

Wessex Water's  
Annual review  
summary  
2021-22

Delivering for our customers,  
community and environment



**Wessex Water**  
YTL GROUP

FOR YOU. FOR LIFE.

# Welcome

## to Delivering for our customers, community and environment

This is one of three documents we publish as part of our annual review. It explains what we have delivered in relation to our purpose. The report includes progress against our key outcomes, including our regulatory performance commitments, as well as an overview of the financial accounts for the year.

The other documents we publish are:

### Annual report and accounts

Our statutory year end is 30 June, which is reflected in our latest annual report and financial statements filed at Companies House.

Our annual report and accounts, also known as the non-statutory financial accounts, are prepared for the financial year to 31 March.

### Annual performance report

This reconciles the non-statutory financial accounts with the regulatory accounting statements required by Ofwat. The report also gives detailed information on expenditure, costs and performance, including in relation to our outcomes and performance commitments.

All these documents are available on our website: [wessexwater.co.uk](https://www.wessexwater.co.uk)  
You can compare our performance against other water companies at [www.discoverwater.co.uk](https://www.discoverwater.co.uk)

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# About us

Our purpose is, **'To support our customers' health and wellbeing, and enhance the environment and the diverse communities we serve'**.

We are integral to the region we serve in south west England. We depend on its resources and people and they depend on us. We strive to treat it well, and make a positive contribution to the wellbeing of our customers, the lives of our communities and the health of our catchments. We are proud of our performance and the role we play in our area today, and are ambitious to stretch ourselves further in future, to leave the environment in a better condition for future generations while keeping our services affordable and satisfying for customers.

We serve 2.8 million customers across the south west of England with water and/or sewerage services. The region's landscape is varied, ranging from the Mendip Hills and the Somerset Levels to the cliffs of Dorset and Wiltshire's Salisbury Plain.

Our two coastlines are home to a number of popular holiday resorts such as Bournemouth, Poole and Weymouth on the south coast and Weston-super-Mare and Minehead on the north coast. Our area covers 48 designated bathing waters, seven Areas of Outstanding Natural Beauty and three designated UNESCO World Heritage Sites.

Approximately 75% of the water we supply to our customers comes from boreholes and springs and we look after many important chalk streams, ensuring flows support the flora and fauna that live there.

Our long-term plan for delivery of our purpose is set out in our Strategic Direction Statement, published on our website [here](#). The statement sets out our vision and ambitions though to 2050, to give all our stakeholders trust and confidence that we intend to rise to unprecedented challenges, now and in the future.

At its heart are eight outcomes that our customers and stakeholders have told us are their priorities:

- safe and reliable water supply
- an effective sewerage system
- affordable bills
- great customer experience
- sustainable abstraction
- great river and coastal water quality
- net zero carbon
- increased biodiversity.

Our eight outcomes are underpinned by six enablers centred around strong financing and governance, and empowered people who we need to embed in our business over the long term.



These are:

**Individual safety, wellbeing, and engagement:** our colleagues will be safe at work, proud to work for us and fully engaged in their roles.

**Culture, inclusion, and diversity:** we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.

**Skills, knowledge, and opportunity:** our colleagues will have all the skills and knowledge they need to confidently carry out their roles.

**Market-led outcomes:** we will harness the power of markets to drive the most efficient solutions.

**Well managed, open, ethical and transparent:** we will prove that we are honest and ethical in the way we conduct our business.

**Resilient financial stewardship:** we will demonstrate long-term financial stability, strong governance, ethics and accountability.

The outcomes and enablers are illustrated in the wheel above and we refer to them throughout this document.

# Chairman's foreword

YTL have been the proud owners of Wessex Water for 20 years, ever since our acquisition of the company prompted The Telegraph headline of "Who the Hell are YTL?". We are long-term investors with strong moral, ethical and Christian values, committed to long-term stewardship of important public service assets, such as Wessex Water. We take our responsibilities to customers, communities and the environment extremely seriously.

We are still reeling after the tragic incident at Avonmouth in December 2020, and investigations are ongoing. We continue to co-operate with the investigating authorities and remain committed to understanding why the incident happened and sharing any lessons with the wider industry.

When we acquired Wessex Water, we set management the challenge of becoming the best UK water and sewerage company and I have been delighted that the results over many years demonstrate that this has been achieved.

We resisted the siren voices encouraging us to increase gearing (the ratio of debt to asset value) through special dividends and complex financial structures and have consistently maintained a conservative approach, with a dividend policy that keeps gearing around 70%.

I believe we have been good owners and have met the expectations of our regulators. So over recent months, I have been concerned to see the reputation of the industry being so challenged. We believe our flagship investment, Wessex Water, must be the exemplar of what a privately owned company, with a responsible investment policy, can achieve in the public interest.

We fully recognise the legitimate concerns about storm overflows, flow compliance and river water quality, particularly given the growing and welcome interest in water based recreation. As a result of global warming, we are now seeing more intense rainfall storms and more impermeable areas are being connected to sewers. Water companies must raise their game, both to address the new societal expectations and to transition to a position of environmental leadership. The Board of Wessex Water has prioritised tackling these issues, both through our own investment programmes and by leading partnerships with those who contribute to the problem. Wessex Water has recently published its plan for dealing with storm overflows, which can be viewed [here](#).

Without rapid change, the next price settlement will be an unsatisfactory outcome for hard pressed customers who need affordable bills, but also want real improvements to the water environment.

In my introduction to last year's annual review summary, I urged the water sector - industry, government and regulators - to work together to develop a new model of delivery that could help arrest the degradation of the natural environment we are witnessing, and the associated societal harm. Specifically, I called for a model that encourages nature-based solutions, flexibility, partnership working, innovation and competition, driven by simple incentives geared towards efficiency and long-term outcomes.

Since then, evidence of the need for such a change has grown. Last year we had COP26 - the assembly of global leaders in Glasgow endeavouring to hammer out a plan for mitigating and

adapting to climate change. In February this year, the latest report of the Intergovernmental Panel on Climate Change gave a stark warning about the consequences of inaction.

Since our last annual review, Wessex Water has stepped up to share clear thinking on what a new water delivery model should entail. In a paper published in November 2021 [www.wessexwater.co.uk/corporate/strategy-and-reports/performance/ober-report](http://www.wessexwater.co.uk/corporate/strategy-and-reports/performance/ober-report), we set out how outcome-based environmental regulation (OBER) could enable society to pay less for more environmental improvements, empowering the water sector to make its contribution to the government's 25 Year Environment Plan.

The premise is for regulators to set outcome-based targets at catchment scale, allowing companies to deliver solutions that provide the biggest environmental benefits at the lowest costs. Achieving this requires a package at the 2024 price review (PR24) that creates a level playing field for all delivery options and incentivises low carbon, nature-based solutions whenever possible.

There have been many encouraging comments and support for this approach, but still the substance of regulatory proposals for PR24 continues to rely on narrowly defined output targets that are not cost effective and will create perverse consequences for other outcomes, such as carbon emissions.

There is no need to continue down the traditional path. OBER does not require legislative change, just a willingness to be brave and do things differently, at a whole system level. A strong monitoring framework would provide the necessary trust and assurance. This now needs to happen urgently if we are to see any benefit before 2030.

On a more positive note, I am proud to report that Wessex Water has had another successful year. We continue to lead the industry on both the customer and environmental outcomes that are so important for the communities we serve and the natural world on which we rely. We remain robustly financed despite the challenging economic and trading environment, and continue to invest in and champion our people. As you read through this report, you will see numerous examples of best practice, innovation and going the extra mile.

As always, I am incredibly grateful to everyone who has made these achievements possible - our colleagues and partners, and our customers and communities who have a growing role to play in delivery. I also thank the Lord Jesus for His constant grace and guidance, and we pray that we will be able to work together to unlock the changes our planet desperately needs.



**Tan Sri Francis Yeoh KBE**  
Chairman



# Chief Executive's review

## Stepping up for rivers

This year's annual review demonstrates that Wessex Water continues to perform highly on outcomes for customers, communities and the environment. For instance, in 2021/22, we were 100% compliant with the quality of our wastewater discharges and 97% compliant with the licences that control how much water we can take from the environment. We take our environmental responsibilities very seriously and always endeavour to protect and improve the natural world across our region.

But we know that we must do more, particularly with the growing interest in water based recreation. The year has been characterised by a surge of comment on the poor state of water quality in UK rivers and, in particular, the contribution from water company storm overflow discharges. Overflows were built into sewer networks constructed prior to the 1960s to prevent property flooding during heavy rain. While their impact on river water quality is very limited, we share the view that in the 21st century, any such discharge into a watercourse is unacceptable.

So, while this has been uncomfortable, we welcome the spotlight now being thrown on river water quality and will rise to the challenge of making changes that meet society's expectations.

We will progressively eliminate storm overflows, starting with those that discharge most frequently and those that have any environmental impact. Eight of the 444 rivers, lakes and seas in our region currently fall short of the standards required, due to the operation of storm overflows and we are currently investing more than £3 million every month to address this. Nature-based solutions and separating surface water before it enters the sewerage network must be our first choice, given the cost, carbon footprint and disruption associated with engineering solutions. We need government support for this in the form of powers for water companies to stop new developments being connected to combined sewers and for us to disconnect surface water where possible.

More generally, we are committed to improving the environmental status of all rivers within our region in line with the government's 25 Year Environment Plan and the Environment Act. We will also support others to reduce the impacts they have, by acting as a convener and leader of catchment partnerships and markets, helping different parties to work together to the greatest effect.

