10-100m) projects and/or similar sized aggregate spend on repeatable transactions such as raw materials/chemicals. We have heard from a number of sources that this type of framework/procurement does not work well in terms of access to SMEs, third sector delivery partners and local authority related delivery bodies - nor does it facilitate using other frameworks (e.g. those of local authorities). It may also be a barrier to some forms of innovation.

Southern Water's immediate response was that they aim to expand their grant giving regime to get round this problem. While this is welcome, we are to date unconvinced that it will be sufficient and are concerned that this approach may place an effective cap on the amount of local joint working which the company can undertake.

We continue to see a strong case for a minor works framework which would cater to local and third sector delivery partners whilst building their capacity. While any one procurement with these players may have slightly increased risk regarding delivery, overall, we can see significant environmental and reputational benefit. We have also provided a number of examples which suggest that for works below £10m such partners may well be able to deliver very significant cost savings.

## Annex: Group membership (as of Dec 2024)

Chair - Professor Martin Hurst (Independent)  
National Farmers Union - Isobel Budden (Environment and land use advisor)  
Regional Rivers Trust - Dave Brown (Rivers Trust Trustee)  
South East Rivers Trust - Bella Davies (CEO)  
South East Climate Alliance - Tony Whitbread  
Environment Agency - Sarah Powell (Water Company Account Manager) and Richard O'Callaghan (Environment Planning & Engagement Manager)  
Natural England - Aldous Rees (Freshwater Senior Officer)  
Coastal Partners and Southern Coastal Group - Lyall Cairns (Head of Coastal Partners)  
Waterwise - Laura Berks (Projects and training manager)  
Kent County Council - Louise Smith (Flood and Water Manager)  
The Wildlife Trusts - Ali Morse (Water Policy Manager)  
Water Resources South East - Meyrick Gough & Lee Dance (Directors)  
RSPB - Chloe Rose (Senior Conservation Officer)  
New Forest National Park Authority - Alison Barnes (CEO)  
Consumer Council for Water - Michael Barnes (Policy Manager)  
Blue Marine Foundation - Louise MacCallum (Solent Restoration Project Manager)  
West Sussex County Council - Matt Davey (Assistant Director of Highways Transport and Planning)  
Hampshire County Council - Vicki Westall (Flood and Water Management Coordinator)  
South Downs National Park Authority - member to be appointed.  
Defra - member to be appointed.  
East Sussex CC - member to be appointed.