

Annual Performance Report 2019-20



Wessex Water
YTL GROUP



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Introduction

Wessex Water's board is accountable for the quality and transparency of the information we provide to our customers and other stakeholders. This annual performance report (APR) provides information on progress in delivery of customer outcomes, service levels, cost information and financial performance for the year ended 31 March 2020. The APR is prepared in accordance with Ofwat's requirements.

The APR includes a statement explaining the company direction and performance and a summary of the results of the data assurance that we have carried out to evidence that the information provided is accurate. A risk and compliance statement is contained within the **Annual Report and Accounts**.

The report includes the accounting and narrative disclosures required alongside data tables in the following four sections:

Regulatory financial reporting

A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.

Price control and additional segmental reporting

Further disaggregation of revenue and costs, to allow stakeholders to review companies' performance against final determinations

Performance summary

A high-level report of the performance of the appointed business, including outcome delivery and the regulatory financial results of the regulated business. As a minimum it will include reporting on outcomes and delivery service levels and cost performance

Additional regulatory information

Additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting, totex analysis.

Company direction and performance

This statement sets out how the board sets the long-term ambitions of the company and how we are delivering today, planning for tomorrow and adapting for the future.

It also explains how customers' and stakeholders' views are a key part of setting these ambitions and how we reflect them in our planning process from the highest-level strategic direction statement to detailed annual target setting and the review process.

Finally, it states how the company has performed against these ambitions.

In each area, it directs the reader to documents that provide further detail and information.

The board has full responsibility for all aspects of the Company's business, including for the long-term, and is responsible for establishing the purpose, strategy, values and culture of the company. Further details on how the board does this can be seen in the board governance section of the **Annual Report and Accounts**.

At Wessex Water, we are proud of our record in delivering essential water and environmental services. The board always takes decisions for the long term, and our objective is always to uphold the highest standards of conduct. Further, we understand that our business will only grow and prosper over the long term if we understand and respect the views and needs of our customers, colleagues and the communities in which we operate, as well as our regulator, suppliers and our shareholder.

We retain a strong sense of public service across our organisation, which is run by local employees who are customers themselves and members of the communities we serve.

We are pleased, therefore, that we have had another strong year, exceeding most of our targets and improving our service. The investment and performance that we have delivered in the past 12 months demonstrates that we take our responsibilities seriously.

Setting the company's aspirations and performance for those it serves

Setting our aspirations

The board plans on the basis of stewardship in perpetuity and promotes investment at a water catchment level to improve services to local communities in ways which are affordable and add public value.

The board also recognises that the Company has a critical role to play that goes far beyond the responsibility of providing an essential public service. We have an opportunity to help tackle the climate emergency, to support the communities we serve, to deliver wider environmental benefit and to contribute to the growth of the UK economy.

These opportunities form the core of our strategic direction statement and our business plan (which are available on our website [here](#)), reflecting our long-term commitment to build a sustainable future with the support of our customers, communities, employees and stakeholders.

The board considers that the Company's success in delivering long-term benefit to its members is best achieved by aspiring to:

- deliver the excellent and resilient services for customers and the environment that our stakeholders require at a price that is affordable to all our customers, and
- by contributing more widely to the communities we serve.

Therefore, throughout the development of the current business plan, the Company engaged with more than 140,000 customers to understand the things that matter most to them. We also spoke to all our major stakeholders representing areas including customers in vulnerable circumstances, local rivers, and wildlife.

On an ongoing basis, the Company engages regularly with stakeholders including through the Wessex Water Partnership, the People's Council, the online customer panel, the Young People's Panel, and frequent customer surveys and consultations. In 2019 the Company held a series of stakeholder roadshows across our region, each attended by directors.

The board translates its aspirations into a set of stretching targets for the Company's performance having regard to:

- the commitments made to customers and the environment in the published business plan

- insight from ongoing stakeholder engagement
- the levels of performance for customers and the environment achieved in previous years
- relevant regulatory determinations
- the best performance levels achieved by other water and sewerage companies
- the interests of employees
- wider societal and economic trends and challenges
- the requirements of investors

For 2019-20, customer and environmental targets were set to:

- maintain the company's overall leading position amongst water and sewerage companies on key regulatory measures (Ofwat, Environment Agency, Drinking Water Inspectorate and Consumer Council for Water)
- achieve the key commitments we made in our 2015-2020 business plan
- ensure there is no reduction in standards against our average performance over the last three years on key measures of performance

Notably, the board set a target in 2019 for the Company to achieve an Environment Agency assessment of "Leading" for environmental performance. This followed an assessment of "Good" in 2018, which was not in line with the board's aspirations. The board therefore took particular note of actions during the year designed to prevent pollution incidents and the company Chief Executive chaired regular strategy meetings on this subject.

Employee targets for the year were set to ensure continued high levels of employee safety and satisfaction and to promote continued progress in wellbeing, diversity and inclusion.

Financial targets were set to promote continued long-term financial resilience and, in line with the company's aims, to give investors fair returns.

Company targets are agreed by the board in advance of the reporting year and are used for the remuneration of senior executives and managers in the business as set out in our **Annual Report and Accounts**.

The board reviews progress against these targets at each board meeting and challenges company management on delivery.

The board also monitors long-term trends in performance against a number of sustainability metrics and uses these to assess whether the company's progress overall is in line with its vision and its social and public purpose.

Our performance in 2019-20

The Company's performance this year is judged to be in line with the board's aspirations.

We expect to be:

- one of the top water and sewerage companies for customer service in Ofwat's service incentive mechanism,
- assessed as leading by the Environment Agency
- one of the leading water and sewerage companies for the DWI's key quality measure (CRI)

During the year we were also shown to be the water and sewerage company with the lowest number of complaints according to CCW.

The table below shows how the company performed against the board's targets.

Performance against target	Customer	Environment	Employee	Financial
Better	7	3	3	2
Same	2	5	2	3
Worse	1	1	0	0
Same or Better	9/10	8/9	5/5	5/5

In the financial year under review, 27 of the 29 Company targets were achieved or bettered. The two measures where performance was below target were 'Bathing waters not passing EU standards' (Environment measure) and 'Risk of flooding from public sewers due to hydraulic inadequacy' (Customer measure). Further detail is given in Section 3.

In 2015 we accepted a regulatory price determination from Ofwat (PR14) which included a number of performance commitments for 2019-20 as part of the regulator's incentive package. Our acceptance of a price determination is always in the round and recognises that there are trade-offs in the regulator's incentive framework.

We have met or exceeded our targets for 25 of our 32 PR14 regulatory targets for the year. We exceeded our target against those which are of most importance to stakeholders, such as minimising internal sewer flooding, leakage and water supply interruptions, for which we have achieved provisional incentive payments.

Where we have not met a regulatory performance commitment, we have provided stakeholders with an explanation of the reasons and the actions we are taking to improve performance in future years as part of our annual review summary.

Our current performance is available on our website [here](#), and we talk in detail about our future performance [here](#).

Data assurance summary

This section explains the results of the data assurance we have carried out to evidence that the data provided in our annual performance report is accurate.

All companies are responsible for implementing assurance procedures to make sure they meet all their legal and regulatory obligations. Ofwat's company monitoring framework (CMF) sets out the following minimum requirements:

Element	Requirement
Assurance statement	<ul style="list-style-type: none"> Board sign-off of compliance with all relevant statutory, licence and regulatory obligations, and the steps being taken to manage and/or mitigate risks
Risks, strengths and weaknesses	<ul style="list-style-type: none"> Carry out an exercise with stakeholders to target issues to be addressed Publish a risks, strengths and weaknesses statement
Assurance plans	<ul style="list-style-type: none"> Publish and consult on draft assurance plans to resolve the issues identified Publish a final assurance plan
Other requirements	<ul style="list-style-type: none"> Provide transparency on audit procedures regarding data assurance Provide a summary of the outcome of data assurance carried out

Our risks, strengths and weaknesses statement, draft assurance plan and final assurance plan are published on our website [here](#).

The risks, strengths and weaknesses statement considers both data assurance and how we provide assurance to customers and other stakeholders more generally. It explains how we have updated our risk assessment; provides an update on progress against our target areas for assurance; and identifies new areas to target.

For this year, we have identified fourteen areas to target. Our final assurance plan details the ongoing or planned assurance activity in each target area.

Our approach

Our board is accountable for the quality and transparency of the information we provide on our performance.

We use the three lines of defence model to define the level of assurance for information and data provided to our customers and other stakeholders. This follows our [business risk assurance map](#).

We maintain a **Regulatory Assurance Manual (RAM)** to help ensure we apply the appropriate level of assurance to the information we provide to customers and other stakeholders. The RAM is approved by the Audit and Risk Committee and is published on our website [here](#).

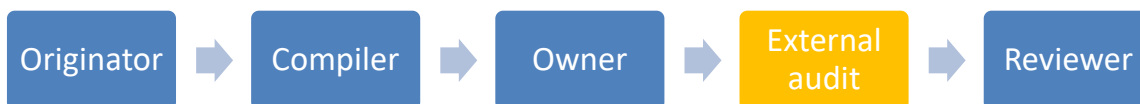
The key roles with responsibilities for the assurance of information and data in the annual performance report are described below.

Role	Description
Wessex Water Services Limited (WWSL) Board	Overall responsibility for approval of regulatory submissions and publications and financial reports
Audit and Risk Committee	Review assurance statements from external technical and financial auditors and make recommendations to the WWSL Board on their approval of the submissions the statements relate to.
External audit (technical and financial)	Audit agreed elements of the Annual performance report and provide an assurance statement to the Audit and Risk Committee on the audits that they have undertaken.
Internal audit	Carry out internal audits based on a flexible, risk-based programme, which is approved by the Audit and Risk Committee
Wessex Water Partnership	Review and challenge the performance commitment information provided in the Annual performance report and report their conclusions to the board, having separately had access to the work undertaken by the technical auditor.

We use a certification process to support the Audit and Risk Committee and board approval process for the annual performance report. Four roles are defined for each submission:

- Originator
- Compiler
- Owner
- Reviewer

The flow of data is illustrated below:



External audit

Ernst and Young LLP were appointed as the Company's external auditor in 2017. The audit partner is invited to attend all Audit and Risk Committee meetings. The Audit and Risk Committee monitors the effectiveness of the external auditor throughout their term of appointment. Ernst and Young LLP reports to Ofwat in respect of the Company's annual performance report.

Mott MacDonald were appointed as the Company's technical auditor during 2015-16 and have been re-appointed in 2020 from a competitive re-tender of the services. As part of the assurance process for the Annual performance report, the Audit and Risk Committee receives a report from Mott MacDonald on non-financial regulatory performance information, including the performance commitment data.

Assurance reports

A summary of the results of the technical assurance carried out for the annual performance report is provided below. The Independent Auditor's Report is provided on pages 23 to 26.

The Wessex Water Partnership report is published on www.wessexwaterpartnership.co.uk (see [here](#)).

Technical assurance report on performance commitments and technical data tables

Executive summary presented to Wessex Water Audit and Risk Committee - 19 June 2020

Scope

FD14 (AMP6) Performance commitments

For each performance commitment, we reviewed your value in the context of the FD14 definition and your reporting process (data, reporting, calculations). We sampled source data, the way reports are created, the calculations and results.

FD19 (AMP7) Performance commitments

We reviewed all AMP7 performance commitments except four with nil returns this year. For each of the performance commitments we reviewed, we undertook a high-level review of the proposed reporting process and the data collection methods against the FD19 definitions.

APR technical data tables

We reviewed 11 tables which contribute to the reconciliation of the 2014 price review with the forecast of the AMP6 outturn. Our review covered technical aspects.

Other technical data

We reviewed 11 non-reported historic June Annual Return tables. They contain data that is used at price reviews, track statutory processes, or which you consider to be useful to monitor. We also reviewed developer services data which is shared with Water UK.

We reviewed values reported in your Annual review summary for 2019-20, to confirm they agreed with those in the main data tables.

Findings

FD14 (AMP6) performance commitments

Of your 32 FD14 performance commitments:

- 21 Met or exceeded targets, without reward
- 4 Exceeded targets, earning a reward
- 6 Missed targets, without penalty
- 1 Missed targets, incurring a penalty

FD19 (AMP7) performance commitments

Of your 46 FD19 performance commitments:

- 16 Need additional edits to finalise data collection and reporting, which should now be a priority if performance is to be tracked reliably in advance of year end
- 16 Have year 1 delivery risks associated with social distancing in response to the Covid-19 outbreak
- 1 Appears to have a delivery risk associated with the current definition (number of children and students educated)

The above include the shadow common performance commitments (reported this year in table 3S) which will continue to be reported throughout AMP7.

Actions

Actions from 2019 – FD14 (AMP6) PCs

Actions from 2019	Progress/comment
We recommended continuing the pre-audit preparedness campaign.	You continued your campaign, resulting in good preparedness for audit.
We recommended paying close attention to regulatory reporting needs during implementation of the new CRM at Pelican.	Implementation of CRM is ongoing. We have suggested mid-year audits of some measures once the reporting process is embedded.
We recommended a 're-cap' staff awareness campaign on pollution and reporting.	We understand this was done.
We recommended reviewing the pollution self-reporting process, to check that it easy for staff to use, and works very fast.	We understand this was done and we notice an improvement in pollution reporting.
We suggested reviewing the method of reporting sewer refurbishment, to be confident that it is appropriate to your needs and supported by adequate post-rehabilitation survey.	You have considered our suggestion and satisfied yourselves that it is appropriate. You explained that you inspect whole pipe lengths after interventions to confirm the condition.

Follow-up from last year – actions are ongoing following FD19

Actions from 2019	Progress/comment
We recommended finalising method statements for the PR19 PCs.	Of the 46 FD19 (AMP7) PCs, 9 method statements require small developments, to include the exact FD19 definition of the PC, clarify reporting details, etc. We suggest you carry out a final review of AMP7 PC method statements and reporting processes. This will give confidence that in-year tracking of performance commitments is fully aligned to end-of-year reporting criteria.
For A2, customers receiving assistance from funded agencies in applying for bill reductions, we recommended a final review of the approach to data collection, intent on closing data gaps. It may be that the agencies could further improve their case reporting, or Pelican could ask applicants if they used an agency.	This is still a complicated measure to report but good progress has been made. Covid-19 restrictions presented some difficulties in finalising the results for APR20 we recognise this is a one-off complication. We suggest that the next audit of this PC is conducted at Pelican, which provides the data.

New recommendations resulting from this year's audits

Item name	Recommendation
4E: wastewater volume collected	We recommend you review the reasons and evidence for the step change in infiltration, in case there is specific learning for future investment programmes.
3A7.C3: Number of children and students engaged	We recommend engaging with Ofwat on the detail of this definition or to re-base the target, based on the 30-person cap.
3A7.W3: Customer reported leaks fixed within a day	We suggest continuing engagement with Ofwat on the detail of this PC's definition.
AMP7 performance commitments and other published data	We recommend seeking opportunities to simplify data gathering and reporting.
Leakage (shadow reporting)	We recommend investigating the reasons for the increasing water balance discrepancy before March 2021.
GSS	We recommend a minor update to the method statement, to clarify the exact content of the GSS.

Observations on the impact of Covid-19

Area of interest	Observations
2019-20 performance	No material effect on most PCs but some activities (including community engagement, education, meter fitting, sampling, lead pipe replacement) had to stop and this affects end-of year performance.
2020-21 performance	16 PCs have been identified as possibly being affected by Covid-19 restrictions (they are listed in the appendix). We support your collation of evidence of any Covid-19 impacts, which should be robust and suitable for regulatory submission in 2021, if required.
Preparedness for audit	We noticed relatively minor procedural shortcomings, possibly as a result of the initial disruption of Covid-19 social distancing.
Delivery of audits	Remarkably little impact on audits, all of which were carried out using Microsoft Teams, mostly between home offices. However, 10 audits (out of 105) experienced some difficulty of which at least three would benefit from being carried out in-office in future, if possible. Others would benefit from occasional in-office audits, where access to data and systems is easier.
Learning for future audits	We suggest dividing topics into three categories for audit: always in-office, always on-line, and alternating between office and remote auditing. We believe that up to half of the travel and accommodation cost could be avoided.

Assurance statement

Ofwat requires company boards to certify that they have correctly reported their performance. We reviewed the draft tables that you compiled in May. We made recommendations to correct minor errors. Our assurance statement is shown below.

To: Wessex Water audit and risk committee

I refer to my review of technical aspects of Wessex Water's annual performance report, which have been audited under my direction. We were given free access to people and information as necessary to complete our work. Performance of Pelican, Wessex Water's retail joint venture, has been assured by Bristol Water and reported separately.

In my professional opinion, based on and to the extent disclosed by sampling carried out and as described in my report to Wessex Water dated 19 June 2020:

- The performance commitment data in tables 3A and 3S have been compiled appropriately.
- The PR14 blind year reconciliation table has been compiled appropriately.
- Minor errors and omissions were corrected as a result of our audits.

Dr Andrew Heather

Mott MacDonald Ltd

19 June 2020

Regulatory Accounts Introduction

The Company was appointed by the Secretary of State for the Environment as a water and sewerage undertaker under the Water Act 1989 and is required to comply with the Conditions set out in the Instrument of Appointment (the Licence) issued thereunder.

Regulation

Under the conditions of its Licence, granted to the Company by the Secretary of State for the Environment, the Company is obliged to provide the Water Services Regulation Authority (WSRA) with additional information to that contained in the non-statutory accounts, in order to comply with Licence Condition F. This information is presented on pages 12 to 75.

Ring fencing

In accordance with the requirements, this is to certify that on 30 June 2020, the Board of Wessex Water Services Limited resolved as follows:

1. That, in the opinion of the Board, the Appointee will:
 - a. have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
 - b. for at least the next 12 months have available to it management resources and methods of planning and internal control which are sufficient to enable it to carry out those functions as required by paragraph I13.
2. That, in the opinion of the Board, all contracts entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to carry out the Regulated Activities.

