

Delivering for our customers, community and environment

annual review summary 2020-21



[wessexwater.co.uk](https://www.wessexwater.co.uk)

Wessex Water

YTL GROUP



Welcome to Delivering for our customers, community and environment

As part of our annual review we publish three documents:

Delivering for our customers, community and environment

Our annual review summary explains what we have delivered in relation to our purpose. The report includes an overview of progress against our key indicators, including our regulatory performance commitments, as well as an overview of the financial accounts for the year.

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 statements, are prepared for the financial year to 31 March.

Annual performance report

This reconciles the non-statutory financial statements 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 regulatory performance commitments.

All these documents are available on our website: wessexwater.co.uk

You can compare our performance against other water companies at www.discoverwater.co.uk

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About us

We are a regional water and sewerage business serving 2.8 million customers across the south west of England including Dorset, Somerset, Bristol, most of Wiltshire and parts of Gloucestershire and Hampshire.

The region's landscape is varied, ranging from the Mendip Hills and the levels of Somerset to the cliffs of Dorset and Wiltshire's Salisbury Plain. The two coastlines have a number of popular holiday resorts such as Weston-super-Mare and Minehead on the north coast and Bournemouth, Poole and Weymouth on the south coast.

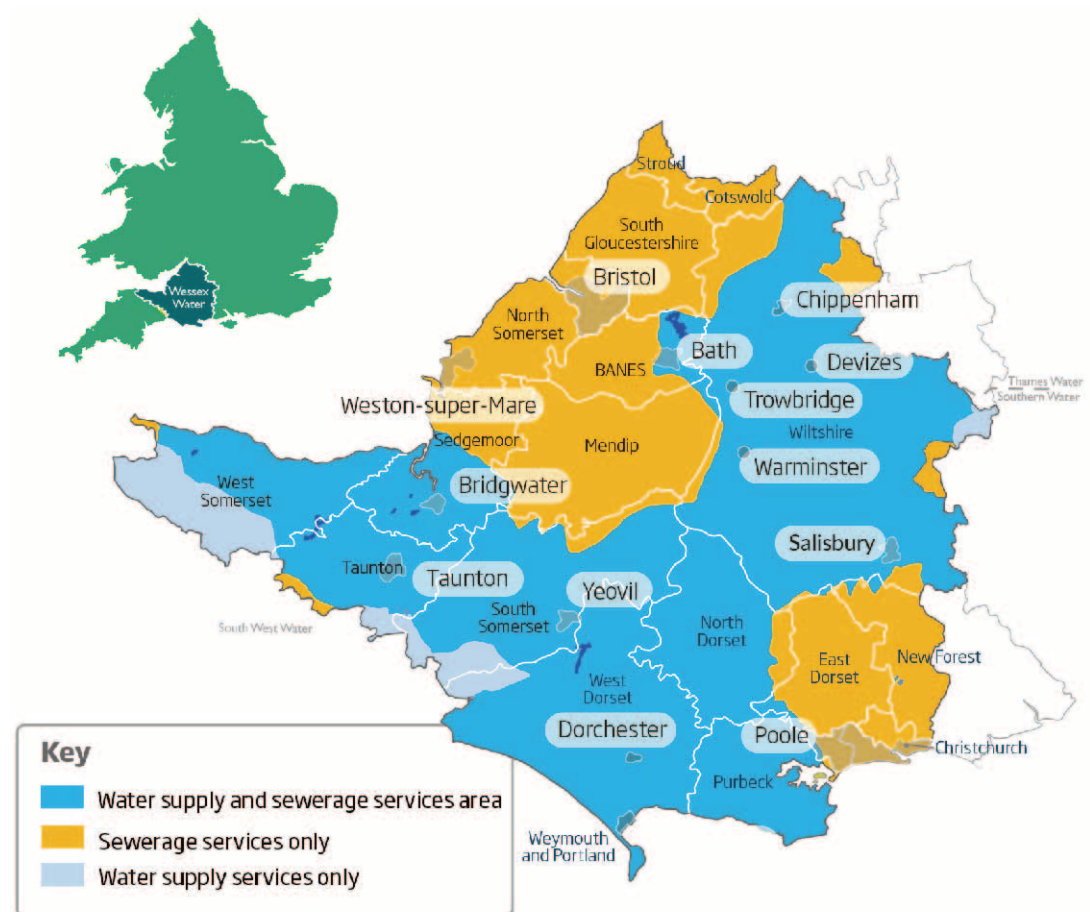
Approximately 75% of the water we supply to our customers comes from boreholes and springs and we work to maintain healthy flows in our chalk streams.

We consistently rank as the best water and sewerage company in the country against the metrics our regulators use to compare us. Our TrustPilot ratings showed 87% of reviewers gave us a five-star rating and we once again retained our Customer Service Excellence award.



Our purpose is to:

- provide reliable, affordable services for all customers and communities
- deliver a better environment for nature and people
- be a great place to work
- be a trusted, financially strong company



Chairman's foreword

It is a huge sadness that 2021 was overshadowed by the tragic incident at Avonmouth on 3 December 2020, in which four of our colleagues lost their lives. Our prayers remain with the families, friends and colleagues of Brian, Ray, Luke and Mike. We will never forget them.

The board is committed to understanding why the incident happened and is fully co-operating with the authorities in their investigations.

Across the whole world, 2020-21 has been dominated by the Covid-19 pandemic. Throughout the year, the Wessex Water team showed resilience and fortitude in ensuring our services were unaffected by the pandemic. As long-term thinkers and investors we know that the world will recover from this crisis. We also know there has been, and continues to be, a great personal cost to many - we will always do all we can to help those in need.

Our ethos is to 'build the right thing' and that means living up to our purpose and championing our values. We are stewards of a very precious resource essential to everyday life and we take that responsibility very seriously. I am delighted to see our teams working tirelessly to uphold our values and ensure that our customers and communities receive the services they want and deserve, and that we play our full part in improving the natural environment.

A year on from the latest regulatory review is a good time to reflect further on the opportunities ahead of us in tackling the climate and nature emergencies, engaging our communities and contributing to a green economic recovery from Covid-19. We must work with regulators and government to develop a regulatory approach that encourages nature based solutions and partnership working to meet the significant challenges we all face.

Society is undermining our means of existence; our activities are consuming natural resources and emitting carbon at an unsustainable rate, resulting in environmental degradation and climate change that will, if unchecked, likely result in societal harm. We are consuming at a rate greater than one planet can provide and have only managed to date because resources have been plentiful. We cannot continue like this because societal pressures on the

natural environment are only serving to speed up the rate of degradation. We are making the case that new thinking is needed now - because if it doesn't happen now we won't be able to deliver any of these benefits before 2030 at the earliest, and that is likely to be too late.

Making these changes will not be easy - it will require the industry, regulators and government to be brave by stepping into a new model of delivery. The model should value nature, understand whole life costs, provide flexibility, and encourage private investment.

Importantly, it should do this by being simple and providing incentives to drive efficiency and long-term thinking. If well designed it will - by its very nature - ensure we are resilient, encourage innovation, enable competition, and make a bigger contribution to improving places for our communities.

Throughout this report you will find numerous examples of the great work our people are already doing. We have supported those affected by the pandemic, made great strides towards delivering net zero operational carbon and, once again, achieved industry leading status on our environmental outcomes. I would like to thank everybody at Wessex Water for their exceptional work.

I thank the Lord Jesus for his blessings and I am grateful for the resilience, support and humanity consistently shown by the people at Wessex Water. As we emerge from the pandemic, thanks in large part to the great collaborative work on vaccine programmes across the world, I pray that people continue to come together to help us solve the next challenge we face as local and global communities.



**Tan Sri Francis Yeoh KBE
Chairman**



**Tan Sri Francis Yeoh
KBE Chairman**

Chief Executive's review

The whole Wessex Water family was devastated by the tragic event at Avonmouth on 3 December 2020. We were overwhelmed with numerous messages from friends, colleagues, former colleagues, our regulators and the wider water industry both in the UK and across the world, expressing their condolences and support. Brian, Ray, Luke and Mike lost their lives too soon. We are committed to understanding why the incident happened and sharing any lessons with the wider industry.

