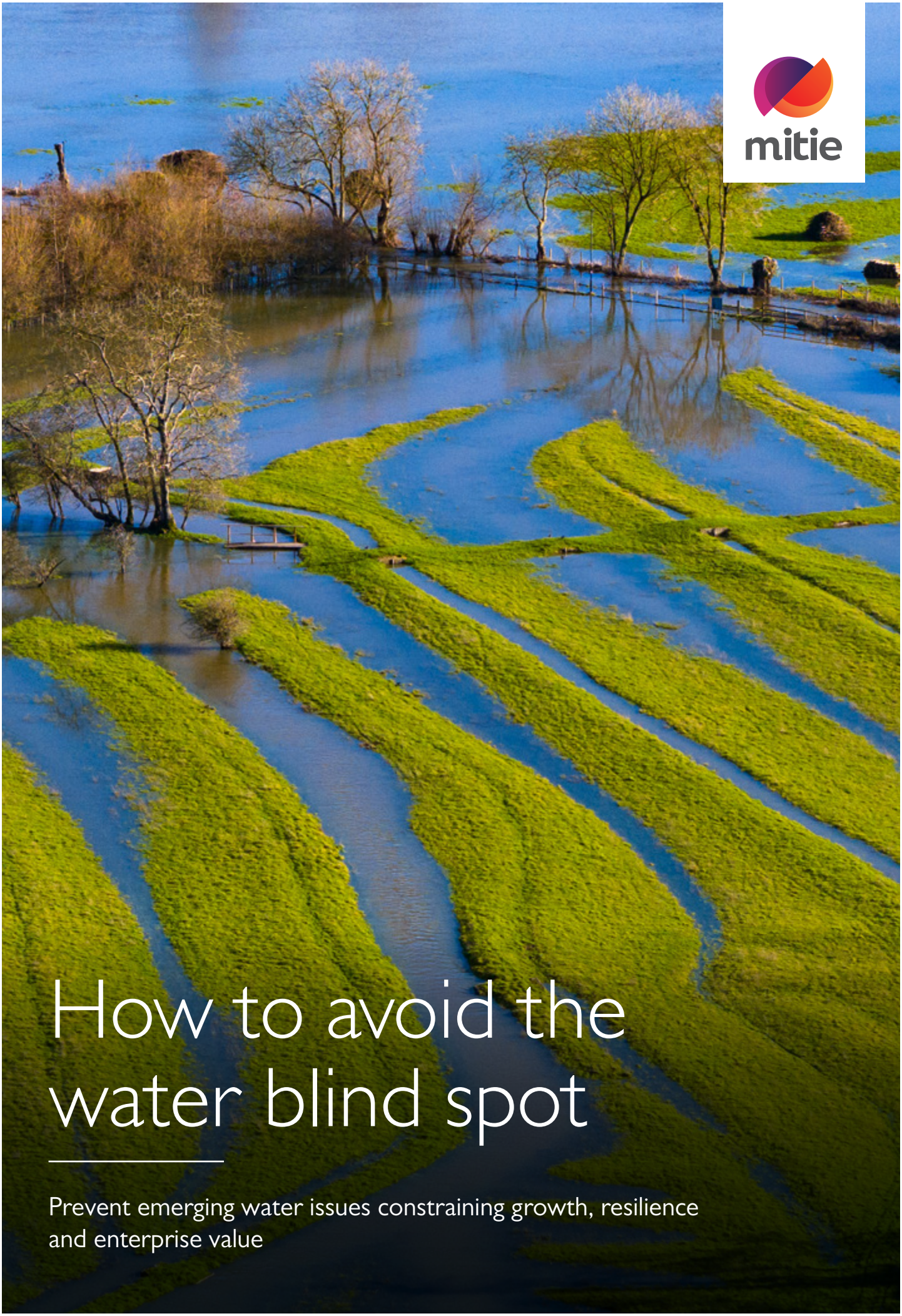

mitie

How to avoid the water blind spot

Prevent emerging water issues constraining growth, resilience and enterprise value

Contents

Introduction

How long could your organisation continue if its water supply stopped?

Chances are, you don't really know. And as this paper sets out, increasing UK water scarcity, combined with unique sector pressures, makes that uncertainty a serious business risk. Your organisation could be more exposed than you realise, facing significant yet unforeseen consequences.

For decades water has been treated as one of few certainties in business: reliable, predictable and requiring little operational input. Water sat quietly in the background, rarely attracting board-level attention, except perhaps if cost control or compliance became an issue.