The Board has considered a wide range of factors in consideration of this certificate of adequacy to satisfy themselves that the evidence detailed here is sufficient for them to draw the conclusions they have. This includes the Auditors' statements regarding the Company's accounts, going concern statement, long term viability statement, risk and compliance statement, and the inputs and assurance processes associated with each. Each of these has been considered in detail by the Audit and Risk Committee, with appropriate challenge to directors and senior managers, before being recommended to the Board for approval.

The main factors the Board has taken into account in compliance with the licence requirements are:

1. **financial resources and facilities** and in particular consideration of:
 - i. the Company's detailed budget for the year to March 2021;
 - ii. the Company's Final Determination for AMP7;
 - iii. the Company's long-term viability statement to March 2030;
 - iv. the Company's credit arrangements including its existing borrowing facilities, which include significant undrawn bank facilities of £335m;
 - v. the Company's cash position and financing strategy including refinancing bonds maturing in September 2021;
 - vi. the Company's credit ratings and covenants
2. **management resources** and in particular consideration of:
 - i. the management skills, experience and relevant qualifications of key directors and managers, including succession planning for key management and staff;
 - ii. the Company's recruitment processes and staff engagement including the results and learning from the Company's staff-wide survey and the People's Council;
 - iii. the quality of management and staff induction, including training and development;

- iv. the work of the Company's diversity and inclusion working group;
- v. the work of the Corporate Social Responsibility Committee;
- vi. Board reports, including the regular business performance updates; and
- vii. the independence and functionality of the Board and its Committees;

3. **systems of planning and control** and in particular consideration of:

- i. the governance framework, delegated authority processes and procedures;
- ii. the risk management framework as detailed in the annual report and accounts and associated reporting mechanisms;
- iii. the internal and external audit policies, processes, activities and reports;
- iv. the systems for maintaining supply, security and business continuity, including relevant action plans;
- v. the restated business ethics and raising a concern policies;
- vi. supply chain reviews for compliance with the Utilities Contracts Regulations, Modern Slavery Act and Bribery Act; and
- vii. risk, compliance and other assurance statements;

4. **rights and resources other than financial resources** and in particular consideration of:

- i. the Company's social purpose and BEST values;
- ii. the resources available from the Company's in-house engineering and sustainable development department who deliver the capital programme;
- iii. technology and other systems for ensuring appropriate information security and access control, reconciliation, other checks and verifications such as within the Company's Bravo procurement system or the updated regulatory assurance manual;
- iv. policies to encourage an integrated approach and 'systems thinking' including the Wessex Water Marketplace, business continuity, and resilience action plans; and
- v. planning and asset maintenance systems;

5. **contracting** and in particular consideration of:

- i. the legal ownership of the Company's assets;
- ii. the status of key contracts in place;
- iii. the billing and revenue collecting capability of the Company's Associated Company, Bristol Wessex Billing Services Limited who provides such services under contract;
- iv. transactions between the Company and any Associated Company including the Company's annual RAG5 report;
- v. compliance with licence provisions on cross-subsidies between the Company and any Associated Company;
- vi. compliance with licence provisions on Guarantees and Cross-Default Obligations requiring Ofwat's written consent;

6. **material issues or circumstances** and in particular consideration of:

- i. the Company's response to and the financial impact of Covid-19.

Transactions with associates

In the opinion of the Directors, the Company has complied with the objectives and principles of RAG 5.07, in that transactions with associated companies are at arms-length and that cross subsidy is not occurring.

Impact of IFRS16 Leases

During the year the Company applied IFRS16 for Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are detailed in the Annual Report and Accounts under note 2.1. Included within this note is a reconciliation to the operating lease commitments as of 1 April 2019.

Methodology statement

We have published the methodology statement for the year to March 2020 on our website [here](#).

Directors

The Directors are listed in the **Annual Report and Accounts**.

Statement of Directors' responsibilities for regulatory information

Further to the requirements of Company law, the Directors are required to prepare accounting statements that comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat. This requires the Directors to:

- confirm that, in their opinion, the Company has sufficient financial resources and facilities, management resources and methods of planning and internal control for the next 12 months;
- confirm that, in their opinion, the Company has sufficient rights and assets to enable a special administrator to manage the affairs, business and property of the Company;
- confirm that, in their opinion, the Company has contracts with any associate company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the Company's obligations as a water and sewerage undertaker;
- report to Ofwat changes in the Company's activities, which may be material in relation to the Company's ability to finance its regulated activities;
- undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length; and
- keep proper accounting records, which comply with Condition F and RAG 5.07.

These responsibilities are additional to those already set out in the non-statutory accounts.

Directorships

The following Directors of the Company are also Directors of the following parent companies in the Group:

Colin Skellett and David Barclay are Directors of Wessex Water Ltd. Colin Skellett is a director of YTL Utilities (UK) Ltd.

Francis Yeoh, Hong Yeoh and Mark Yeoh are Directors of Wessex Water Ltd, YTL Utilities (UK) Ltd, YTL Utilities Ltd, YTL Power International Berhad and YTL Corporation Berhad. Hann Yeoh is a Director of YTL Utilities Holdings Ltd.

Long-term viability statement

The Directors' have made a long-term viability statement in the non-statutory **Annual Report and Accounts**, which covers the period to 31 March 2030.

The Company undertook analysis to 31 March 2030 by reference to a number of scenarios developed from the company corporate risk register, company financial projections and the impact of the regulatory regime. The Company's analysis included scenarios incorporating the published Principal Risks. It also considered the impact of low probability and high impact events as well as the impact of adverse scenarios occurring concurrently.

Following these assessments, together with feedback from our financial auditors and subject to the appropriate performance of Ofwat's statutory duties, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to 31 March 2030.

Directors' remuneration

Details of the Directors remuneration are included in the Remuneration committee report in the **Annual Report and Accounts**. This includes disclosure of the link between pay and performance.

Disclosure of information to auditor

The Directors who held office at the date of approval of the annual performance report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Regulatory Disclosures

1) Accounting policies

These regulatory accounts on pages 27 to 34 do not constitute the Company's statutory accounts for the years ended 31 March 2020 or 2019. 31 March 2020 is not the accounting reference date for the Company. The latest statutory accounts of the Company were for the years ended 30 June 2019 and 2018. Both these statutory accounts have been delivered to the registrar of companies. The external auditor has reported on both these statutory accounts; the reports were unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The next statutory accounts of the Company will be prepared for the year ending 30 June 2020.

In accordance with Condition F of the Instrument of Appointment, financial statements have been prepared for the appointed and non-appointed business to show the profit and loss account, balance sheet and cash flow statements. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The differences between the treatment of items in the statutory accounts and these regulatory accounts are shown in paragraph 8 below.

2) Dividend policy

The dividend policy is to declare dividends consistent with the Company's performance and prudent management of the economic risk of the business.

Dividend payments are reviewed and approved on a quarterly basis by the board after taking into account both current and projected business performance.

In particular the board takes into account:

- the company's current and projected performance in delivering the level of service customers expect from an efficient water and sewerage company and that where that level of service has not been delivered, that customers have been adequately compensated
- that the company is delivering the required quality and environmental outputs and making sufficient investment in its infrastructure to maintain and, where necessary, increase resilience
- that appropriate payments have been made and can continue to be made into the company's final salary pension scheme as agreed with the scheme's trustees
- that the correct amount of tax has been paid
- that the company has met any unexpected additional expenditure needs that may have arisen during the year to date, as new operational risks emerge.

The board will only agree to the resultant distribution of the dividend if, on a forward-looking basis, it is satisfied that regulatory gearing will not exceed 70%. The company will maintain a solid investment grade credit rating at all times.

The Company declared dividends of £88.0m (2019 - £91.0m) to its immediate parent company during the year.

3) Price control segments

The company has published a statement of the basis of allocation of operating costs and assets to the price control segments (the accounting methodology statement) on its website [here](#).

4) Revenue recognition

Turnover represents income receivable in the ordinary course of business, excluding VAT, for services provided. Turnover from contracts with customers is recognised when control of these goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

There is one difference in turnover recognition between the statutory and regulatory accounts which relates to the adoption of IFRS15 whereby turnover has been de-recognised where the occupier has consistently not settled their account for a period of four years or more. There are no further adjustments between amounts billed (as adjusted by opening and closing accruals) and amounts recorded as turnover.

Income related to water and sewerage services is receivable from occupiers of the premises to which services are supplied except where a third party has agreed liability for the charges. Where premises are unoccupied or where no services are supplied, charges are not raised, income is not receivable and no turnover is recognised. Premises that are furnished are considered to be occupied except in exceptional circumstances such as death or long-term hospitalisation of the customer. We consider premises undergoing refurbishment or being used for storage to be occupied by the owners of the premises.

If details of the occupier of the premises are unknown, the premises are considered to be unoccupied, no charges are raised and no turnover is recognised except where a third party has agreed liability for the charges. We do not bill properties speculatively in the name of the occupier. We have processes that seek to determine whether properties are occupied that include, but are not limited to, written correspondence, data matching and visits.

Charges that do not represent income receivable in the ordinary course of business are not recognised as turnover. This includes charges for the recovery of costs related to court action to recover charges overdue.

The principles laid out above apply to both new and existing premises.

5) Expected credit loss policy

Expected credit loss policy

There have been no changes in expected credit loss policy. The value of debt written off in the year was £13.7m compared with £14.9m in the previous year.

Debt is written off for one of four reasons;

- it is considered or known to be uncollectible
- it is considered uneconomic to collect
- older debt is written off by agreement with the customer in return for the receipt of monthly payments to pay off current year debt as part of our “Restart” and “Restart Plus” policies
- write off is ordered by the County Court. In these cases, the Court may set payment at a proportion of the outstanding debt. When this level of payment is reached the Court will instruct that the rest is to be written off.

Expected credit loss provision policy

The expected credit loss provision for tariff income at 31 March 2020 was £42.5m compared with £35.6m the previous year-end, the increase being due the increase in debt provided for in the year combined with the impact of Covid-19.

Under newly adopted IFRS9, expected credit loss provision is forward looking. To estimate expected credit loss various categories are selected, such as are direct debit, instalments and standing orders and other. Long-term historical collectability profile is used to assess an appropriate level of provision based on these factors and any expected general economic effects.

Trade debtor balance

There has been an increase in the trade debtor balance from the prior year. The trade debtor at 31 March 2020 was £94.7m, compared with £90.4m the previous year.

6) Capitalisation policy

Our capitalisation policy is unchanged from previous years. The capitalisation policy document is owned and published internally by the Group Financial Controller and forms part of our governance process and procedures. It includes a significant level of detail and includes the following principles:

Assets are taken to be fixed assets if they are intended for use on a continuing basis over at least three years (or two years in the case of internal software developments). Any assets not intended for such use are to be charged to revenue budgets.

Capital expenditure shall be determined as follows:

- the price paid for the asset together with any costs incidental to the acquisition, eg, identification of options and appraisal costs. This may include site preparation, which could encompass demolition work

- the cost of raw materials, consumables, salaries and wages (together with other costs) directly attributable to the creation of that asset
- in addition, the cost of an asset may include a reasonable proportion of costs indirectly attributable to the creation of the asset
- interest paid, for example on contractors' claims or delayed payment of certificates, may be capitalised.

7) Tax strategy

Wessex Water Services Limited is one of the leading water and sewerage companies in England and Wales. The company ensures that all its activities meet the highest legal and ethical standards.

Attitude towards UK tax planning

The company's approach to tax is fully aligned with the company's overall objectives. The company seeks to comply with the spirit and letter of UK tax legislation and claims all tax reliefs and allowances to which it is entitled. The company will consider reasonable tax planning opportunities which are in line with its risk appetite. As a general rule, the company does not enter into complicated structures nor engage in any aggressive or artificial tax planning, as it does not believe it is the correct thing to do.

Due to the size and complexity of the UK tax system, tax is a complicated area and uncertainties will arise. Consistent with other business areas, the company will seek external advice when required.

Approach to risk management and governance arrangements in relation to UK tax

The Finance Director is ultimately responsible for the tax strategy and engages with relevant individuals within the company to ensure the tax strategy is implemented and monitored. The board reviews and approves all significant decisions relating to tax and is regularly updated regarding any significant matters relating to tax. The Audit and Risk Committee considers significant tax related matters as part of its review of the financial reports of the company.

As a UK regulated business with a significant capital programme, the company considers obtaining tax relief on capital expenditure as a key factor affecting its tax liability. Other factors, such as changes in tax legislation or changes in interpretations, may also affect the amount of tax due, compared with what has been allowed as part of the regulatory final determination.

The level of risk in relation to UK tax the company is prepared to accept

As documented in the company's finance policy, the company adopts a risk averse and cautious approach to tax. In addition, tax is included as part of the company's risk assessment framework. The overall risk framework is monitored by the company with regular updates provided to the board.

Approach towards its dealing with HMRC

The company has an open, regular and professional dialogue with HMRC. As part of its Business Risk Reviews, HMRC have always regarded the company as being low risk. The company is keen to maintain this low risk status in the long term. The company believes that its approach to tax and early engagement with HMRC on any area of uncertainty are significant factors in maintaining this low risk rating. The company will also engage with HMRC on industry-wide matters through its membership of Water UK.

This tax strategy is provided in compliance with the requirements of paragraphs 16(2) and 19(2), Schedule 19 Finance Act 2016.

The company's tax contribution

The corporation tax charge in the year was £16.1m. This is lower than the statutory rate of corporation tax of 19% due to the availability of tax relief on capital expenditure. There is also a £1.2m prior year credit for corporation tax.

The company paid £25.8m in corporation tax in the period. In addition to corporation tax paid, the company is also liable to several other taxes which represent a cost to the business. These taxes include, employer's National Insurance contributions of £10.2m, business rates of £25.8m, Climate Change Levy costs of £2.1m and Insurance Premium Tax of £0.2m.

8) Differences between non-statutory and RAG definitions

The differences between the non-statutory accounts and the regulatory accounts are detailed below.

Table 1A – Income Statement

Positive numbers represent increased profit in the Regulatory Accounts	£m
Revenue	
New Connections income to be re-classified as Other Income in the Regulatory Accounts	(2.9)
Non-payers excluded from Revenue in accordance with IFRS 15	0.3
Rental income from appointed assets included with Other Income	(0.4)
	(3.0)
Operating costs	
Depreciation of previously capitalised customer leakage repairs are excluded in the Regulatory Accounts and are capitalised in the Non-Statutory Accounts	0.7
Bad-debt provision on revenue treated as non-payers under IFRS 15 excluded from operating costs	0.7
Capitalised interest on completed assets is depreciated in the Non-Statutory Accounts. In the Regulatory Accounts capitalisation of interest is not allowed	0.2
Other operating income shown separately in the Regulatory accounts	(0.2)
Other income shown separately in the Regulatory accounts	(3.1)
Depreciation arising on conversion to IFRS on the revaluation of infrastructure assets has been dis-applied in the Regulatory Accounts	6.4
	4.7
Other operating income	
Other operating income shown separately in the Regulatory Accounts	0.2
	0.2
Other income	
New Connections income to be re-classified as Other Income in the Regulatory Accounts	2.9
Rental income from appointed assets included with Other Income	0.4
Other income shown separately in the Regulatory accounts	3.1
	6.4
Interest expense	
IAS19 pension interest cost shown separately in the Regulatory Accounts	3.4
Capitalisation of interest: excluded from Regulatory accounts	(2.8)
	0.6
Other Interest expense	
IAS19 pension interest cost shown separately in the Regulatory Accounts	(3.4)
	(3.4)
Deferred tax	
Deferred tax at 19% on the net adjustments described above	(0.1)
	(0.1)
Total differences	5.4

8) Differences between non-statutory and RAG definitions (continued)

Table 1C – Statement of Financial Position

	£m
Fixed assets	
Infrastructure asset revaluation on adoption of IFRS accounting, after depreciation. This amount is excluded from the Regulatory accounts.	(660.0)
Customer pipe repairs, after depreciation, are excluded from the Regulatory accounts	(36.1)
Interest capitalised on asset construction, after depreciation on completed assets. This amount is excluded from the Regulatory accounts.	(12.5)
	(708.6)
Trade and other receivables	
Non-payers adjustment which is excluded from the Regulatory accounts.	1.0
	1.0
Trade and other payables	
To be shown under Capex Creditor	35.2
	35.2
Capex creditor	
From Trade and other payables	(35.2)
	(35.2)
Deferred income - G&C's	
Deferred income on adopted assets to be shown separately	99.6
	99.6
Deferred income - adopted assets	
Deferred income on adopted assets to be shown separately	(99.6)
	(99.6)
Deferred tax	
Deferred tax at 19% on fixed asset differences described above	134.4
	134.4
Total differences	(573.2)

9) Disclosure of transactions with associatesServices provided by appointee to associated companies

Associate Company	Service Provided	Turnover of Associate £m	Terms of Supply	2019-20 Value £m
Wessex Water Enterprises Ltd	Transport, accommodation, insurance, laboratory, central services (no individual transaction more than 0.5% of turnover)	32.382	No market – actual costs recharged	2.369
Wessex Water Enterprises Ltd	Treatment of imported organic waste	32.382	Negotiated price	5.333
Wessex Water Enterprises Ltd	Sale of bio gas	32.382	Negotiated price	2.755
GENeco Ltd	Access to sludge digestion process	2.793	Negotiated price	0.227
Enterprise Laundry Services Ltd	Accounting, legal and information systems	0.871	No market – actual costs recharged	0.025
Bristol Wessex Billing Services Ltd	Information systems, transport, insurance, staff costs	12.864	No market – actual costs recharged	0.698
Wessex Water Ltd	Corporate charges	13.963	No market – costs allocated by time	4.505
Gainsborough Hotel (Bath) Ltd	Information systems, equipment maintenance, bottled water	7.533	No market – actual costs recharged	0.017
Wessex Engineering & Construction Services Ltd	Project management and engineering support	0.944	No market – costs allocated by time allocation	4.264
Wessex Utility Solutions Ltd	Project Management	0.918	No market – actual costs recharged	0.010
Albion Water Ltd	Accounting, legal and information systems services	0.579	No market – actual costs recharged	0.105
Flipper Ltd	Accounting, legal and information systems services	0.319	No market – actual costs recharged	0.069
Water 2 Business Ltd	Legal, insurance, transport and information systems services	150.696	No market – actual costs recharged	0.318
Water 2 Business Ltd	Wholesale water & sewerage for Non Household market	150.696	Market price	94.156
Thermae Development Company Ltd	Information systems	11.762	No market – actual costs recharged	0.045
YTL Developments (UK) Ltd	Project management, environmental investigations, management and engineering and back office support	0.796	No market – actual costs recharged	0.123

Services provided to appointee by associated companies

Associate Company	Service Provided	Turnover of Associate £m	Terms of Supply	2019-20 Value £m
Bristol Wessex Billing Services Ltd	Billing services	12.864	Competitive letting	10.319
Wessex Water Enterprises Ltd	Supply of electricity	32.382	Other market testing	3.509
Wessex Water Ltd	Directors services	13.963	No market – actual costs recharged	0.974
Wessex Water Enterprises Ltd	Project management and other staffing costs	32.382	Other market testing	1.467
Wessex Engineering & Construction Services Ltd	Use of Re-rounder patent	0.944	Negotiated Price	0.030
Xchanging Malaysia Sdn Bhd	IT services from an Offshore Development Centre	MYR 787.3m	Competitive letting and market testing	1.887
YTL Communications Sdn Bhd	IT services from an Offshore Development Centre	MYR 42.1m	Competitive letting and market testing	0.349

Financial transactions

Dividends declared by the appointee to Wessex Water Ltd are disclosed in note 10 to the Annual Report and Accounts.