For most of the year the Covid-19 pandemic affected everything we do. We have had to work in different ways to help keep everyone safe, including a sudden shift to home working and working with new PPE. Thanks to the hard work of everyone, our services to customers and communities, our environmental improvement work, as well as our compliance with standards, operational performance and delivery of our investment programme, were all largely unaffected.

In many ways, our 2020-21 performance was very positive and something that has been recognised through numerous awards, reviews and ranking tables. Within this report we celebrate many of those achievements.

However, we are conscious of the impact Covid-19 has had on our ability to meet a number of our regulatory performance commitments and are discussing the impact of these with Ofwat. A smaller number of targets were also missed as a result of extreme weather. We recognise that these extremes are becoming more common and so are adapting our plans to deal with more volatility in the future.

We have also had to deal with yet more extreme weather - including an exceptionally dry April and May and one of our wettest Octobers. These extremes of weather are becoming ever more frequent. Our teams dealt with both events superbly and our customers would have seen no impact on their service.

Serving people and places

The business adapted very well to the changes forced upon us by the pandemic as we continued to provide reliable, affordable services for all our customers and communities.

We provided more than 14,500 frontline NHS workers with a rebate to cover the costs of extra uniform washing and we continued to help customers facing financial difficulties as a result of the pandemic by making it as easy as possible for them to access our support. The Wessex Water Foundation provided immediate support to local community groups affected by Covid-19, with over £175,000 donated to those who needed it most.

The body representing water customers in the UK, CCW, has reported for the tenth year running that we had the fewest complaints of all water and sewerage companies. Our TrustPilot ratings showed 87% of reviewers gave us a five-star rating and we once again retained our Customer Service Excellence award.

We were also awarded the ServiceMark with Distinction by the Institute of Customer Service for another three years - one of only a handful of service companies nationally to achieve this recognition.

Interruptions to customers' water supply reduced from almost eight minutes per property per year to just four and a half minutes, and our performance against water quality metrics remains one of the best in the industry.

During 2020-21 the number of inside property sewer flooding incidents was 178 against a target of 213. This was thanks to a mix of community engagement on the causes of blockages and continuing to build extra capacity in our sewerage network to cater for population growth.

This year many customers found themselves in, or at higher risk of, financial difficulty for perhaps the first time because of Covid-19. It has been particularly important to make sure our support schemes are fit for purpose and easily accessible. Customers with short-term financial difficulties can now access discounted bills on a temporary basis without seeking debt advice.

Improving the environment

Wessex Water is committed to providing a better environment for nature and people. We have a critical role to play in helping the country achieve the net zero target and in helping tackle the climate and nature emergencies the world is facing. Our rivers need looking after more than ever and chalk streams and other water sources need to be maintained in good health.

Storm overflows have rightly been brought to the public attention in recent months. In an ideal world we wouldn't have storm overflows and it's important we eliminate any that cause harm to the environment. By monitoring three-quarters of storm overflows in our region, rising to 100% by 2023, we have a better understanding of when they operate and their impact on river water quality.

Storm overflows rarely cause a pollution when they operate as designed but they can discharge due to blocked sewers downstream. This can be prevented by not flushing wet wipes or pouring fat, oil, and grease down drains.



Colin Skellett
Chief Executive

We abstract water responsibly, meeting all our licence requirements. And we have continued to meet our performance commitments for the abstraction incentive mechanism where we voluntarily reduce abstraction to conserve stream flows.

Our net greenhouse gas emissions fell for a tenth consecutive year leading to our lowest carbon footprint since we began reporting in 1997.

The industry is committed to delivering net zero operational carbon by 2030 and we are publishing a route map this summer to meet that target.

Our chairman's introduction discusses the need for regulators to be brave and step into a new method of delivering environmental improvements. I echo his thoughts and encourage Defra, the Environment Agency and Ofwat to enable and encourage the industry to play as big a role as possible in improving our environment in innovative and efficient ways.

Empowering our people

I am proud of the way our team has stepped up to deliver an almost normal service to our customers, communities and the environment in a year that has been anything but normal. From the way our operators have found new, safe ways to operate, to the way our leaders have led remotely, everyone has upped their game and I thank every one of them.

We want Wessex Water to be a great place to work so I am pleased to see 93% (up from 88% last year) of our people rating the company as a good employer. This is due to every one of our leaders and team members doing their bit to live by the company values and to encourage inclusion and celebrate diversity.

Our gender pay gap has shrunk again and is significantly lower than the national average (3.3% vs. 15.5%) and the proportion of female leaders has grown from 21% to 23%.

We're making great progress on our culture, inclusion and diversity plan, including communications, external engagement and internal opportunity, having already achieved 92% of the actions.

Financing our future

Major investment continued at several water treatment works and water recycling centres, with gross capital expenditure of £274.6m in the year. As expected, the first year of the five-year investment period (2020-2025) saw a reduction in profitability, with operating profit falling by £45.2m from £212.5m to £167.3m. Turnover reduced by £37.6m (6.8%) from £552.3m to £514.7m. In early January 2021, we successfully issued a new £300m, 15-year bond with a very low annual coupon of 1.25%.

We always pay our fair share of tax and this year we paid more than £49m in corporation tax, business rates and other taxes. The corporation tax charge was £5.2m, a reduction of £10.9m compared to £16.1m last year. Profit before tax fell from £121.2m to £83.3m. Deferred tax has reduced from a charge of £38.5m last year to a charge of £9.3m this year.

Looking ahead

As we look forward, we see a great opportunity to enhance what we do and how we do it. Our aim is to encourage thinking in terms of the things that really matter to customers, communities and the environment - safe, reliable water, an effective sewerage system, an improved environment, great customer service and affordable bills. If we can do that on a catchment scale, with catchment partners, through a catchment market, we could deliver more for less.

The systems within which we work allow us to focus closely on specific issues but often neglect the gains that can be made by working together across the wider water system. This is how we can deliver environmental resilience and intergenerational fairness. As we think about our purpose - to improve public health and enhance the environment, creating value for the people we serve - we are fortunate to have a long-term investor in YTL who see their role as one of stewardship.

We consistently rank as the best water and sewerage company in the country against the metrics our regulators use to compare us. But we need them to provide the freedom to operate in ways that will create benefits beyond simple price considerations or we will not be able to do nearly as much as we could do or would like to do.

This is a pivotal moment for Wessex Water and the whole industry: by embracing catchment approaches, nature based solutions and a focus on our target of carbon neutrality by 2030, we can make a real difference. I hope that everyone reading this report will join us and that you and your communities will continue to support us to do just that.



Colin Skellett
Chief Executive

Serving people and places

To provide reliable, affordable services for all customers and communities

Customer KPIs for 2020-21

Customer experience

Customer measure of experience - C-MeX

86

2019-20 = 81

Water quality compliance

Compliance risk index (CRI)

1.61

2019-20 = 0.88

Sewer flooding

Number of incidents

2,628

2019-20 = 2,314

Supply interruptions

Minutes: seconds per property per year

04:32

2019-20 = 07:52



Great customer experience

We are pleased to remain one of the top performers in the water sector for customer service, placed first of all the water and sewerage companies in C-MeX, Ofwat's measure of customer experience. CCW, the independent voice for water consumers, confirmed that we continue to have the lowest number of complaints of all the water and sewerage companies and 78% of our customers rated our service as good or very good value for money.

This year we introduced our new customer feedback strategy, allowing us to gather a greater number of views on our service, rapidly spot any dissatisfied customers and ensure continuous improvement. Of our customers 94% were satisfied with our service, with 87% giving us a five-star rating on Trustpilot.

We offer a full range of communication options for our customers. The number opting for self-service, for example, text messaging and web chat, keeps growing. More than 139,000 customers are now signed up to eBilling.