Widespread lack of understanding

While most UK boards understand their exposure to energy disruption, cyber risk and supply chain failure, far fewer understand their exposure to water. Yet the potential operational and financial consequences are equally significant. Across sectors, leaders show little knowledge of…

- Operational dependency on water
- The resilience of water infrastructure that supports business as usual
- The vast implications of a supply failure

Research commissioned for Mitie's Net Zero Navigator 2026 confirms this widespread lack of understanding around water. One in 12 senior sustainably managers were unaware of Government targets requiring commercial water use to reduce by 9% by 2038 and 15% by 2050, from 2019/20 baselines.[1]

A perfect storm is brewing

A range of factors is contributing to a 'perfect storm' that could spell disaster if UK organisations don't quickly address their water strategies. These include:

- Ageing infrastructure
- Climate volatility
- Rising demand for water
- Increasing public scrutiny
- Sector-wide changes, including tightening regulations

1 Mitie, Net Zero Navigator 2026 (2026).

Changes are coming

Against this backdrop, organisations should be aware of water sector changes, with both financial and regulatory consequences. Ofwat's PR24 determination includes a record infrastructure investment programme of around £104 billion, funded mainly by the private sector. This will drive average bill increases of 42% over the AMP8 period (Asset management period, 2025 – 2030).[2]

Tightening legislation is compounding this shift. The Environment Agency has warned that England could face a shortfall of 5 billion litres of water a day by 2055. An additional 1 billion litres will be needed to support wider economic growth, industrial expansion and national infrastructure demand.[3] Yet almost one fifth of treated water is lost to leakage before it even reaches customers.[4]

Perhaps unsurprisingly, Sir Jon Cunliffe's Independent Water Commission[5] – widely regarded as the most significant review of the UK water sector since privatisation – identified 88 recommendations. These span resilience, governance, infrastructure capability, environmental performance and accountability. Therefore, organisations face mounting pressure to improve efficiency, reduce consumption and strengthen resilience.

Water is now a strategic issue

The Government's white paper, A New Vision for Water[6], signals a move towards resilience-led planning, stronger oversight and once again, greater accountability. This shift has direct implications for continuity, resilience, growth, investor confidence and corporate reputation.

Facing up to water's ever-increasing challenges means understanding how exposed you already are. This paper sets out why organisations have fallen behind, together with key considerations that highlight practical steps to avoid the water blind spot.

2 MOSL, PR24 final determinations – non-household summary (2024), p.3.

3 Environment Agency, England faces 5 billion litre public water shortage by 2055 without urgent action (2025).

4 Ofwat, Leakage data (no date).

5 Independent Water Commission: Final Report (2025).

6 Department for Environment, Food & Rural Affairs, A new vision for water: white paper (2026).

PART ONE

1 Stop taking water for granted

Most organisations view uninterrupted water supply as an operational certainty. It's simply expected to work.

But that certainty is beginning to erode. UK water infrastructure is struggling from decades of underinvestment, ageing assets, climate change and increased demand. The challenges this poses affect infrastructure, economic growth and organisational continuity.

Strain on stretched infrastructure

The warning signs are already visible. More than 45,000 pipe repairs were made across England and Wales during 2024–25.[7] Outage levels across parts of the network exceeded regulatory expectations. At the same time, prolonged drought conditions, flooding and extreme weather are increasing operational volatility. The Environment Agency has detailed how 15 reservoirs were below 50% full at the end of September 2025, which was the UK's warmest year on record.[8] This means additional strain on already stretched infrastructure.

Perilous to assume resilience

The complexity and combined impact of these issues demonstrate how perilous it is to assume water resilience. Yet responsibility for water within many organisations remains fragmented.

15

reservoirs were below **50%** full at the end of September 2025, which was the UK's warmest year on record.

7 Water UK, Leakage (no date).

8 Environment Agency, 2025 drought: how it developed in England (2026).

Leaders should be asking:

1 How confident are we that we could continue operating if there was a significant interruption to water supply?

2 Do we understand which parts of the estate are most vulnerable to water's biggest challenges?

3 Are we treating water as a background utility when it needs board-level attention as a resilience issue?

Increasingly, investors, regulators and stakeholders will expect boards to know the answers. Water should not be taken for granted; water strategy is no longer a simple matter of facilities management. It is now a matter of strategic resilience.

PART TWO

2 Overcome water scarcity's stranglehold on growth

For many years, water scarcity has been viewed through an environmental lens. However, its significance is broadening.

