Ofwat – Cost Change 2026 Draft Determinations Consultation

This is a copy of the response from Vale of White Horse District Council which was submitted on Wednesday 16 September

Do you have any general comments on the proposals set out in this consultation?
Vale of White Horse District Council objects to the proposals set out in this consultation. We do not consider that Ofwat has made a sufficiently compelling case for allowing water companies to recover significant additional expenditure through increased customer bills, and, therefore, cannot support the draft determinations.

The council is particularly concerned that customers are being asked to fund additional expenditure at a time when many households continue to face significant cost-of-living pressures. Ofwat states that the additional expenditure will support asset health, economic growth, major infrastructure projects and environmental resilience. However, we are not persuaded that the case has been made for transferring these costs to consumers, particularly where many water companies continue to perform poorly against public expectations and regulatory requirements. The legitimacy of any increase in customer bills depends on public confidence that companies are operating efficiently and responsibly, and that confidence is currently lacking.

The council notes that Ofwat places considerable emphasis on protecting customers from unnecessary costs and bill volatility. We support this principle and believe it should be applied more rigorously. In our view, customers should not be expected to bear the financial consequences of historic underinvestment in water infrastructure. Many of the pressures cited within the consultation, including concerns around asset health, network resilience and infrastructure capacity, are not unforeseen issues. Rather, they are challenges that have developed over a prolonged period, and which water companies have had decades to address through effective management and long-term planning.

We are also concerned that the consultation places considerable emphasis on the need to fund future growth while giving insufficient attention to existing operational failures. Residents across our district continue to experience concerns relating to water supply resilience, leakage, sewage pollution and environmental performance. Given the scale of these ongoing challenges, it is difficult to justify asking customers to contribute additional funding for new infrastructure and strategic schemes before water companies have demonstrated meaningful progress in resolving existing deficiencies. The council would, therefore, expect any additional funding to be strongly linked to measurable improvements in service delivery, environmental performance and customer outcomes.

In particular, we were surprised by the limited emphasis within the consultation on tackling leakage and sewage discharges. Public concern about the condition of rivers and waterways has grown significantly in recent years, yet these issues do not appear to be at the centre of the expenditure proposals. We recognise the need to maintain and enhance water infrastructure, but we believe customers are likely to question why additional funding is being directed towards major new projects when long-standing problems remain unresolved.

The council is also concerned by the inclusion of substantial funding for strategic water resource and reservoir projects where there remains legitimate debate regarding both their need and cost. In the absence of compelling evidence that all reasonable alternatives have been exhausted, it is difficult to support transferring the financial risks associated with such schemes to customers. We believe Ofwat should apply a more precautionary approach to large-scale capital projects and place a greater burden on companies to demonstrate that proposed investments represent the most cost-effective and environmentally sustainable solutions available.

More broadly, the council considers that the draft determinations fail to sufficiently address the underlying causes of the sector's current challenges. Since privatisation, water companies have benefited from substantial revenues while, in many cases, accumulating significant debt and distributing substantial returns to shareholders. At the same time, many companies have been criticised for poor environmental performance, inadequate infrastructure investment and excessive executive remuneration. Against this backdrop, it is difficult to justify requests for further customer funding without stronger evidence that companies have first exhausted all opportunities to improve efficiency, reduce costs, strengthen financial management and prioritise investment within their existing resources.

Finally, we consider that any approach to additional funding should be accompanied by significantly stronger requirements on transparency, delivery and accountability. Where additional expenditure is allowed, customers should be able to see clear evidence of the outcomes delivered, with robust clawback mechanisms where promised improvements are not achieved. In our view, the burden of proof should rest firmly with the water companies. Additional funding should only be approved where there is clear and compelling evidence that the expenditure is necessary, represents best value for customers and cannot reasonably be funded through improved efficiency, reprioritisation of existing expenditure or reductions in shareholder returns.

For these reasons, Vale of White Horse District Council does not support the draft determinations.