As well as our customer magazine, we have an email newsletter and a dedicated community section on our website for each regional area. This focuses on local news and information for events, volunteering, funding, recreation, and education.

This year we have again received the Customer Service Excellence award and achieved the Service Mark with distinction from the Institute of Customer Service, one of only 15 companies to hold the accreditation to this level. Separately, the Institute runs a survey of customers and we have set ourselves the challenge of being in the top 20 UK service providers on the survey by 2025.

Business customers have been able to choose their retailer for water and waste water services since 2016. Our wholesale services team remain focused on

enhancing both the retailer and customer experience. We have again improved our performance this year, scoring 97% in the operational performance standard, the market measure of customer service.

Community engagement and participation

Launched in summer 2020, the Wessex Water Foundation provides funding to projects that bring people together and build stronger communities. Working in partnership with community foundations across our region, our foundation has already supported a variety of groups in local communities.

We engage extensively with our customers and stakeholders, both in day-to-day business and for specific programmes of work. Our Young People's Panel of sixth formers from schools and colleges across our region has just completed its fifth year. Despite the challenges of undertaking the programme entirely online this year, the panel successfully worked on a customer facing campaign on hard water.

Through our online customer panel, Have your say, we sought views on what sort of information we should provide when people move home, and options for the transfer of water between water company areas to support those companies who do not have enough.

During 2020-21 we launched a digital water use calculator tool - GetWaterFit - that helps customers to understand their usage and order free water saving devices. Through tailored behavioural challenges, customers can earn donations for charities. We are also trialling an in-house LeakyLoo service to help customers identify and fix leaking toilets.



Refill not landfill

Although our water refill points remained off during the most severe national lockdowns, we have continued to install more units across our region in partnership with local councils.

We now have 16 permanent refill points in towns across Wiltshire, Dorset, Somerset and Bath, with a major relaunch campaign planned for summer 2021 to encourage a reduction in single-use plastic. We plan to install an additional nine refill points over the next few months.

Warleigh Weir

Wessex Water has been working with the Warleigh Weir Project, Rivers Trust and Bristol Avon Rivers Trust to support the aspiration of designated Bathing Water status at this location. This included a monitoring day in September 2020 with volunteers from all organisations collecting samples throughout the day. This included hourly samples from the Weir, where people swim, and one-off samples from a number of locations within the wider catchment, including: upstream and downstream of water recycling centres, near storm overflows and tributaries which flow into the Avon upstream of Warleigh. The results indicated that there is potential for Warleigh Weir to pass bathing water standards and achieve at least sufficient status.

Fisheries and recreation

We are fortunate to have reservoirs in beautiful natural locations in the south west and are working to ensure the best levels of accessibility to enable as many people as possible to visit and enjoy their local natural environment.

We provide high-quality trout and coarse angling at our reservoirs and work closely with local sailing and water

sports clubs to support access to recreation at our larger sites.

This year we have consulted on major improvement plans with local communities at our two flagship destinations, Sutton Bingham and Clatworthy. Planning permission has now been granted for Clatworthy and is under way for Sutton Bingham, with work expected to take place through 2021.

Customers in vulnerable circumstances

Our tailored assistance programme (tap) continues to offer customers financial support through a range of schemes and low-rate tariffs, to help them afford their ongoing charges and repay their debt. Just over 15,000 customers are receiving discounts of up to 90% through our Assist tariff.

More than 22,000 low income pensioners are receiving at least £60 off their bill. We carried out research with stakeholders and customers to see how best to promote this discount and identify ways to make the application process even easier. This is now in place and working well.

However, we have not met two of our regulatory performance commitments in this area. For total bill reduction to customers on social tariffs the target does not reflect our final determination bill reduction. For successful applications for assistance received by the independent advice sector/third parties, the change in how customers have sought financial support and a reduction in face to face provision of services has affected our performance.

We are keen supporters of partnership working, not only with the debt advice community but also with other organisations and charities across our region who work with customers in vulnerable circumstances. We



now have around 280 partners, many of them making use of our online partner hub to work with us.

Other initiatives this year included a programme of work to increase awareness, uptake and visibility of our Priority Services scheme. This included changing the way we collect and store data to make signing up even easier for customers via friends, family or a third party.

We've also continued to grow the number of customers on our Priority Services register through data sharing with the energy sector. In March we ran a virtual event with Bristol Water and Western Power Distribution to attract new partners and raise awareness of Priority Services. Although the number of customers on the register increased to 2.5%, this was slightly below our target of 2.8%.

We have again retained the British Standard for Inclusive Service Provision along with the Louder than Words charter mark.

Our vulnerability experts initiative continues to be successful and individuals have received specialist training in areas such as suicide awareness, bereavement and deaf awareness. Almost 2,000 colleagues are now Dementia Friends.

Safe, reliable water supply

We are committed to providing the highest quality drinking water to our customers, taking tens of thousands of samples each year and carrying out approximately half a million tests. The results are shared each month with the Drinking Water Inspectorate and our compliance is very high, with more than 99.9% of tests meeting the required standards.

However, we have not met our targets for the DWI compliance risk index (CRI) and event risk index (ERI). These targets are set at zero, as we never want there to be any risk to our drinking water. However, our scores are some of the very best in the industry at 1.61 for CRI and 16.77 for ERI. These scores compare to industry averages last year of 2.85 for CRI and 683.9 for ERI.

The number of customers contacting us about the quality of their tap water was similar to the previous year, at just over 1,900 contacts from our 1.3 million water supply customers. This is above our target of 1,741. We are finding new ways to reduce the likelihood of discoloured water, which will help reduce the need for customers to contact us.

We did not meet our regulatory performance commitment targets for tackling water quality at home and in the workplace and for lead communication service pipes replaced. Performance in both areas was affected by Covid-19. We were unable to conduct in-property audits and to replace as many customer lead pipes as planned.

It is now 44 years since we imposed any customer restrictions on water use, such as hosepipe bans, and we have had another excellent year in our leakage reduction programme, reducing leakage by two megalitres a day. We are well on the way to meeting our target to reduce leakage by 15% between 2020 and 2025. Due to increased focus on leakage, including more proactive activities, the number of mains repairs has increased and the level was above our target.

In addition, the volume of water saved by water efficiency engagement was below our target of 1MI/d as we were unable to deliver our in-home audit programme due to Covid-19.

An effective sewerage system

Sewage flooding is thankfully a rare occurrence, but can be devastating for our customers if they experience it. Reducing these occurrences remains one of our key objectives. When it does occur it is usually the result of blockages caused by material put into the sewer. We work hard each year to explain the consequences of sewer misuse, such as flushing wet wipes or pouring fat down sinks, to customers as well as lobbying the government to address misleading advertising of so-called 'flushable' products, which cause the majority of blockages in the sewer network.

In 2020-21 the number of inside property (internal) flooding incidents was 178 against a target of 213. The number of times sewage flooding occurred outside a property (external) was 2,450, above our target of 2,160. Of these, 151 (85%) internal and 2,271 (93%) external incidents were due to causes such as blockages. We did not meet our target for the sewer flooding risk performance commitment where this was affected by the wet weather in 2019 and 2020.



Our response to Covid-19

Challenges posed by Covid-19 mean that it has been more important than ever for us to provide excellent customer service. We have adapted the way we work to ensure that our teams remain able to respond to customer contacts as quickly as possible.

Where we've had to suspend some activities during lockdown periods, such as fitting water meters, we've made sure customers are not out of pocket. We've also provided extra support for those who have been financially affected by the pandemic and those who are shielding or have additional needs.

This year many of our customers have found themselves in, or at higher risk of, financial difficulty for perhaps the first time because of Covid-19. It has been particularly important to make sure our support schemes are fit for purpose and easily accessible.

We awarded more than 4,000 payment breaks and set up more than 2,000 flexible plans linked to Covid-19. We also suspended any court action over debt.