The appointee paid £80.8m (2019 - £81.5m) of interest to its subsidiary company Wessex Water Services Finance Plc in relation to the proceeds of the Bonds issued by that company, that were lent to the appointee under the same terms as the Bonds. The Bonds are shown in note 18 to the Annual Report and Accounts.

The appointee acquired assets of £0.7m (2019 - £0.6m) on behalf of Wessex Water Enterprises Ltd and transferred those assets to that company.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of Wessex Water Services Limited

Opinion

We have audited the tables in sections 1 and 2 of Wessex Water Services Limited's Annual Performance Report for the year ended 31 March 2020 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes to those tables; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K) and the related notes to those tables.

We have not audited the Outcome performance table (tables 3A to 3S) and the additional regulatory information in tables 4A to 4W.

In our opinion, the company's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.08, RAG 2.07, RAG 3.11, RAG 4.08 and RAG 5.07) and the accounting policies (including the company's published accounting methodology statement, as defined in RAG 3.11, appendix 2), set out on pages 16 to 18.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standards as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in

accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the company's published accounting methodology statement, as defined in RAG 3.11, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and has not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 27 to 34 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IFRSs. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

The Regulatory Accounting Statements are prepared in accordance with a special purpose framework for the specific purpose as described in the Responsibilities for the audit of the Regulatory Accounting Statements section below. As a result, the Regulatory Accounting Statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Emphasis of matter – Effects of COVID-19

We draw attention to section 2 of the regulatory accounting statements, which describes the potential financial and operational impact the company is facing as a result of COVID-19 which is impacting customer demand and collection of receivables.

Our opinion is not modified in respect of this matter

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.11, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory accounting statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory accounting statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounting Statements.

A further description of our responsibilities for the audit of the Regulatory accounting statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.

Opinion on other matters prescribed by Condition F

Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the non-statutory financial statements of the Company for the year ended 31 March 2020 on which we reported on 1 July 2020, which are prepared for a different purpose. Our audit report in relation to the non-statutory financial statements of the Company (our "non-statutory audit") was made solely to the Company's members, as a body, in accordance with our engagement letter dated 26 June 2018. Our non-statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a non-statutory audit report and for no other purpose. In these circumstances, to the fullest extent

permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our non-statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Ernst & Young LLP

Statutory auditor

Bristol

1 July 2020

Section 1: Regulatory Financial Reporting

Narrative disclosures on performance

Table 1A Current tax reconciliation

Current tax reconciliation

- a) UK corporation tax on Table 1A is £16.1m comprising current year tax charge of £17.3m less a credit £1.2m of adjustments relating to prior years.

Profit before tax and fair value movements was £126.7m which at the standard tax rate of 19% derives an expected tax charge of £24.1m. The actual tax charge of £16.1m is £8.0m lower than £24.1m. The main reconciling items are explained as follows:

-£5.3m capital allowances in excess of depreciation
 -£2.3m pension tax relief in excess of accounting charge
 £1.0m permanent disallowable expenditure
 -£1.2m prior year adjustment
 -£0.2m other items

 £8.0m

- b) The corporation tax charge of £16.1m comprises a current year current tax charge of £17.3m less a prior year credit of £1.2m. The current year current tax charge of £17.3m is £4.8m higher than the £12.5m tax charge allowed in price limits. The main reconciling items are explained as follows:

+£4.8m additional profit before tax of £25.3m at 19%
 -£4.3m lower add back for depreciation
 -£1.5m higher tax relief on pension payments
 +£0.6m no debt gearing adjustment
 +£1.4m lower capital allowances deduction
 +£0.6m additional non deductible expenses
 +£3.2m other adjustments

 +£4.8m

Table 1F Financial flows

The purpose of Table 1F is to provide full transparency of the financial flows to investors. It looks at how the actual performance of the Company supports the financial flows and compares it to what was assumed by Ofwat under the notional structure at the last price review.

All financial values are stated at 2012-13 prices for comparison with the last price review.

Base returns

For 2019-20 we have taken the base return of 5.62% from PR14 and adjusted this downwards to reflect our exit from the non-household retail market. We have made this adjustment for each year since the market opened, reducing the average returns for 2015-20 from 5.63% to 5.59%. There is an associated benefit from this exit, the sale of our customer book, recognised in the exceptional item line.

Due to strong operational performance and customer service between 2010-15, our returns are further adjusted upwards by 0.07% in the year and 0.7% as an average over 2015-20.

The regulated equity is the proportion of the RCV that is not funded through debt. The notional figure is based on Ofwat's PR14 assumption of 62.5% gearing and the actual figure uses our average gearing for the year of 65.5%.

We note that the regulated equity figure Ofwat published for 2017-18 (£1,011m) is still incorrect. We have confirmed this with Ofwat and use our own calculation here (£1,014m).

Financing performance

This section of the table looks at the value of our financial performance, considering the impact of differing gearing from the notional company, tax paid and financing costs. We do not have any hedging

instruments to report here.

Our gearing for the year has increased to 66.25% at the end of the year. This is slightly above the notional assumption of 62.5% and results in additional equity returns (in percentage terms as the calculation uses the same overall return on a smaller overall equity).

We have continued to outperform the cost of debt assumed at the last price control. This is unsurprising as the debt market remains cheaper than it was at the time of the final determination. However, we continue to perform well when compared to this. In 2019 we raised a £250m bond at a fixed rate of 1.5%.

This strong outperformance is unlikely to continue as the state of the debt market has been reflected in the base return for 2020-25, with additional measures in place to reconcile the cost of new debt to actual figures.

Our strong operational and financial performance has resulted in us paying more tax than assumed at the final determination, this impact is also reflected here.

This year we have not had any impact from group relief.

Operational performance

This section of the table looks at our operational performance. Specifically, how we perform against our retail and wholesale cost allowances and how we perform against our ODIs.

This year we have continued our strong operational performance.

We discuss this in detail in the Totex narrative (pages 63-65), outcomes narrative (pages 47-58) and the retail narrative (page 35).

We have included the full effect of the SIM reward from the final determination, £7.11m at 2017-18 prices (repriced to 2012-13 prices for the purpose of this table), over 2015-19, retrospectively changing these figures for the calculation of the average position. This will mean that the average position cannot be calculated by looking at prior years submissions.

This year we have no new exceptional items. The only exceptional item included over the five years is the sale of our non-household customer book for £5m (in 2017-18 prices, repriced to 2012-13 prices for the purpose of this table). This offsets the reduced base returns from exiting the market.

Shareholder returns

The base shareholder value generated under the notional structure is c£89m. Our strong operational and financial performance has increased this to c£118m. This has enabled us, in line with our flexible dividend policy outlined (page 16), to pay shareholder dividends of c£81m (average over 5 years, 12-13 prices), retaining c£37m (average over 5 years 12-13 prices) within the company.

1A - Income statement				Wessex Water				
For the 12 months ended 31 March 2020								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
1A.1	Revenue	£m	3	552.300	-3.000	11.000	-14.000	538.300
1A.2	Operating costs	£m	3	-339.800	4.700	-11.000	15.700	-324.100
1A.3	Other operating income	£m	3	0.000	0.200	0.000	0.200	0.200
1A.4	Operating profit	£m	3	212.500	1.900	0.000	1.900	214.400
1A.5	Other income	£m	3	0.000	6.400	0.000	6.400	6.400
1A.6	Interest income	£m	3	0.500	0.000	0.000	0.000	0.500
1A.7	Interest expense	£m	3	-91.800	0.600	0.000	0.600	-91.200
1A.8	Other interest expense	£m	3	0.000	-3.400	0.000	-3.400	-3.400
1A.9	Profit before tax and fair value movements	£m	3	121.200	5.500	0.000	5.500	126.700
1A.10	Fair value gains/(losses) on financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000
1A.11	Profit before tax	£m	3	121.200	5.500	0.000	5.500	126.700
1A.12	UK Corporation tax	£m	3	-16.100	0.000	0.000	0.000	-16.100
1A.13	Deferred tax	£m	3	-38.500	-0.100	0.000	-0.100	-38.600
1A.14	Profit for the year	£m	3	66.600	5.400	0.000	5.400	72.000
1A.15	Dividends	£m	3	-88.000	0.000	0.000	0.000	-88.000
A Tax analysis								
1A.16	Current year	£m	3	17.300	0.000	0.000	0.000	17.300
1A.17	Adjustments in respect of prior years	£m	3	-1.200	0.000	0.000	0.000	-1.200
1A.18	UK Corporation tax	£m	3	16.100	0.000	0.000	0.000	16.100
				Non-appointed				
B Analysis of non-appointed revenue								
1A.19	Imported sludge	£m	3	0.000				
1A.20	Tankered waste	£m	3	0.000				
1A.21	Other non-appointed revenue	£m	3	11.000				
1A.22	Revenue	£m	3	11.000				

An explanation of the differences column can be found in paragraph 8 of the Regulatory disclosures.

1B - Statement of comprehensive income							Wessex Water	
For the 12 months ended 31 March 2020								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
1B.1	Profit for the year	£m	3	66.600	5.400	0.000	5.400	72.000
1B.2	Actuarial gains/(losses) on post employment plans	£m	3	40.800	0.000	0.000	0.000	40.800
1B.3	Other comprehensive income	£m	3	-20.300	0.000	0.000	0.000	-20.300
1B.4	Total Comprehensive income for the year	£m	3	87.100	5.400	0.000	5.400	92.500

An explanation of the differences column can be found in paragraph 8 of the Regulatory disclosures.

1C - Statement of financial position							Wessex Water	
For the 12 months ended 31 March 2020								
Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
A	Non-current assets							
1C.1	Fixed assets	£m	3	3768.800	-708.600	0.000	-708.600	3060.200
1C.2	Intangible assets	£m	3	58.100	0.000	0.000	0.000	58.100
1C.3	Investments - loans to group companies	£m	3	0.000	0.000	0.000	0.000	0.000
1C.4	Investments - other	£m	3	0.000	0.000	0.000	0.000	0.000
1C.5	Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000
1C.6	Retirement benefit assets	£m	3	0.000	0.000	0.000	0.000	0.000
1C.7	Total non-current assets	£m	3	3826.900	-708.600	0.000	-708.600	3118.300
B	Current assets							
1C.8	Inventories	£m	3	3.900	0.000	0.000	0.000	3.900
1C.9	Trade & other receivables	£m	3	182.700	1.000	0.000	1.000	183.700
1C.10	Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000
1C.11	Cash & cash equivalents	£m	3	42.300	0.000	0.000	0.000	42.300
1C.12	Total current assets	£m	3	228.900	1.000	0.000	1.000	229.900
C	Current liabilities							
1C.13	Trade & other payables	£m	3	-166.600	35.200	0.000	35.200	-131.400
1C.14	Capex creditor	£m	3	0.000	-35.200	0.000	-35.200	-35.200
1C.15	Borrowings	£m	3	-5.800	0.000	0.000	0.000	-5.800
1C.16	Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000
1C.17	Current tax liabilities	£m	3	-2.100	0.000	0.000	0.000	-2.100
1C.18	Provisions	£m	3	0.000	0.000	0.000	0.000	0.000
1C.19	Total current liabilities	£m	3	-174.500	0.000	0.000	0.000	-174.500
1C.20	Net current assets / (liabilities)	£m	3	54.400	1.000	0.000	1.000	55.400
D	Non-Current liabilities							
1C.21	Trade & other payables	£m	3	-6.300	0.000	0.000	0.000	-6.300
1C.22	Borrowings	£m	3	-2255.800	0.000	0.000	0.000	-2255.800
1C.23	Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000
1C.24	Retirement benefit obligations	£m	3	-90.600	0.000	0.000	0.000	-90.600
1C.25	Provisions	£m	3	-0.200	0.000	0.000	0.000	-0.200
1C.26	Deferred income - G&C's	£m	3	-289.100	99.600	0.000	99.600	-189.500
1C.27	Deferred income - adopted assets	£m	3	0.000	-99.600	0.000	-99.600	-99.600
1C.28	Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000
1C.29	Deferred tax	£m	3	-415.400	134.400	0.000	134.400	-281.000
1C.30	Total non-current liabilities	£m	3	-3057.400	134.400	0.000	134.400	-2923.000
1C.31	Net assets	£m	3	823.900	-573.200	0.000	-573.200	250.700
E	Equity							
1C.32	Called up share capital	£m	3	0.000	0.000	0.000	0.000	0.000
1C.33	Retained earnings & other reserves	£m	3	823.900	-573.200	0.000	-573.200	250.700
1C.34	Total Equity	£m	3	823.900	-573.200	0.000	-573.200	250.700

An explanation of the differences column can be found in paragraph 8 of the Regulatory disclosures.

1D - Statement of cash flows **Wessex Water**

For the 12 months ended 31 March 2020

Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
A								
Statement of cashflows								
1D.1	Operating profit	£m	3	212.500	1.900	0.000	1.900	214.400
1D.2	Other income	£m	3	0.000	6.400	0.000	6.400	6.400
1D.3	Depreciation	£m	3	113.500	-4.000	0.000	-4.000	109.500
1D.4	Amortisation - G&C's	£m	3	0.000	-3.100	0.000	-3.100	-3.100
1D.5	Changes in working capital	£m	3	-16.300	13.300	0.000	13.300	-3.000
1D.6	Pension contributions	£m	3	0.000	-15.000	0.000	-15.000	-15.000
1D.7	Movement in provisions	£m	3	0.000	0.700	0.000	0.700	0.700
1D.8	Profit on sale of fixed assets	£m	3	0.000	-0.200	0.000	-0.200	-0.200
1D.9	Cash generated from operations	£m	3	309.700	0.000	0.000	0.000	309.700
1D.10	Net interest paid	£m	3	-67.300	0.500	0.000	0.500	-66.800
1D.11	Tax paid	£m	3	-25.800	0.000	0.000	0.000	-25.800
1D.12	Net cash generated from operating activities	£m	3	216.600	0.500	0.000	0.500	217.100
C								
Investing activities								
1D.13	Capital expenditure	£m	3	-241.400	0.000	0.000	0.000	-241.400
1D.14	Grants & Contributions	£m	3	6.600	0.000	0.000	0.000	6.600
1D.15	Disposal of fixed assets	£m	3	2.200	0.000	0.000	0.000	2.200
1D.16	Other	£m	3	0.500	-0.500	0.000	-0.500	0.000
1D.17	Net cash used in investing activities	£m	3	-232.100	-0.500	0.000	-0.500	-232.600
1D.18	Net cash generated before financing activities	£m	3	-15.500	0.000	0.000	0.000	-15.500
D								
Cashflows from financing activities								
1D.19	Equity dividends paid	£m	3	-88.000	0.000	0.000	0.000	-88.000
1D.20	Net loans received	£m	3	166.200	0.000	0.000	0.000	166.200
1D.21	Cash inflow from equity financing	£m	3	0.000	0.000	0.000	0.000	0.000
1D.22	Net cash generated from financing activities	£m	3	78.200	0.000	0.000	0.000	78.200
1D.23	Increase (decrease) in net cash	£m	3	62.700	0.000	0.000	0.000	62.700

1E - Net debt analysis at 31 March 2020**Wessex Water**

For the 12 months ended 31 March 2020

Line description	Units	DPs	Interest rate risk profile				
			Fixed rate	Floating rate	Index linked	Total	
1E.1	Borrowings (excluding preference shares)	£m	3	1144.600	315.500	801.500	2261.600
1E.2	Preference share capital	£m	3				0.000
1E.3	Total borrowings	£m	3				2261.600
1E.4	Cash	£m	3				-15.300
1E.5	Short term deposits	£m	3				-27.000
1E.6	Net Debt	£m	3				2219.300
1E.7	Gearing	%	2				66.24%
1E.8	Adjusted gearing	%	2				66.25%
1E.9	Full year equivalent nominal interest cost	£m	3	48.000	4.700	33.800	86.500
1E.10	Full year equivalent cash interest payment	£m	3	48.000	4.700	21.600	74.300
A Indicative interest rates							
1E.11	Indicative weighted average nominal interest rate	%	2	4.17%	1.50%	4.22%	3.81%
1E.12	Indicative weighted average cash interest rate	%	2	4.17%	1.50%	2.70%	3.27%
1E.13	Weighted average years to maturity	nr	2	7.50	4.30	29.89	14.99

