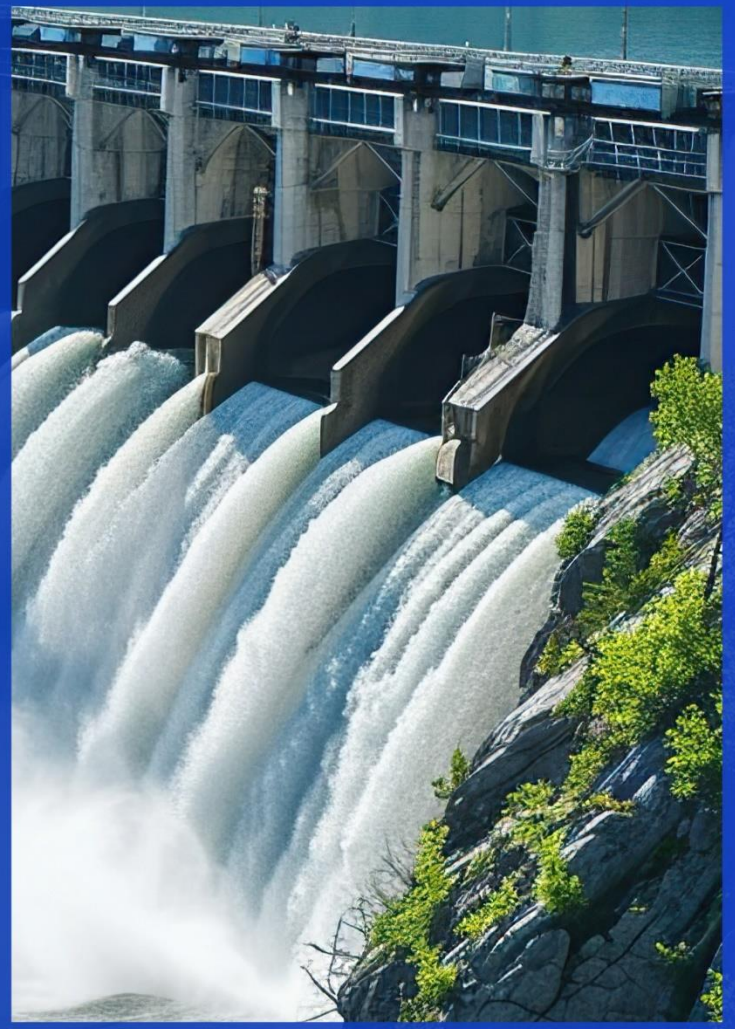
Driving delivery: Turning the next five year plan into reality



KPMG. Make the Difference.

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Driving delivery: Turning the next five year plan into reality

The 8th five year investment period for the UK water industry (AMP8) is taking the water sector into a period of unprecedented transformation.

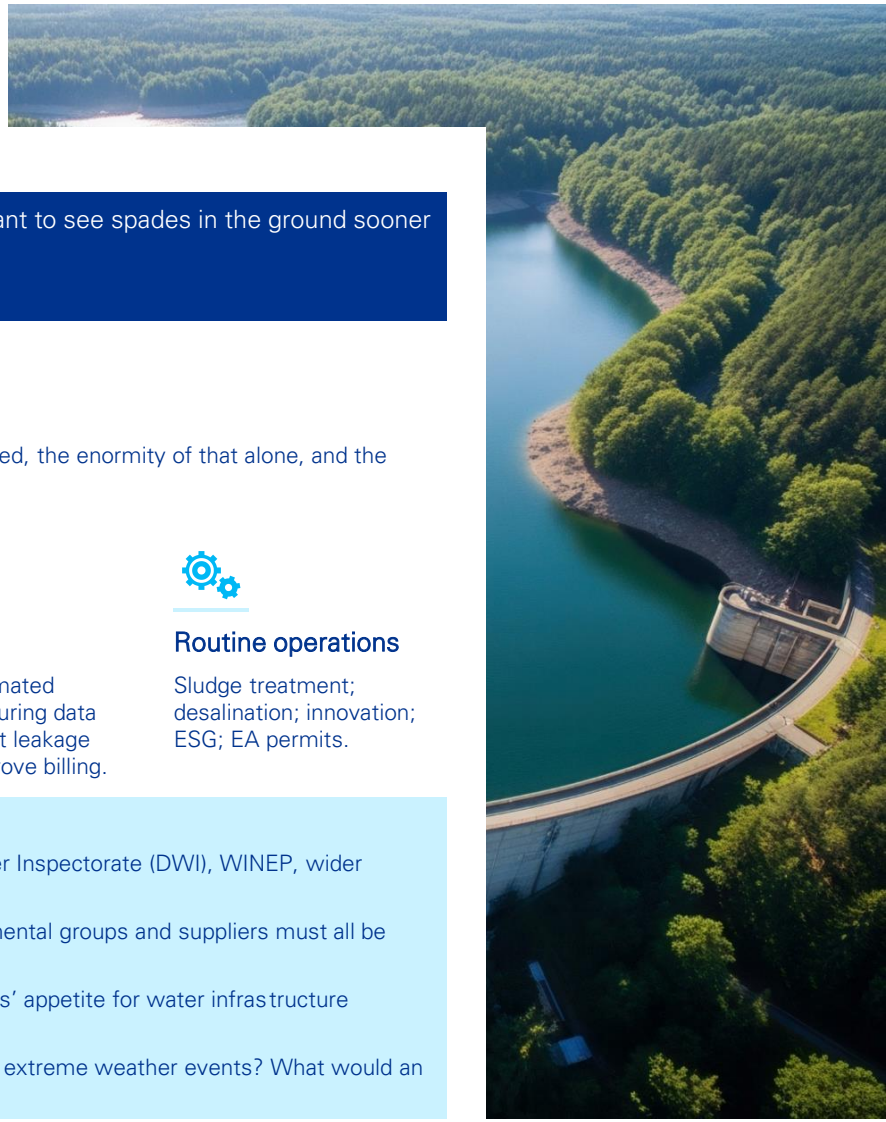
More than just a bigger version of AMP7, it demands largescale infrastructure delivery to the tune of £104 billion in investment. That will require a step-change in how the industry executes projects, manages risk and collaborates across the ecosystem.