After being contacted by an NHS frontline worker, we quickly launched a £50 rebate on metered bills for these workers to cover the cost of additional uniform washing - more than 14,500 customers have benefited from this.

Working with our advice sector partners, we adapted the eligibility criteria for our main social tariff, Assist, so it is ready to help customers as government support measures come to an end. Customers with short-term financial difficulties

can access discounted bills on a temporary basis without seeking debt advice.

We completely reviewed how we deliver our community programmes in order to be Covid-safe and to keep providing connection and support to local communities. External events were paused and water refill points turned off, local charities furloughed a large number of employees, the education service was relaunched to offer virtual sessions and considerable efforts were made to keep our recreation spaces and activities accessible and safe for local communities.

Volunteering

Throughout the lockdowns we have encouraged our colleagues to give back to their local communities. Most group volunteering with local charities has been impossible during the pandemic, but we have been able to undertake a few outside activities:

- cleaning a skate park in Milbourne Port play area
- helping decorate a community centre in Midsomer Norton for Age UK at Christmas
- packing presents for children for Mission Christmas in Dorset
- Christmas tree collecting for Dorothy House Hospice in early January.

And several of our apprentices took part in building the Teyfant Road Adventure Playground in Bristol.

Support for local groups

We donated £120,000 to local community foundations' emergency appeals to provide immediate support to local groups during summer 2020. These funds have contributed towards a wide variety of community projects and charities across our area.

Wessex Water Recovery Fund

As part of the Wessex Water Foundation, the recovery fund was set up in autumn 2020 to respond to and support groups as a result of the effects of Covid-19 on local communities.

Grants from this fund were distributed to a wide variety of projects across our region, including:

- new community fridges
- counselling services
- gardening projects
- nature camps for young people.

In total, the fund supported 85 groups with grants totalling £175,000, and has improved the lives of more than 70,000 people across our region.

Education

With schools closed for most of 2020, our education advisers faced huge challenges in recreating the education they offer in order to reach home

learning families and schools offering remote only classrooms. While we only reached 10% of our usual audience, we focused on small group work through Zoom or Teams meetings.

As a result of this, we did not meet our regulatory performance commitment target for the number of children/students engaged.

Assemblies and wider group presentations have not been possible, but with new formats and a new skillset, feedback has been extremely good, with schools delighted to have access to 'live' in person presentations, interactive experiments and Q&A sessions.

We will adapt and retain this delivery flexibility; a huge benefit given the extensive geographical area we cover.

We also encourage customers to participate in water services through our water efficiency and sewer misuse prevention programmes and, where necessary, have adapted our programmes during the pandemic. While it has not been possible to undertake our usual Home Check visits in the last year, we adapted our digital calculator to enable customers to book a virtual consultation.



Improving the environment

To deliver a better environment for nature and people

Environment KPIs for 2020-21

Compliance with abstraction licences

% Compliance

100%

2019-20 = 100%

Environmental performance

Environmental performance assessment - EPA

Leading

2019-20 = Leading

Greenhouse gas emissions

Net equivalent carbon emissions

109ktCO₂e

2019-20 = 119ktCO₂e



Sustainable abstraction

Despite a dry April and May, 2020 rainfall was 103% of the long-term average. A wet winter led to full reservoirs and slightly above average groundwater levels in our aquifer systems by the end of the year.

A mini heatwave during the latter half of May led to unprecedented high demand for the time of year, particularly when combined with the impact of more people being at home as a result of Covid-19. As a result of the increase in water use at home linked to Covid-19, we did not meet our target to reduce per capita consumption.

Volumes abstracted across our region were all within licensed limits. We have continued to meet our performance commitment for the abstraction incentive mechanism at both Mere and Stubbampton this year, where we voluntarily reduced abstraction to conserve stream flows within agreed thresholds.

We know we must continue to return more water to the environment over the medium to long term, through reducing abstraction and reducing demand, and we are taking this into consideration in our future plans. We have just submitted our draft drought plan to Defra and work continues on our other planning requirements, including the first regional plan and the next edition of our water resources management plan. These will include our future assumptions on the required levels of leakage reduction, metering and water efficiency.

The proportion of customers metered has increased from 68% to 69% this year.

We continue to work with neighbouring companies, the Environment Agency, and Natural England on the West Country Water Resources Group. We published our second regional resource position report in March 2021, setting out the likely water needs for the region up to 2050.

Last year we completed initial investigations into a possible regional scheme in the north of the region and we are starting initial investigations for regional schemes in the south, including the potential for effluent re-use, to address the supply deficits in neighbouring companies to the east.

Good environmental water quality

In 2020, we were rated as 'leading' in the Environment Agency's annual environmental performance assessment. Discharges from our water recycling centres were assessed as 99.1% compliant with their quality permits. This is below our target of 100% and was due to three failures at three water recycling centres.

Despite our focus on reducing pollution incidents, 83 incidents from our assets were rated as having a minor or minimal impact on the environment. Of these, 44% were a result of blockages. A further four incidents were classed as significant. This is above our regulatory performance commitment target. Exceptionally high rainfall contributed to a number of incidents.

We did not meet our target to satisfactorily dispose of 100% of sludge. This was linked to high rainfall in February 2020. However, the proportion of waste diverted from landfill increased from 99.7% to 99.9%.

We have invested heavily in developing our approach to monitoring the sewer network, using software to detect blockages in sewers in an effort to reduce the number of overflows. We plan to scale up the use of such equipment across our network.

We have taken a proactive approach to the subject of storm overflows by being open and transparent with information about when they operate and the environmental impact they have. We have also taken a leading role in helping government, regulators and campaign groups understand the complexities surrounding decades of combined sewer construction and what is needed to begin tackling the problem.

Our biggest ongoing sewerage project is the construction of a 6.5km long tunnel in West Bristol, which will cater for significant property development in this area of the city as well as reducing discharges from storm overflows to the River Trym.

Net zero carbon

In 2020, the water companies in England produced a routemap to achieving net zero operational carbon emissions by 2030. This was the first sector routemap of its kind in the world, and we will be publishing our own detailed plan in summer 2021.

Our net greenhouse gas emissions fell to 109 kilotonnes of carbon dioxide equivalent in 2020-21, continuing a trend of reductions that began 10 years ago. This is our lowest annual operational carbon footprint since we began reporting in 1997, achieved through a combination of energy efficiency improvements, renewable energy generation and the rapidly falling carbon dioxide intensity of UK grid electricity.

Our electricity use fell in 2020-21 from the previous year. We continue to look for energy efficiency opportunities that can counteract rising energy use caused by tighter water and sewage treatment standards, and the operation of our regional water supply grid. This year, 28% of our electricity demand came from renewable energy generation on our sites.

Also this year, we produced the first update to our resilience action plan, setting out the systems-based approach to resilience that underpins our operations and future plans. This places climate change alongside a number of 'stresses' that could affect our long-term resilience. We will also produce our third climate change adaptation report in 2021, in line with the adaptation reporting duty set out in the Climate Change Act.

Increasing biodiversity

Catchment partnerships

We continue to support four catchment partnerships within our region, including co-hosting the Bristol Avon

and Dorset Catchment Partnerships. Projects deliver a range of benefits including improved water quality, helping to slow the flow, restoring biodiversity and improving community engagement and awareness. Since 2018, the Bristol Avon Catchment Partnership has worked closely with stakeholders in the catchment to identify solutions to improve the water environment, including nature based solutions. The following projects have been supported during 2020-2021:

- River Frome Reconnected (Bristol Frome)
- North Somerset Levels and Moors Partnership
- A Better Biss Approach (River Biss/Trowbridge)
- Somerset Frome Partnership.

The Dorset Catchment Partnership brings together key stakeholders to co-design and co-deliver positive change to land and water management to improve the condition of the water environment across Dorset's catchments. The partners work to obtain maximum environmental benefit from a range of funding sources, from the public, private and charitable sectors.

