

Independent Water Commission report: Understanding key recommendations

30 July 2025  Alistair Taylor

The Independent Water Commission (IWC) has published its final report following a comprehensive review of the water sector.

The publication of the report on 21 July has been widely publicised and commented on, with the recommendation to abolish the water regulator Ofwat making headlines.

While this is a certainly an eye-catching recommendation, regulator reform occupies just one chapter and 21 pages out of the report's seven chapters and over 400 pages of analysis and recommendations. The rest of the report identifies further challenges and potential solutions beyond regulator reform that could have significant implications for the public sector.

This article sets out a selection of the recommendations from the IWC report to help readers appreciate the breadth and potential impact.

Embedding long-termism

Chapter 1 of the IWC report deals with strategic direction for the water system and notes the challenge of managing water across multiple economic sectors in the face of growing environmental, demographic and financial pressures, and a growing list of public duties and policy objectives.

The IWC highlights issues such as a lack of a systems-based approach, a lack of a cross-sectoral approach, and an approach that does not support long-term targets in relation to both government strategic direction and government direction for the water industry

The IWC calls for a more long-term approach and coordination between UK and Welsh governments. This would be delivered through a new, long-term, cross-sectoral, and systems-focused National Water Strategy for England and Wales and a new Ministerial Statement of Water Industry Priorities (MSWIP), directing all water industry regulatory and systems planner functions. Both the National Water Strategy and MSWIP should both have a minimum horizon of 25 years and interim milestones on a year basis on 5 October, to ensure an adequate long-term perspective.

In relation to infrastructure and supply chain resilience, the need for a more long-term perspective is also highlighted as set out below in order to tackle both short-term shocks and long-term pressures.

New water planning frameworks

In relation to current systems planning frameworks for water the IWC highlights a lack of focus on the regional scale of water environment planning, limitations on mechanisms for driving cross-sectoral action, complexity of water industry planning processes, and a lack of local engagement and poor consultation practices.

To address these, the IWC recommends the introduction of a comprehensive systems planning framework for England and Wales to cover both the water environment and water supply. Under this new framework responsibility for integrated and holistic water system planning would lie with regional systems planners or 'regional water authorities' in England, while in Wales, IWC proposes that the systems planner should be a national authority.

Planning process changes

The IWC further recommends changes to the planning process in order to strengthen the role of water companies and ensure they have sufficient sight and influence over upcoming developments.

The IWC highlights the 'right to connect' to the public sewer network for new developments, regardless of existing pressures on the system, and proposes that this should be reviewed.

The IWC further recommends commencing Schedule 3 to the Flood and Water Management Act 2010, or amending existing planning policy in order to make SuDS in new developments in England a mandatory requirement.

Legislative reform

The IWC report devotes more than 150 pages to consideration of the legislative framework applicable to water and a further 100 pages to reform of the applicable regulation.

In relation to the legislative framework and water targets the report notes that the IWC has identified a list of more than 100 pieces of legislation relevant to how water is regulated, which apply in England and in Wales and identifies three main issues with this framework:

- an overly complex regime.
- an overly prescriptive approach which limits innovative solutions.
- outdated legislation.

The IWC recommends that the UK and Welsh governments should review the current water legislative framework and undertake a rationalisation exercise in order to streamline current laws and regulations to address inconsistencies, improve coherence, and make the framework easier to navigate. One of the intended outcomes is a more coherent approach to 'pre-pipe' solutions to stop pollutants and rainwater entering the system.

The IWC specifically recommends updating and reforming the Urban Waste Water Treatment Regulations (UWWTD Regulations) and Water Framework Directive Regulations (WFD Regulations).

In relation to the WFD Regulations, the IWC recommends establishing a new, overarching long-term, legally binding target for water body health, to replace the current Good Ecological Status (GES) target.

Alongside the overarching target, the IWC recommends setting further SMART short-term targets supported by objectives set at a more local level, and apportioned to different sectors, by regional water systems planners in England and a national systems planner in Wales.