Section 1: Regulatory Financial Reporting

1F - Financial flows (Price Base - 2012-13 RPI Average)													Wessex Water			
For the 12 months ended 31 March 2020																
Line description	Units	DPs	12 Months ended 31 March 2020						Average 2015-20							
			%			£m			%			£m				
			Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity		
A																
1F.1	Return on regulatory equity	£m	3	5.55%	5.11%	5.55%	58.048	53.443	53.443	5.59%	5.25%	5.59%	56.615	53.191	53.191	
1F.2	Actual performance adjustment 2010-15	£m	3	0.07%	0.07%	0.07%	0.764	0.703	0.703	0.70%	0.66%	0.70%	7.120	6.689	6.689	
1F.3	Adjusted Return on regulatory equity	£m	3	5.62%	5.18%	5.62%	58.811	54.146	54.146	6.29%	5.91%	6.29%	63.735	59.881	59.881	
1F.4	Regulatory equity	£m	3	1045.908	1045.908	962.933				1012.798	1012.798	951.543				
B	Financing															
1F.5	Gearing	£m	3	0.00%	0.26%	0.26%	0.000	2.456	2.456	0.00%	0.19%	0.19%	0.000	1.834	1.834	
1F.6	Variance in corporation tax	£m	3	0.00%	-0.41%	-0.45%	0.000	-4.293	-4.293	0.00%	-0.80%	-0.85%	0.000	-8.098	-8.098	
1F.7	Group relief	£m	3	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.00%	0.03%	0.03%	0.000	0.319	0.319	
1F.8	Cost of debt	£m	3	0.00%	1.37%	1.57%	0.000	14.282	15.138	0.00%	1.54%	1.69%	0.000	15.563	16.093	
1F.9	Hedging instruments	£m	3	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.00%	0.00%	0.00%	0.000	0.000	0.000	
1F.10	Financing total	£m	3	5.62%	6.39%	7.00%	58.811	66.591	67.447	6.29%	6.87%	7.36%	63.735	69.499	70.029	
C	Operational performance															
1F.11	Totex out / (under) performance	£m	3	0.00%	0.40%	0.44%	0.000	4.204	4.204	0.00%	1.66%	1.77%	0.000	16.853	16.853	
1F.12	ODI out / (under) performance	£m	3	0.00%	0.54%	0.59%	0.000	5.694	5.694	0.00%	0.62%	0.66%	0.000	6.303	6.303	
1F.13	Retail out / (under) performance	£m	3	0.00%	-0.24%	-0.26%	0.000	-2.531	-2.531	0.00%	0.02%	0.02%	0.000	0.184	0.184	
1F.14	Other exceptional items	£m	3	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.00%	0.09%	0.09%	0.000	0.890	0.890	
1F.15	Operational performance total	£m	3	0.00%	0.70%	0.77%	0.000	7.367	7.367	0.00%	2.39%	2.55%	0.000	24.230	24.230	
1F.16	Total earnings	£m	3	5.62%	7.09%	7.77%	58.811	73.958	74.814	6.29%	9.27%	9.91%	63.735	93.729	94.259	
1F.17	RCV growth from RPI inflation	£m	3	2.59%	2.59%	2.59%	27.089	27.089	24.940	2.52%	2.52%	2.52%	25.523	25.523	23.979	
1F.18	Total shareholder return	£m	3	8.21%	9.68%	10.36%	85.900	101.047	99.754	8.81%	11.79%	12.43%	89.258	119.251	118.237	
1F.19	Net dividend	£m	3	4.00%	7.08%	7.69%	41.836	74.082	74.082	4.00%	7.99%	8.50%	40.512	80.906	80.906	
1F.20	Retained value	£m	3	4.21%	2.60%	2.67%	44.064	26.965	25.672	4.81%	3.80%	3.92%	48.746	38.345	37.331	
E	Dividends reconciliation															
1F.21	Gross dividend	£m	3	4.00%	7.08%	7.69%	41.836	74.082	74.082	4.00%	7.99%	8.50%	40.512	80.906	80.906	
1F.22	Interest received on intercompany loans	£m	3	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.00%	0.00%	0.00%	0.000	0.000	0.000	
1F.23	Net dividend	£m	3	4.00%	7.08%	7.69%	41.836	74.082	74.082	4.00%	7.99%	8.50%	40.512	80.906	80.906	

Section 2: Price Review and Other Segmental Reporting

Narrative disclosures on performance

We have published Tables 2G and 2H (revenues by tariff type) on our website [here](#).

Table 2C Retail

The table below shows actual retail operating costs as detailed in Table 2C, Row 12, against those assumed in Ofwat's Final Determination in 2014.

	Actual (£m)	Allowed (£m)
Household retail	36.8	33.8

– FD excludes net margin

– Non-household is zero as we have exited the non-household retail market

Retail: household

This year our retail operating costs were in line with those set at the final determination. This is an increase of £2.8m when compared to last year. There are two main drivers for this:

1. Expenditure on customer side leaks has significantly reduced due to lower activity as we have not had any prolonged cold spell or leakage outbreak this year.
2. We have reviewed our methodology for credit losses and included additional provisions in light of the Covid-19 pandemic and the expected pressure this might cause on household finances.

Tight cost control and continued focus on efficiency to meet the demanding PR19 determination has meant that we have been able to reduce other operating costs. Alongside this our service continues to be amongst the best in the industry.

- The Consumer Council for Water (CCW) published data shows that we continue to receive the lowest number of written complaints (per 10,000 connected properties) of any water and sewerage company.
- We are one of the top two water and sewerage companies on the new shadow C-Mex score
- We have performed well against our suite of retail performance commitments.

Our operations customer service team holds the Institute for Customer Service (ICS) service mark with distinction award, one of only 14 companies in the UK to be awarded this.

Although we have more customers overall than was assumed in the final determination, we have a different split of customers. Uptake on metering has slowed. This results in more of the cheaper to serve unmetered and fewer metered customers, as set out in the table below. Applying the CTSs from the RP14 FD this would reduce the expected operating costs by c£310k.

	Assumed Customers ('000s)	Actual Customers ('000s)	Variance ('000s)
Unmeasured water only	22	19	-3
Unmeasured waste water only	199	252	53
Unmeasured dual service	94	161	67
Measured water only	17	21	4
Measured waste water only	440	395	-45
Measured dual service	426	358	-68
Total	1,198	1,206	8

Retail: non-household

We no longer operate in the retail non-household market.

Table 2E New connections

This year we recovered £2.8m in infrastructure charges compared to expenditure on offsite reinforcement of £5.3m (supply and waste). This is an in-year under recovery of £2.5m, which combined with the brought forward under recovery of £865k, gives us a cumulative under recovery of £3.4m.

Although the figure we collected was close to what was expected, we have spent more on network reinforcement than we planned. This is in part due to accounting for some of the Trym tunnel as network

reinforcement; in the final determination Ofwat explicitly stated that a portion of the Trym tunnel should be recovered from developers. We have applied the proportion of the expenditure that developers are funding in AMP7 to the 2019-20 spend of £1.193m.

As the developer charging arrangements mature, we continue to improve how we record and allocate costs. This has resulted in additional recorded network reinforcement costs of c£1.4m. We had visibility of this variance when setting our 2020-21 charges. Therefore, we adjusted our charges to account for this difference and expect to see it corrected over the next financial year.

Table 2I Wholesale revenue control reconciliation

In 2019-20 we recovered £504.0m wholesale revenue against a final determination of £524.7m; within 0.5% of our forecast. A breakdown of the variance against our budget assumptions is shown in the table below.

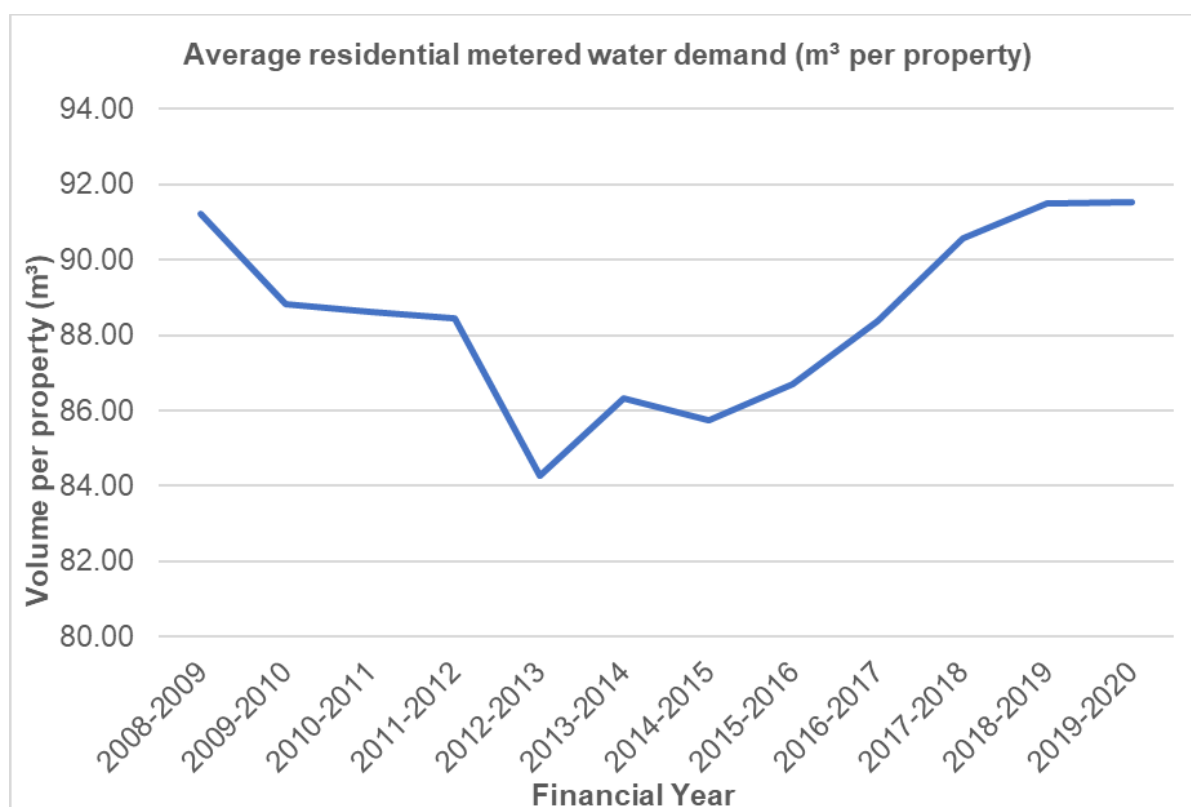
Element	Water (£m)	Sewerage (£m)	Total (£m)	Note
Agreed revenue to be recovered through charges	183.9	321.1	505.0	
Change to residential demand	-0.5	3.3	2.8	(1)
Change to commercial demand	-1.3	-1.5	-2.8	(2)
New customers and tariff switching	1.2	0.3	1.5	(3)
Decreased developer services income	2.0	-3.5	-1.5	(4)
COVID-19 commercial provision	-0.5	-0.4	-0.9	(5)
Other factors	-0.1	-	-0.1	
2019-20 recovered revenue	184.7	319.3	504.0	

High demand in previous years has meant we have over-recovered price review revenue allowances over the AMP. In 2019-20 we needed to return this to our customers. We agreed an approach with our Customer Challenge Group (the Wessex Water Partnership) which returned £19.7m to customers so we set charges with the aim of recovering £505m (£524.7 - £19.7m). The under-recovery this year will be recovered in future years through the blind year adjustment.

Notes:

1) Change to residential demand

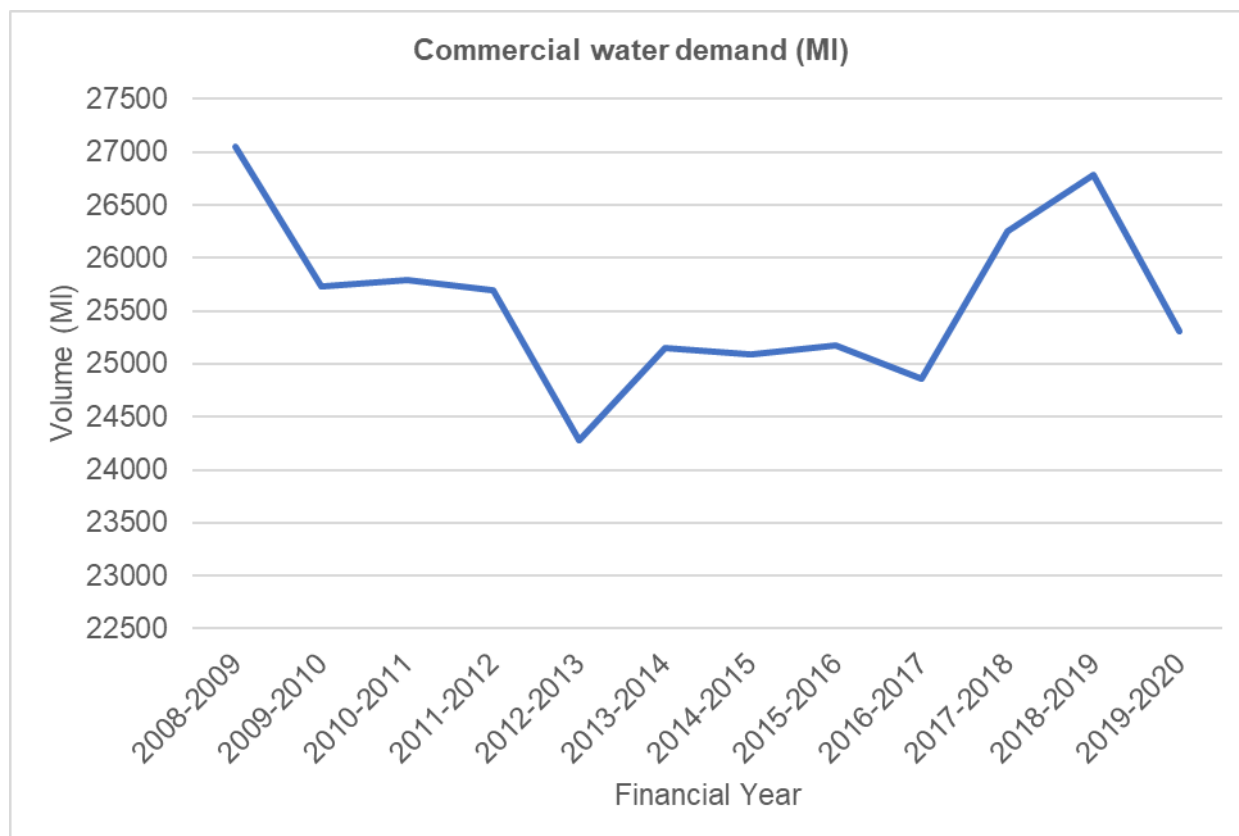
The graph below shows the trend in annual residential water demand between 2008-09 and 2019-20.



Demand remained broadly constant between 2018-19 and 2019-20. This resulted in a small under recovery on water. We had forecast wastewater volumes to reduce; as demand remained constant, we over recovered wastewater revenue slightly.

2) Change to commercial demand

The graph below shows the trend in commercial water demand between 2008-09 and 2019-20.



We experienced a decline in commercial demand over 2019-20. This resulted in a reduction in revenue compared to forecast. The impact on our wastewater revenues has been mitigated by an increase in trade effluent income. This was due to estimated data being replaced by actual meter readings and strengths.

3) New customers and tariff switching

Overall, the number of new customers was broadly similar to that assumed in the charge-setting process. However, demand for metering has continued to slow. This has led to a larger number of unmeasured customers, resulting in us recovering more revenue than forecast.

4) Decreased developer services income

There was overall a decrease in developer services income compared to that assumed in the charge-setting process.

Infrastructure charges were broadly in line with expectations, even though new connections were slightly lower than assumed. This is due to collecting charges that had previously been set at higher rates.

The largest reduction was driven by fewer and smaller s98 requisitions and reflects the current market conditions.

5) Covid-19 commercial provision

As the full impact of Covid-19 on commercial sales is unknown, we have included an additional provision to account for the expected drop in sales.

The impact of changing numbers of voids are implicitly included in the above as we consider overall sales volumes and customers on each tariff in points 1 to 3.