## Navigating through a perfect storm

While rivers dominated the agenda in 2021, there are many other urgent challenges that we face. Many of these derive from the climate and nature emergencies that threaten our way of life, including the need to decarbonise, build resilience to more extreme weather conditions, and support biodiversity recovery and renewal. Others relate to rising customer expectations of essential service providers, evolving best practice on sustainable finance and what it means to be a responsible business and employer.

Alongside all of this, we have a cost of living crisis. The skyrocketing price of energy and increased costs of many other essentials is compounding the impact of Covid 19 for households and businesses, creating a very difficult and stressful financial position for many.

Wessex Water believes that water and sewerage services should be affordable by everyone. For most customers our charges are a small part of their household expenditure, but some customers find it difficult and with the growing cost of living, this is becoming increasingly acute.

Over the years, working with special debt advice agencies, we have developed a range of financial support packages to help customers who struggle to pay their bills. Customers on the lowest incomes benefit from discounts of as much as 90% on their bill.

Currently, over 54,000 households benefit and we are in the process of adding a further 32,000 customers. Because of the affordability crisis, we will now fast track a further 83,000 customers onto our affordability schemes. This includes us pressing government to enable us to auto-enrol low income pensioners onto our 20% discount scheme.

In March, we published a new Strategic Direction Statement, setting out our pledges for people and places through to 2050. We committed to deliver eight stretching outcomes for customers, communities and the environment, including zero water poverty, net zero carbon (by 2040), river water quality restoration and doubling our contribution to the region's biodiversity.

In that statement, we also called for economic and environmental regulatory reform, backed by government support and direction, to enable us to deliver more for less. We recommended Outcome Based Environmental Regulation, under which regulators would set outcome-based targets at catchment level and empower us to choose solutions that deliver the biggest environmental benefits, at the lowest costs.

This system-based approach to identifying solutions would boost the attractiveness of nature-based solutions and sustainable drainage options, and reduce the attractiveness of carbon-intensive built solutions.

If we do not take this opportunity, we will lock over-priced, under-performing solutions into the water sector until at least 2030, and lose the chance to deliver more environmental value at lower cost - for everyone's benefit.

## Serving people and places

We have had a very positive 2021-22; here are a few of the highlights.

Safe, healthy drinking water is a top customer priority, so I am delighted to report that our compliance with drinking water standards was the best it has ever been with a score of 0.37.

We also delivered very reliable water services to our customers. The length of time to deal with unplanned interruptions to supply fell to less than half the sector average.

We have an industry-leading customer experience track record and in 2021, we topped the water and sewerage company ranking in Ofwat's customer experience league table, C-MeX.

Sewer flooding is a terrible experience for anyone. At 182 incidents last year, we were within our target, but even one incident is one too many.



Colin Skellett  
Chief Executive

## Enhancing the environment

As well as responding to changing expectations on storm overflows and river water quality, we have continued to hold our focus on other long-term environmental outcomes we need to deliver. Our leakage rate was reduced by a further two million litres a day, putting us well on track to meet the target of a 15% cut by 2025.

I am pleased to report 100% compliance this year on our discharges to the water environment from our water recycling centres as well as the reduction in pollution incidents. We installed an intelligent blockage detection system which helped reduce pollutions from 87 in 2020, to 72 in 2021. We were particularly disappointed to have had five pollution incidents categorised as serious, reducing our environmental rating to “requires improvement”. We are committed to maintaining our strong performance record and to improving on this position next year.

Our work in partnership with the local Wildlife Trusts – to deliver cleaner rivers, good quality habitats for wildlife and more natural solutions for flood alleviation and carbon storage – has continued apace. Together, we are delivering solutions where the challenges are particularly acute in areas across Dorset, Somerset and Wiltshire.

Water supply demand last summer was fairly muted, but the future looks challenging. In this reporting year, the Environment Agency classified the Wessex Water area as seriously water stressed for the first time. Against that backdrop, we are working with our neighbouring water companies and other stakeholders to produce a long-term regional water resources plan, with ambitious targets to reduce demand, together with innovative supply side options.

Our greenhouse gas emissions and electricity use fell in the year and we also published a route map setting out how we plan to meet the industry wide target of net zero operational carbon emissions by 2030. By 2040, we intend for our entire business to be net zero total carbon, 10 years ahead of the target for the UK as a whole.

We know how much our customers and communities value wildlife, and how much our planet needs us to reverse the decline in biodiversity we are witnessing. This year we completed the task of assessing the biodiversity value of all our significant landholdings and this will form the foundation of our work to support nature recovery.

## Empowering our people

Our people are our greatest asset and we depend upon them to deliver all the outcomes to which we aspire for customers, communities and the environment. They continually demonstrate their dedication in going the extra mile, often in challenging circumstances.

One of our highest priorities is ensuring their health, safety and wellbeing, which requires constant vigilance and continuous improvement. Investigations are ongoing after the tragic incident at Avonmouth in December 2020. We are co-operating with the investigating authorities and remain committed to understanding why the incident happened. Health and safety matters were previously considered by the Environment and Public Value Committee. The Board has focused its activity through a dedicated sub-committee, supported by an advisory board of leading health and safety and process safety specialists.

This year we have updated our health, safety and welfare strategy, and maintained our focus on continuous improvement by implementing a new health and safety reporting system

which makes it easier for concerns to be raised and action taken - the number of observations has doubled since 2020. A health and safety highlight this year was the President’s award from the Royal Society for the Prevention of Accidents to our Engineering and Sustainable Delivery department. This award is reserved for organisations that have achieved 10 or more consecutive gold awards.

The diversity of our people is essential as we build a workforce that reflects the communities we serve. We are committed to fostering a culture where everyone belongs and thrives, inclusive of every gender, ethnicity, age, ability, sexual orientation and social background. We made good progress this year in further promoting our culture, inclusion and diversity priorities.

We promoted National Inclusion Week to raise awareness on inclusion and diversity. We continue to promote external partnerships and this year we worked closely with the National Autistic Society, achieved Disability Confident Employer status and signed the armed forces covenant. We have active internal network groups advancing our culture, inclusion and diversity programmes.

We are committed to ensuring all our people have the skills and knowledge they need to do their jobs well. Our focus on training is ongoing. This year we delivered more than 1,100 in person and 8,500 e-learning courses. A particular focus was risk assessment training for our operational teams and the launch of a new management development programme.

## Financing the future

Despite a tough year, our financial performance remained resilient and in line with expectations. We depend on strong financing and governance to underpin service delivery and sustainability. Our strong track record and stable, committed ownership is seen very positively by investors.

Reported profit before tax remained strong, but fell from £82.1m last year to £68.5m this year due to the challenges we face from increased labour, power and chemical costs.

We continued to champion innovation and competition through our online platform, the Wessex Water Marketplace, and by expanding our use of environmental trading platform EnTrade beyond Poole Harbour to the Hampshire Avon.

Our management of risk and assurance of those processes by the board has remained robust.

## Looking forward

So, while we continue to deliver excellent results for customers, communities, the environment and investors, we recognise the scale of the challenge presented by climate change and our commitment to carbon neutrality. We also share the concerns about river water quality and overflows and we will drive rapid improvement. But to meet all these challenges while keeping bills affordable in challenging economic circumstances, we need regulators and government to fully embrace outcome based environmental regulation in time for the PR24 price review.



**Colin Skellett**  
Chief Executive



# Serving people and places

To provide reliable, affordable services for all customers and communities

## OUTCOMES



### Great customer experience

Be a top 10 customer service provider in the UK  
Position in the UK Customer Satisfaction Index

**221st**

2020-21=188th



### Affordable bills

Zero water poverty

Proportion of customers spending more than 5% of their disposable income on their water bill<sup>1</sup>

**6.5%**

2020-21=6.5%



### An effective sewerage system

Halve the impact of sewer flooding

Sewer flooding impact score

**533**

2020-21<sup>2</sup>=528



### Safe and reliable water supply

100% compliance and zero interruptions of longer than three hours

Compliance risk index score

**0.37**

2020/21=1.61

Water supply interruptions (mm:ss)

**4:12**

2020-21=4:34

<sup>1</sup>Based on the March 2021 CEPA report - <https://www.water.org.uk/wp-content/uploads/2021/04/Quantitative-analysis-of-water-poverty-in-England-and-Wales.pdf>

<sup>2</sup>Impact score calculated based on the number of internal and external flooding incidents and their relative impact



# Overview

Supporting the health and wellbeing of our customers and communities is core to our purpose. We seek to do this chiefly by providing reliable, affordable water and waste water services for all, together with excellent customer service, and by playing our part in helping our diverse communities to thrive.

This year, we have continued to lead our sector on the delivery of core services and providing top customer experience. We delivered our best ever performance on drinking water quality and had our lowest ever level of supply interruptions. We have also reached further into our communities, and stepped up the help we offer to customers in vulnerable circumstances in light of steeply rising pressures on household budgets.

## Our journey

Our performance this year provides solid foundations for our future ambitions for people and places. We intend to raise the bar on what is considered leading performance, and continue to deliver the highest levels of service for customers and communities in this more stretching environment.

In our strategic direction statement we are targeting:

- 100% water quality compliance
- Zero water supply interruptions of longer than three hours
- Halving the impact of sewer flooding
- Zero water poverty - no one will spend more than 5% of their disposable income on water
- Being a top 10 customer service provider across all companies in the UK.



*Supporting the health  
and wellbeing of  
our customers and  
communities is core  
to our purpose*



## Safe and reliable water supply

### Drinking water quality

Compliance with drinking water standards is measured by the Drinking Water Inspectorate using a metric called the Compliance Risk Index. The smaller the number, the greater the compliance. Our target is always to achieve full compliance (a score of 0). In 2021, we delivered our best ever performance – a score of 0.37, a sharp improvement on our performance in 2020 of 1.61.