Catchment based approach

We use our environmental investigations programme to ensure that we have sound data and evidence on which to base our investment decisions. We have delivered more than 60 environmental investigations into the impact we have on water quality, water abstraction and fisheries, biodiversity and geomorphology.

The investigations, combined with our catchment-based approach, help deliver sustainable, cost effective solutions that deal with the source of the problem, not the symptoms. Examples of this include:

- EnTrade auctions to reduce nitrates in Poole Harbour, delivering a reduction of more than 80 tonnes during 2020, and providing wider benefits for biodiversity and carbon reduction



- our project with partners in the Somer Valley to reduce pharmaceuticals in the environment through green and social prescribing and improved medicine disposal
- developing a new environmental market for phosphorus reduction and natural capital benefit in Somerset to aid the green recovery.

Biodiversity Action Plan

Our proactive conservation programme is set out in our Biodiversity Action Plan, through which we aim to halt or reverse biodiversity loss on our land.

Nearly 63% of our Sites of Special Scientific Interest (SSSI) landholding is considered to be in favourable condition by Natural England with a further 30.5% in unfavourable recovering condition. The government's 25-year Environment Plan includes a target to restore 75% of protected sites to favourable condition.

Between 2020 and 2025, we will be supporting four projects through our Biodiversity Action Plan Partners Programme, including the Wider Wylde Strategy. This brings together a series of projects and programmes of work, which aim to enhance the River Wylde catchment for wildlife and people, and increase the resilience of this unique chalk stream in the face of our rapidly changing climate.

Water Guardians

We have joined forces with Somerset Wildlife Trust to work towards cleaner rivers and good quality habitats for wildlife. Funded by us, the aim of the project is to recruit and train local volunteers - the Water Guardians - to monitor watercourses, identify possible pollution incidents and report them to Wessex Water for further investigation.

The project will initially focus on the Brue Valley catchment area within Somerset Levels and Moors, particularly areas near our assets, pollution hotspots and

environmental areas of interest and importance. The Somerset Levels and Moors are working wetlands and areas important for agriculture, an intricately managed landscape full of history, heritage and culture. They are also one of Somerset's most protected landscapes for biodiversity, wintering waterfowl and waders, flower-rich wet grasslands and rich invertebrate communities.

Water Guardians will be our eyes and ears on the ground, playing an integral role in both the health of their local river and in their communities. As well as monitoring pollution to improve water quality, volunteers could also help with litter picking, recording wildlife or organising local engagement events.

They will be part of a bigger picture and the wider team at Somerset Wildlife Trust, working to assess and improve river condition, improve habitats for wildlife and create more natural solutions for flood alleviation and carbon storage.

Our response to Covid-19

In response to the unprecedented high demand for water, which was at levels we would normally expect in the middle of a hot summer, we instigated a programme of customer water efficiency messages across a number of media channels. The industry is now working together on a project to provide greater insight into the impact of Covid-19 on the demand for water.

The pandemic made it more difficult to engage with customers on using water wisely, particularly affecting home visits such as our Home Check programme where we would normally visit to fit water saving devices and fix simple plumbing leaks. Despite pausing this programme, we still managed to visit 104 of our vulnerable customers and carried out free 'winter ready home visits' to help prepare homes for the cold weather and avoid unnecessary leaks, for example, through lagging pipework.



Empowering our people

To be a great place to work

People KPIs for 2020-21

Employee satisfaction

Employees rating company as a good employer

93%

2019-20 = 88%

Culture, inclusion and diversity

Gender pay gap

3.3%

2019-20 = 5.7%

Training courses delivered

Number

850

2019-20 = 600



Health and safety

Following the tragic incident at Avonmouth the board is committed to understanding why the incident happened and sharing any lessons with the wider industry.

Protecting the health, safety and welfare of our colleagues, contractors and customers is a shared responsibility and we continue to deliver a strong health, safety and welfare culture in our day-to-day operations. Our aim is for zero accidents and we monitor all accidents, incidents and observations reported by employees. The information we collect assists in determining problem areas or emerging trends and allows resources to be allocated to prevent accidents or illnesses.

For the 12 months to 31 December 2020, 606 incidents were reported, an increase of 29% from 2019. Seven reportable injury incidents were reported to the Health and Safety Executive (HSE) with the loss of 352 days.

All incidents

As with all companies, our aim is to reduce incidents. Of the 606 incidents reported in 2020, the principal causes were slips, trips and falls; handling; lifting or carrying; and cuts/lacerations.

Safety observations

Overall, 1,844 safety observations (good and bad) were reported in 2020 by colleagues using the health and safety incident and observation reporting app. This represents a 57% increase from 2019, reflecting the improving level of engagement from our

colleagues. Each observation is reviewed by a safety or compliance adviser and passed to relevant managers for action.

Reportable incident rate

This is the measure of the number of reportable incidents per 1,000 employees. There were 2.9 incidents per 1,000 employees compared to 4.1 in 2019.

Lost time incident rate

This includes all reported incidents involving employees that resulted in absence from work of one or more days. In 2020, there were 42 lost time incidents. The principal cause was manual handling.

Enforcement action

A prohibition notice was issued in December 2020 following the Avonmouth incident. This was followed by an improvement notice issued in January 2021

Health, safety and welfare strategy

The effective management of health and safety is an established foundation of the reputation of Wessex Water.

The group health, safety and occupational wellbeing strategy is underpinned by directorate health and safety strategies and action plans, which provide for the consistency, innovation and sharing of best practice. Strategy, performance and business collaboration is facilitated through the strategic safety leadership group and tactical health and safety group.



Culture, inclusion and diversity

Gender pay gap

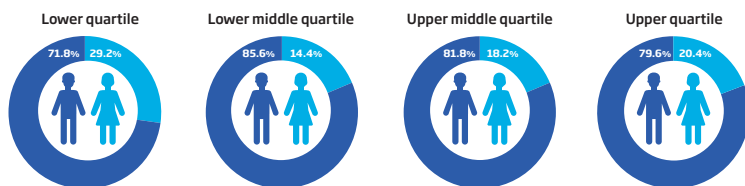
All companies with more than 250 employees are required to publish their gender pay gap at 5 April each year. The gender pay gap is the difference in average hourly pay received by men and women.

Gender pay gap	2021
Wessex Water mean	2.6%
Wessex Water median	3.3%
National median	15.5%

The data above represents our gender pay gap figures as at 5 April 2021. 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 15.5%* and reflects gender distribution in job roles across our workforce rather than any equal pay issues.

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.



*ONS median pay gap 2020

Everyone belongs

In our business, you'll often hear us say, 'Everyone belongs'. We value differences at Wessex Water and firmly believe a diverse workforce brings different perspectives, ideas and solutions. We are committed to creating and promoting an inclusive workplace for our people and all those who work with the company. Our work to this end never stops and we continue to focus on initiatives that drive our diversity goals.

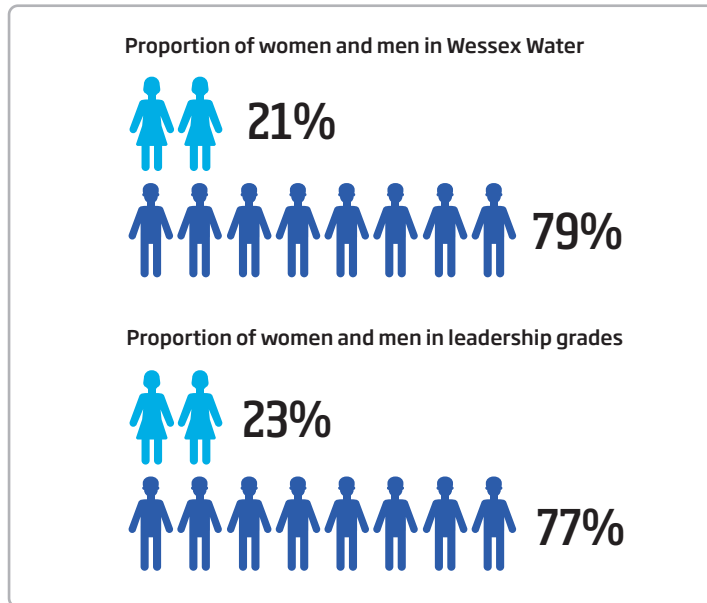
Current areas of focus include:

- reflecting the diversity of the community we serve: We regularly analyse data to provide us with a picture of our community and set ourselves goals to target 'coldspots' and attract more diverse people
- careers education: We're passionate about inspiring the next generation to join the water industry and our engagement with schools and colleges is complemented by targeted activities with a range of community groups
- apprenticeships, graduates and early careers: Inclusivity is at the heart of our young talent recruitment. We strive to offer innovative and broad recruitment and assessment methods to ensure everyone has the opportunity to be considered
- promoting and encouraging flexible working: We continue to support and encourage flexible working where operationally feasible.
- improving all forms of diversity and inclusion at all levels: We ensure development opportunities are available to all and continually seek ways to promote personal and career development.