2A - Segmental income statement**Wessex Water**

For the 12 months ended 31 March 2020

Line description	Units	DPs	Retail		Wholesale							Total
			Household	Non-Household	Water resources	Water Network+	Water Total	Waste water Network+	Sludge	Wastewater total	TTT	
2A.1 Revenue - price control	£m	3	37.799	0.001		177.570	177.570	317.002		317.002		532.372
2A.2 Revenue - non price control	£m	3	0.000	0.000		2.600	2.600	3.328		3.328		5.928
2A.3 Operating expenditure	£m	3	-35.793	0.000	-10.126	-68.973	-79.099	-78.902	-20.747	-99.649	0.000	-214.541
2A.4 Depreciation - tangible fixed assets	£m	3	-0.500	0.000	-2.700	-33.000	-35.700	-57.800	-7.800	-65.600	0.000	-101.800
2A.5 Amortisation - intangible fixed assets	£m	3	-0.568	0.000	-0.295	-2.423	-2.718	-4.193	-0.280	-4.473		-7.759
2A.6 Other operating income	£m	3	0.000	0.000	0.100	1.600	1.700	-1.700	0.200	-1.500		0.200
2A.7 Operating profit before recharges	£m	3	0.938	0.001			64.353			149.108	0.000	214.400
A Recharges in respect of 'principal use' assets												
2A.8 Recharges from other segments	£m	3	-0.561	0.000	-0.240	-1.507	-1.747	-0.330	-0.245	-0.575		-2.883
2A.9 Recharges to other segments	£m	3	0.000	0.000	0.026	0.659	0.685	2.188	0.010	2.198		2.883
2A.10 Operating profit	£m	3	0.377	0.001			63.291			150.731	0.000	214.400
2A.11 Surface water drainage rebates	£m	3										0.136

2B - Totex analysis - wholesale water and wastewater								Wessex Water	
For the 12 months ended 31 March 2020									
Line description	Units	DPs	Water Resources	Water Network+	Wastewater Network+	Sludge	TTT	Total	
A Operating expenditure									
2B.1	Power	£m	3	2.653	7.791	19.223	0.950		30.617
2B.2	Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000		0.000
2B.3	Abstraction charges/ discharge consents	£m	3	2.417	0.131	4.255	0.017		6.820
2B.4	Bulk supply/ Bulk discharge	£m	3	-0.003	1.903	0.065	0.020		1.985
2B.5	Other operating expenditure - renewals expensed in year (Infrastructure)	£m	3	0.005	8.433	10.041	0.000		18.479
2B.6	Other operating expenditure - renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000		0.000
2B.7	Other operating expenditure - excluding renewals	£m	3	3.733	33.235	37.568	18.115		92.650
2B.8	Local authority and Cumulo rates	£m	3	0.760	15.947	7.234	1.645		25.585
2B.9	Total operating expenditure excluding third party services	£m	3	9.565	67.440	78.385	20.747	0.000	176.137
2B.10	Third party services	£m	3	0.561	1.533	0.517	0.000		2.611
2B.11	Total operating expenditure	£m	3	10.126	68.973	78.902	20.747	0.000	178.748
B Capital Expenditure									
2B.12	Maintaining the long term capability of the assets - infra	£m	3	0.431	19.016	14.299	0.000		33.746
2B.13	Maintaining the long term capability of the assets - non- infra	£m	3	1.549	42.824	59.731	12.053		116.157
2B.14	Other capital expenditure - infra	£m	3	0.003	4.897	29.719	0.000		34.620
2B.15	Other capital expenditure - non-infra	£m	3	0.816	5.538	46.698	3.733		56.784
2B.16	Infrastructure network reinforcement	£m	3	0.000	0.780	4.527	0.000		5.307
2B.17	Total gross capital expenditure excluding third party services	£m	3	2.799	73.054	154.974	15.786	0.000	246.614
2B.18	Third party services	£m	3	0.000	0.000	0.000	0.000		0.000
2B.19	Total gross capital expenditure	£m	3	2.799	73.054	154.974	15.786	0.000	246.614
C Grants and contributions									
2B.20	Grants and contributions	£m	3	0.000	8.166	2.642	0.000		10.808
2B.21	Totex	£m	3	12.925	133.861	231.234	36.533	0.000	414.554
D Cash Expenditure									
2B.22	Pension deficit recovery payments	£m	3	0.778	5.427	6.125	1.995		14.325
2B.23	Other cash items	£m	3	0.000	0.000	0.000	0.000		0.000
E Total									
2B.24	Totex including cash items	£m	3	13.703	139.288	237.359	38.528	0.000	428.878

2C - Operating cost analysis - retail			Wessex Water			
For the 12 months ended 31 March 2020						
Line description	Units	DPs	Household	Non-household	Total	
Operating expenditure						
2C.1	Customer services	£m	3	6.350	0.000	6.350
2C.2	Debt management	£m	3	1.730	0.000	1.730
2C.3	Doubtful debts	£m	3	19.548	0.000	19.548
2C.4	Meter reading	£m	3	1.270	0.000	1.270
2C.5	Services to developers	£m	3		0.000	0.000
2C.6	Other operating expenditure	£m	3	6.895	0.000	6.895
2C.7	Total operating expenditure excluding third party services	£m	3	35.793	0.000	35.793
2C.8	Third party services operating expenditure	£m	3	0.000	0.000	0.000
2C.9	Total operating expenditure	£m	3	35.793	0.000	35.793
2C.10	Depreciation - tangible fixed assets	£m	3	0.445	0.000	0.445
2C.11	Amortisation - intangible fixed assets	£m	3	0.568	0.000	0.568
2C.12	Total operating costs	£m	3	36.806	0.000	36.806
2C.13	Debt written off	£m	3	13.701	0.000	13.701

2D - Historic cost analysis of fixed assets - wholesale & retail **Wessex Water**

For the 12 months ended 31 March 2020

Line description	Units	DPs	Wholesale					Retail		Total
			Water Resources	Water Network+	Wastewater Network+	Sludge	TTT	Household	Non-Household	
A Cost										
2D.1 At 1 April 2019	£m	3	103.100	1352.600	2591.000	256.200		23.800	0.200	4326.900
2D.2 Disposals	£m	3	-2.400	-11.900	-20.300	-1.900		-0.200	0.000	-36.700
2D.3 Additions	£m	3	2.700	62.700	133.000	16.100		2.700	0.000	217.200
2D.4 Adjustments	£m	3	0.100	-13.400	-28.100	0.900		-4.000	0.000	-44.500
2D.5 Assets adopted at nil cost	£m	3	0.000	0.000	16.400	0.000		0.000	0.000	16.400
2D.6 At 31 March 2020	£m	3	103.500	1390.000	2692.000	271.300	0.000	22.300	0.200	4479.300
B Depreciation										
2D.7 At 1 April 2019	£m	3	-46.400	-343.200	-845.500	-114.300		-14.400	-0.200	-1364.000
2D.8 Disposals	£m	3	2.300	13.200	17.600	1.500		0.100	0.000	34.700
2D.9 Adjustments	£m	3	0.000	4.300	6.700	0.100		0.900	0.000	12.000
2D.10 Charge for the year	£m	3	-2.700	-33.000	-57.800	-7.800		-0.500	0.000	-101.800
2D.11 At 31 March 2020	£m	3	-46.800	-358.700	-879.000	-120.500	0.000	-13.900	-0.200	-1419.100
2D.12 Net book amount at 31 March 2020	£m	3	56.700	1031.300	1813.000	150.800	0.000	8.400	0.000	3060.200
2D.13 Net book amount at 1 April 2019	£m	3	56.700	1009.400	1745.500	141.900	0.000	9.400	0.000	2962.900
D Depreciation charge for year										
2D.14 Principal services	£m	3	-2.700	-33.000	-57.800	-7.800		-0.500	0.000	-101.800
2D.15 Third party services	£m	3	0.000	0.000	0.000	0.000		0.000	0.000	0.000
2D.16 Total	£m	3	-2.700	-33.000	-57.800	-7.800	0.000	-0.500	0.000	-101.800

The net book value includes £413.6m in respect of assets in the course of construction.

2E - Analysis of 'grants and contributions' and land sales - wholesale						Wessex Water	
For the 12 months ended 31 March 2020							
Line description	Units	DPs	Current year				
			Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	
A Grants and contributions - water							
2E.1	Connection charges	£m	3	2.874	0.000	0.000	2.874
2E.2	Infrastructure charge receipts	£m	3	0.000	1.412	0.000	1.412
2E.3	Requisitioned mains	£m	3	0.000	2.717	0.000	2.717
2E.4	Other contributions (price control)	£m	3	0.000	0.138	0.000	0.138
2E.5	Diversions	£m	3	1.027	0.000	0.000	1.027
2E.6	Other contributions (non-price control)	£m	3	0.000	-0.002	0.000	-0.002
2E.7	Total	£m	3	3.901	4.265	0.000	8.166
2E.8	Value of adopted assets	£m	3	0.000	0.000		0.000
B Grants and contributions - wastewater							
2E.9	Infrastructure charge receipts	£m	3	0.000	1.385	0.000	1.385
2E.10	Requisitioned sewers	£m	3	0.000	0.692	0.000	0.692
2E.11	Other contributions (price control)	£m	3	0.000	0.219	0.000	0.219
2E.12	Diversions	£m	3	0.329	0.000	0.000	0.329
2E.13	Other contributions (non-price control)	£m	3	0.000	0.017	0.000	0.017
2E.14	Total	£m	3	0.329	2.313	0.000	2.642
2E.15	Value of adopted assets	£m	3	0.000	16.377		16.377
B Grants and contributions - TTT							
2E.9	Infrastructure charge receipts	£m	3				0.000
2E.10	Requisitioned sewers	£m	3				0.000
2E.11	Other contributions (price control)	£m	3				0.000
2E.12	Diversions	£m	3				0.000
2E.13	Other contributions (non-price control)	£m	3				0.000
2E.14	Total	£m	3	0.000	0.000	0.000	0.000
2E.15	Value of adopted assets	£m	3	0.000	0.000		0.000
C Movements in capitalised grants and contributions							
2E.16	Brought forward	£m	3	61.002	124.073		185.075
2E.17	Capitalised in year	£m	3	4.265	2.313	0.000	6.578
2E.18	Amortisation (in income statement)	£m	3	-0.648	-1.490		-2.138
2E.19	Carried forward	£m	3	64.619	124.896	0.000	189.515
D Land sales							
2E.20	Proceeds from disposals of protected land	£000	3	0.084	0.275		0.359

2F - Household - revenues by customer type					Wessex Water	
For the 12 months ended 31 March 2020						
Line description	Wholesale charges revenue £m	Retail revenue £m	Total revenue £m	Number of customers (000s)	Average household retail revenue per customer £	
2F.1	Unmeasured water only customer	5.538	0.394	5.932	19.338	20
2F.2	Unmeasured wastewater only customer	65.119	4.140	69.259	251.604	16
2F.3	Unmeasured water and wastewater customer	86.578	5.853	92.431	161.385	36
2F.4	Measured water only customer	4.207	0.516	4.723	21.159	24
2F.5	Measured wastewater only customer	77.921	9.540	87.461	395.113	24
2F.6	Measured water and wastewater customer	141.626	17.356	158.982	357.838	49
2F.7	Total	380.990	37.799	418.789	1206.437	31

2I - Revenue analysis				Wessex Water			
For the 12 months ended 31 March 2020							
Line description	Units	DPs	Household	Non-household	Total		
A Wholesale charge - water							
2I.1	Unmeasured	£m	3	51.756	1.492		53.248
2I.2	Measured	£m	3	75.363	48.950		124.313
2I.3	Third party revenue	£m	3	0.000	0.009		0.009
2I.4	Total	£m	3	127.119	50.451		177.570
B Wholesale charge - wastewater							
2I.5	Unmeasured	£m	3	105.479	1.908		107.387
2I.6	Measured	£m	3	148.392	60.706		209.098
2I.7	Third party revenue	£m	3	0.011	0.506		0.517
2I.8	Total	£m	3	253.882	63.120		317.002
B Wholesale charge - TTT							
2I.5	Unmeasured	£m	3				0.000
2I.6	Measured	£m	3				0.000
2I.7	Third party revenue	£m	3				0.000
2I.8	Total	£m	3	0.000	0.000		0.000
2I.9	Wholesale Total	£m	3	381.001	113.571		494.572
C Retail revenue							
2I.10	Unmeasured	£m	3	10.387	0.000		10.387
2I.11	Measured	£m	3	27.412	0.000		27.412
2I.12	Other third party revenue	£m	3	0.000	0.001		0.001
2I.13	Retail total	£m	3	37.799	0.001		37.800
D Third party revenue - non-price control							
2I.14	Bulk Supplies - water	£m	3				0.386
2I.15	Bulk Supplies - wastewater	£m	3				0.542
2I.16	Other third party revenue	£m	3				3.730
E Principal services - non-price control							
2I.17	Other appointed revenue	£m	3				1.270
2I.18	Total appointed revenue	£m	3				538.300
				Water	Wastewater	TTT	Total
2I.19	Wholesale revenue governed by price control	£m	3	177.570	317.002	0.000	494.572
2I.20	Grants & contributions	£m	3	7.141	2.296		9.437
2I.21	Total revenue governed by wholesale price control	£m	3	184.711	319.298	0.000	504.009
2I.22	Amount assumed in wholesale determination	£m	3	190.973	333.720		524.694
2I.23	Adjustment for in-period ODI revenue	£m	3	0.000	0.000		0.000
2I.24	Adjustment for WRFIM	£m	3	-8.172	-12.653		-20.825
2I.25	Total assumed revenue	£m	3	182.802	321.067	0.000	503.869
2I.26	Difference	£m	3	1.909	-1.769	0.000	0.140

2J - Infrastructure network reinforcement costs				Wessex Water	
For the 12 months ended 31 March 2020					
Line description		Units	DPs	Network reinforcement capex	On site / site specific capex (memo only)
A Wholesale water network+ (treated water distribution)					
2J.1	Distribution and trunk mains	£m	3	0.769	4.637
2J.2	Pumping and storage facilities	£m	3	0.011	0.085
2J.3	Other	£m	3	0.000	0.000
2J.4	Total	£m	3	0.780	4.722
B Wholesale wastewater network+ (sewage collection)					
2J.5	Foul and combined systems	£m	3	3.603	9.059
2J.6	Surface water only systems	£m	3	0.083	0.793
2J.7	Pumping and storage facilities	£m	3	0.840	0.756
2J.8	Other	£m	3	0.000	0.000
2J.9	Total	£m	3	4.527	10.608

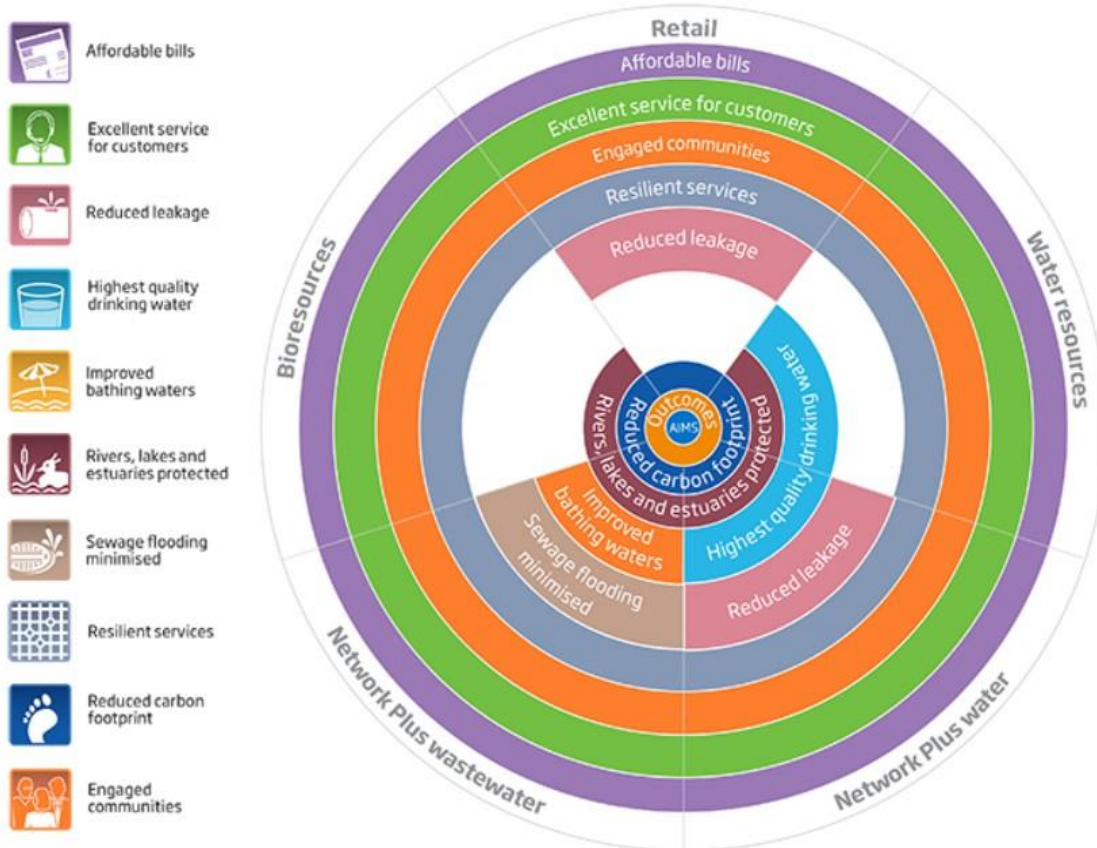
2K - Infrastructure charges reconciliation				Wessex Water		
For the 12 months ended 31 March 2020						
Line description	Units	DPs	Water	Wastewater	Total	
A Impact of infrastructure charge discounts						
2K.1 Infrastructure charges	£m	3	1.412	1.385	2.797	
2K.2 Discounts applied to infrastructure charges	£m	3	0.000	0.000	0.000	
2K.3 Gross infrastructure charges	£m	3	1.412	1.385	2.797	
B Comparison of revenue and costs						
2K.4 Variance brought forward	£m	3			-0.865	
2K.5 Revenue	£m	3	1.412	1.385	2.797	
2K.6 Costs	£m	3	-0.780	-4.527	-5.307	
2K.7 Variance carried forward	£m	3	0.632	-3.142	-2.510	

Section 3: Performance Summary

Narrative disclosures on performance

Outcomes

As part of our strategic direction statement, **Water – the way ahead (2015-2040)**, published in support of our PR14 business plan, we defined nine outcomes derived through our customer engagement. We have since updated our strategic direction statement to reflect a greater focus on how we engage with our communities. This is incorporated within the diagram below.



We consulted with our customers and worked with customer stakeholder bodies and our customer challenge group, the Wessex Water Partnership, to develop specific performance commitments (PCs) focused on areas of activity that were important to our customers. This resulted in 32 PCs being agreed with Ofwat in the 2014 final determination, where each PC has a confirmed target for each year of the regulatory period 2015-2020. We have submitted a request to Ofwat to change our 2019-20 target for SIM from >86 to >84 as the SIM proxy methodology has shown itself to give consistently lower results. Further detail is given below.

Where appropriate, Ofwat incentivised companies by applying financial outcome delivery incentives (ODIs). These were designed using customer valuations so that more of the company's returns were based on the service they provided to customers. Where there was uncertainty around performance, for example due to third party factors or variations in the weather, a deadband was applied around the target. No incentive payments or customer refunds apply within the deadband.

If the company fails to achieve targets for PCs with a financial incentive, we refund customers. If we beat these targets, the company receives a payment. All refunds and incentive payments have been factored into our AMP7 final determination and will be adjusted based on our 2019-20 performance reported here.

The following sections support the performance data included in Table 3A and Table 3S and provide an explanation of each performance commitment, details of any over or under performance for the 2019-20 reporting year and a summary of our performance over the AMP. This section also explains any financial incentive that applies to each performance commitment. All financial values are stated in 2012-13 prices

Water performance commitments

Outcome: Rivers, lakes and estuaries protected

Compliance with abstraction licences - All our abstractions of water from the environment are covered by Environment Agency (EA) permits, which specify the maximum volume we are allowed to take in a given day and in the year. This measure records the percentage of total days which we are in breach of a licence at any source.