Drinking water quality is also measured using the Event Risk Index. Although the number of events has reduced, our estimated score has increased and we will not meet our target for this year.

The number of customers contacting us about the quality of their tap water also fell to the lowest level ever, down nearly 20% from historical levels to just 1,559 contacts from 1.3 million customers.

We also measure the number of inspection and replacement activities we carry out to improve the quality of water. We improved our performance compared to last year but did not meet our target. We were unable to conduct 'in property' audits and provide the full range of services due to Covid 19.

### Supply interruptions

In 2021 we achieved our best ever performance in ensuring customers are kept in supply. Unplanned interruptions to water supply are rare and last year fell to an average of 4 minutes and 12 seconds per property, an improvement from 4 minutes 34 seconds in 2020. This was achieved in part through our proactive work using tankers to maintain supplies during outages. It is 45 years since we imposed any planned restrictions on water use, such as hosepipe bans.

## An effective sewerage system

### Sewer flooding

Sewer flooding is a terrible experience for anyone. At 182 internal incidents last year, we were within our target, but even one incident is one too many.

It can take time to implement the solution to stop incidents from happening. In such cases we take steps to alleviate the problem in the interim and closely manage the relationship with the customers affected until a permanent solution can be implemented.

2,460 external areas were flooded, a small increase compared to last year (2,449) and above our target of 2,136. Three quarters of these

(72% internal and 88% external) were caused by blockages. It costs around £5 million each year to deal with blockages, with around 75% of them involving disposable items. We have been campaigning and engaging with customers to try to prevent damaging items including wet wipes, sanitary products, fats, oils and greases being flushed away or thrown down the drain. We have also been working to detect problems as they start to build up in sewers, using an intelligent blockage detection system. But water companies are only part of the solution. The industry is calling for more action by government to eliminate the environmental harm from wet wipes.

## Great customer experience

### Service and satisfaction

We pride ourselves on our customer experience track record. Once again in 2021 we delivered water sector leading performance.

We came top of all the water and sewerage companies in Ofwat's customer experience ranking, C-MeX. Of our customers, 92% were satisfied with our service, and 87% gave us a five-star rating on Trustpilot. 76% of our customers rated our service as good or very good value for money. This is consistent with the industry average but below our target of 79%. The negative press coverage of the sector is likely to have affected the survey outcome.

This year we again received the Customer Service Excellence award and retained the Service Mark with distinction from the Institute of Customer Service, one of only 19 companies in the country to hold this accreditation. In our strategic direction statement, we have set ourselves the challenge of being a top 10 company in the UK Customer Satisfaction Index.

### Communicating with customers

We are committed to providing a suite of options so customers can communicate with us in the way that suits them best. The number opting for self-service, text messaging and web chat keeps growing, and 164,000 customers are now signed up to eBilling.

When customers do get in touch, we want to ensure our colleagues can look after them to the best of their ability. We have refreshed our 'going the extra mile' training for staff, and added new training to help colleagues improve their written style.

We carried out a full review of all our outbound communication this year, including on planned and unplanned works. As a result, we developed improved customer communication journeys.



## Complaints

This year we received 3,815 complaints. Last year, we were the only water and sewerage company to achieve good performance in both written complaints and complaint handling. As a result of our sector-leading performance, we are supporting CCW and Ofwat with their national work to improve the end to end complaint journey for water customers across the country. Our complaints action plan was considered best practice in terms of measuring satisfaction with complaint handling for customers in vulnerable circumstances, and we were one of the first companies to commit to the faster response time of five working days. We have also shared our 'going the extra mile' approach to achieving great customer outcomes at CCW best practice forums.

## Acting on feedback

We continued to refine the customer feedback strategy we introduced in 2020. This enables us to gather views on our service, rapidly spot any dissatisfied customers, and ensure continuous improvement to our processes, policies, systems and training. This year we developed tailored surveys for complainants and customers in vulnerable circumstances.

We refined our real time data dashboards to trigger automatic service recovery and provide more detailed information for our teams.

We also used feedback to improve customer journeys under the guidance of our Customer Experience Group, and developed improved root cause analysis reporting.

## Business customers

Business customers have been able to choose their retailer for water and waste water services for five years now since April 2017. Our wholesale services team remain focused on enhancing both the retailer and customer experience.

This year we scored 96% in the operational performance standards, the market measure of customer service. This is a positive result given both the impact of Covid and the work required to migrate to the market operator's (MOSL) new system.

## Customers in vulnerable circumstances

Ensuring our bills are affordable is always a priority. This year, the challenge has increased in the context of the wider financial climate. The price of food, fuel and other necessities has climbed steeply, compounding the impacts of Covid-19. It has therefore been exceptionally important for us to make sure our support schemes are fit for purpose and easily accessible.

## Financial assistance

In our strategic direction statement we are targeting zero water poverty - no one will spend more than 5% of their disposable income on water.

We offer customers financial and debt support through a range of schemes and low-rate tariffs under our Tailored Assistance Programme. Over 16,000 customers are receiving discounts of up to 90% through our Assist tariff, and more than 22,000 low income pensioners are receiving around £60 off their bill.

During Covid, we adapted the eligibility criteria for Assist to enable us to fast-track bill discounts to customers directly financially affected by the pandemic. Temporarily, we ceased requiring these customers to seek debt advice before accessing help. We are keeping this change in place through next year to aid Covid recovery and support customers who are struggling due to wider pressures on their household finances. We are in constant dialogue with our expert advisers and partners so we're ready to flex it further if needed.

We did not meet our targets for total bill reductions to customers on social tariffs or the number of applications to our financial support schemes received from funded advice agencies. Covid and the associated restrictions took a toll on the capacity of the advice sector to provide help - in particular, face to face service provision reduced. We are now seeing signs of recovery, with the number of referrals to our affordability schemes from our partners up this year compared to last.

## Priority services

We added just under 19,000 customers to our Priority Services Register this year, meaning 4% of customers are now signed up. This exceeds our target reach. We once again retained the British Standard for Inclusive Service Provision and the Louder than Words charter mark.

We further invested in specialist training for colleagues, including on mental health awareness, spotting signs of vulnerability and scam prevention. More than 2,000 colleagues are now Dementia Friends.

## Partnership working

We are proud to work with around 280 partners to support vulnerable customers, including charities and debt advisers. Many make use of our online partner hub. Among the partnerships we developed this year were with the Fire Service, to promote their home safety visits to customers registered for Priority Services, and Life Ledger to support bereaved customers. Scope did a full review of our bill wording and layout to improve accessibility.

We also improved local data sharing with the energy distribution network operators (DNOs) for Priority Services. And, we are working with a local council to identify customers struggling to pay their Council Tax who may also need help with their water bills.



## Increasing uptake

We have updated our vulnerability strategy, Every Customer Matters. This is packed with initiatives aimed at increasing awareness, uptake and visibility of our affordability support and Priority Services.

We boosted targeted promotion of the support we offer – for example through Priority Service adverts on pharmacy bags, and social media posts on the rising cost of living.

## Future services

We supported CCW with its affordability review on behalf of Defra and Welsh Government. We are now helping with the implementation of the resulting recommendations, including the development of the proposed national single social tariff. We also ran a successful pilot to inform the affordability review, exploring customers' and stakeholders' views on a single, simple application process for all support schemes. We are using the findings to make improvements to our own application journey and to feed into the design of the onboarding process for the new single social tariff.

## Building stronger communities

### Charity and volunteering

The charitable Wessex Water Foundation provides grants to projects which promote community cohesion and protect the local environment. Almost 144 local groups secured funding totalling £499,138 this year, helping an estimated 227,000 people.

Our staff volunteering programme, Water Force, got back to strength in April 2021. This year 439 Wessex Water staff gave up their time, working on activities including beach cleans in Dorset; a tidy-up of a primary school garden in Somerset, and new steps for Bath City Farm. We continued to coordinate Covid-related volunteering, and the head office restaurant provided more meals as part of our pandemic response than the previous year.

We partnered with Somerset Wildlife Trust, Dorset Wildlife Trust and Wiltshire Wildlife Trust to fund the recruitment and training of local volunteers – known as Water Guardians – to monitor watercourses. The guardians identify and report possible pollution incidents, record wildlife sightings, pick litter and contribute to the long-term monitoring of key water quality indicators such as phosphate levels.

### Wellbeing and recreation

Throughout the whole of lockdown, and with the use of additional health and safety measures, we kept our green spaces, picnic places and paths open – providing access to much needed and much loved outdoor amenities. We saw a rise in visitor numbers. Our fisheries also witnessed a swell of visitors once restrictions were lifted. Numbers peaked in the late spring and went back to normal over the summer.

We completed development projects for our community areas at Clatworthy and Sutton Bingham, to boost the appeal, accessibility and customer satisfaction with the amenities, to support biodiversity, and foster better understanding of our reservoir supplies.

By the end of 2021-22, we had installed 22 permanent drinking water top-up points across our region. These have multiple benefits, keeping people hydrated for free, while reducing single-use plastic. We estimate that in the year, our refill points replaced the equivalent of 60,000 single-use plastic bottles.



### Spreading the word

To keep our customers and communities informed and engaged, we produce a customer magazine, use social media, run campaigns and have a growing set of email newsletters, one for each regional area in our region. The dedicated community section on our website focuses on local news and information for events, volunteering, funding, recreation and education. In 2022 we are expanding the subscription base from 6,000 to around 150,000 customer contacts, to improve our digital communications impact.

Due to Covid, our in-person events activities were severely curtailed. We managed to support the Salisbury Half Marathon by providing mobile water refill points and look forward to a fuller calendar this year.

