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June 2023

Dame Meg Hillier MP,
Chair, Public Accounts Committee
House of Commons
London, SW1A 0AA

Cc Anne Marie Morris MP and Olivia Blake MP

From Tamara Finkelstein CB

Permanent Secretary

PAC Recall Session: Follow-Up Response

Dear Chair,

Further to my letter on 19 May, I am writing now in response to outstanding points raised by Anne Marie Morris and Olivia Blake in respect of water resources.

Water Resources Planning

The Government recognises the need for further action in the water industry to secure water supplies in England. This will involve investing in new water supply infrastructure, action to reduce water company leaks, and improving water efficiency. Defra recently published its Plan for Water to clean up our waters and ensure a plentiful supply for the future.

The National Framework for water resources published in 2020, sets out in further detail how we are strategically addressing the water resources challenges faced. The National Framework explains how we will reduce demand, halve leakage rates, develop new supplies, move water to where it is needed and reduce the need for drought measures. Please see a link to this National Framework here:

<https://www.gov.uk/government/publications/meeting-our-future-water-needs-a-national-framework-for-water-resources>. Informed by the National Framework and

our detailed guidance, we expect regional water resources groups and water companies to take a strategic approach to planning water resources to prevent barriers to sustainable growth, as well as taking account of climate change impacts and the needs of a healthy environment. To do this, there needs to be strong collaboration and careful planning between all partners, including on local authorities' local plans.

Current draft water resources plans suggest we will have a gap between supply and demand that grows to about 4,000 million litres of water a day by 2050, half of which will need to be met from reducing demand and leaks, and half from new supply infrastructure.

To inform their water resources plans on new major water infrastructures such as reservoirs, regional and inter regional water transfers and water recycling schemes, water companies are currently using £469 million to investigate and develop options like new reservoirs, water recycling and water transfer schemes to improve the resilience water supplies. This work is supported by RAPID – the Regulators' Alliance for Progressing Infrastructure Development. RAPID brings together Ofwat, EA and the Drinking Water Inspectorate to help ensure a smooth regulatory path for strategic water resources infrastructure. The National Policy Statement for Water Resources Infrastructure, laid in Parliament on 17 April 2023, also helps to streamline the process of gaining development consent for strategic water resources infrastructure.

To drive progress to close the supply and demand gap, we have set a new legally binding target under the Environment Act 2021 to reduce the use of public water supply in England per head by 20% from the 2019/20 baseline, by 2037/38. To achieve this, we will reduce household water use to 122 litres per person per day, reduce leakage by 37%, and reduce non-household (for example, businesses) water use by 9% by 31 March 2038. The non-household element was developed with the Water Target Expert Advisory Group and working with the Environment Agency we have modelled our policy delivery pathway considering water company actions in their water resources management plans (e.g. retrofits for business customers) and considering policy options set out in our Plan for Water roadmap on water efficiency in new developments and retrofits.

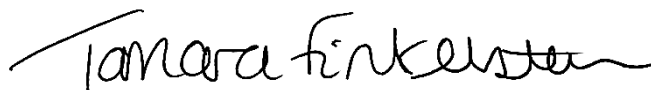
The 20% reduction in public water supply refers to distribution input, consisting of household and non-household consumption and leakage. The total water use is then divided by population to account for uncertainty around future population, housing needs and economic growth, while still allowing us to meet the Environment Act requirement that the Secretary of State is confident the target can be met. The 9% reduction in non-household demand is a subset of this.

Implications for Housebuilding

The Plan for Water also sets out how we will achieve the statutory water demand target and the longer-term water demand targets in the National Framework. This includes actions we are taking on water efficiency in new developments and retrofits, including working with DLUHC on reviewing building regulations and water efficiency in the Decent Homes Standard and Energy Performance Certificates. We are working with stakeholders on this, including holding a joint workshop on water efficiency in the Decent Homes standards, in preparation for future consultations.

I am copying this letter to Anne Marie Morris, and to Olivia Blake.

Yours Sincerely,

A handwritten signature in black ink, reading "Tamara Finkelstein". The signature is fluid and cursive, with a long horizontal stroke at the end.

TAMARA FINKELSTEIN
Permanent Secretary