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Dear Member

OVERVIEW AND SCRUTINY BOARD - THURSDAY, 5 OCTOBER 2023

I am now able to enclose, for consideration at the Thursday, 5 October 2023 meeting of the Overview and Scrutiny Board, the following reports that were unavailable when the agenda was printed.

Agenda No	Item	Page
5.	South West Water Spotlight Review Responses to questions from South West Water and the Environment Agency.	(Pages 2 - 7)

Yours sincerely

Governance Support
Clerk

Agenda Item 5

The Board requested that South West Water provide more information/a written response to the following:

- to provide more information on the Environment Agency Catchment Data Explorer - see <https://environment.data.gov.uk/catchment-planning>;

This is a question best answered by the EA for information on their Catchment Data Explorer.

- to explain why Livermead beach does not show on the map as a designated bathing beach and what action was being taken to address the release of sewage onto that beach, which was popular for people swimming with dogs, jet skis and other water sport users;

Livermead beach is not featured currently on SWW's WaterFit Live map as it is not a designated bathing water by DEFRA. WaterFit Live currently only has water quality information for designated bathing beaches, but with the next phase later this year we will be adding all our storm overflows onto the map, so all areas of our network will be included.

To designate a bathing water an application can be submitted through DEFRA. For criteria and the application process please refer to their website: [Designate a bathing water: guidance on how to apply - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/designate-a-bathing-water)

- whether Torbay being an UNESCO Geopark has any impact on consideration regarding water quality and protection of the natural environment;

Water companies do not currently have a specific duty or responsibility to areas designated as a UNESCO Geopark. However, Torbay has a Marine Conservation zone, in which the water industry's does have a duty of thinking about impact of our assets. Water companies are expected to contribute to maintaining or achieving the objectives for Marine Conservation Zones, and the desired state of the environment within Highly Protected Marine Areas when introduced by government. The specific duties and obligations of water companies may vary based on the individual circumstances and conditions of each Marine Conservation Zone. Water companies are required to work closely with regulatory bodies, such as Natural England and the Environment Agency, to ensure compliance with all relevant legislation and requirements.

- as there was a significantly higher number of occurrences of overflows from Ilsham Valley Pumping station in 2020 of 123 events, how does South West Water intend to make a reduction of 20 or below by 2030;

South West Water have committed to 20 spills by 2025 as an average across all our overflows. And to 10 spills per overflow by 2040. We are looking to reduce spill numbers from the Ilsham Valley Pumping Station overflow. We have agreed with the Environment Agency in the WINEP (Water Industry National Environment Programme) that due to the complexity the solution is going to be a multi AMP project to 'remove' the River Fleet from our combined sewer, and will be over the long term (over several 5 year Business plan periods)

- to provide details of the capital programme for reduction in overflows and infiltration, increased storage and separating surface water from combined systems;

South West Water was one of the first water companies to install 100% monitoring on our 1,342 storm overflows, meaning that we have had a head start. It means we know that nearly two thirds are working as we would expect, operating less than 20 times a year. Our focus is therefore rightly on the third that are operating more than expected, and those that operate in and around our bathing beaches. During the AMP8 period we are targeting 283 for interventions in 84 (out of 655) of our catchments. We will be targeting improvements at

these overflows with a mixture of Grey (increasing storage), Blue (removing surface water and allowing this alternative pathways) and Green solutions (such as managing surface water at source with SuDs).

Like our Clean Sweep investment programme that took 20 years to deliver, tackling and minimising the use of storm overflows is going to take 15 years to complete, and in noting this is a multi-generational challenge. We are targeting completing requirements by 2040, 10 years ahead of governments required target of 2050, and with a focus on our 151 bathing and shellfish waters.

- to provide the statistics relating to water usage and rainfall for the past 10 years so that Members can understand the trends and challenges;
- what proportion of the water pipework still has lead and what was the plan to replace it; The use of lead pipes was banned in 1969, however some historic infrastructure remains. This is mainly pipework supplying individual properties and domestic plumbing inside of properties. It is difficult to know exact numbers because if a pipe is on a private supply, customers don't have to report their assets. We have a lead model, which indicates where lead is and we are looking to work with CREWW (Centre for Resilience, Water and Waste, our joint venture with the University of Exeter) to improve our model and accuracy and to improve our knowledge of where we think we will find lead.