### Using water and networks wisely

During 2021-22, more than 14,000 customers signed up to our GetWaterFit digital water use calculator tool. This helps customers to understand their usage and order free water saving devices. Our in-house LeakyLoo service also fixed leaking toilets for over 100 customers. Our full Home Check service, which provides in-home water efficiency advice and water saving device fitting, was relaunched in April 2022. We plan to engage with around 6,000 of our higher water using households in the year ahead. Total water savings since April 2020 are 1.4Ml/d, against our target of 2.0Ml/d.

We significantly increased our engagement with customers on sewer blockage prevention. We adopted a personalised approach, including more than 6,800 doorstep visits and targeted social media for householders in blockage hotspots. We have distributed free blockage prevention device packs to over 7,000 households. In October 2021 we ran a wider campaign in four towns that had been experiencing repeat blockages – Bridgwater, Yate, Melksham and Gillingham. This included direct mail outs, and radio and newspaper adverts to 'Wipe out Wipes'. Our analysis of the impact of this campaign is ongoing and will be used to inform our future work to reduce such blockages.

### Our next generation

Our Young People's Panel of sixth formers from schools and colleges across our region has just completed its sixth year – we engage with this group to obtain their perspectives. Activities with the panel this year included tasks on developing the customer journey for a smart metering roll out, and a focus group on storm overflows.

It was a challenging year for our education team and we did not see a return to normal school bookings until September. However, we adapted and our education advisers continued with live virtual sessions and updates to content on the website. For the first time, they provided a range of in-person outreach activities over the May and summer holidays for families and children. We increased the number of children and students we engaged with in comparison to last year but did not meet our performance commitment target.



*We significantly increased our engagement with customers on sewer blockage prevention*



# Enhancing the environment

To deliver a better environment for nature and people

## OUTCOMES



### Sustainable abstraction

Never harm the health of the water environment through our abstraction

Compliance with abstraction licences

**97%**

2020-21 = 97%



### Great river and coastal water quality

to restore the quality of our rivers and coastal waters

Number of pollution incidents

**72**

2020-21 = 87

Total tonnes of phosphorous and nitrogen removed from rivers and coastal waters per day

**1,746 tonnes** **4,195 tonnes**

of phosphorus

of nitrogen

2020-21 = 1,916 tonnes phosphorus

2020-21 = 4,228 tonnes of nitrogen



### Net zero carbon

Be a net zero carbon business by 2040

Total ktCO2e per year (operational)

**106**

2020-21 = 109



### Increased biodiversity

Double our contribution to the regions biodiversity

Number of biodiversity units we will create between 2020 and 2025

**613**

2020-21 = n/a



# Overview

Enhancing the environment carries equal priority in our purpose to supporting the health and wellbeing of our customers and communities. Without a healthy water environment, we simply cannot provide the services our customers depend on. But our responsibility goes much deeper than that. We are determined to perform in line with customers' and stakeholders' changing expectations as concern about the climate and nature emergencies grows and as the environment quickly alters. This includes helping rivers to thrive and biodiversity to prosper, mitigating climate change and pushing forward on carbon neutrality; and ensuring societal resilience to changing weather patterns.

During 2021-22, we performed highly against our environmental KPIs, including 97% compliance with our abstraction licences and 100% compliance with discharge permits from our water recycling centres. The year was also notable for the production of a number of strategic plans that will guide us as we aim for wider and more challenging environmental targets in future. These included a route map to achieve net zero operational carbon emissions by 2030; an assessment of the biodiversity value of all our major landholdings; and the first draft of a regional water resources management plan, as well as work on our latest company water resources management plan and our new drainage and waste water management plan.

## Our journey

This longer term planning context makes it clear that our environmental performance this year cannot be viewed in isolation. It is one year into our long-term journey to leave the environment in a better condition for future generations, and but another step for us in our planned transition from being a leading water company to a recognised custodian of the natural world more widely.

In our strategic direction statement we have committed to:

- never harm the health of the water environment through our abstraction
- restore the quality of our rivers and coastal waters
- be a net zero carbon business (by 2040)
- double our contribution to the region's biodiversity.

Looking forward, the changing regulations around sludge treatment and biosolid disposal under the Farming Rules for Water (FRW) and the Industrial Emissions Directive (IED), will create challenges for us over the coming years.



*Our long-term  
journey to leave the  
environment in a  
better condition for  
future generations*

## Sustainable abstraction

### Water supply

Despite a very dry April, exceptional rainfall in May topped up our reservoirs to 100% before the summer drawdown began. Groundwater levels in our Chalk and Great Oolite aquifers remained close to average levels throughout the summer and autumn, declining to slightly below average by year end.

We were 97% compliant with our abstraction licences as a result of three technical breaches related to compensation flow (where we augment natural river flow with additional water). None of these cases caused any negative environmental impact.

We continued to meet our performance commitments for the abstraction incentive mechanism at both Mere and Stubbampton last year. Under this mechanism, we are incentivised to voluntarily reduce our abstraction from environmentally sensitive water sources when river flows are low.

### Demand management

Summer demand was fairly muted, with a main peak of just a few days occurring towards the end of July. In 2020-21 we launched a new digital engagement tool, GetWaterFit, through our partner Save Water Save Money. In 2021-22 more than 14,000 customers signed up to use the tool. The proportion of metered household customers edged up from 69% to over 70% during the year.

We did not meet our target for the amount of water used per person. Household consumption reduced in comparison to 2020-21 but is still higher than before the Covid 19 pandemic. More people have continued to work from home this year, although the numbers have dropped since the first half of the year.

### Leakage

We had another excellent year in our leakage reduction programme, reducing leakage by a further two million litres a day to 64.4 million litres a day. This was supported by continued improvement to both our active leakage control activities and pressure management. We are well on the way to meeting our target to reduce leakage by 15% between 2020 and 2025.

### Water resources planning

In July 2021, the Environment Agency classified the Wessex Water area as seriously water stressed for the first time. The

classification takes a long term view, accounting for future population growth, climate change, environmental needs and the need for increased resilience. Stress relates to both the natural environment and the water supply needs of household and business customers.

As a region, the wider West Country is also now in a supply deficit, due to the need to give more water back to the environment and meet more extreme drought scenarios. With no interventions, the deficit will rise substantially over the next 30 years. To address this, we collaborated this year with our neighbouring water companies in the West Country Water Resources Group to produce a regional plan, outlining our options for reducing demand and enhancing supply. On the supply side, the choices include effluent reuse and a scheme exploring the feasibility of repurposing disused quarries in the Mendips as reservoirs.

In January 2022 we produced an 'emerging' plan and we are working towards publishing a draft plan in early October 2022. The work is informing our company water resources management plan which has also been worked on throughout the year and will be published in draft in early October 2022.

## Great river and coastal water quality

### Pollutions

We have been working to detect problems as they start to build up in sewers, using an intelligent blockage detection system. This system has helped reduce pollutions from 87 in 2020 to 72 in 2021. However, five of these were classed as serious incidents, which is worse than our target.

We are in the process of extending artificial intelligence monitoring software to all 1,300 of our storm overflows. Storm overflow discharge hours dropped by 36% between 2020 and 2021, despite us monitoring 12% more overflows. This was due to lower rainfall and a shorter period of high groundwater levels, as well as investment of around £3m per month. We will reach 100% monitoring next year.



## Water quality

We achieved 100% compliance with our discharges to the water environment from our water recycling centres - the best performance of all the sewerage companies.

However, we did not meet our target for the length of rivers with improved water quality through delivery of the water industry national environment programme. This is linked to one project where we have agreed a revised delivery date with the Environment Agency.

In addition, we did not meet our target for the number of actions delivered to improve bathing water quality. We will expand our work in 2022 to catch up with the cumulative target.

At Warleigh Weir, a stretch of river along the River Avon near Bath used for recreation including swimming, we have been working with the landowner, the Environment Agency and others to understand more about the river water quality. This can be affected by a number of factors including storm overflows and discharges from water recycling centres.

Looking ahead, as set out in our Strategic Direction Statement, we will:

- continue to ensure our water recycling centres treat sewage to the required standards before discharging to the environment
- extend our catchment management programme to further develop partnerships with farmers and landowners to reduce the environmental impact of their activities
- champion nature-based solutions such as wetlands alongside our on-site assets to ensure that treatment solutions restore the environment rather than being to its detriment.

## Collaboration with the Wildlife Trusts

We are collaborating with Somerset Wildlife Trust, Dorset Wildlife Trust and Wiltshire Wildlife Trust to deliver cleaner rivers, good quality habitats for wildlife and more natural solutions for flood alleviation and carbon storage. The volunteer Water Guardians we fund are part of this work, and the wider projects involve:

- in Somerset, the focus is on the Somerset Levels and Moors' working wetlands; an intricately managed landscape full of history, heritage and culture; and

areas important for agriculture. These are Somerset's most protected landscapes for biodiversity, wintering waterfowl and waders, flower-rich wet grasslands and invertebrate communities. But nutrient loads are too high, and this internationally important protected landscape is at risk from diminishing water quality. The particular focus is on areas near our assets, pollution hotspots and areas of particular environmental interest or importance, such as Sites of Special Scientific Interest (SSSI) and Special Areas of Conservation (SAC)

- in Wiltshire, the initial focus is on the Hampshire Avon, Bristol Avon and Upper Thames catchments - again, particularly areas near our assets, pollution hotspots and environmental areas of interest and importance. Much of the Hampshire Avon catchment is designated as a SSSI/SAC chalk stream, but pressures from development and agriculture are affecting the health of the river
- Dorset has one of the highest proportions of conservation areas in England, and much of the county drains into three rivers: the Frome, Piddle and Stour. The project will focus initially on higher risk areas such as the Corfe, Lodden, Shreen, Stour, Simene, Brit, Asker, Mangerton and Hooke catchments, as well as stretches of rivers near our assets, pollution hotspots and environmental areas of interest and importance.