Culture, inclusion and diversity plan

We achieved a positive assessment on progress against our culture, inclusion and diversity plan, with 92% of actions completed.



In March 2021, there were 2,497 colleagues at Wessex Water, of whom 532 were women and 1,965 were men. There are 16 board directors, of whom 13 are men and three are women, and 43 senior managers of whom 11 are women and 32 are men.

The proportion of women in our workforce remains at 21%. In comparison to last year, the proportion of women in leadership roles increased by 2%, from 21% to 23%.

A new careers website was launched and we won a diversity in recruitment apprenticeship award.

Skills, knowledge and opportunity

In the last year, we have delivered 850 training courses, attended by more than 6,000 employees. Our focus has been on moving from traditional classroom-led training to a more blended approach. This has resulted in an increase in the volume of e-learning courses, virtual classroom sessions, mentoring, and coaching.

With the development of our e-learning platform 'iLearn' we have continued to build our learning culture into a self-serve one where our people are truly engaged and take responsibility for their own development.

We have also created a new management development solution, available for all existing managers and mandatory for all those joining our business. The programme lasts for six months and includes a one-day 'Introduction to Management' workshop, followed by four e-learning courses and practical skills building sessions. This is closely supported by management pre- and post-course coaching and review to ensure the practical transition from learning to application.

We launched our early careers recruitment campaign, Talent Pipeline, highlighting all our opportunities for young people, from those needing to develop basic employability skills, to recent graduates looking for their first formal employment.

Individual wellbeing and engagement

The management of health, safety and wellbeing is critical to us and is embedded across all business areas to ensure we maintain our position as a responsible, safe employer where all employees can work safely and reach their full potential. We continue to support mental health wellbeing through awareness, training in mental health first aid and providing colleagues with skills to build resilience.



We listen to and empower our people through activities such as people's councils and live question and answer sessions with leadership teams. In addition, there are numerous interest groups created and run by our colleagues.

Our response to Covid-19

Following the successful change to flexible working and homeworking for many of our people during the Covid-19 pandemic, we are reviewing the way we work, which will promote a better work-life balance while improving performance and productivity.

A year of Covid restrictions has affected the work of our early careers team. Through making much of our careers engagement virtual, we have contributed almost 20 online activities with great success.

Kickstart is a government initiative with the aim of supporting those in our community who need it the most. The focus is on ensuring those who are furthest from the employment market, and who have been further displaced due to Covid-19, are nurtured and supported to develop skills which will secure them long-term employment. In January 2021 we were awarded a grant for 45 Kickstart positions and the first successful candidates have already started with us.



Financing the future

To be a trusted, financially strong company

Financial KPIs for 2020-21

Gearing

Net debt to regulatory capital value

70%

2019-20 = 66%

Equity return

Return on regulatory equity - RoRE

2.9%

2019-20 = 8.3%

Taxation

Tax paid

£49m

2019-20 = £65m

Capital investment

Gross capital expenditure

£275m

2019-20 = £272m



Market-led outcomes

Launched in April 2019, Wessex Water Marketplace allows us to champion new, innovative ideas from within Wessex Water and outside. The aim is to inspire innovation and encourage collaboration to deliver the best value for our customers and the environment.

At the heart of the Marketplace is the online platform marketplace.wessexwater.co.uk, which enables us to share our data, posing challenges to the market. To date we have run 13 challenges through the Marketplace, covering activities across the business including leakage and sewer misuse.

Through our 'intelligent sewers' challenge, we shared historical data on the waste water network in our Bath catchment. We received 16 bids and ran a three-month trial with three potential providers.

We are now beginning the process of rolling out one of these software solutions across our network, monitoring performance in real time and alerting operational colleagues to potential blockages. We believe this will deliver an industry leading solution to managing our waste water network.

We have also championed the delivery of environment-based solutions for nutrient removal, working with farmers and local landowners to not only reduce the nutrient impact on the environment, but also to create added benefits such as carbon reduction and enhanced biodiversity.

Bid assessment framework

Ofwat requires all companies to publish bid assessment frameworks to support the bidding market for water resources, demand management and leakage services. In a bidding market, third parties submit bids that provide solutions to help the water company meet its future water needs.

Our framework can be found on our Marketplace website. To date we have not received any bids to provide services to us.

Resilient financial stewardship

We have seen another year of strong financial performance despite the impact of the global pandemic. Major investment continued at a number of water treatment works and water recycling centres, with gross capital expenditure of £274.6m in the year.

As expected, the first year of the five-year investment period (2020-2025) saw a reduction in profitability, with operating profit falling by £45.2m from £212.5m to £167.3m. Turnover reduced by £37.6m (6.8%) from £552.3m to £514.7m. Average household bills have fallen by 7.7%.

Underlying operational costs increased by £7.6m from £339.8m to £347.4m. There were increases in site operations, Environment Agency charges and an £11.2m increase in depreciation offset by the disposal of office property.

Regulatory gearing, as measured by net debt to regulatory capital value, was 69.9%, which remains within the policy set by the board.

Net interest charges

Net interest charges reduced by £7.3m from £91.3m last year to £84.0m this year. The reduction in interest payable arose because of a fall in the cost of debt from 4.2% to 3.8% in respect of floating rate and index-linked borrowings, countering an overall increase in net debt during the year from £2,219.3m to £2,315.4m. There is a prudent mix of debt instruments and at the year-end, the split was 56% fixed, 31% index linked and 13% floating, with the index-linked debt based on November and March RPI. The maturity of debt is generally longterm, with £1,822m of debt maturing after 2025.

The current environment of low interest rates has afforded opportunities for the company to refinance its maturing debt during the current price review period. This began in early January 2021 when we successfully issued a new £300m,

15-year bond with an ultra-low annual coupon of 1.25%. The proceeds from the new issue will primarily be used to repay an existing £300m bond which matures in September 2021 with an annual coupon of 4.0%.

Taxation charge

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 the letter of UK tax legislation.

The corporation tax charge was £5.2m, a reduction of £10.9m compared to £16.1m last year. Profit before tax fell from £121.2m to £83.3m. Deferred tax has decreased from a charge of £38.5m last year to a charge of £9.3m this year.

The UK budget announcements on 3 March 2021 included a proposed increase in the rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. This measure has been included as part of the 2021 Finance Bill which was substantively enacted on 24 May 2021. Had the rate increase been substantively enacted as at 31 March 2021, the deferred tax liability would have increased by approximately £135m, split between a £97m charge to the income statement and a £38m charge to other comprehensive income.

Cash flow and gearing

Net debt increased by £96.1m from £2,219.3m to £2,315.4m. The cash inflow from operations of £290.7m was reduced by net capital investment of £229.8m, interest and tax payments of £79.4m, dividend payments of £59.5m and working capital outflows of £18.1m. Liquidity at year end was £583.9m comprising bank facilities not yet drawn down, bank overdrafts and cash held on deposit.

