

Funding the Future

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As the [Guardian reports](#) this morning:

Thames Water has said it will be unable to recover from its funding crisis if it is blocked from charging customers significantly more, as it proposed to pile an extra £228 a year on to household bills.

It added:

The debt-laden company said the increase to bills that has been proposed by the industry regulator, Ofwat, leaves its activities “neither financeable nor investible”.

As an explanation, it noted that:

If Thames was not allowed to raise bills by 59% – £228 a year by 2030 – it “would also prevent the turnaround and recovery of the company”.

Ofwat refused a request from Thames to increase bills by 44% in July, saying it would only allow 22%, equivalent to a £99 increase to £535 by 2030.

In summary, then, Thames has said it cannot survive as a going concern within the regulatory framework that exists, and it can't deliver clean water as required within that constraint, as it is required to do under the terms of its licence

A responsible government would, in that situation, do one of three things.

First, it could cancel the licence Thames Water has as it says it cannot deliver.

Second, although rather naively, it could invite others to bid for that licence. I suspect no one would do so: this is clearly a commercially poisoned chalice.

Third, it could nationalise Thames Water, recognising that the supply of clean water is a matter that cannot be gambled on, and for which it has to assume responsibility.

The first and third of those are sensible: the second would provide Labour with another chance to prevaricate, which is why I think it will happen.

But what I am quite sure of is that there is no excuse for inaction now: Thames has admitted it cannot do the job required of it within the framework that it agreed to comply with, and so it is game over for it. When will the government say so?