We targeted 100% compliance in every year.

There is no financial incentive associated with this measure.

In 2019-20 we achieved the 100% target as for the previous four years of this regulatory period.

Abstractions at Mere exported - There are local concerns about the impact of our abstractions at Mere during periods when groundwater levels are low. This PC measures the total amount of water we abstract from the source in a year when groundwater levels are below an agreed trigger level (the AIM period).

We set ourselves a challenging target to significantly reduce our abstraction to a minimal level of 100MI or less from Mere during the AIM period. This is a significant reduction from the volume that we have historically abstracted over the same period (462MI).

There is a financial penalty attached to this measure; it represents the extra cost of using water abstracted from elsewhere. We will refund customers £25 for each MI above the target we abstract during periods of low groundwater.

During the 2019-20 AIM period, we exported 11MI, which is well below the maximum target level. We have met this commitment for the last three years of the five year period.

BAP Landholding assessed and managed for biodiversity – This measures the percentage of landholding we own that we have assessed for biodiversity. The results of this assessment influence appropriate management actions and contribute to achieving Defra's England biodiversity strategy. The undertaking of the management action is not included within the scope of the measure.

The target for 2015-20 was to increase the percentage assessed from 60% in 2015-16 to 100% for sites larger than 0.5 hectares, adding an additional 10% assessed each year.

If we miss the target, we will refund customers £4k per percent.

In 2015-16 and 2016-17, we reported against landholdings that were larger than 0.05 hectares. This was amended in 2017-18 to landholdings greater than 0.5 hectares, which corresponds with the Ofwat definition.

In 2019-20 we met the 100% target level, so have met the commitment for the five year period.

Length of rivers with improved flows - This measures the length of river with improved flows as a result of changes in abstraction licenses.

There were no improvements due or delivered in 2019-20. All improvements related to specific changes in licence conditions which were due by 2018-19.

If we had not delivered the planned changes to licence conditions, we would have refunded customers £19k per km. If we had delivered additional changes, we would have received an incentive payment of £19k per km.

In 2017-18 we agreed licence changes at Nutscale, improving the Nutscale Water and Horner Water, as well as at Compton Durville, improving the Lam Brook and North Mills Brook. These changes were not anticipated so were an outperformance of the target by 12km of river with improved flow. In 2018-19, we made further licence changes at Malmesbury, which were granted by the Environment Agency.

The overall length of river with improved flows stands at 111km, which is an overperformance of 12km against our target of 99km.

Outcome: Resilient services

Restrictions on water use This measure relates to the number of hosepipe or temporary use bans (TUBs) imposed.

We have not had to impose a TUB since 1976. For each TUB imposed, we would refund customers

£10.1m.

We did not have to impose a TUB in 2019-20 and so have met this commitment.

Water supply interruptions– This measures the average minutes of supply lost per property from interruptions that are longer than three hours.

Ofwat set an industry wide target representing upper quartile performance. In 2015-16, the target was 21.3 minutes. This tightened to the upper quartile of 12 minutes for 2017-18 to 2019-20.

A deadband applies to this performance commitment. In any year we exceed the deadband, we will refund customers £41.9k per additional minute per property. If in any year we beat the upper quartile performance of 12 minutes, we receive an incentive payment of £6.4k for every additional minute per property to a maximum of 4.5 minutes.

In 2019-20 we achieved 7.6 minutes. This results in an outperformance payment of £28k. Whilst this is an improvement against the target level of 12 minutes, this is an increase on 2018-19 where we achieved 5.9 minutes. This was due to two large incidents in March 2020, which added 2.8 minutes to our time. Had we not had these events, we would have been on track to exceed last year's performance.

Over the regulatory period we have met this commitment for four out of the five years. Over the past two years we have seen a step change in performance levels following a review on how we can reduce the interruption time, shifting the business focus from "repair the failure as quickly as possible", to "how do we get customers back in supply as quickly as possible and then deal with the permanent repair". A number of process reviews and improvements have helped us to reach this level and give us a foundation for the next five year period when this performance commitment continues with significantly tighter targets.

Properties supplied by a single source – This is a continuation of a measure developed for 2010-15 relating to delivery of the water supply grid. It measures the number of properties that are solely supplied by one source of drinking water and cannot be fed from an alternative.

We were targeted with reducing the number of these properties from 78,000 in 2015-16 to 42,000 in 2018-19.

If we were to fail to meet the target in any given year, we would refund customers £76.60 per property above target per year. If we de-scope the integrated supply grid and fail to deliver these improvements, we will refund customers £2,445 per property.

The implementation of the water supply grid in 2017-18 means that the PC target was met in 2018-19 and remains at this level in 2019-20.

Water main bursts – This is the number of water main bursts in the year.

The target is set at less than 1,993 in each year up to 2020. This represents the level at which, had we exceeded it, we could have incurred an underperformance penalty payment during the period 2010 to 2015.

For every burst above 1,993 in a given year, we will refund customers £4.9k.

In 2019-20 our performance was 1,783 bursts. This means we have met the target for every year of the five year period. This commitment carries on for the next five years in a revised form, but with a decreasing target each year.

Outcome: Reduced leakage

Volume of water leaked – The total daily volume of water we lose from our distribution system.

We targeted a 5% reduction from our 2014-15 performance of 70 MI/day, applied as a tightening of the target by 0.7 MI/day each year up to 2020.

This performance commitment has the potential for both customer refunds and incentive payments. We are penalised by £305k for every MI/day we miss the target. But, if we beat the target by more than 1 MI/day, we can receive an incentive payment of £110k for every additional MI/day.

In 2019-20, we achieved 61.4 MI/d, which is under the target of 66.5 MI/d. As a result, we will receive an outperformance payment of £330,000. We have met this commitment for each year of the 2015-2020 regulatory period.

The mild wet winter of 2019-20 has contributed to this performance, as well as responding to 90% of customer reported leaks within 24 hours (a further PC). We have increased our use of fixed acoustic

loggers to detect leaks, supported by a newly formed team looking at mobile acoustic loggers. In addition, we have optimised existing pressure control assets, and continue to make progress on further improvements in methods to reduce leakage. This commitment continues in a revised form for the 2020-2025 regulatory period.

Customer reported leaks fixed within a day – This measure is the number of significant leaks reported by customers that we fix within a day.

By 2020 we targeted to fix 90% of the significant leaks reported by customers by the end of the next working day following a report to us. The target gradually increases through the AMP from 66% in 2015-16.

Due to limited historic data to support setting an incentive, this PC does not have a financial incentive.

In 2019-20, we achieved the target 90% level of performance and have met each year's target level over the AMP. Despite achieving the target due to good collaboration between teams in the business and continuous improvement of our processes, this has been a significant challenge. Maintaining this performance level with tighter leakage targets will require constant review.

Outcome: Highest quality drinking water

Customer contacts about drinking water quality - The Drinking Water Inspectorate (DWI) annually report the number of contacts a company received about discolouration and taste and odour of drinking water.

In our business plan, we proposed a reduction of 10% over AMP6 from our 2014-15 performance; this was one of the measures where Ofwat set an industry wide target representing its view of the current upper quartile performance. In 2015-16, the target was 2,536 contacts, reducing to 2,072 in 2016-17 then from 2017-18 it reduced to a challenging 1,608 contacts.

If we fail to meet the target, we will refund customers £1,000 per contact and if we exceed the target, we could receive an incentive payment of £175 per contact.

In 2019-20, we saw an increase in our contacts to 2,097 contacts (2,010 in 2018-19). This is outside the underperformance cap and results in an underperformance payment of £400,000.

In 2017-18 we reported that, there are no clear means by which we can achieve the target for 2018-19 and 2019-20 without investing well above what customers have indicated they are prepared to pay. We are aware that our strategy of making it very easy for customers to contact us does make it more challenging to achieve this measure compared to the rest of the industry.

Compliance with drinking water standards (MZC) – The DWI annually calculate and report mean zonal compliance (MZC). This measures performance against 39 parameters representing the quality of potable water supplied to customers. This is measured at customer taps; so, failures can be caused by customers' plumbing issues.

In our business plan we proposed a target of 99.98% throughout, representing our highest ever historic performance. The DWI consider anything other than targeting 100% is inappropriate, so Ofwat set this as the target from 2017-18 to 2019-20.

The target for the whole industry is 100% and we incur an underperformance penalty payment of £770k if performance falls below 99.95% in any year.

In 2019-20, we achieved 99.97%. We had 13 sample failures out of the approximately 29,000 tests contributing to MZC. All of these were attributable to domestic plumbing and service pipe issues and none were found to be associated with Wessex Water assets. We are continuing to work with the Water Regulations Advisory Scheme (WRAS), the water fittings agency, to influence domestic plumbing to reduce domestic failures.

Over the five-year period we have run approximately 149,000 tests for drinking water quality and seen 68 sample failures. Only 11 of these have been on Wessex Water assets, and none in the last two years.

A new method of measuring compliance with drinking water standards called Compliance Risk Index (CRI) has been introduced by the DWI. This will replace MZC for the next five-year period. CRI includes sample failures from reservoirs and treatment works as well as customer taps and the scoring takes into account the type of breach as well as the scale of the potential impact.

Sewerage performance commitments

Outcome: Improved bathing waters

Agreed schemes delivered (named outputs with a bathing water driver in the NEP) – The water industry national environment programme (WINEP) phase 4 included 20 named outputs we have to deliver with regulatory dates to improve the bathing water quality at Burnham Jetty or investigation of other bathing waters. Due to a newly designated inland bathing water at Henleaze, Bristol, an additional investigation was added to the phase 5 NEP for year two delivery.

In 2019-20 there was one remaining scheme to deliver in Bridgwater which we completed. We have therefore met this performance commitment and delivered all required schemes on time over the five year period.

Beaches passing EU standards – Under the revised Bathing Water Directive (rBWD) beaches are classified as poor, sufficient, good or excellent; classifications are based on the quality of the water over the previous four bathing seasons. If a beach fails to achieve sufficient, it is deemed to have not met EU standards.

We are targeting all designated bathing waters in the region to meet EU standards.

As there are many factors outside the company's control that affect bathing waters, such as the impact of agriculture, there is no financial ODI associated with this measure.

We currently have 48 designated bathing waters within our operational region. Compliance is monitored by the Environment Agency, in accordance with the Directive, and audited annually by Defra.

In 2019-20, 96% of bathing waters within our region passed the EU 'sufficient' standard or higher under the rBWD. Burnham Jetty North and Weston-super-mare Uphill Slipway were the only two bathing waters within the Wessex Water area to fail the required standards in the year.

Despite the delivery of our investment programme at Burnham Jetty North, other drivers of poor bathing water quality remain. In May 2020, Defra confirmed that it will now be removed from the list of designated bathing waters.

Outcome: Rivers, lakes and estuaries protected

The Environment Agency's Environmental Performance Assessment (EPA) – Since 2012, the EA has published a composite measure of environmental performance, including pollution incidents (classified in categories 1 (being the most severe) through to 3), discharge permit compliance, sludge disposal compliance, pollutions self-reported and NEP outputs delivered. They classify each water company as 'leading' (previously 'industry leading'), 'good' (previously 'above average'), 'requires improvement' (previously 'below average') or 'poor'.

We targeted maintaining a leading position throughout AMP6, which would require meeting six of the following seven parameters:

- having fewer than or equal to 86 category 3 pollution incidents per 10,000km of sewers
- having fewer than or equal to one category 1 or two pollution incidents per 10,000km of sewers
- achieving more than 99% STW discharge compliance
- achieving 100% sludge disposal compliance
- self-reporting more than 75% of pollution incidents
- achieving 100% of NEP outputs
- achieving 100% on the security of supply index.

For 2019-20, the Environment Agency has suspended 'sludge disposal compliance' as a parameter within this measure. However, we continued to maintain full compliance and internal reporting.

This measure has the potential for a customer refund; if our performance drops to requires improvement (below average) we would refund customers £5.9m. There is also the potential for incentive payments if we perform well on the pollutions indicator; if in any year we achieve zero category 1 and 2 pollutions we can receive an incentive payment of £190k for each category 3 pollution incident less than 67.

In 2019-20 we believe we have achieved a 'leading' rating by meeting five of the six parameters. Confirmation from the EA is not due until July 2020.

We had one category 1 pollution in 2019 compared to four in 2018 (this is being reviewed by the Environment Agency as it was due to a third party discharge into our network). Self-reporting increased from 75% in 2018 to 84% in 2019 and total sewerage pollutions reduced from 82 to 76.

However, discharge permit compliance has reduced from 100% to 98.5% due to failures at five sites.

Over the AMP we have received a classification of 'leading' for four out of the five years, with 'good' in 2018-19.

Monitoring combined sewer overflows (CSOs) – This measures the number of event duration monitors (EDMs) installed.

There are 714 outputs required in the NEP by March 2020. Prior to 2015, we installed CSO monitors on 278 sites. This measure is the percentage of these outputs we have achieved, including those prior to 2015.

We were targeted with achieving 100% of the installations by the end of 2019-20; so we will have installed monitors at all environmentally sensitive CSOs by the end of the price control period. This measure has the potential for a customer refund; for each 1% we miss the target by we will refund £10k.

We met our target for 2019-20, and for the AMP as a whole, by installing 210 EDMs over the past 12 months. At the end of 2019-20 we are monitoring 992 of our 1,289 known overflows, which also meets the target for having 75% of our overflows monitored by 2020.

River water quality improved – This measure relates to the number of waterbodies (designated by the EA) to which we have made improvements by increasing the quality of final effluent we discharge into them, or by making other improvements.

From the draft WINEP we calculated that we would be making improvements to 70 unique waterbodies, assuming that the discharge from a STW affects the water body it discharges into and the next one downstream. This is the target for this price control period and any financial incentive will only be applied in the final year.

This measure has the potential for both customer refunds and incentive payments. If we miss the target, we will refund customers £1.674m per waterbody; if we exceed the target, we can receive an incentive payment of £1.290m for each additional waterbody.

By the end of 2019-20 this performance commitment targeted us to make improvements to those 70 waterbodies, a level that we have exceeded through improving 71 water bodies. However, we are excluding this outperformance for the additional waterbody. The water recycling centre to which it applies was assumed in 2014 to discharge to tidal waters. It does in fact discharge to a river waterbody, and we believe that receiving payment for this additional waterbody would not be in the spirit of the performance commitment's aim.

Outcome: Sewage flooding mimimised

Internal flooding incidents – This measures the number of internal sewage flooding incidents per 10,000 properties that are caused by events other than insufficient capacity in our sewerage network. This measure includes flooding incidents caused by blockages and asset failures.

This was one of the measures for which Ofwat set an industry wide target representing current upper quartile performance. As we were already an upper quartile performer, our target was set tighter than this level at 1.66 incidents per 10,000 properties in 2019-20; this equates to c205 incidents.

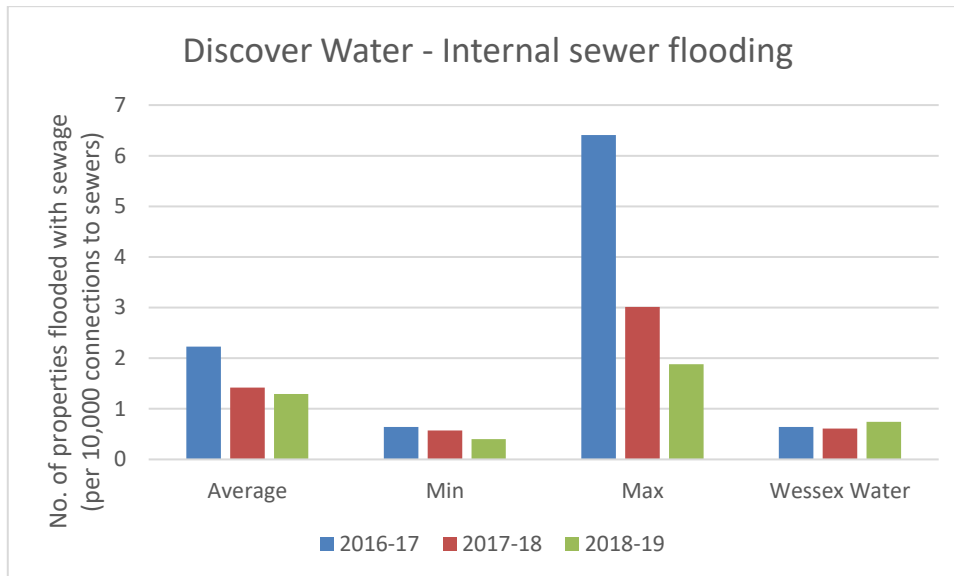
As a high customer priority this measure has the potential for both customer refunds and incentive payments. To account for the impact of weather on sewer flooding, we have a deadband around the target. This means that we will refund customers if we miss the target by more than 0.2 (c25 incidents), and we can claim incentive payments if we beat the target by more than 0.13 (c16 incidents). We will refund £315k for each 0.01 we are above the deadband and we can claim an incentive payment of £204k for each 0.01 we are below the deadband.

In 2019-20 our performance was 1.16 sewer flooding incidents per 10,000 properties (146 incidents), resulting in an incentive payment of £5.5m. This year we have increased our staff training around jetting sewers and designed a programme focused around preventing the escape of sewage (looking not only at flooding incidents, but also pollutions and sewer bursts, as indicated in our pollution reduction plan published on our website).

We have worked hard each year of this regulatory period to improve our monitoring and maintenance of

our sewers and worked with customers to reduce the amount of sewer misuse that can cause blockages through the flushing of wet wipes, or disposal of fats, oils and greases down the sink. Over the AMP we have consistently outperformed on this PC with a total outperformance payment of £24.1m.

The Discover Water website (see [here](#)) shows that Wessex Water is an industry leader when compared with the other water and sewerage companies on internal flooding incidents. We reported 0.74 incidents per 10,000 sewer connections (using data for legacy public sewers rather than our entire network hence the difference in numbers) in 2018-19 compared to an industry average of 1.29.