## Net zero carbon

### Emissions and energy performance

Our gross greenhouse gas emissions fell to 106 kilotonnes of carbon dioxide equivalent in 2021-22, the lowest annual operational carbon footprint since we began reporting in 1997. A combination of energy efficiency improvements, renewable energy generation and the rapidly falling carbon dioxide intensity of UK grid electricity has led to steadily falling emissions over the last six years.

Our electricity use in 2021-22 was 10GWh lower than the average of the last two years, but close to the average over the last 15 years.





We continue to look for energy efficiency opportunities to counteract rising energy use caused by tighter water and sewage treatment standards, and the operation of our regional water supply grid. This year, 12% of our electricity demand came from renewable electricity generated at our sites. Furthermore, the biomethane that we exported to the gas grid was 2.5 times the natural gas that we consumed ourselves.

### Decarbonisation plans: 2030 and 2040

We aim to achieve net zero carbon emissions from our operations by 2030, in line with the ambitious pledge made by all water companies in England. In summer 2021, we published a routemap detailing the main methods that we will pursue to reach this target. Some are established while others will require innovation.

We need to invest in a range of efficiency improvements; increase our use of renewable energy, low carbon transport and nature-based solutions; and implement methods to combat emissions of methane and nitrous oxide from treatment processes.

From collaborative work happening across the UK water sector, it is apparent that the last of these will, in the future, account for a much larger part of our total emissions than in the past. This presents an immediate and stretching challenge not just for us but for all of society, which can only be solved by collaborative working.

A move to outcome based environmental regulation will help facilitate and support innovation and efficient delivery to enable us to respond to these challenges.

By 2040, we aim for our entire business to be net zero total carbon, 10 years ahead of the target for the UK as a whole. This will include the embodied carbon associated with construction materials, treatment chemicals and other products that we consume.

We are working on the tools needed to calculate the whole life carbon of capital schemes to inform our decision making on the lowest carbon options. Pursuing both targets will involve all parts of our business as well as co-operative relationships with solution providers, technology developers, our customers, local communities and regulators, among others.

### Climate adaptation

We report how we are adapting to climate change under provisions set out in the Climate Change Act. We review the risks posed to our services from the changing climate, and explain the measures we are taking to maintain resilience in light of these risks. In 2021, we produced our third climate change adaptation report, to share the latest information on these important matters.

### Increased biodiversity

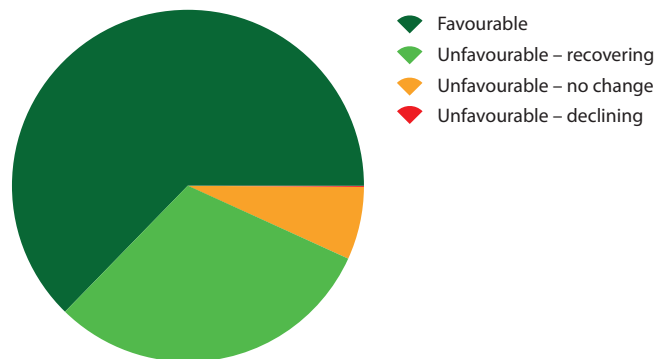
#### Biodiversity value

During 2021-22, we assessed the biodiversity value of our all our landholdings of over half a hectare in size, using Defra's Biodiversity Metric 3.0. This is a new tool for measuring nature gains and losses when the way land is managed changes. It is now the industry standard biodiversity metric.

Our landholding value was revealed to be 14,348 biodiversity units, which is equivalent to 693 hectares of lowland mixed deciduous woodland, or 520 hectares of lowland meadow in good condition. Having this baseline biodiversity value will inform our choices on how we use our land (see case study, right).

#### Protected sites

Of our Sites of Special Scientific Interest (SSSI) landholding, 63% is in 'favourable' condition with 30% classified as 'unfavourable - recovering', a total of 93%. The government's 25 Year Environment Plan includes a target to restore 75% of protected sites to favourable condition.



### Case study: Cromhall wetland

The Cromhall integrated constructed wetland project reverted 1.3ha of arable land to neutral grassland (priority habitat); increased floodplain grassland by 0.1ha; increased native species-rich hedgerow by 392m; and improved 0.35km of native hedgerow with additional planting. Using the Biodiversity Metric 3.0 assessment, the result was a 111% (8.9 units) net improvement to habitat units and a 42% (3.14 units) improvement for hedgerow features.

A Bioblitz - an intense period of biological surveying - identified that numerous species of plants, birds, bats, insects and amphibians have already colonised the wetland system.

As the site matures, the number of biodiversity units delivered, and the breadth and number of species present, will increase further.





## Empowering our people

To be a great place to work for all

*We are committed to ensuring Wessex Water remains a great place to work for all, today and tomorrow. We will be flexible and inclusive and adapt our working practices where necessary to keep in step with business best practice and the needs of those who come to work with us.*



# Overview

Our reputation and performance depends on the hard work and dedication of everyone who works for and with Wessex Water – our staff on our sites, in our offices, in our catchments and communities, and those who work for organisations with whom we partner. Without them, none of the outcomes we achieve for customers and the environment would be possible.

Our first priority is to provide a great, safe and stimulating place for all to work. This is by necessity an ongoing effort, rather than something we could ever claim to have achieved.

Safety is paramount and much of our work this year has therefore been to remain vigilant on health and safety. We have also worked to increase inclusivity and diversity among our team, and to support the continued professional and technical development of our people.

Investigations into the tragic incident at Avonmouth in December 2020 are ongoing. We continue to co-operate with the investigating authorities and remain committed to understanding why the incident happened and sharing any lessons with the wider industry. The board made the decision in 2021 to establish a committee to focus solely on health and safety matters.

Notable achievements during 2021-22 include the implementation of new health and safety reporting and learning management systems; the launch of a new management development programme; and the delivery of more than 1,100 training courses and over 8,500 e-learning courses.

## Our journey

We are committed to ensuring Wessex Water remains a great place to work for all, today and tomorrow. We will be flexible and inclusive and adapt our working practices where necessary to keep in step with business best practice and the needs of those who come to work with us.

We have committed to continue to:

- prioritise individual safety and wellbeing
- foster a culture that is inclusive for all, where everyone belongs and thrives
- inspire our people to become advocates of the company, the work it does, and the role it plays in the community and society
- invest in our people so they are fully equipped collectively and individually with all the skills and tools they need to work effectively.



*We delivered over 1,100 training courses and everyone at managerial level has completed the senior leader course from the Institution of Occupational Safety and Health*

## Individual safety, wellbeing and engagement

### Health and safety reporting

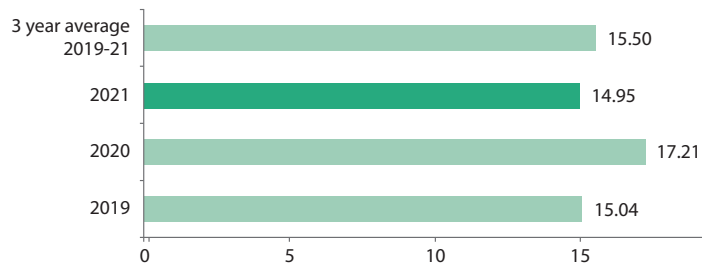
We have reviewed and updated our strategy focusing on five pillars of leadership, risk, culture, reporting and occupational health and wellbeing. In particular, we have focused on our high hazard activities and process safety and use our advisory board of leading health and safety experts to accelerate continuous improvement.

This year we implemented a dedicated health and safety reporting platform, Engage EHS. This ensures reporting on this crucial area is consistent across the company and improves visibility, action tracking and action management. The number of people reporting their observations on health and safety incidents and matters has doubled since 2020, and reporting on near-misses has also increased. This provides us with more proactive learning opportunities and therefore the ability to improve processes.

### Efficiency

We reduced the amount of work time lost by employees as a result of health and safety incidents (articulated as 'days lost') by 50% compared to 2020. At 14.95, the lost time incident rate per 1,000 staff was also lower in 2021 than in 2020 (17.21) or 2019 (15.04).

Lost time incident rate per 1,000 staff



### Leadership and culture

We have developed a safety culture model to support a more consistent approach to behavioural safety. We have enhanced safety communication across the company via new safety hubs, which act as easy-access, one-stop shops for health and safety material and best practice. We also continued to provide the high standard of support we have deployed throughout the pandemic.

Everyone at managerial level has completed the senior leader course from the Institution of Occupational Safety and Health. More than ever, safety is being led from the top, including process safety, with regular leadership engagement and visits. We have restructured the health and safety team and improved the resources available across the company through specialist support - including at biogas sites.

### Awards and accreditations

Our engineering services division secured a President's Award from the Royal Society for the Prevention of Accidents, which is reserved for organisations which have achieved 10 or more consecutive gold awards. The division also maintained ISO45001 certification, while our operations team made excellent progress on developing a system that will enable a move to ISO45001 accreditation.

## Culture, inclusion and diversity

### Inclusion - a constant quest

We are committed to promoting an inclusive workforce that reflects the cultures and diversity of the Wessex Water region, and to fostering a culture where everyone can thrive, inclusive of every gender, ethnicity, race, age, ability, sexual orientation and social background. This is ongoing work.