The regulatory capital value decreased by £36m from £3,350m to £3,314m. Gearing at 31 March 2021, calculated as net debt divided by regulatory capital value, was 69.9%, an increase from 66.2% last year because Ofwat reduced the regulatory capital value to share out-performance with customers.

Capital investment

In 2020-21 we delivered gross capital expenditure of £274.6m, which is £2.9m more than the £271.7m delivered last year (figures include infrastructure maintenance expensed through the income statement).



Strong governance, ethics and accountability

Sound ethics and culture are at the heart of our operations, driving environmental, social and governance policy commitments at the highest level through to business practices at the lowest level. We actively engage with our customers and stakeholders to ensure that we meet the expectations placed upon us externally.

Our board ensures that the company's values, culture and ethics are intrinsically met. The 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.

Standards of governance and behaviour are communicated through policies that cover areas including anti-bribery and corruption, ethics, behaviours, and procurement/modern slavery. Training on financial crime, bribery, corruption and indicators of modern slavery is provided to all employees.

Our policy on business ethics outlines requirements on conflicts of interest, gifts and hospitality. Directors and employees are equally expected to commit to the highest standards of professional and ethical conduct. Bribery and corruption are not tolerated. Employees are asked to certify their knowledge and compliance to the above and other key policies on an annual basis. Employees have access to a free confidential reporting helpline on a 24-hour, seven day-a-week basis and are encouraged to raise any concerns. Any concerns raised are treated on a strictly confidential basis, whether from internal or external sources. Reports regarding concerns raised are made to the Audit and Risk Committee.

Risk management

The effective management of risk is central to our success. It is critical that we have a robust risk management framework in which material risks to the business are proactively identified, communicated and managed. Risks are defined as any factor that can impede our ability to achieve our objectives. Our policy on risk assessment and management is subject to regular review by the board. Identification and management of risk is delivered through a hierarchy of risk management reviews from operational colleagues, senior management and executive directors.

The board reviews and holds ultimate responsibility for the risk process and the definition of risk appetite and tolerance. 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 Risk Management Group, comprising senior managers, meets monthly throughout the year and submits an updated risk register and summary report to the Executive Leadership Team (ELT), chaired by the chief executive, every six months.

This group scrutinises and challenges the risks included in the register and identifies any additional work necessary to better classify the risk or explore other available mitigation controls. Any significant emergent risks are reported to the ELT and board as they arise.

The chief executive submits a bi-annual risk review paper to the board for its review. This paper details the risk review process, identifies 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.

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.

Since 2019-20, there has been one new principal risk, supply chain failure. Several events in the chemical supply chain have highlighted the fragility of some of the industry's suppliers. The government has also identified that the most significant single risk to public water supplies is a failure in the chemical supply chain. This is a market issue where we have only a limited means of proactively mitigating any supply chain loss. The table below shows our principal risks.

Principal risk	Description	Risk trend
Health and safety	Failure of operational controls or an external hazard that affects the health and safety of employees, contractors or the public.	Stable ¹
Political/regulatory action	Actions taken by government or regulators that fundamentally change the operating environment in which we work, affecting the business and/or cash flows.	Stable
Anti-competitive behaviour	Ineffective internal controls resulting in anti-competitive behaviour.	Stable ²
Digital resilience	A malicious attack or failure of cyber security that results in the corruption or loss of data and/or inefficient operations.	Stable
Supply of unfit water	External factors (eg, contamination of supply or customer pipes) or internal factors (eg, asset failure or poor operating performance) that results in the supply of unfit water affecting public health.	Stable
Major pollution incident	External factors (eg, sewer misuse or asset failure caused by a third party) or internal factors eg, asset failure or poor operating performance) that results in a major pollution incident significantly affecting the natural environment.	Decreasing
Insider threat	A disgruntled, vulnerable or radicalised employee or contractor causes malicious damage to operational activities and/or the company's reputation.	Decreasing
Resources and skills	Failure to have the right resources with the right skills in the right place will have an impact on our ability to operate effectively and on our strategic objectives.	Stable
Failure to meet performance commitments	Failure to manage delivery of performance commitments resulting in a net penalty and/or reputational damage to the business.	Increasing ³
Pandemic infection	Loss of resources (goods/services/people) and/or revenue inhibit our ability to operate.	Stable
Ability to raise finance	We are unable to fund the business sufficiently in order to meet our liabilities as they fall due.	Stable
Supply chain failure	The supply chain for chemicals in particular has become increasingly more fragile.	New

1. The board is committed to understanding why the tragic incident at Avonmouth happened and sharing any lessons with the wider industry.
2. Internal controls remain robust; however, we believe the regulator has signalled it is more likely to use its enforcement powers because it wants to do more to promote competitive markets.
3. It is expected that it will be more challenging to achieve consistently high performance against the stretching new AMP7 performance commitments.

Our board of directors

Our board of directors plays a key role in the running of Wessex Water Services Ltd. It has 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 six 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.

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

On 28 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 2021.

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 2021

	2021 £m Total	2020 £m Total
Revenue	514.7	552.3
Charge for bad and doubtful debts	(13.5)	(19.0)
Other operating costs	(338.9)	(320.8)
Total operating costs	(345.4)	(339.8)
Operating profit	167.3	212.5
Financial income	0.5	0.5
Financial expenses	(84.5)	(91.8)
Net financing expense	(84.0)	(91.3)
Profit before tax	83.3	121.2
Taxation	(14.5)	(54.6)
Profit for the year	68.8	66.6

As there are no non-controlling interests, the profit for the year is wholly attributable to the owners of the parent company.

Statement of financial position

For the year ended 31 March 2021

Cash flows from operating activities

Property, plant and equipment
Intangible assets
Investments in subsidiaries

Current assets

Inventories
Corporation tax receivable
Trade & other receivables
Other financial assets
Cash and cash equivalents

Total assets

Current liabilities

Other interest-bearing loans and borrowings
Corporation tax payable
Trade & other payables
Provisions

Non-current liabilities

Other interest-bearing loans and borrowings
Contract liabilities
Employee benefits
Deferred grants and contributions
Deferred tax liabilities

Total liabilities

Net assets

Equity

Share capital
Retained earnings

Total equity

	2021 £m	2020 £m
Cash flows from operating activities		
Property, plant and equipment	3,901.4	3,768.8
Intangible assets	47.9	58.1
Investments in subsidiaries	-	-
	3,949.3	3,826.9
Current assets		
Inventories	4.4	3.9
Corporation tax receivable	3.4	-
Trade & other receivables	179.7	182.7
Other financial assets	290.0	-
Cash and cash equivalents	68.9	42.3
	546.4	228.9
Total assets	4,495.7	4,055.8
Current liabilities		
Other interest-bearing loans and borrowings	(391.3)	(5.8)
Corporation tax payable	-	(2.1)
Trade & other payables	(171.1)	(166.6)
Provisions	(0.1)	(0.2)
	(562.5)	(174.7)
Non-current liabilities		
Other interest-bearing loans and borrowings	(2,283.0)	(2,255.8)
Contract liabilities	(6.3)	(6.3)
Employee benefits	(91.8)	(90.6)
Deferred grants and contributions	(296.6)	(289.1)
Deferred tax liabilities	(422.4)	(415.4)
	(3,100.1)	(3,057.2)
Total liabilities	(3,662.6)	(3,231.9)
Net assets	833.1	823.9
Equity		
Share capital	-	-
Retained earnings	833.1	823.9
Total equity	833.1	823.9

Statement of cash flows

For the year ended 31 March 2021

Cash flows from operating activities

Profit for the year
Adjustments for:
Depreciation, amortisation and impairment
Financial income
Financial expense
Taxation

Increase in trade and other receivables
(Increase)/Decrease in inventories
Increase/(Decrease) in trade and other payables
(Increase) in provisions and employee benefits

Tax paid

Net cash from operating activities

Cash flows from investing activities

Proceeds from sale of property, plant and equipment
Interest received
Acquisition of property, plant and equipment
Acquisition of intangible assets
Purchase of financial instruments
Proceeds from infrastructure charges and capital contributions