Risk of flooding from public sewers due to hydraulic inadequacy – We measure the total risk of flooding due to lack of capacity by assigning all properties/areas on the flooding risk register to a risk matrix based on the likelihood and impact of flooding. We use this to calculate the aggregate score for the company.

We targeted a constant risk profile over 2015-20, maintaining an aggregate score of 50,651 despite upwards pressure from climate change and urban creep.

This measure has the potential for both customer refunds and incentive payments. As it was a new measure for 2015-2020 with limited historic data, there is a large deadband around the target. If we exceed the target by more than 20%, we will refund customers £10.4m; if we beat the target by more than 20%, we can claim an incentive payment of £7k for each additional point the aggregate score is reduced by.

In 2019-20 we achieved a risk score of 52,262. This is higher than the target score of 50,651 (a lower score is better) but in the underperformance deadband so no penalty applies. We attribute the increase in the risk score and failure to meet the target to the fifth wettest Autumn on record, and the wettest February ever on record.

North Bristol sewer scheme - Frome catchment – This is a measure required by Ofwat in the final determination to ensure timely delivery of the Frome Valley relief sewer.

If the delivery had been delayed beyond 2019-20, we would have refunded customers £1.86m per year. There was also a more severe underperformance payment of £24.9m associated with not undertaking the scheme.

We completed delivery of the scheme in 2018-19, meeting our PC for the 2015-20 period.

North Bristol sewer scheme - Trym catchment – This is a measure required by Ofwat in the final determination to ensure timely delivery of the Trym tunnel.

If we had missed the initial milestones due in 2017-18, we would have refunded customers £0.97m per year. There is a more severe underperformance payment of £14.1m associated with not undertaking the scheme– there is no risk of incurring this as the scheme is underway.

In 2017-18 we reached the initial milestone by demonstrating, in line with our delivery plan, that the design, consultation and construction of the Trym scheme has been progressed. There is no target for us to meet in 2019-20, but we are on schedule for delivery of the scheme in March 2023.

Outcome: Resilient services

Collapses and bursts on the sewer network – This measures the number of sewer collapses and rising main bursts in the year.

The target is set at less than 300 in each year up to 2020. This represents the level above which we could have incurred an underperformance penalty payment during the period 2010-15. For every collapse/burst over 300 in a given year, we will refund customers £8.4k.

We have achieved this target in each year of the AMP. The reported figure for 2019-20 is 251. In first three years, we reported this figure incorrectly; the commitment is based on a five-year average rather than in year performance (we reported on the latter). We restated the correct values in our 2018-19 annual performance report. This did not have an impact on whether we achieved the target levels each year.

Outcome: Reduced carbon footprint

Greenhouse gas emissions – This measures our annual net greenhouse gas emissions in ktCO₂e.

We are targeting a reduction from 133 ktCO₂e in 2015-16 to 119 ktCO₂e in 2019-20 compared to a performance of 148 ktCO₂e in 2014-15. As a large proportion of this is driven by the CO₂e emissions from grid electricity, a factor that is outside our control, there is no financial ODI associated with this measure.

For 2019-20 greenhouse gas emissions were 117 kilotonnes carbon dioxide equivalent, which is better than our target of 119 kilotonnes carbon dioxide equivalent. We are constantly looking for ways to reduce our carbon footprint: key examples in recent years include the preventative aspects of catchment management, extensive energy efficiency work, and investment in food waste digestion which provides electricity consumed by regulated activity.

We have met this target for the last four of the five years of this regulatory period, which puts us in a good position to work towards the industry target of net zero operational carbon emissions by 2030.

Proportion of energy self-generated – This measures the percentage of our electricity and gas use that is accounted for by our own renewable generation. The renewable energy in this calculation includes:

- a) Electricity from combined heat and power fueled by sewage sludge biogas
- b) Exported biomethane expressed as the electricity that it would have produced if the source biogas had been converted into electricity instead
- c) Electricity from hydropower installations
- d) Renewable electricity from other on-site generation that is consumed by a regulated activity (i.e. water treatment, distribution, sewerage, sewage treatment or sludge treatment). In our case this includes electrical output of food waste digestion and solar power.

The denominator for this performance commitment is total electricity demand. We use electricity as the single common unit to avoid combining electrical and thermal energy output, which could lead to confusion and disparities.

We are targeting an increase in the amount we generate over time, starting at 21% in 2015-16 and rising to 25% by 2019-20. If we miss the target in any year, we will refund customers £99k for every percent we are below this target.

Our renewable electricity generation for this year was 26%, better than our target. We have met this target in each of the five years of this regulatory period.

Retail performance commitments

Outcome: Excellent service for customers

Service incentive mechanism (SIM) service score – The SIM is the Ofwat measure of the quality of customer service. There are two elements; an independent customer satisfaction survey and a customer contact measure covering written complaints and unwanted contacts. The scores for each of these elements are combined to produce a total score out of 100.

At PR14, our target was set as a score of >86 in each year of the five years. We have achieved this performance commitment every year of the 2015-20 period.

In 2019-20 we achieved a score of 86.2. The 2019-20 SIM calculation is based on a proxy method as this measure is being replaced in AMP7 by CMeX – the customer measure of experience. We have submitted a request to Ofwat to change our target in 2019-20 from >86 to >84. We believe the SIM proxy score used in 2019-20 has given a lower value across the industry than the old methodology as a result of the change to the questionnaire, mix of survey type, and different scoring in the surveys.

We have not included any valuation of the financial impact for the SIM as this is determined separately by Ofwat.

Percentage rating service good/very good - This is the percentage of customers who have contacted us with an operational query/complaint that rate our service as 'very good' or 'good'. The percentage is calculated from the answer to one of the questions in the survey used by our customer care team when they contact customers once their operational contact has been resolved. The survey is undertaken by telephone or by text message.

Our target is >95% rating our service as good or very good in each year of the five years. This is a reputational measure only.

In 2019-20 we achieved 97.7% rating following assessment by external auditors. We have met this commitment in each year of the AMP.

Percentage rating good value for money - This is the percentage of customers in our region rating our overall service as good value for money. The percentage is calculated from the answer to the relevant question in our image tracking survey. This is a telephone survey of a random sample of 1,000 domestic customers in the Wessex Water region. The survey is carried out by an independent market research agency on our behalf.

The survey questions are consistent from year to year. The sample includes both people who have had reason to contact us in the year and those that have not.

We targeted a 1% increase in value for money each year over AMP6, starting from 71% in 2015-16 to 75% in 2019-20. We have not met this target in 2019-20 with a score of 74%, but have seen a significant improvement of 5% between 2018 and 2019 despite this being a year when the value for money of the sector has been under particular scrutiny politically and in the media. We did not achieve this commitment in 2017-18 and 2018-19.

This is a reputational measure only.

Customers rating ease of resolution – This is the percentage of customers in our region who said that their contact was easy to resolve.

Measurement of this commitment has changed over the AMP period. In previous years, we have used our SIM replica surveys as the source of data for this PC. SIM in its full form ceased to exist on 31 March 2019. Ofwat's new measure of customer experience, C-MeX, was introduced as a shadow measure for this year in readiness for full launch on 1st April 2020.

We commissioned Ofwat's appointed research supplier, BMG Research, to carry out 10 C-MeX replica surveys for Wessex Water which included the ease of resolution question for this PC. They achieved a sample size of 1,817 over the year which is slightly reduced on previous years.

The 2019-20 performance is 91% compared with 92% for 2018-19 and a starting position of 93% in 2015-16. To meet this commitment an improving trend is required over the five-year period. We have therefore not met this performance commitment in 2019-20.

Accessible communications - This is a measure of how accessible and inclusive our services are to our customers.

This is measured by the achievement of the BS Standard 18477 for inclusive service provision and the Customer Service Excellence award. Both are external accreditations with an annual external assurance process.

This is a reputational measure only. In 2019-20, we maintained this British Standard certification and have done so through the five-year period.

Outcome: Affordable bills

Volume of water used per person – The average volume of water used by a person per day. This is also referred to as per capita consumption (PCC).

We targeted a reduction in PCC over 2015-20, from 135 litres/head/day (l/h/d) in 2015-16 reducing by 1 l/h/d annually to 131 l/h/d in 2019-20. PCC is largely driven by external factors outside of the company's control and so no financial ODI is attached to this performance commitment.

In 2019-20 the PCC was 145 l/h/d, 14 l/h/d higher than the target of 131 l/h/d. Over the past five years there has also been an underlying trend of increasing household.

A contributory factor could be a lower number of water meter installations than planned as a result of fewer households opting in (and as a result have implemented several schemes such as money back guarantees to encourage sign-up). An addition, although small, is the start of the lockdown period for COVID-19 in March 2020. Although affecting only a short period in the 2019-20 year, we saw a sharp increase in consumption in that month.

Due to the impact of external factors it is difficult to forecast or manage the delivery of this measure, other than to reflect the actual performance each year

Volume of water saved by water efficiency promotion - We are committed to helping customers reduce their water use as part of our efforts to operate a sustainable water supply and waste water business.

Our performance commitment for 2015-2020 required us to achieve a saving of 3.26 l/p/d by 2020. If we miss the target in any given year, we will refund customers £1.89m for each l/h/day.

The savings delivered cumulatively to 2019-20 exceeded our performance commitment, so we have met this target and saw us reach a final saving of 3.34l/p/d.

Bill as a proportion of disposable income - This compares our average household bill with average household disposable income. To calculate the latter, we use the equivalised disposable income statistics, published by ONS in their report titled **The effects of taxes and benefits on household income**.

This data is published two years in arrears and we update it by the most recent forecasts of household disposable income from the Office for Budget Responsibility (OBR), taking into account the overall change in households using the ONS Families and Households publication. This gives us the final denominator to calculate the bill as a proportion of disposable income.

We have targeted a reducing trend over the five years.

Based on the latest ONS and OBR data our 2019-20 bill was 1.4% of disposable income. This compares with the position in 2014-15 when the bill was 1.6%, and so this meets the reducing trend target over the five-year period.

AMP7 Performance commitments

For AMP7 (1 April 2020 to 31 March 2025) our 32 AMP6 PCs are replaced by 46 new measures. The table below shows the 32 PCs from AMP6 and whether they have been discontinued, are carrying on (some may have a revised definition) or if they have been replaced by a target that drives the same behaviours. The new commitments for AMP7 are detailed in an additional column.

Our new AMP7 PCs include, 'Natural Capital – Improve Sites of Special Scientific Interest (SSSI Sites)'. This incentivises us to deliver actions agreed with Natural England for improving Sites of Special Scientific Interest (SSSIs). An extract of the definition from Ofwat's **PR19 final determinations: Wessex Water – Outcomes performance commitment appendix** is shown below.

Unique Reference	PR19WSX_E4
Detailed definition of performance measure	The percentage of actions which the company has delivered. These actions have been identified with Natural England and are intended to improve the current condition of SSSIs.
Additional detail on measurement units	The list of actions is set out in a master list. The company will provide evidence of the master list of SSSI sites and appropriate actions agreed with Natural England as part of its July 2020 Annual Performance Report (APR) alongside appropriate assurance of Natural England's agreement with the list. An end of year report will be completed detailing the actions undertaken and the sites improved that year.
Specific exclusions	This performance commitment will be measured against an agreed list of site- based actions only and not other SSSI management tools such as the Natural England Remedies database.
Reporting and assurance	An appropriately qualified external third party will produce a report each year that will be published and shared with Natural England and the Wessex Water Catchment Panel at the end of March each year. It will summarise the evidence for the actions completed in that year in line with the specifications of Natural England.

We have published the master list of SSSIs on our website wessexwater.co.uk. We have agreed actions with Natural England at four sites and have included these in the list. We plan to deliver actions at nine sites in 2019-20. These are scheduled to be agreed by July 2020. Actions for all 46 sites are scheduled to be agreed by March 2021.

This PC was subject to external assurance by our technical assurance provider, Mott MacDonald. This included assurance of Natural England's agreement with the list as required.

Section 3: Performance Summary

Ending/Replaced	Carrying on as they are	Carrying on with revised definition	New commitments	
Compliance with abstraction licences	Restrictions on water use (hosepipe bans)	Water supply interruptions (> 3 hours including planned, unplanned and third party interruptions)	Successful applications for assistance received by the independent advice sector/ third parties	Risk of severe restrictions in a drought
Properties supplied by a single source (including the integrated supply grid)	Water main bursts	Collapses and bursts on sewer network	Void sites	Unplanned outage
Beaches passing EU standards	Risk of flooding from public sewers due to hydraulic inadequacy	Internal flooding incidents	Gap sites	Security (non-SEMD)
Monitoring CSOs	Accessible communications (replacement is delivering for customers in vulnerable circumstances)	North Bristol Sewer Scheme - Trym catchment	Total bill reduction to customers on social tariffs per 10,000 properties	DWMPs
North Bristol Sewer Scheme - Frome catchment	Percentage rating good value for money	Volume of water leaked	D-MeX	Priority Services for customers in vulnerable circumstances
Proportion of energy self-generated	Customer reported leaks fixed within a day	Volume of water used per person	C-MeX	Number of children/students engaged
Percentage rating ease of resolution	Volume of water saved by water efficiency promotion	Greenhouse gas emissions (annual greenhouse gas emissions from operational services)	Tackling water quality at home and in the work place	Customer property sewer flooding (external)
Percentage rating service good/very good	Customer contacts about drinking water quality <i>Revised definition? Confirm with Luke</i>	Abstractions at Mere exported	Lead communications service pipes replaced (Wessex Water assets)	Risk of sewer flooding in a storm
Length of rivers with improved flows		River water quality improved	Event risk index (Wessex Water) (ERI WW)	Reduce frequent spilling overflows (non-WINEP)
BAP landholding assessed and managed for biodiversity			Water quality compliance (CRI)	Km of river improved (non-WINEP)
Compliance with drinking water standards (MZC)			Abstraction Incentive Mechanism (Stubhampton)	Delivery of Avonmouth STW WINEP scheme
The EA's Environmental Performance Assessment			Natural capital: improve Sites of Special Scientific Interest (SSSI sites)	Pollution incidents
SIM service score			Treatment works compliance	Satisfactory sludge disposal
Bill as a proportion of disposable income			Delivery of water industry national environment programme requirements	Working with communities to improve bathing water experience
Agreed schemes delivered (named outputs with bathing water drivers in the NEP)				Working with catchment partners to improve natural capital

Outcome areas

Affordable bills
Excellent service for customers
Better relationships with customers and communities
Efficient use of water
Excellent drinking water quality
Minimise sewer flooding
Resilient services
Protecting and enhancing the environment

Section 3: Performance Summary

Performance commitment	Unit	Unit description	Decimal places	2018-19 performance level - actual (for information)	2019-20 performance level - actual	2019-20 PCL met?	2019-20 outperformance payment or underperformance payment - in-period ODIs (indicator)	2019-20 outperformance payment or underperformance payment - in-period ODIs (€m, to 4 dp)	2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (indicator)	2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (€m, to 4 dp)
B4: Compliance with abstraction licences	%	% compliance with EA abstraction licences	1	100.0	100.0	Yes				
B5: Abstractions at Mere exported (follows principles of the AIM methodology)	nr	Megalitres per annum (M/a)	0	0	11	Yes	-			
B6: BAP landholding assessed and managed for biodiversity	%	% WSX landholding assessed & managed for biodiversity	0	96	100	Yes	-			
B7: Length of rivers with improved flows	nr	Kilometres (km) of river with improved flows (cumulative)	0	111	111	Yes	Outperformance payment	0.2280		
D2: Restrictions on water use (hosepipe bans)	nr	No. of hosepipe bans (temporary use ban)	0	0	0	Yes	-			
D3: Water supply interruptions (> 3 hours including planned, unplanned and third party interruptions)	time	Minutes / property / year	1	5.9	7.6	Yes	Outperformance payment	0.028200		
D4: Properties supplied by a single source (including the integrated supply grid)	nr	No. of properties supplied by a single source	0	42,000	42,000	Yes	-			
D5: Water main bursts	nr	No. of water main bursts per year	0	1,839	1,783	Yes	-			
F1: Volume of water leaked	nr	Megalitres per day (M/d)	1	66.4	61.4	Yes	Outperformance payment	0.3300		
F2: Customer reported leaks fixed within a day	%	% customer reported leaks fixed within a day	0	80	90	Yes				
G1: Customer contacts about drinking water quality	nr	No. contacts in the year about drinking water quality	0	2,010	2,097	No	Underperformance payment	-0.4000		
G2: Compliance with drinking water standards (MZC)	%	Mean zonal compliance (%)	2	99.96	99.97	No	Underperformance payment deadband			
A1: Agreed schemes delivered (named outputs with bathing water drivers in the NEP)	%	% of agreed schemes delivered (NEP bathing water)	0	100	100	Yes	-			
A2: Beaches passing EU standards	%	% bathing waters meeting the revised BWD standards	0	96	96	No				
B1: The EA's Environmental Performance Assessment (ODI based on pollution incidents)	text	EA's Environmental Performance Assessment standing	na	Good	Leading	Yes	Outperformance payment deadband			
B2: Monitoring CSOs	%	% CSOs presenting environmental risk with EDM installed	0	80	100	Yes	-			
B3: River water quality improved	nr	No. water bodies improved through WwTW investments	0	38	70	Yes	-			
C1: Internal flooding incidents	nr	No. of internal sewer flooding incidents / 10,000 properties	2	1.43	1.16	Yes	Outperformance payment	5.5080		
C2: Risk of flooding from public sewers due to hydraulic inadequacy	nr	Flooding risk as measured by sewer flooding risk grid	0	50,176	52,262	No	Underperformance payment deadband			
C3a: North Bristol Sewer Scheme - Frome catchment	text	Scheme delivery - Frome catchment	na	Complete	Complete	Yes	-			
C3b: North Bristol Sewer Scheme - Trym catchment	text	Scheme delivery - Trym catchment	na	-	-	Yes	-			
D1: Collapses and bursts on sewer network	nr	No. of sewer collapses and rising main bursts	0	257	251	Yes	-			
E1: Greenhouse gas emissions (annual greenhouse gas emissions from operational services)	nr	ktCO2e	0	118	117	Yes				
E2: Proportion of energy self-generated	%	% of energy (electricity and gas) self-generated	0	25	26	Yes	-			
A1: SIM service score	score	Service incentive mechanism (SIM) score	0	87	86	Yes				
A2: Percentage rating service good/very good	%	% customer satisfaction	0	96	98	Yes				
A3: Percentage rating good value for money	%	% customer satisfaction	0	69	74	No				
A4: Percentage rating ease of resolution	%	% customer satisfaction	0	92	91	No				
A5: Accessible communications	text	Meet best practice	na	Achieved	Achieved	Yes				
B1a: Volume of water used per person	nr	Litres per person per day (l/p/d)	0	147	145	No				
B1b: Volume of water saved by water efficiency promotion	nr	Litres per person per day (l/p/d)	2	3.06	3.34	Yes	-			
B2: Bill as a proportion of disposable income	%	Bill as a proportion (%) of disposable income	1	1.4	1.4	Yes				

3B - Sub-measure performance table**Wessex Water**

For the 12 months ended 31 March 2020

Row	Unique ID	PC/sub-measure ID	PC / sub-measure	Unit	Decimal places	2018-19 performance level - actual	2019-20 performance level - actual	2019-20 PCL met?
1								
2								
3								
4								
5								
6								
7								
8								
9								

Wessex Water has no sub-measures so this table is intentionally blank.