### Internal support

We established two new internal support networks in 2021:

- ARC Alliance - we supported a group of employees to establish ARC Alliance, to promote acceptance, respect and celebration of our LGBTQ+ colleagues. The Alliance also seeks to ensure all Wessex Water policies, practices and procedures are inclusive in nature, and has set up a service to offer access to non-judgmental support for ARC members
- Working Families Group - among other initiatives, this group has introduced a maternity and paternity buddy scheme, shares resources and information on Yammer, and holds regular 'chat and chew' lunchtime discussion sessions. Complementing this work to support families, we introduced an enhanced parental bereavement leave policy in 2021, offering paid leave and support for any staff member who suffers the bereavement of a child.



*We are committed to promoting an inclusive workforce that reflects the cultures and diversity of the Wessex Water region*

Note: Data relates to 2021 calendar year

We also promoted National Inclusion Week in September, to raise awareness of our commitment to a diverse workforce, showcase our initiatives in this area, and celebrate our achievements over the last year. We produced a video featuring a wide range of our employees, and shared this internally and externally through social media.

### External partnerships

As part of our wider approach to collaboration with others, we promoted a number of external partnerships this year to further our inclusivity objectives.

- We are a founding member of the Bristol Future Talent Partnership, a collaboration of leading organisations working to make Bristol the fairest and most racially equal place to live and work in the UK. This year we hosted two career insight weeks for groups of up to 12 local students. These included providing an overview of careers across the YTL Group (UK), site visits, training in career skills like CV writing, interview preparation, team working, presenting and networking, and providing a professional photo for their LinkedIn profile.
- We achieved level two status as a Disability Confident Employer at the start of 2022. The scheme supports employers to attract, retain and develop disabled people. We guarantee interviews for candidates declaring a disability if they meet the job specification criteria, and provide guidelines to managers around awareness of disabilities and adjustments for interviews.
- We recruited several key posts this year through our Armed Forces Covenant. This recognises the value of former armed services personnel, including through guaranteed interviews for applicants who meet the job specification criteria. We recognise military skills and qualifications in our recruitment selection process, and advertise all vacancies on the armed forces job boards.
- We joined the Autism at Work programme, which is supported by the National Autistic Society. The programme includes ensuring job ads are written in an autistic friendly way, advertising suitable roles through relevant networks; assisting autistic candidates and managers with job interview requirements; training managers when autistic candidates start employment; and assigning a job coach to check in on new starters for the first six months.

### Gender pay gap

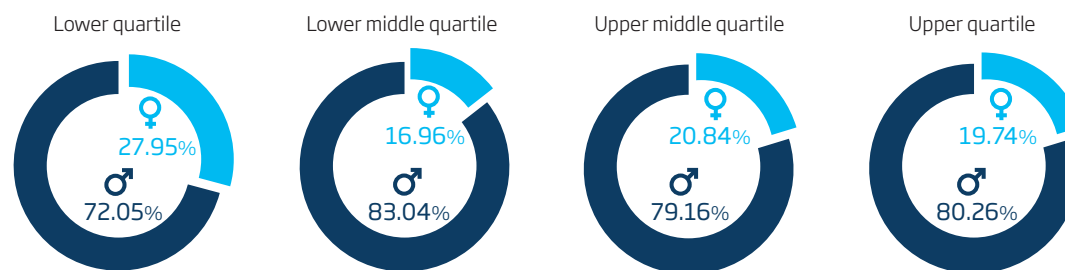
All companies with more than 250 employees are required to publish their gender pay gap at 5 April each year. The gender pay gap is the difference in average hourly pay received by men and women.

Gender pay data	2021
Wessex Water mean	2.65%
Wessex Water median	2.28%
National median (2021)	15.4%

The data above represents our gender pay gap figures at 5 April 2022. It should be noted that the gender pay gap is different to equal pay, the right for men and women to be paid the same rate of pay for doing work that is of equal value.

Our gender pay gap remains significantly lower than the UK median of 15.4% \* and reflects gender distribution in job roles across our workforce rather than any equal pay issues.

The distribution of men  and women  in salary quartiles is shown below.



\*ONS median pay gap 2021

We have a robust job evaluation process and operate a framework of grades and pay ranges within each grade. We are confident our approach on pay is not influenced by gender.

## Skills, knowledge and opportunity

Our focus for the last 12 months has been the continuous development and support of our people.

### Early careers

Our early careers team facilitated 29 entry apprentices, 16 career development apprentices, 19 industrial placements, 18 graduates and 20 'Kickstarters' from the government scheme for 16-24 year olds on Universal Credit. A total of 102 people have benefited from our early career programmes, and we have benefited from the creation of a fantastic pipeline of talent to help us future proof our business.

### Managing learning

We launched a brand new learning management system, which drew on input from volunteers in every directorate to ensure the needs of the whole organisation are met. The system enables staff to access all available classroom training, attend virtual learning events and e-learning courses, and book locally delivered upskilling training - all in one place. It also tracks all mandatory and compliance training and sends automated reminder notifications to both managers and employees, to ensure we remain 100% compliant.

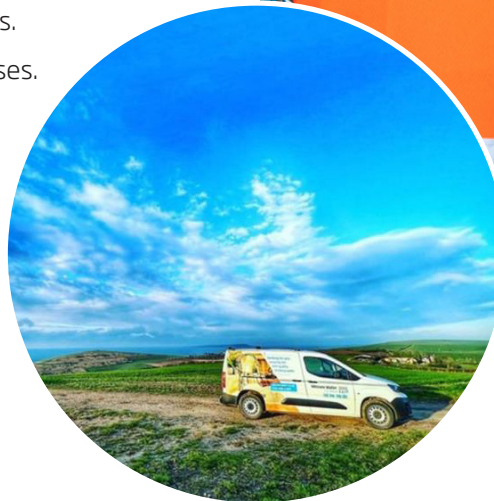
### Training

We delivered 1,158 training courses in this financial year, in areas as diverse as health and safety, leadership, plant and machinery, IT and technology, soft skills and induction. Our employees also completed 8,642 e-learning courses.

A key focus this year has been to deliver risk assessment training courses. More than 600 people from our operations team attended.

Another focus has been on management training. We launched a new management development programme, iManage, across the organisation.

This blends e-learning courses with practical workshops and takes approximately six months to complete. It is now mandatory for all new managers and all modules have been made available for existing managers as well.





# Financing the future

To be a trusted, financially strong company with fair investor returns

*Financial stability, exemplary governance, transparency, accountability and efficiency are all outcomes we are targeting for the long term.*



# Overview

Strong financing and governance is essential for Wessex Water, which must be the exemplar of what a privately owned company, with a responsible investment policy, can achieve in the public interest. It enables us not only to provide fair, dependable returns for our investors, but also underpins our delivery of leading levels of service for our customers, communities, wider society and the environment.

We continue to embrace the opportunities presented by tracking metrics beyond the purely financial, in keeping with purposeful business approaches. We have embedded environmental, social and governance (ESG) practices across all financial areas and strive for an honest and ethical culture.

This year, our financial performance remained resilient, despite the challenging context. This featured, among other things, cost pressures from rising energy and chemicals prices, and ongoing Covid 19 impacts. Meanwhile, we continued to champion innovation and competition through the Wessex Water Marketplace, running new challenges and continuing the development of previous challenges. We remained true to our open, ethical and transparent culture, assured by our board.

## Our journey

Financial stability, exemplary governance, transparency, accountability and efficiency are all outcomes we are targeting for the long term.

In our strategic direction statement, we have committed to:

- be the most efficient water company in the industry - including by harnessing the power of markets and real competition, and championing an outcomes-based approach to regulation where efficiency can be maximised through flexibility and choice
- keep gearing below 70%
- provide fair returns to investors and be well-regarded by financial stakeholders
- deliver for wider society and the environment through sustainable financing and using ESG metrics.



*We continue to embrace the opportunities presented by tracking metrics beyond the purely financial, in keeping with purposeful business approaches*



## Resilient financial stewardship

### Overall performance

Despite a challenging year, the company's financial performance remains resilient and in line with expectations.

Our revenues reflected the rebasing of tariffs under the price review and the continuing impact of Covid 19, with higher domestic usage mitigating declines in non-household consumption. Under the regulatory model, any shortfalls in wholesale revenues will be recovered in future bills.

Meanwhile, underlying operational costs increased as we spent more on our labour, hired, contracted and other costs to support our outcome delivery incentive performance. There were also anticipated increases in power and chemical costs and depreciation. Bad debt costs increased year-on-year as the underlying economic climate continues to worsen.

Reported profit after tax fell from £67.6m last year to a loss after tax of £44.4m this year. The change resulted from the deferred tax impact of moving to a corporation tax rate of 25% from April 2023 (see below).

### Financing charges

Net interest charges reduced by £1.9m from £84.0m last year to £82.1m this year. There remains a prudent mix of debt instruments and at the year-end, the split was 49% fixed, 35% index linked and 16% floating, with the index-linked debt based on November and March RPI. The maturity of debt is generally long term, with £1,840m (76%) of debt maturing after five years.

### Taxation

Our tax strategy remains consistent with previous years and is fully aligned with the company's overall objectives. We continue to comply with the spirit and letter of UK tax legislation.

The corporation tax credit was £4.1m, a reduction of £9.3m compared to a tax charge of £5.2m last year. Deferred tax has increased from a charge of £9.3m last year to a charge of £117.0m this year.

The 2021 Finance Bill enacted in May 2021 included an increase in the rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The impact of this increased the deferred tax liability by £135m, split between £97m charged to the income statement and £38m charged to other comprehensive income.