There is wider recognition that it can:

- Restrict growth
- Delay investment
- Influence operational strategy

As mentioned, the Environment Agency has warned that without significant intervention, England faces a daily water shortfall of 5 billion litres by 2055. At the same time, the Cunliffe Review identifies long-term water resilience and infrastructure provision as significant challenges to national productivity and the economy.

To compound this, there is currently no official body to align water availability with Government housing targets, economic growth or sustainability commitments. A recent report from the Public First consultancy found housing stalled due to water scarcity would remove £25 billion from the economy, with lost tax revenue of £7 billion.[9]

Constrained growth

These issues are beginning to influence industrial expansion, infrastructure investment and development planning.

Questions around regional water stress, wastewater capacity and resilience are vital. After all, housing developments are being delayed due to wastewater infrastructure constraints. Industrial operators are required to consider supply resilience and discharge provision when planning expansion. High-demand sectors including manufacturing, logistics, pharmaceuticals and data centres are beginning to assess water resilience alongside energy availability and wider infrastructure dependency.

This represents a profound shift. Water isn't simply supporting economic growth, but shaping where and how it can happen. In essence, water resilience is becoming as strategically important as energy or access to labour.

The strategic risk of water scarcity is not simply rising cost, but constrained growth.

9 Public First, The Cost of Water Scarcity (2025), p.4.

Leaders should be asking:

1. Could regional water infrastructure, water stress and wastewater limitations constrain our future growth plans?

2. Do we understand the water resilience measures supporting our key sites?

3. Would our current investments still hold if there was long-term disruption to supply?

The answers are key to overcoming water scarcity's potential stranglehold, securing growth that infrastructure can support.

The expert market view…

Sarah McMath, CEO, MOSL

Independent market operator for the non-household water retail market in England

> Most people perceive the UK as a wet country. They believe water is plentiful and have little knowledge of the treatment processes, energy and infrastructure involved behind the scenes.

The fact is, the UK is facing water scarcity. There are already regions, particularly in the South East of England, that have insufficient water in the environment to meet both household and business customers' existing and future needs.

From a boardroom perspective, that has very real consequences. I'll focus on three…

Buildings can usually continue to function if drinking water supplies are temporarily interrupted. Bottled water can keep everyone hydrated. But take away the ability to flush the toilets and buildings must close. From a board-level perspective, it's simple, you lose water, you lose revenue.

Secondly, most customers are aware of temporary use bans, also called hosepipe bans. However, businesses can also face a non-essential use ban – known as NEUBs. If I run a company whose use of water is deemed to be non-essential, I cannot use water and therefore can be forced to cease trading. That could be bad news for car washes, window cleaners and similar businesses.

The third impact is water use moratoriums, which prohibit new mains water connections or increased water usage. If you're in the food and drink industry and your product is selling really well, plans to increase production could be halted due to the water company issuing a moratorium.

We know from recent surveys that C-suite engagement with the water market is relatively low. But the market impact is real. If you're running a business, you're always focused on the bottom line. You're asking, 'What are my biggest outgoings and how can I reduce them?' Water tends to be cheap compared to other commodity services, so focus is usually on energy consumption.

However, water prices are going up. Record levels of investment detailed in Ofwat's PR24 (price review) will be paid for in customer bills – which could rise by up to 50% in five years in some areas. That will drive water up the agenda and give a financial incentive to look at consumption.

However, the cost of water is only half of the equation. The cost of *not* having water should be high on companies' risk registers. The biggest resilience risk comes from not understanding what the risks are, or what you would do if things go wrong."

PART THREE

3

Recognise water's operational continuity risk

Most organisations do not know how quickly a water failure would disrupt operations. They've never tested it, and this needs to change.

After all, the greatest water-related risks arise when resilience fails and severe operational consequences follow, including:

- Production downtime
- Workforce disruption
- Product loss
- Contractual penalties
- Customer impact bringing reputational harm

The above represent costs that are rarely accounted for within utility reporting. This demonstrates why a narrow view of water's significance is both outdated and risky. Water outages impact profitability, continuity and enterprise value - all of which are key for organisations to thrive.

Fragmented, untested – or absent entirely

The solution? Organisations should scrutinise water resilience to the same extent as energy resilience. The uncomfortable truth is that many organisations remain heavily reactive. They monitor historical consumption rather than operational dependency. They identify leakage after failure rather than through predictive analysis. Continuity planning remains fragmented, untested or absent entirely.