What's more, AMP8 comes with a wide-ranging scrutiny regime, encompassing delivery, outcomes, assurance, penalties and clawbacks, and more.

Approaching the end of AMP8's first year, KPMG's January 2026 roundtable gathered water sector and infrastructure leaders to examine challenges and strategise solutions.

Here's an overview of the key challenges and recommendations raised during the discussion.

The scale of the challenge



AMP8 effectively asks water companies to become infrastructure delivery organisations. That's a far-reaching transition, and regulators want to see spades in the ground sooner rather than later.

With that in mind, what challenges must clients and their suppliers address before projects can ramp up?

All-encompassing targets

AMP8 dramatically increases the volume, scale and range of projects water companies must implement, many of which are substantial in their own right.

Reducing storm-overflow discharges is of course the headline programme. Designing and building a justifiable solution for this is a major undertaking. Indeed, the enormity of that alone, and the intense regulatory focus on it, risks distracting water companies f rom the many other schemes they need to progress.

Beyond which, there are obligations relating to all aspects of water operations, including:

Drinking water quality

Maintaining treatment works; replacing and renewing mains; water softening; deploying quality and network health monitors.

Water resources

Creating new boreholes, abstractions and fish passes; maintaining existing assets; meeting Water Industry National Environment Programme (WINEP) requirements.

Sustainability

Ensuring site resilience to climate change; meeting biodiversity net-gain targets.

Metering

Rolling out smart and automated meter reading at scale; assuring data quality; using insights to cut leakage and consumption, and improve billing.

Routine operations

Sludge treatment; desalination; innovation; ESG; EA permits.

It's a dizzying array of requirements, which have to be met under numerous constraints.

Firstly, water is, for good reason, among the most highly regulated industries in the UK. Firms must abide by rules set down by Ofwat, the Drinking Water Inspectorate (DWI), WINEP, wider environmental standards, and much more.

The stakeholder ecosystem is every bit as complicated. Customers, shareholders, regulators, landowners, politicians, media, the general public, environmental groups and suppliers must all be kept onside.

Financially, meanwhile, significant amounts of capital have to be raised to fund the long list of projects that clients are tasked with delivering. Yet investors' appetite for water infrastructure programmes will be subdued by the sector's current financial situation .

On top of which, clients must manage these dynamics in a volatile, uncertain, complex and ambiguous environment. How might they need to respond to extreme weather events? What would an inflation spike do to project budgeting?

The scale of the challenge (cont.)

Supply-chain blind spots

Certainty over the supply chain will be vital to achieving AMP8 targets and to identifying any capability or capacity issues that might impair the ability to do so.

Water companies need to know whether their tier one, two and three suppliers can provide the skills and capacity that AMP8 projects will demand. And they'll need to understand what's missing, so that they can plan to fill the gaps.

That means having granular, end-to-end visibility of:

- which capabilities each supplier offers
- where each one operates geographically
- the blind spots, weak links and potential points of failure across the supply chain
- how the make-up of the supply ecosystem is evolving over time

Without a clear line of sight of all three tiers, water companies can't properly identify and manage risks relating to supply-chain performance and capacity.