### Cash flow and gearing

Net debt increased by £103.6m from £2,315.4m to £2,419.0m. The cash inflow from operations of £278.3m was £11.2m lower compared to £289.5m last year. This was reduced by net capital investment of £235.3m, interest and tax payments of £69.2m, dividend payments of £62.0m and working capital outflows of £20.5m.

Liquidity at year end was £184.1m, compared to £583.9m last year, comprising bank facilities not yet drawn down and bank balances.

Regulatory gearing improved as high inflation affected regulatory capital value, leaving gearing at the end of the year at 66.9% compared to 69.9% last year. This remains within the policy set by the board. Regulatory capital value increased by £301m from £3,314m to £3,615m.

Our interest cover ratio of net interest payable to earnings before interest, tax and depreciation saw a small reduction from 3.75x last year to 3.71x in the current year. This reflects the reduction in operating profit resulting from higher input prices.

### Capital investment

Gross capital investment was broadly in line with management expectations at £279.4m, which was £6.0m more than the £273.4m delivered last year (figures include infrastructure renewals expensed through the income statement). This is despite the continuing challenges posed by Covid 19, material shortages and rising prices.

## Market-led outcomes

### Wessex Water Marketplace

Launched in April 2019, the Wessex Water Marketplace is an online platform marketplace.wessexwater.co.uk that enables us to share our data and pose specific challenges for the market to answer. The idea is to enable the best, innovative ideas to come through, whether they are from within the company or from outside.

To date we have run 16 challenges through the marketplace, covering activities across the business - from reducing foaming at some of our water recycling centres, to improving our water quality customer contacts.

This year we have continued to roll out the Stormharvester sewer monitoring software which emerged from our 'intelligent sewers challenge'. This software allows us to monitor network performance in real time and alert operational colleagues to potential blockages, so they can react before an incident takes place. We currently have 600 monitors on the system, with plans to add a further 700 by the summer of 2023.



We have also continued trialling a solution suggested during our 'ion exchange brine challenge' that should help us optimise performance of the current plant and reduce the waste streams produced. We will update the marketplace later in the year with a progress report.

We ran a new challenge this year to find an alternative to plastic media for some of our treatment processes. This did not result in any formal submissions, suggesting the whole area needs further exploration. We are looking at data and research options to improve our understanding.

### **Nutrient markets**

We continue to have a strong focus on the delivery of environment-based solutions for nutrient removal, working with farmers and local landowners. The aim is both to reduce the nutrient impact on the environment, and create added benefits such as carbon reduction and enhanced biodiversity. We continue this work across the region and have expanded our use of trading platform EnTrade beyond Poole Harbour, working with farmers and landowners in areas such as the Hampshire Avon as well.

### **Bid Assessment Framework**

Ofwat requires all companies to publish bid assessment frameworks to support third party bids to provide water resources, demand management and leakage services. This coming year will see us expand our framework to cover bioresources.

Our framework can be found on our marketplace website. To date we have not received any bids to provide services. During 2021-22 we started a challenge linked to our water resource management plan (WRMP). Submissions are being evaluated and we will provide an update when our WRMP is published later this year.

### **Well managed, open, ethical and transparent**

We actively engage with our customers and stakeholders to ensure that we meet their expectations.

Sound ethics and culture are at the heart of our operations, driving environmental, social and governance policy commitments from the highest level through to business practices at the lowest level. The standards of governance and behaviour we expect are communicated through policies and reinforced by training - for instance on financial crime, bribery, corruption and modern slavery.

All employees are expected to commit to the highest standards of professional and ethical conduct and are asked to certify compliance with key policies on an annual basis. Employees have access to a free confidential reporting helpline on a 24-hour, 7 day-a-week basis and are encouraged to raise any concerns. All concerns raised are treated on a strictly confidential basis, and are reported to the Audit and Risk Committee.

More generally, our board monitors and assesses the values and culture of the business to satisfy itself that behaviours are aligned with our purpose and values on an ongoing basis.

### **Risk management**

The effective management of risk is central to our success. We have a robust risk management framework in place to proactively identify, communicate and manage material risks to the business. These are defined as any factor that can impede our ability to achieve our objectives.

The corporate risk register includes strategic, compliance, operational and financial risks, specifically including health and safety and climate change related risks. Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management and executive directors. The Risk Management Group, comprising senior managers, maintains and reviews all business risks. This group meets monthly and scrutinises and challenges the risks included in the register and identifies any additional work necessary to better classify risks or explore other available mitigation controls.

The Risk Management Group submits an updated risk register and summary report to the Executive Leadership Team (ELT), chaired by the chief executive, every six months. Any significant emergent risks are reported to the ELT and board as they arise.

Our policy on risk assessment and management is subject to regular review by the board. To assist it in discharging its responsibilities, the Audit and Risk Committee reviews the company's internal control systems and process for managing risk.

The chief executive submits a bi-annual risk review paper to the board for its review. This paper details the risk review process, identified the current principal risks to the business and the mitigation measures in place. It also records the status of emerging risks that have been identified. The board reviews and holds ultimate responsibility for the risk process and agrees the definition of risk appetite and tolerance that is then applied through the business.

The table on the following page shows our principal risks, strategic, compliance, operational and financial. We have provided detailed information on each principal risk in our annual report and accounts, alongside the financial viability statement. This includes a statement on the context, strategic objectives affected and the mitigation in place to address each risk.



Principal risk	Risk Type	Description	Risk Exposure
Health and safety	Operational, Compliance	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public.	Stable
Political action	Strategic	Actions taken by the government that fundamentally change the operating environment in which we work, affecting the business and/or cash flows.	Stable
Regulatory action	Strategic	Actions taken by regulators that fundamentally change the operating environment in which we work, affecting the business and/or cash flows.	Increasing
Reputation and position	Strategic	National or regional issues arising that affect the perception of the business	Stable
Environment and public value	Strategic	The expectation on the business to create value beyond a focus on short-term performance	Stable
Climate volatility	Strategic	The natural environment changing due to greater climate volatility	Stable
Major pollution incident	Compliance, Operational	External factors (eg, sewer misuse or asset failure caused by a third party) or internal factors (eg, asset failure or poor operating performance) that result in a major pollution incident significantly affecting the natural environment.	Stable
Supply chain failure	Financial, Operational	The supply chain for chemicals in particular has become increasingly more fragile	Increasing
Digital resilience	Operational	A malicious attack or failure of cyber security that results in the corruption or loss of data and/or inefficient operations.	Stable
Insider threat	Operational	A disgruntled, vulnerable or radicalised employee or contractor causes malicious damage to operational activities and/or the company's reputation.	Stable
Supply of unfit water	Compliance, Operational	External factors (eg, contamination of supply or customer pipes) or internal factors (eg, asset failure or poor operating performance) that result in the supply of unfit water affecting public health.	Stable
Anti-competitive behaviour	Compliance, Operational	Ineffective internal controls resulting in anti-competitive behaviour.	Stable
Pandemic Infection	Operational	Loss of resources (goods/services/people) and/or revenue inhibit our ability to operate.	Stable
Resources and skills	Operational	Failure to have the right resources with the right skills in the right place will affect our strategic objectives, our ability to operate effectively and our strategic objectives.	Increasing
Failure to meet performance commitments	Operational, Financial	Failure to manage delivery of performance commitments resulting in a net penalty and/or reputational damage to the business.	Stable
Ability to raise finance	Financial	We are unable to fund the business sufficiently in order to meet our liabilities as they fall due.	Stable

# Our board of directors

Our board of directors plays a key role in the running of Wessex Water Services Ltd. They have responsibility for providing leadership, setting strategy, reviewing management performance, ensuring we have the financial and human resources needed to achieve our objectives and ensuring that the company meets its obligations to stakeholders and shareholders.

Our board includes five independent non-executive directors who are appointed from diverse backgrounds, each bringing a breadth and depth of experience to the board and contributing to strong board leadership and governance.

Tan Sri Francis Yeoh KBE	<i>Shareholder Non-Executive Chair</i>
Colin Skellett	<i>Chief Executive</i>
Andy Pymer	<i>Executive Director of Finance and Regulation</i>
Mohammed Saddiq	<i>Executive Director of Operations</i>
John Thompson	<i>Executive Director of Engineering and Sustainable Delivery</i>
Jim McKenna	<i>Senior Independent Non-Executive Director</i>
Kate Mingay	<i>Independent Non-Executive Director</i>
Tim Gardam	<i>Independent Non-Executive Director</i>
Kevin Wall	<i>Independent Non-Executive Director</i>
Dame Fiona Reynolds DBE CBE	<i>Independent Non-Executive Director</i>
David Barclay	<i>Non-Executive Director</i>
Hong Yeoh	<i>Shareholder Non-Executive Director</i>
Mark Yeoh	<i>Shareholder Non-Executive Director</i>
Hann Yeoh	<i>Shareholder Non-Executive Director</i>

You can find more details about the board members on our website, Meet our board and in our Annual Report and Accounts.

On 29 June the Audit and Risk Committee considered the Annual Review and had the opportunity to question the executive directors and relevant senior managers. It was recommended to the board on 1 July 2022.

On behalf of the Wessex Water board, we confirm that we approve this Annual Review and are satisfied that it is accurate in all material respects.