We are supporting customers as much as we can to replace their own lead pipes alongside our proactive work at replacing our own. We are accelerating the replacement of lead pipes across our network, expanded to include customer pipes in an ambition for the region to be lead free by 2050. If a customer suspects that an internal plumbing pipe or their external supply pipe might be made of lead they can get in touch with us via our website and we can arrange a sample to be taken of their water. Once lead has been confirmed we will work with the customer on the next steps: <https://www.southwestwater.co.uk/household/help-support/report-a-problem/lead>

- how much of the water and sewerage infrastructure needs replacing and what was the timeframe for completing this work;

In our South West Water 2025-2030 business plan we show how we plan to invest £2.8 billion in water quality and resilience. We are investing in the ongoing modernisation of our infrastructure and will be upgrading one third of our water treatment works. We are completing the storm overflow investment programme in 15 years (up to 2040) – a full 10 years ahead of target. 100% of storm overflow solutions will be assessed using the principle of 'Green First' approach to investment, working with nature to improve drainage and reduce storm overflows. Please see our PR24 business plan for more information:

<https://www.southwestwater.co.uk/siteassets/documents/about-us/business-plans/2025-30/business-plan-2025-30.pdf>

- South West Water had a 10.9% increase in dividends to its shareholders and paid £2m in bonuses to Executives and residents have been told in order to enhance the quality of their water bills would have to go up significantly, how could this be justified;

As an FTSE listed business, our executive pay is in the public domain, and transparent to customers through WaterShare+ and shareholders. The remuneration package for executives is conditional on delivery of robust financial, customer and operational and personal objectives, as well as value created for shareholders, which is overseen by our independent board.

Pennon's dividend policy is to increase by 2% + CPIH (used to measure inflation) year on year. When the dividend was recommended at our FY23 results in May 2023, the CPIH rate used was that of 8.9% (as of 31 March 2023) – which is the 10.9% you have quoted. Pennon's shareholder base is over 50% are UK based, including charities, pension funds, savings and individuals. Alongside this, around half of Pennon's employees are shareholders, along with around 90,000 customer shareholders through our unique WaterShare+ mechanism.

If you could please share the source of your information for the £2 million in bonuses we will look into that in more detail as that is not a figure we recognise. We can confirm that for 2023 a total of £288k in incentives was paid for the year for the Group Chief Financial Officer. The CEO declined her awards for both the vesting LTIP (Long Term Investment Plan) and the annual bonus. This is fully disclosed in the Pennon Director's Remuneration Report. **None of this amount is payable by SWW customers, and is funded by Pennon Group plc.** Of the £288k awarded to the CFO, only £51k is payable in year with the rest deferred. The deferred portion of the annual bonus is released as shares in 3 years. The LTIP is released in shares on completion of a further 2 year holding period.

For SWW £74k was awarded in incentives to the SWW FD of which £10.5k will be payable in year and the rest deferred as for the Pennon Group CFO. This is detailed in the SWW Annual Performance Report which can be found here: <https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-limited-2023-accounts.pdf>

In our PR24 programme two thirds of the proposed investment will be funded by shareholders, reducing the impact on our customers' bills. On average bill increases will start from £3 a month from 2025 to £9 a month by 2030

- how could SWW demonstrate that their services offer value for money to customers in light of the high costs of bills and payments to shareholders and Executives
- it was mentioned that the Chief Executive Officer of SWW had foregone her bonus in light of the current cost of living crisis and applied this to water poverty initiatives including WaterShare (<https://www.southwestwater.co.uk/about-us/what-we-do/improving-your-service/watershareplus>), if they were acknowledging water poverty was a major issue in the region how was the £112m shareholder dividend justified;

We can confirm that our CEO, Susan Davy has chosen to forego her bonus this year. Instead, the money was invested into our unique WaterShare+ scheme which goes directly to our customers, giving them the choice to own shares in Pennon and a say in the running of our business or to take a credit on their bill. Susan and the Board felt this was the right thing to do and is further evidence that we are taking action to prove we are listening to our customers. Information on Susan's and our Exec's pay can be found in our annual reports which you can find here: <https://www.pennon-group.co.uk/sites/default/files/attachments/pdf/south-west-water-limited-2023-accounts.pdf>

South West Water are committed to eradicating water poverty. Our PR24 plans will deliver our largest ever package of support to help those struggling to pay, and doubling down on our commitment to ensure we have zero customers in water poverty in our region.

- an update on the issues being investigated by OFWAT regarding accuracy of information relating to water leaks and what was being done to address this

South West Water is not in a position to comment on ongoing investigations by OFWAY. In due course, once the investigation has been completed, OFWAT will issue its conclusions as a public document.

- what action was being taken to manage black acanthine in the infrastructure; and
- what was the reason for the drinking water tasting disgusting and what was being done to address this.