Yet this level of transparency is difficult to gain in the water sector, where the supply ecosystem is highly distributed. Most clients have good visibility of tier one, but it drops sharply in tiers two and three. Relationships further down the chain are typically outsourced to tier-one businesses. How do you maintain oversight over an integrated delivery model made up of four or five partners, when each may have around 800 suppliers just in tier two?

The talent imperative

Water companies should be working to recruit and develop the skills needed across the value chain for AMP8 – and for that matter, for AMP9 and AMP10.

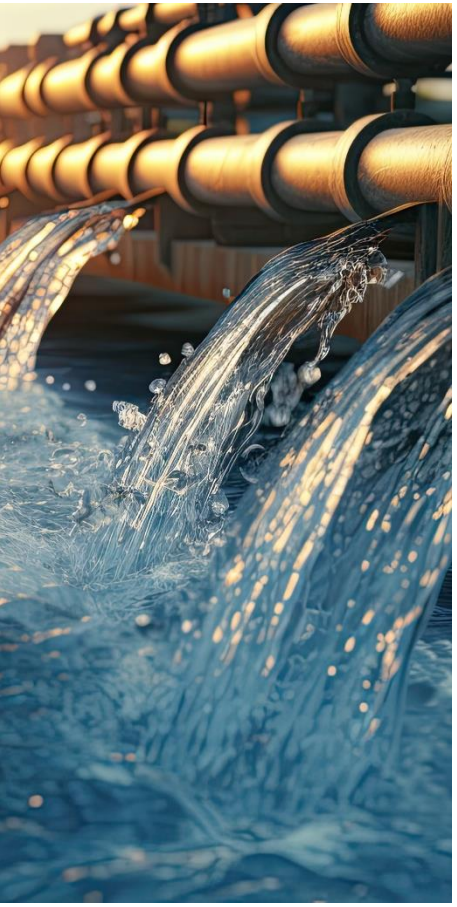
That will mean shaping university programmes to deliver those competencies; and tapping into transferrable skills from adjacent infrastructure sectors.

Competition for the necessary capabilities is global. So the industry must position itself as a place where talented people can forge meaningful careers, and as an attractive market for new entrants to the supply chain.

Equipping an entire sector to deliver infrastructure at scale is possible. We've seen it in the nuclear space, in response to the return of new build in the 2010s. But it won't be easy against the headwinds facing the water market under AMP8. Not to mention a backdrop of intense regulatory scrutiny, negative media headlines and public disapproval.

Water companies have a habit of planning for what's gone on in the past. Failing to source the right skills will leave the industry short of the capability and capacity needed for current and future regulatory cycles. They won't be building a sustainable future for the sector.

Debating the key strategies for success



How can the industry put itself in the best position to overcome the challenges outlined above? What will strengthen strategic partnerships and the supply ecosystem, while building the capacity and capability for AMP8?

Strategic building blocks

Putting the fundamentals in place early on will be critical.

Planning for AMP8 should be done from a strategic and organisational point of view, rather than through a purely regulatory lens. Clients should think carefully about, and set out in clear terms:

- how the business must transform to meet AMP8 requirements
- how to systematically manage that change
- what capability and capacity will be required from tier one, two and three suppliers

Layering that transformation strategy into submissions to regulators will help instil confidence that the company can deliver. This important groundwork can then also feed into planning for AMP9 and AMP10.

The importance of good governance of infrastructure projects can't be overestimated. But a one-size-fits all approach won't work. Bespoke frameworks will need to be 'right-sized' according to the scope and complexity of each initiative.

Future planning and pipeline visibility

The cyclicality of the AMP regime negatively impacts the supply chain.

Long-term certainty of clients' requirements is essential to the robustness and resilience of the industry's supply chain.

Water companies already have a view of what will be expected of them during AMP9 – and therefore, what they will and won't need to purchase. There's no reason they can't begin discussions about that right now, allowing suppliers to plan, invest and recruit with confidence.

That forward visibility would strengthen supply-chain capacity, by keeping vital skills in the ecosystem for the next ten years or more. At the same time, it would strengthen water companies' hand, when challenging regulators on what is and isn't deliverable under future AMP cycles.

Collaborative delivery

No single organisation can possibly meet AMP8's requirements alone. Partnerships and alliances based on a "win-win" principle are essential.

Embedding that collaborative spirit will depend on several factors:

01 **The right commercial model** – one that's designed to drive the desired behaviours within the alliance

02 **Effective risk allocation** – with clients taking on a larger share of the risk than in the past where possible

03 **Supportive leadership behaviours** – enabling people to feel comfortable flagging problems and suggesting solutions

04 **A shared vision and culture** – built by aligning strategic objectives between partners; and finding common ground among their corporate values

Agile ways of working will be equally crucial in today's unpredictable climate. That requires the right people to have access to the right, real-time data, to instil that all-important transparency. It also stems from distributed leadership, with crystal-clear accountability.