Net cash from investing activities

Cash flows from financing activities

Proceeds from new loans
Interest paid
Repayment of borrowings
Payment of lease liabilities
Dividends paid

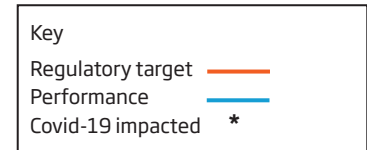
Net cash from financing activities

Increase in cash and cash equivalents
Cash and cash equivalents at 1 April

Cash and cash equivalents at 31 March

	2021 £m	2020 £m
Cash flows from operating activities		
Profit for the year	68.8	66.6
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	119.8	113.5
Financial income	(0.5)	(0.5)
Financial expense	84.5	91.8
Taxation	14.5	54.6
	287.1	326.0
Increase in trade and other receivables	3.0	1.2
(Increase)/Decrease in inventories	(0.5)	1.1
Increase/(Decrease) in trade and other payables	13.7	(4.9)
(Increase) in provisions and employee benefits	(12.6)	(13.7)
	3.6	(16.3)
Tax paid	(10.8)	(25.8)
Net cash from operating activities	279.9	283.9
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	8.9	2.2
Interest received	0.5	0.5
Acquisition of property, plant and equipment	(240.0)	(210.2)
Acquisition of intangible assets	(6.4)	(31.2)
Purchase of financial instruments	(290.0)	-
Proceeds from infrastructure charges and capital contributions	7.7	6.6
	(519.3)	(232.1)
Net cash from investing activities	(519.3)	(232.1)
Cash flows from financing activities		
Proceeds from new loans	403.3	198.3
Interest paid	(69.1)	(67.3)
Repayment of borrowings	(8.0)	(30.0)
Payment of lease liabilities	(0.7)	(2.1)
Dividends paid	(59.5)	(88.0)
	266.0	10.9
Net cash from financing activities	266.0	10.9
Increase in cash and cash equivalents	26.6	62.7
Cash and cash equivalents at 1 April	42.3	(20.4)
Cash and cash equivalents at 31 March	68.9	42.3

Regulatory performance commitments



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

We have met or exceeded our targets on 21 of our performance commitments, nine of which will result in an outperformance payment. There are 17 measures where we have not achieved our targeted performance. For eight of these measures we will receive a financial penalty, four of which are as a result of the impact of Covid-19. For three measures (compliance risk index, treatment works compliance, risk of flooding from public sewers due to hydraulic incapacity) our performance was close to the target and therefore no penalty is due. We have also missed our target on four non-financial measures. There are eight measures which don't have a target for this year including C-Mex and D-Mex where we don't set the target.

For a more detailed explanation of the performance commitments and financial implications of this year's performance, please refer to pages 8-17 of this report and our annual performance report, available on our website [wessexwater.co.uk](https://www.wessexwater.co.uk)

In addition, our customer challenge group conducted an independent assessment of the company's performance against its targets. Their annual report can be found on their website [wessexwaterccg.co.uk](https://www.wessexwaterccg.co.uk)

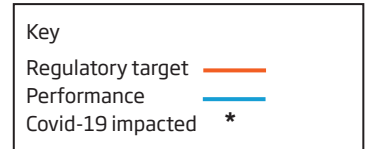
	2020-21 target	2020-21 actual	actual vs target	2020-21 to 2024-25
Water quality compliance (CRI) (score)	0	1.61	✗	
Water supply interruptions (mm:ss per property per year)	06:30	04:34	✓	
Leakage (% reduction)	1.6	5.2	✓	
*Per capita consumption (% reduction)	0.1	-3.8	✗	
Mains repairs (number per km mains)	161.4	177.7	✗	
Unplanned outage (%)	2.34	0.57	✓	
Risk of severe restrictions in a drought (%)	0.0	0.0	✓	
Priority services for customers in vulnerable circumstances: Reach (%)	2.8	2.5	✗	
Priority services for customers in vulnerable circumstances: Actual contact (%)	17.5	35.7	✓	
Priority services for customers in vulnerable circumstances: Attempted contact (%)	45.0	49.4	✓	

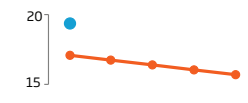




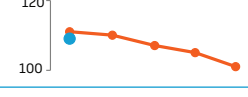
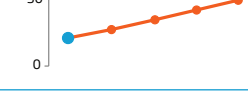
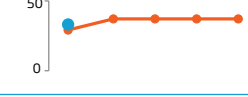

Regulatory performance commitments



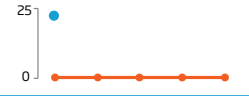





	2020-21 target	2020-21 actual	actual vs target	2020-21 to 2024-25		2020-21 target	2020-21 actual	actual vs target	2020-21 to 2024-25
Internal sewer flooding (incidents per 10,000 sewer connections)	1.68	1.41	✓		Gap sites (number)	112	113	✓	
Pollution incidents (number per 10,000km sewer)	24.51	25.18	✗		Value for money (%)	77	78	✓	
Risk of sewer flooding in a storm (%)	12.93	11.82	✓		Delivering for customers in vulnerable circumstances (certification status)	Maintained	Maintained	✓	
Sewer collapses (number per 1,000km sewer)	6.33	6.12	✓		*Number of children/ students engaged (number)	24,370	453	✗	
Treatment works compliance (%)	100.00	99.08	✗		Customer reported leaks fixed within a day (%)	90	92	✓	
C-Mex (score)	n/a	86.09	n/a		*Volume of water saved by efficiency engagement (megalitres per day)	1.0	0.7	✗	
D-MeX (score)	n/a	89.47	n/a		Water quality customer contacts (number per 1,000 population)	1.31	1.44	✗	
Total bill reduction to customers on social tariffs per 10,000 households (£ per 10,000 customers)	61,767	56,562	✗		*Tackling water quality at home and in the work place (score)	18,297	9,739	✗	
*Successful applications for assistance received by the independent advice sector/ third parties (number)	2,300	1,614	✗		*Lead communication service pipes replaced (Wessex Water assets) (number)	1,160	944	✗	
Void sites (%)	2.00	1.83	✓		Event risk index (Wessex Water) (ERI WW) (score)	12.800	16.766	✗	

Regulatory performance commitments



	2020-21 target	2020-21 actual	actual vs target	2020-21 to 2024-25
Customer property sewer flooding (external) (incidents per 10,000 connections)	17.07	19.35	x	
Sewer flooding risk (score)	50,651	55,015	x	
North Bristol sewer scheme - Trym catchment (months)	n/a	n/a	n/a	
Restrictions on water use (hosepipe bans) (number)	0	0	✓	
Abstraction Incentive Mechanism (Mere) (megalitres per year)	-100	-299	✓	
Natural capital: improve Sites of Special Scientific Interest (SSSI sites) (%)	20	22	✓	
Greenhouse gas emissions (KtCO2e)	111	109	✓	
Working with communities to improve bathing water experience (number of beaches)	20	20	✓	
Working with catchment partners to improve natural capital (number of projects)	29	33	✓	
Satisfactory sludge disposal (%)	100.00	99.54	x	

	2020-21 target	2020-21 actual	actual vs target	2020-21 to 2024-25
Reduce frequent spilling overflows (non-WINEP) (number)	0	0	n/a	
Length of river with improved water quality through WINEP delivery (km)	0.0	0.0	n/a	
Km of river improved (non-WINEP) (km)	0.0	23.0	✓	
Abstraction Incentive Mechanism (Stubhampton) (megalitres per year)	-45	-157	✓	
Delivery of water industry national environment programme requirements (status of obligations)	met	met	✓	
Drainage and wastewater management plans (DWMPs) (%)	0	0	n/a	
WINEP requirements (Bristol (Avonmouth) WRC) (months)	0	0	n/a	
Security non-SEMD outputs (deliverables)	n/a	n/a	n/a	