Black alkythene is a material which was laid prior to South West Water formation in 1989 when water companies were privatised. South West Water has a policy to renew black alkythene when we come across it, through excavations or from proactive assessments based on burst history and likely age of property and most likely used material at the time. This would typically be on the communication pipe and onto the customer service pipes. SWW has targeted areas for replacement, where we know we have black alkythene communication pipes and this will be continued with a strategy to renew and replace as our preference.

We are sorry to hear that you do not find the taste of your drinking water satisfactory and we ask our customers to please report issues to us so we can investigate. Our records do not reflect any wide spread taste and odour issues in the Torbay area or from our supplying water treatment works. Please do visit our website to find out more about possible causes of tastes and smells and report any issues via this link <https://www.southwestwater.co.uk/household/help-support/report-a-problem/tastes-and-smells>

Spotlight Review of South West Water – Response to Questions from the Environment Agency

Please see below answers to the questions that were posed to the Environment Agency.

1. Currently water quality testing was only carried out between May and September, what consideration had been given to carrying out water quality testing all year round and could this be revisited in light of Torbay Council's ambition to be a premier tourism destination

The Environment Agency is required to follow the monitoring requirements set out in the Bathing Water Regulations (2013). These specify a fixed bathing water season between 15th May and 30th September. Monitoring is required to take place within these dates except for the first sample of the season which is required to be taken shortly before the start of the season. Going beyond the statutory monitoring requirements for a fixed season set out in the Regulations is not within the Environment Agency's remit and would require changing policy and/or legislation which are the responsibility of Defra.

2. To explain why Livermead beach does not show on the map as a designated bathing beach, which was popular for people swimming with dogs, jet skis and other water sport users

Livermead does not show up on Swimfo as it not a designated bathing water under the bathing water regulation. If the Council wish to apply for its designation this can done. Guidance on this can be found here: [Designate a bathing water: guidance on how to apply - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/designate-a-bathing-water)

3. What assurance could be given that the testing and standards for water quality had not been subject to negotiations with water companies and that there was an improving direction rather than concessions being made

This question is currently on hold, and in order for us to help you further, please can you provide more detail about what you are wanting information about?

4. What assurance could be given to the loophole that regulators could discount 1 out of 7 water quality samples when there was an atypical event and what was classed as such event

Only 61 out of 150 bathing water in Devon and Cornwall are submitted to Pollution Risk Forecasting. Most bathing waters consistently have very high water quality nearly all of the time.

However, at some bathing waters there are natural variations in quality that are predictable. At these sites we actively let bathers know of days when water quality may be temporarily reduced compared to normal conditions. This is due to factors such as the weather and tides which influence the levels of bacteria washed off the land into the sea and their dispersion. This is short term pollution (STP) and is defined as pollution that has identifiable causes and is expected to affect the quality of a bathing water for less than 72 hours. We use Pollution Risk Forecasting (PRF) to let people know when this is likely to happen.

To make these forecasts we use measurable factors that we know influence bathing water quality including rain, tide, wind, sunlight and seasonality. We match these factors to historic sample results to individually assess the risk factors unique to each bathing water. PRF doesn't currently directly take account of information from storm overflows operated by water companies. However, since these operate during heavy rainfall, warnings often coincide with discharges. When a temporary reduction in water quality is forecast, we issue a daily pollution risk warning and advice against bathing. This enables bathers to avoid times or locations where the risk of pollution is higher than normal and health risks from bathing may be higher than the annual classification suggests.

Where a local authority has signed up to receive and act on pollution risk warnings this activates the STP signage requirements of the Bathing Water Regulations. This means samples taken during STP events are eligible to be disregarded from the compliance assessment. The requirements include additional information on the bathing water fixed sign and a reactive daily warning sign whenever a warning is issued. Defra is responsible for bathing water signage requirements and they provide guidance. Both types of signs must be located in a clearly visible location in the near vicinity of the bathing water. PRFs and warnings can be sent automatically to suitable electronic signs via text messages, which are used at a number of bathing waters.

Each day from 1 May to 30 September we make a forecast of average water quality for each bathing water included in the system and issue advice against bathing if appropriate. The Bathing Water Regulations specify that compliance samples taken during short term pollution may be excluded (disregarded) from the annual classification, provided the relevant STP procedures are in place. The Environment Agency considers several factors in deciding whether to disregard a sample. The total number of samples disregarded must not exceed 15% in any one assessment. We will only disregard samples that improve the classification percentile assessment for one, or both of the bacterial indicators specified in the Regulations and will consider each sample on a case-by-case basis.

Torbay Council have a very active beach controller who works closely with the Environment Agency to ensure the council upload their bathing water regulation obligation.