With this in place, partners can then devolve responsibility down through the supply chain, giving suppliers the autonomy to deliver their particular elements of the project.

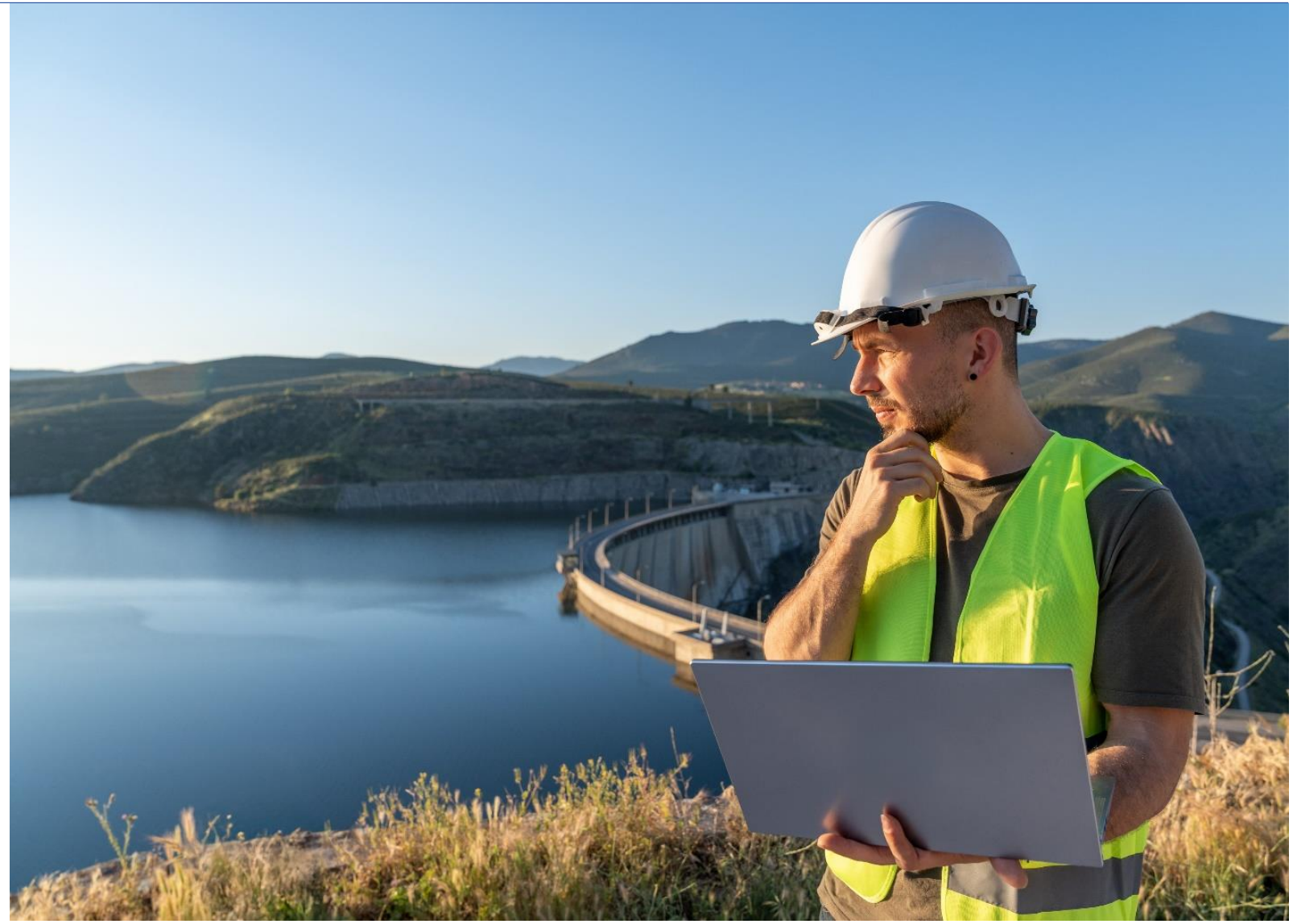
In summary

AMP8 demands a balanced approach combining infrastructure delivery, operational excellence, and project governance.

Achieving all of that will require a shift from project-by-project thinking to a whole-sector perspective.

Water companies and suppliers must work together to plan for transformation; establish constructive partnerships; enhance long-term certainty; and bridge capability and capacity gaps.

That will not only help to ensure that regulatory expectations are met; it will build a stronger industry with a more sustainable future.



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