Do you have any company-specific comments on our draft determinations?
The council does not believe that Ofwat has made a sufficiently compelling case for allowing Thames Water to recover additional expenditure from customers through higher bills. While the consultation argues that additional funding is required to support major infrastructure projects, asset resilience and future growth, we remain unconvinced that it is appropriate for residents and businesses to bear these additional costs at a time when Thames Water continues to face significant operational, environmental and financial challenges.

The fundamental issue is one of public confidence and legitimacy. Many customers across our district have experienced years of poor service outcomes and have seen repeated examples of underperformance in relation to leakage, water supply resilience, sewage pollution and environmental management. Against that backdrop, it is difficult to justify asking customers to contribute further funding when there is limited evidence that previous regulatory settlements and bill increases have delivered the improvements that were promised.

The council is particularly concerned that Thames Water continues to lose substantial volumes of treated water through leakage while also warning of water scarcity and the need for additional strategic water-resource schemes. Residents have experienced recurring concerns regarding water resilience, including the imposition of hosepipe bans and requests to reduce water consumption. In our view, there is a legitimate question as to whether greater emphasis should be placed on addressing leakage and improving the performance of existing infrastructure before customers are asked to fund major new projects.

Similarly, public concern about sewage discharges into rivers and watercourses remains extremely high. Communities across Oxfordshire and the wider Thames catchment have seen growing evidence of sewage pollution affecting our rivers and the wider water environment. While the consultation seeks additional funding for major projects and growth-related infrastructure, the council is concerned that insufficient emphasis is placed on addressing the environmental impacts that residents and communities already experience today. Customers are entitled to question why they should fund further expansion and new strategic infrastructure when existing environmental obligations have not always been met satisfactorily.

The council is also concerned about the inclusion of substantial funding for the White Horse Reservoir project. The proposal remains highly controversial and there continues to be debate as to whether a reservoir of this scale represents the most appropriate response to future water needs, particularly when opportunities may exist to lessen demand, reduce leakage, improve water efficiency and increase the resilience of existing infrastructure. In the absence of a clear and compelling demonstration that all realistic alternatives have been fully assessed, we do not believe the financial risks associated with such a project should be borne by customers.

More broadly, the council is concerned that Ofwat's proposals fail to adequately recognise the wider context surrounding Thames Water's financial position. The company has been the subject of prolonged public scrutiny regarding its financial resilience, debt levels and long-term future. There has been considerable discussion and speculation regarding potential restructuring options and the possibility of special administration or forms of public ownership. Against that backdrop, it appears inappropriate to ask customers to fund additional expenditure when there remains uncertainty regarding the future ownership and governance of the company itself. Residents are entitled to expect clarity on who will ultimately be responsible for delivering projects and managing investment before they are asked to contribute further through increased bills.

The council is also concerned that customers may effectively be asked to pay for problems that should have been addressed through previous investment decisions. Since privatisation, water companies have benefited from substantial customer revenues while, across the sector, significant sums have been distributed to shareholders and paid through executive remuneration packages. Whatever the historical rationale for those decisions, many residents will understandably question why additional funding is now being sought from billpayers when concerns remain regarding historic levels of infrastructure investment, financial management and corporate governance.

In our view, the burden of proof should lie firmly with Thames Water to demonstrate that every reasonable step has been taken to improve efficiency, prioritise expenditure, strengthen financial resilience and direct available resources towards addressing existing service and environmental failures before any additional costs are passed on to customers. We are not persuaded that this burden has been met.

The council is further concerned that the draft determinations risk sending the wrong regulatory signal. Allowing additional funding without stronger evidence of improved performance may weaken public confidence in the regulatory system by creating a perception that companies can secure additional revenue despite persistent operational and environmental shortcomings. While we recognise the importance of ensuring future water supplies and supporting sustainable economic growth, these objectives must be balanced against the need for accountability and public trust.

For these reasons, Vale of White Horse District Council opposes the draft determinations as they relate to Thames Water.