**Tan Sri Francis Yeoh KBE**  
Chairman

**Colin Skellett**  
Chief Executive

**Jim McKenna**  
Senior Independent  
Non-Executive Director

**Kate Mingay**  
Independent Non-Executive Director,  
Audit and Risk Committee Chair

# Income statement

For the year ended 31 March 2022

	2022 £m	2021 £m (Restated)
<b>Revenue</b>	515.6	514.7
Charge for bad and doubtful debts Other operating costs	(15.4) (349.6)	(13.5) (335.1)
<b>Total operating costs</b>	(365.0)	(348.6)
<b>Operating profit</b>	150.6	166.1
Financial income Financial expenses	0.2 (82.3)	0.5 (84.5)
<b>Net financing expense</b>	(82.1)	(84.0)
<b>Profit before tax</b>	68.5	82.1
Taxation	(112.9)	(14.5)
<b>(Loss)/profit for the year</b>	(44.4)	67.6

# Statement of financial position

At 31 March 2022

	2022 £m	2021 £m (Restated)	2020 £m (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	4,018.2	3,901.4	3,768.8
Intangible assets	49.2	42.3	52.7
Investments in subsidiaries	-	-	-
	4,067.4	3,943.7	3,821.5
<b>Current assets</b>			
Inventories	4.8	4.4	3.9
Trade & other receivables	174.9	182.6	186.6
Corporation tax receivable	10.8	3.4	-
Other financial assets	-	290.0	-
Cash and cash equivalents	4.1	68.9	42.3
	194.6	549.3	232.8
<b>Total assets</b>	4,262.0	4,493.0	4,054.3
<b>Current liabilities</b>			
Other interest-bearing loans and borrowings	(16.1)	(391.3)	(5.8)
Corporation tax payable	-	-	(2.1)
Trade & other payables	(183.6)	(171.1)	(166.6)
Provisions	(1.2)	(0.1)	(0.2)
	(200.9)	(562.5)	(174.7)
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	(2,407.0)	(2,283.0)	(2,255.8)
Contract liabilities	(5.5)	(6.3)	(6.3)
Employee benefits	(33.4)	(91.8)	(90.6)
Deferred grants and contributions	(307.3)	(296.6)	(289.1)
Deferred tax liabilities	(589.3)	(422.4)	(415.4)
	(3,342.5)	(3,100.1)	(3,057.2)
<b>Total liabilities</b>	(3,543.4)	(3,662.6)	(3,231.9)
<b>Net assets</b>	718.6	830.4	822.4
<b>Equity</b>			
Share capital	-	-	-
Retained earnings	718.6	830.4	822.4
<b>Total equity</b>	718.6	830.4	822.4

# Statement of cash flows

For the year ended 31 March 2022

	2022 £m	2021 £m (Restated)
<b>Cash flows from operating activities</b>		
(Loss)/profit for the year	(44.4)	67.6
<i>Adjustments for:</i>		
Depreciation and amortisation	129.4	118.8
Financial income	(0.2)	(0.5)
Financial expense	82.3	84.5
Taxation	112.9	14.5
	<b>280.0</b>	<b>284.9</b>
Decrease in trade and other receivables	7.5	4.0
(Increase) in inventories	(0.4)	(0.5)
Increase in trade and other payables	5.3	13.7
(Decrease) in provisions and employee benefits	(14.1)	(12.6)
	<b>(1.7)</b>	<b>4.6</b>
Tax paid	(2.6)	(10.8)
	<b>275.7</b>	<b>278.7</b>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	4.7	8.9
Interest received	0.4	0.5
Acquisition of property, plant and equipment	(226.4)	(240.0)
Acquisition of intangible assets	(16.2)	(5.2)
Purchase of financial instruments	-	(290.0)
Sale of financial instruments	290.0	-
Proceeds from infrastructure charges and capital contributions	7.3	7.7
	<b>59.8</b>	<b>(518.1)</b>
<b>Net cash from investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from new loans	120.0	403.3
Interest paid	(67.0)	(69.1)
Repayment of borrowings	(391.0)	(8.0)
Payment of lease liabilities	(0.3)	(0.7)
Dividends paid	(62.0)	(59.5)
	<b>(400.3)</b>	<b>266.0</b>
<b>Net cash from financing activities</b>		
(Decrease)/increase in cash and cash equivalents	(64.8)	26.6
Cash and cash equivalents at 1 April	68.9	42.3
<b>Cash and cash equivalents at 31 March</b>	<b>4.1</b>	<b>68.9</b>

# Regulatory performance commitments

Progress against our 46 regulatory performance commitments is shown below. These were developed in consultation with our customers and other stakeholders.

Symbol	Definition	Number
✓	Met or exceeded target	28
0	Performance close to target and no penalty due (deadband)	2
✗	Target not met	11
No target	No target this year / target not set by us	5
<b>Total</b>		<b>46</b>

We are proud to have met 28 of our targets. Of the 13 we missed, some were affected by Covid, such as number of children/students engaged, and others by the weather, such as external sewer flooding.

Although we met our target for pollution incidents, we were particularly disappointed to have five of these classed as serious incidents, which is worse than our target. We are committed to maintaining our strong performance record and improving on this position next year.

For a more detailed explanation of the performance commitments and financial implications of this year's performance, please refer to our annual performance report, available on our website [wessexwater.co.uk/our-performance](https://wessexwater.co.uk/our-performance). Detail on the measures where we have not met our target is given in the following pages of this report:

Tackling water quality at home and in the work place (score)	8	Volume of water saved by efficiency engagement (Megalitres per day)	11
Event risk index (Wessex Water) (ERI WW) (score)	8	Per capita consumption	14
Customer property sewer flooding (external) (incidents per 10,000 connections)	8	Working with communities to improve bathing water experience (number of beaches)	15
Value for money (%)	8	Length of river with improved water quality through WINEP delivery (km)	15
Successful applications for assistance received by the independent advice sector/ third parties (number)	9		
Total bill reduction to customers on social tariffs per 10,000 households (£ per 10,000 customers)	9	In addition, our customer challenge group conduct an independent assessment of the company's performance against its targets. Their annual report can be found on their website <a href="https://wessexwaterccg.co.uk">wessexwaterccg.co.uk</a>	
Number of children/students engaged (number)	11		



# Regulatory performance commitments



	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
Water quality compliance (CRI) (score)	0.00	0.37	0	
Water supply interruptions (mm:ss per property per year)	06:08	04:12	✓	
Leakage (% reduction)	3.9	10.8	✓	
Per capita consumption (% reduction)	0.2	-5.2	✗	
Mains repairs (number per km mains)	159.1	147.1	✓	
Unplanned outage (%)	2.34	1.59	✓	
Risk of severe restrictions in a drought (%)	0.0	0.0	✓	
Priority services for customers in vulnerable circumstances: Reach (%)	3.9	4.0	✓	

	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
Priority services for customers in vulnerable circumstances: actual contact (%)	35.0	55.0	✓	
Priority services for customers in vulnerable circumstances: attempted contact (%)	90.0	91.6	✓	
Internal sewer flooding (incidents per 10,000 sewer connections)	1.63	1.43	✓	
Pollution incidents (number per 10,000km sewer)	23.74	20.60	✓	
Risk of sewer flooding in a storm (%)	11.93	9.84	✓	
Sewer collapses (number per 1,000km sewer)	6.33	5.91	✓	
Treatment works compliance (%)	100.0%	100.0%	✓	
C-Mex (score)	-	1st	no target	

# Regulatory performance commitments



	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
D-Mex (score)	-	89.65	no target	
Total bill reduction to customers on social tariffs per 10,000 households (£ per 10,000 customers)	68,246	61,133	X	
Successful applications for assistance received by the independent advice sector/ third parties (number)	2,300	1,977	X	
Void sites (%)	2.00%	1.70%	✓	
Gap sites (number)	112	113	✓	
Value for money (%)	79%	76%	X	
Delivering for customers in vulnerable circumstances (certification status)	Maintained	Maintained	✓	
Number of children/ students engaged (number)	24,370	5,726	X	

	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
Customer reported leaks fixed within a day (%)	90%	93%	✓	
Volume of water saved by efficiency engagement (megalitres per day)	2.0	1.4	X	
Water quality customer contacts (number per 1,000 population)	1.22	1.17	✓	
Tackling water quality at home and in the work place (score)	18,297	14,181	X	
Lead communication service pipes replaced (Wessex Water assets) (number)	1,410	1,809	✓	
Event risk index (Wessex Water) (ERI WW) (score)	12.800	86.278	X	
Customer property sewer flooding (external) (incidents per 10,000 connections)	16.73	19.27	X	
Sewer flooding risk (score)	50,651	53,737	0	

# Regulatory performance commitments



	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
North Bristol Sewer Scheme - Trym catchment (months)	0	n/a	no target	
Restrictions on water use (hosepipe bans) (number)	0	0	✓	
Abstraction Incentive Mechanism (Mere) (Megalitres per year)	-100	-251	✓	
Natural capital: improve Sites of Special Scientific Interest (SSSI sites) (%)	40	52	✓	
Greenhouse gas emissions (KtCO2e)	110	106	✓	
Working with communities to improve bathing water experience (number of beaches)	26	24	✗	
Working with catchment partners to improve natural capital (number of projects)	37	42	✓	
Satisfactory sludge disposal (%)	100.00%	100.00%	✓	

	2021-22 target	2021-22 actual	actual vs target	2020-21 to 2024-25
Reduce frequent spilling overflows (non-WINEP) (number)	0	0	no target	
Length of river with improved water quality through WINEP delivery (km)	159.4	149.8	✗	
Km of river improved (non-WINEP) (km)	0.0	29.9	✓	
Abstraction Incentive mechanism (Stubhampton) (Megalitres per year)	-45	-231	✓	
Delivery of water industry national environment programme requirements (status of obligations)	met	met	✓	
Drainage and wastewater management plans (DWMPs) (%)	0	0	no target	
WINEP requirements (Bristol (Avonmouth) STW) (months)	0	0	✓	
Security non-SEMD outputs (months)	0	0	✓	



**Wessex Water**  
YTL GROUP

FOR YOU. FOR LIFE.