With increasing volatility and infrastructure strain, such an approach is becoming increasingly difficult to defend.

Leaders should be asking:

1. How quickly would a water or wastewater failure disrupt operations at our most critical sites?

2. Do we understand the commercial impact of serious water-related interruption, including downtime, lost output and customer consequences?

3. Have we properly tested our continuity plans for significant disruption, or are we relying on assumptions?

Once again this highlights that water is moving from an operational concern to a strategic priority. Organisations that recognise water's continuity risk early will be best placed to respond.

The customer view...

Geoff Smith, Mitie Director of Managed Water Services

“Ten years ago, discussions with customers were typically focused on supply, compliance and cost. Water was important, but rarely strategic. Today, conversations increasingly centre on resilience, operational dependency, ESG commitments, environmental impact and long-term growth. Water is moving up the agenda - but there is a problem.

Many organisations understand their exposure to energy disruption, cyber threats and supply chain risk. Yet when asked a simple question – how long could you continue operating if water was no longer available? – the answer is often far less clear. That gap between awareness and understanding is where risk lives.

I recently spoke with a senior leader from a major industrial organisation who told me:

“We’re potentially looking at a multi-million-pound impact from changes in water charging and the removal of incentives linked to high consumption. We understand why it’s happening, but it’s forced us to ask some difficult questions about how dependent we really are on water.”

The organisation had never fully assessed where its greatest dependencies existed. Experiences like this are far from unusual.

Another significant shift is the growing focus on wastewater and trade effluent. Public attention on river health, pollution incidents and environmental performance has changed the conversation. Increasingly, organisations are recognising that resilience is not just about securing supply; it’s also about understanding what leaves their sites.

As one executive from a large multi-site organisation recently put it:

“We’ve spent years focusing on what comes into our sites. We’re only now starting to understand the risks associated with what leaves them.”

That observation neatly captures a wider challenge. Many organisations still lack visibility of wastewater networks, discharge quality and compliance obligations, despite the operational, regulatory and reputational consequences that can follow when things go wrong.

Water is gaining greater visibility in boardrooms, but in many organisations the conversation is still at an early stage. Those that act now will be far better positioned to protect continuity, support growth and build resilience for the future.”

PART FOUR

4 Accept your organisation's accountability for water

The UK water sector is now entering the most significant period of reform since privatisation. Part of this shift includes organisations becoming more accountable, with raised expectations around corporate responsibility, environmental stewardship and resilience.

Yet despite this pressure and growing risk exposure, in many organisations no-one can confidently explain who owns water strategically.

This is summed up in Sir Jon Cunliffe's Independent Water Commission, which notes that typically, "Neither companies nor regulators [were] fully accountable for their choices." However, in future there will be, "Clear lines of accountability for option choice and delivery."[10]

Increased accountability

Likewise, the Government's white paper, A New Vision for Water, presents a clear direction of travel towards stronger oversight, better planning and increased accountability beyond water companies themselves.

Widely publicised pollution incidents are intensifying public scrutiny and criticism of organisations found responsible for damaging the environment, as well as heightening media attention and political fallout. This is contributing to a more even spread of accountability for water. In contrast, behaving responsibly benefits credibility and brand perception.

Reputational consequences

As a result, customers as well as investors, regulators and supply chains expect organisations to take a responsible approach to water. This reflects greater focus on accountability across the wider water ecosystem.

Of course, outages can and will continue. They are not solely operational issues, but reputational, with consequences for leaders and investment. In this context, the organisations that are most exposed aren't necessarily those with the weakest infrastructure. They are those with the weakest visibility and governance.

Prioritising water stewardship and accountability has a clear business benefit.

10 Independent Water Commission: Final Report (2025), p.91.

Leaders should be asking:

1. Who in our organisation owns water strategically?

2. Would our governance arrangements withstand disruption or public scrutiny?

3. Do we have water-saving measures in place that demonstrate an acceptance of accountability and commitment to sustainability?

These questions demonstrate how water is increasingly a leadership issue, not just operational. The answers show whether accountability has been accepted, or if more focus is needed.

The expert market view…

Karma Loveday, Editor of The UK Water Report and Water Advisor, MEUC

"Water is rising up the agenda for many industries and sectors.

This has many drivers, including changing weather patterns and fiercer competition for what is a scarce resource. In some discreet areas, there are moratoria where new connections are either unavailable or extremely difficult. The Major Energy Users' Council (MEUC) has also been amplifying the message that there is not an infinite supply.