The IWC also recommends addressing the lack of emphasis on public health within the legislative framework for the water environment by establishing taskforces led by the Chief Medical Officers of England and Wales to review the incorporation of public health better into the legislative framework for water.

Regulator and regulation reform

As mentioned above, the replacement of Ofwat with a new integrated regulator in England that combines the functions of Ofwat, Drinking Water Inspectorate (DWI), and water functions from the Environment Agency (EA) and Natural England (NE) has already attracted a lot of attention. The IWC has proposed this to address the significant gaps and duplication that it found in regulatory oversight and to address challenges in managing trade-offs within the regulatory system.

IWC proposes that the new regulator should adopt a more 'supervisory approach' to regulating individual companies and should ensure funding is directed appropriately by ring-fencing base capital expenditure (capital maintenance), base operational expenditure and enhancement capital expenditure allowances.

Alongside this, the IWC report considers and makes recommendations separately in relation to regulation reform spanning; economic, environmental and drinking water regulation, water resources, and affordability and consumer protections.

The IWC's recommendations include:

- Reforming the regime of self-reporting against regulatory requirements, under which companies are required to take water samples at wastewater treatment works throughout the year and then submit them to the regulator, through the greater use of digitisation, automation, public transparency, third party assurance and intelligence-led inspections.

- Tightening regulatory oversight of sludge activity recognising that sludge may contain per- and polyfluoroalkyl substances (PFAS); pharmaceuticals and toxic metals, which have public health impacts by moving the treatment, storage and use of sludge into the Environmental Permitting Regulations.
- Ensuring an effective process is in place for regularly reviewing and updating drinking water standards.
- Improving regulatory oversight of water industry abstraction activity by bringing it under the Environmental Permitting Regime.

Infrastructure and asset health

The IWC's report considers a range of issues associated with water infrastructure, supply chain resilience and security, infrastructure delivery and innovation.

The IWC report identifies a lack of resilience standards, limited understanding of the condition and location of infrastructure, a lack of integrated infrastructure oversight, and concerns around points of failure and critical dependencies within the supply chain for water.

The IWC recommends tighter control of water companies themselves in order to ensure that infrastructure and supply chains are sufficiently resilient to ensure the provision of safe drinking water and effective wastewater management.

The IWC specifically proposes statutory resilience standards for England and Wales, covering system, infrastructure and supply chains, strengthening the requirements on companies to map and assess the health of their assets, and a sector-wide risk assessment of critical supply chain dependencies in England and Wales to be carried out by the regulator.

To address weaknesses in regulators' approaches to holding companies to account for delivery of infrastructure spending the IWC recommends reviewing and rationalising delivery assurance frameworks that cover infrastructure capital spending across England and Wales.

The IWC further recommends retaining clawback mechanisms in the form of Price Control Deliverables (PCDs), which were introduced as part of Price Review 2024 and provide incentives for companies to deliver in a timely manner while returning funding to customers where companies fail to deliver on time.

To address skills and recruitment challenges, and support long-term infrastructure planning, the IWC recommends that the regulator and systems planners in England and Wales jointly undertake a water industry infrastructure delivery needs assessment against an assessment of supply chain capacity.

To help encourage innovation, the IWC points to proposals such as embedding a more long-term approach and rationalising the legislative framework as measures that will foster innovation. It also recommends that the UK and Welsh Governments should introduce structured regulatory sandboxes to support innovation uptake. Furthermore, the regulator in England and Wales should consider whether the innovation funding mechanisms for the water industry are sufficient and effective.

Concluding remarks

This article is not intended to provide a comprehensive analysis of the IWC report but is intended to give readers a curated overview of the scope of the report and the range of recommendations.

The IWC itself notes that implementing these recommendations is likely to take several years. Noting that many of the recommendations imply new primary legislation, alongside reform of a significant body of existing legislative instruments. Beyond the process of implementing the reforms, there is likely to be a further lengthy bedding-in period.

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