For big corporates and large industrial organisations, it's gradually becoming more usual to consider investments in light of water availability and resilience.

Certain industries are pioneering this approach. For example, the drinks industry obviously uses water as the main ingredient of its products. So, water scarcity is a genuine board issue for these organisations.

Exposure to water-related risk is also geographically relevant. For example, organisations in the North East will have a reasonably plentiful supply compared to those in the South East or East, where scarcity is widely felt.

The rising number of 'new users' of water is a complicating factor. Traditional industries like agriculture and brewing have always used large volumes of water. Now there is data, AI, clean energy and carbon capture and storage – all bringing new demand.

There aren't currently any controls on preventing these burgeoning industries getting access to water outside of areas where moratoria are in place. But I can see a time in future when they could be expected to have certain water efficiency standards, or be compelled to make use of closed loop systems or non-potable water. The latter could be much more widely used in golf courses, football pitches, horse racing tracks and so on. They're mostly using water that's drinking standard for irrigation, which is totally unnecessary.

A crucial issue for the industry is that the capital cost of investing in alternative systems often completely outweighs water bill savings. Water is a relatively low-cost utility. So, if your payback is going to take years, such investment won't be commercially driven. To my mind we need grants, tax relief or another incentive mechanism to support the shift to more sophisticated water systems.

Water companies have committed to creating nine new reservoirs by 2050.[11] But projected water usage is based on demand reducing overall. If that isn't realised, the reservoirs might not make the positive impact we hope they will. And whatever the industry, it doesn't take long for the real value of water to hit home."

11 Department for Environment, Food & Rural Affairs, Government steps in to build first major reservoirs in 30 years (2025).

PART FIVE

5

Seize the competitive advantage of resilience

Responding effectively to mounting water sector pressures requires an understanding of where water is used, where dependency sits, where disruption will have most impact and how quick recovery can be.

To gain such insights requires technology, which is why forward-thinking organisations are increasing focus on:

- Telemetry
- Smart meters
- Predictive monitoring
- Resilience testing
- Infrastructure intelligence

It's not simply about risk reduction, but competitive advantage. After all, in a future shaped by water scarcity and infrastructure challenges, resilience itself will separate the winners from the losers.
The strongest players are better positioned to:

- Recover faster
- Maintain continuity and investor confidence
- Minimise performance volatility
- Achieve long-term growth, even during challenging periods

This is why the most forward-thinking organisations are moving beyond fragmented ownership and reactive management towards integrated strategies. These connect operational performance, continuity planning, infrastructure visibility, governance and environmental stewardship.

Leaders should be asking:

1. Do we have enough water visibility to protect continuity and build investor confidence?

2. Are we investing in data and technology early enough to stay ahead of disruption?

3. Where could stronger water resilience give us a commercial, operational or reputational advantage?

Gaining a competitive advantage isn't just about reducing consumption and costs. It's about strengthening resilience and gaining a holistic view of water usage and its impacts. In an environment defined by increasing uncertainty, resilience means not only a competitive advantage, but the assurance you're prepared for the unexpected.

Conclusion

Water is rapidly emerging as one of the biggest operational and strategic risks for UK organisations.

Yet many organisations continue to treat water simply as a utility, perhaps with a cursory acknowledgement of its role in compliance and sustainability. This blind spot represents a major corporate risk.

Now is the time to recognise water's ever-increasing challenges and the impact they will have on your organisation. Failure to do so could see disruption, constrained growth and rising costs.

Those that act will see improved:

- Continuity
- Profitability
- Growth
- Governance
- Reputation
- Enterprise value

We hope the insights in this paper help your understanding of the developments in the UK water market. The three considerations in each section will clarify where to focus your efforts in order to stay ahead.

While there are challenges to come, proactive organisations have much to gain as water pivots from being an overlooked utility to becoming a strategic asset.

Total Water: let's work together for a water-smart future

With expert services that span the entire water cycle, Mitie and Marlowe Environmental Services (part of Mitie Group), will take care of your water strategy.Together, we'll transform water from a utility that delivers little more than cost into a strategic asset.

Our capabilities include:

- Water advisory and consultancy
- Water retail supply
- Hygiene
- Treatment
- Engineering and technology
- Wastewater treatment and recycling
- Training, quality and compliance

Want to know more?

Get in touch with our team to explore the solutions you need, so you benefit from the efficiencies and opportunities delivered by our Total Water approach.

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