3C - AIM table**Wessex Water**

For the 12 months ended 31 March 2020

Row	Abstraction site	Decimal places	2019-20 AIM performance [MI]	2019-20 normalised AIM performance [nr]	Cumulative AIM performance 2016-17 onwards [MI]	Cumulative normalised AIM performance 2016-17 onwards [nr]	Contextual information relating to AIM performance
1	Mere AIM	2	-332.2	-0.97	-1,298.8	-3.37	10.74 MI exported during AIM. Far less than historical.
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
Total			-332.2	-0.97	-1,298.8	-3.37	

3D - SIM table		Wessex Water		
For the 12 months ended 31 March 2020				
Line description		Units	DPs	Score
A	Qualitative performance			
3D.1	1st survey score	nr	2	4.48
3D.2	2nd survey score	nr	2	4.46
3D.3	3rd survey score	nr	2	4.50
3D.4	4th survey score	nr	2	4.39
3D.5	Qualitative SIM score (out of 75)	nr	2	64.83
3D.6	Total contact score	nr	2	10.89
3D.7	Quantitative SIM score (out of 25)	nr	2	21.37
3D.8	Total annual SIM score (out of 100)	nr	2	86.20

Section 4: Additional Regulatory Information

Narrative disclosures on performance

We are not required by Ofwat to include Tables 4J to 4W as part of the annual performance report. However, we have published these on our website [here](#). These tables have been prepared in accordance with the Regulatory Accounting Guidelines (RAGs) and we have applied the same high-quality assurance as for the other tables.

Wholesale: Actual Expenditure v Final Determination (FD)

The following table provides a comparison of the actual expenditure to FD in 2019-20 prices. The comparison is based on the net PAYG FD value at outturn prices so excludes any pension deficit repair allowance.

	Water (£m)	Sewerage (£m)	Total (£m)
Totex FD	130.6	278.7	409.2
Actual totex	146.8	258.7	405.5
PAYG variance	-16.2	20.0	3.7

Wholesale: water

The totex expenditure for wholesale water shows a £16.2m overspend against the FD in the year.

As we stated in 2015-16, our representations at the time stressed that the PR14 FD allowance was challenging for us with a rural network and a large number of small water resource and production sites. Therefore, we anticipated that our base expenditure would remain close to the FD allowance, even after efficiency plans were implemented. This is indeed what we have experienced.

The overspend in the year reflects three factors:

- An ongoing and increasing expenditure on leakage as we strive for ever more challenging performance
- Additional maintenance works implemented as part of projects with an enhancement driver
- Delivery of treatment works improvements resulting from emergent water quality risks and disinfection improvements, in particular required by the DWI under Reg26 notices.

All major capital project outputs have been delivered in the AMP.

Wholesale: sewerage

The totex expenditure for wholesale waste water shows an £20.0m underspend against the FD in the year.

The underspend is due to the following main factors:

- The business targeted additional savings/efficiencies this year in order to have a smoother transition into the next AMP period which with a reorganisation in operations aimed at focusing on these future challenges
- Due to third party land and planning constraints, progress on additional sludge assets to improve our resilience under extreme conditions has been slowed. These maintenance projects are now due to complete in 2020.
- Due to the uncertainty on the deliverables, we completed the installation of our event duration monitors early with an anticipation of having to revisit and complete rework in this year which did not materialise.

All major capital project outputs have been delivered in the AMP.

Table 4B Totex

Assessment process

Assessing the variance between actual expenditure and the final determination at any point during a price control period requires logical assessment and assumptions to be applied so that the reporting is consistent and minimises any judgement.

Any variation will be made up of a mix of horizontal (advancement or slippage) and vertical (overspend or saving) movements. Table 1F requires the assessment of the savings which has been assumed to be net savings (ie, savings v overspends) but excludes slippage or advancement.

As this is the last year of the five-year price control, with all outputs being met, the net variance is assumed to be savings.

Explanation of cumulative savings

The cumulative savings to the end of 2019-20 are £170.6m.

The savings reported in prior years amount to £160.6m and the additional savings identified cumulative to 2019-20 are £10.0m. These are a combination of savings on schemes completed in the year and conversion of slippage identified in previous years that is now recognisable as savings at the end of the AMP, with all regulatory outputs having been delivered on time.

The net opex savings across the AMP have been delivered through a combination of

- Early procurement of power contracts
- In-house provision of key activities
- Early migration to CPI indexation (business rates)
- Optimisation of chemical processes
- Operational staff efficiencies
- Rationalisation of overhead departments (ie, absorbing group activities and recharging to other companies)
- Consortium equipment/material procurement.

The net capital savings across the AMP have been delivered through a combination of

- Delivery of named regulatory quality projects through in-house management on time and under budget
- Introduction of catchment management and catchment nutrient balancing solutions in place of asset solutions
- In-house management and delivery of network improvements
- Completion of phase 1 of the multi-AMP Bristol sewerage strategy (the Frome Valley Relief sewer) early and under budget
- Completion of the integrated water supply grid (an eight year programme of works) on time and under budget

The cumulative savings have been delivered while maintaining the acceptable level of risk determined by the board and while achieving consistently industry leading / upper quartile performance.

Table 4H Return on Regulated Equity (RORE)

We are reporting a cumulative RORE of 9.10% compared to a central case in the final determination of 5.59%. Our overall RoRE is driven by strong operational and financial performance. It is made up of:

	RORE		Note
	2019-20	AMP6	
Equity return from FD	5.55%	5.59%	[1]
Totex outperformance	0.33%	+1.19%	[2]
Retail outperformance	-0.20%	+0.02%	[3]
Customer Service (ODI) outperformance	1.15%	+0.62%	[4]
Financing outperformance	1.46%	+1.62%	[5]
Exceptional Items	0.00%	+0.07%	[6]
Reported RORE	8.29%	9.10%	

Notes:

1) Base returns

From 2017-18 onwards we have adjusted these downwards to account for the disposal of our non-household retail business

2) Totex outperformance

See narrative on previous page. This has shrunk slightly from last year as most savings had already been confirmed, with just savings on projects completing in the past 12 months included this year.

3) Retail outperformance

We have included the net retail savings (Household + Non-household up to March 2017) outlined in the retail vs FD narrative.

4) Customer service (ODI) outperformance

We have included the net reward position notionally accrued to date. It is consistent with the outcome of our blind year submission alongside the annual report. Additionally, this year we have included the full impact of SIM as per the final determination.

5) Financing outperformance

We continue to see strong financing outperformance, driven by high inflation with limited exposure to inflation linked debt. The calculation here differs to that presented in Table 1F, as we use the Fisher equation to calculate the allowed nominal interest rate.

6) Exceptional Items

This is the full benefit of the sale our non-household retail customer book in 2017-18. We have adjusted the base returns to account for the reduction in margin rather than accounting for that here.

4B - Wholesale totex analysis				Wessex Water					
For the 12 months ended 31 March 2020									
Line description	Units	DPs	Current year			Cumulative 2015-20			
			Water	Wastewater	TTT	Water	Wastewater	TTT	
A Actual totex									
4B.1	Actual totex	£m	3	152.991	275.887	0.000	755.665	1095.449	
B Items excluded from the menu									
4B.2	Third party costs	£m	3	2.094	0.517		6.382	1.440	
4B.3	Pension deficit recovery payments	£m	3	6.205	8.120		20.277	30.280	
4B.4	Other 'Rule book' adjustments	£m	3	0.000	0.000		-12.824	-22.776	
4B.5	Total items excluded from the menu	£m	3	8.299	8.637	0.000	13.835	8.943	0.000
C Transition expenditure									
4B.6	Transition expenditure	£m	3	0.000	-9.078		0.542	-4.330	
D Adjusted Actual totex									
4B.7	Adjusted Actual totex	£m	3	144.692	258.173	0.000	742.371	1082.176	0.000
4B.8	Adjusted Actual totex base year prices	£m	3	121.809	217.342		662.778	959.669	
E Allowed totex									
4B.9	Allowed totex based on final menu choice – base year prices	£m	3	110.000	233.100		677.100	1091.600	

4C - Impact of AMP performance to date on RCV				Wessex Water		
For the 12 months ended 31 March 2020						
Line description	Units	DPs	Water	Wastewater	TTT	
4C.1	Cumulative totex over/underspend so far in the price control period	£m	3	-7.126	-138.099	
4C.2	Customer share of cumulative totex over/underspend	£m	3	-3.617	-69.864	
4C.3	RCV element of cumulative totex over/underspend	£m	3	-3.124	-64.825	
4C.4	Adjustment for ODI outperformance payment or underperformance payment	£m	3	0.877	0.000	
4C.5	RCV determined at FD at 31 March	£m	3	1183.207	2167.153	
4C.6	Projected 'shadow' RCV	£m	3	1180.960	2102.328	0.000

4D - Wholesale totex analysis - water										Wessex Water
For the 12 months ended 31 March 2020										
Line description	Units	DPs	Water resources		Network+				Total	
			Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution		
A Operating expenditure										
4D.1	Power	£m	3	0.000	2.653	0.000	0.000	5.853	1.938	10.444
4D.2	Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.3	Abstraction charges/ discharge consents	£m	3	2.417	0.000	0.000	0.000	0.119	0.012	2.548
4D.4	Bulk supply	£m	3	0.000	-0.003	0.000	0.000	1.630	0.274	1.900
4D.5	Other operating expenditure - renewals expensed in year (Infrastructure)	£m	3	0.000	0.005	0.000	0.000	0.008	8.425	8.438
4D.6	Other operating expenditure - renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.7	Other operating expenditure - excluding renewals	£m	3	0.000	3.733	0.000	0.000	10.827	22.408	36.968
4D.8	Local authority and Cumulo rates	£m	3	0.000	0.760	0.000	0.000	1.579	14.368	16.707
4D.9	Total operating expenditure excluding third party services	£m	3	2.417	7.148	0.000	0.000	20.015	47.424	77.005
4D.10	Third party services	£m	3	0.000	0.561	0.000	0.000	0.066	1.467	2.094
4D.11	Total operating expenditure	£m	3	2.417	7.709	0.000	0.000	20.082	48.891	79.099
B Capital Expenditure										
4D.12	Maintaining the long term capability of the assets - infra	£m	3	0.000	0.431	0.000	0.000	0.099	18.917	19.447
4D.13	Maintaining the long term capability of the assets - non-infra	£m	3	0.000	1.549	0.000	0.000	31.703	11.121	44.373
4D.14	Other capital expenditure - infra	£m	3	0.000	0.003	0.000	0.000	0.000	4.897	4.900
4D.15	Other capital expenditure - non-infra	£m	3	0.000	0.816	0.000	0.000	2.030	3.508	6.353
4D.16	Infrastructure network reinforcement	£m	3	0.000	0.000	0.000	0.000	0.000	0.780	0.780
4D.17	Total gross capital expenditure (excluding third party)	£m	3	0.000	2.799	0.000	0.000	33.832	39.222	75.853
4D.18	Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.19	Total gross capital expenditure	£m	3	0.000	2.799	0.000	0.000	33.832	39.222	75.853
C Grants and contributions										
4D.20	Grants and contributions	£m	3	0.000	0.000	0.000	0.000	0.000	8.166	8.166
4D.21	Totex	£m	3	2.417	10.508	0.000	0.000	53.914	79.947	146.786
D Cash Expenditure										
4D.22	Pension deficit recovery payments	£m	3	0.000	0.778	0.000	0.000	1.636	3.791	6.205
4D.23	Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4D.24	Totex including cash items	£m	3	2.417	11.286	0.000	0.000	55.550	83.738	152.991
E Unit cost information (operating expenditure)										
4D.25	Licenced volume available	M	3	244620.772						
4D.25	Volume abstracted	M	3		132107.515					
4D.25	Volume transported	M	3			0.000				
4D.25	Average volume stored	M	3				9169.676			
4D.25	Distribution input volume	M	3					120659.183		
4D.25	Distribution input volume	M	3						123618.945	
4D.26	Unit cost	£/M	3	9.883	58.354	0.000	0.000	166.433	395.499	
4D.27	Population	000s	3	1335.130	1335.130	1335.130	1335.130	1335.130	1335.130	
4D.28	Unit cost	£/pop	3	1.811	5.774	0.000	0.000	15.041	36.619	

4E - Wholesale totex analysis - wastewater											Wessex Water	
For the 12 months ended 31 March 2020												
Line description	Units	DPs	Network+ Sewage collection			Network + Sewage treatment		Sludge			Total	
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal		
A	Operating expenditure											
4E.1	Power	£m	3	2.562	1.164	1.164	13.000	1.332	0.011	0.934	0.006	20.173
4E.2	Income treated as negative expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.3	Discharge consents	£m	3	0.786	0.357	0.357	2.715	0.039	0.000	0.017	0.000	4.272
4E.4	Bulk discharge	£m	3	-0.005	-0.002	-0.002	0.062	0.012	0.001	0.019	0.000	0.085
4E.5	Other operating expenditure - renewals expensed in year (Infrastructure)	£m	3	8.385	1.651	0.000	0.005	0.000	0.000	0.000	0.000	10.041
4E.6	Other operating expenditure - renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.7	Other operating expenditure - excluding renewals	£m	3	9.173	4.169	4.169	19.624	0.434	5.496	7.197	5.422	55.682
4E.8	Local authority rates and Cumulo rates	£m	3	0.015	0.007	0.007	6.854	0.351	0.008	1.636	0.000	8.879
4E.9	Total operating expenditure excluding third party services	£m	3	20.916	7.346	5.695	42.260	2.168	5.516	9.803	5.428	99.132
4E.10	Third party services	£m	3	0.271	0.123	0.123	0.000	0.000	0.000	0.000	0.000	0.517
4E.11	Total operating expenditure	£m	3	21.187	7.469	5.818	42.260	2.168	5.516	9.803	5.428	99.649
B	Capital Expenditure											
4E.12	Maintaining the long term capability of the assets - infra	£m	3	12.621	1.567	0.000	0.111	0.000	0.000	0.000	0.000	14.299
4E.13	Maintaining the long term capability of the assets - non-infra	£m	3	8.839	-0.001	0.000	50.778	0.115	0.189	11.665	0.199	71.784
4E.14	Other capital expenditure - infra	£m	3	24.961	2.485	-0.002	2.275	0.000	0.000	0.000	0.000	29.719
4E.15	Other capital expenditure - non-infra	£m	3	2.098	-0.005	0.000	44.598	0.006	0.000	3.733	0.000	50.431
4E.16	Infrastructure network reinforcement	£m	3	4.443	0.083	0.000	0.000	0.000	0.000	0.000	0.000	4.527
4E.17	Total gross capital expenditure (excluding third party services)	£m	3	52.963	4.129	-0.002	97.763	0.121	0.189	15.398	0.199	170.761
4E.18	Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.19	Total gross capital expenditure	£m	3	52.963	4.129	-0.002	97.763	0.121	0.189	15.398	0.199	170.761
C	Grants and contributions											
4E.20	Grants and contributions	£m	3	1.770	0.436	0.436	0.000	0.000	0.000	0.000	0.000	2.642
4E.21	Totex	£m	3	72.380	11.162	5.380	140.023	2.289	5.705	25.201	5.627	267.767
C	Cash Expenditure											
4E.22	Pension deficit recovery payments	£m	3	1.432	0.651	0.651	3.226	0.166	1.097	0.838	0.060	8.120
4E.23	Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.24	Totex including cash items	£m	3	73.812	11.813	6.031	143.248	2.455	6.802	26.039	5.687	275.887
D	Unit cost information (operating expenditure)											
4E.25	Volume collected	M	3	166706.238								
4E.25	Volume collected	M	3		125471.805							
4E.25	Volume collected	M	3			125471.805						
4E.25	Biochemical Oxygen Demand (BOD)	Tonnes	3				65972.361					
4E.25	Biochemical Oxygen Demand (BOD)	Tonnes	3					6009.390				
4E.25	Volume transported	m3	3						932942.580			
4E.25	Dried solid mass treated	ttds	3							69.175		
4E.25	Dried solid mass disposed	ttds	3								47.698	
4E.26	Unit cost	£/unit	3	127.093	59.527	46.370	640.574	360.719	5.912	141709.843	113802.159	
4E.27	Population	000s	3	2853.528	2853.528	2853.528	2853.528	2853.528	2853.528	2853.528	2853.528	
4E.28	Unit cost	£/pop	3	7.425	2.617	2.039	14.810	0.760	1.933	3.435	1.902	

4F - Cost analysis - household retail												Wessex Water	
For the 12 months ended 31 March 2020													
Line description	Units	DPs	Household unmeasured				Household measured				Total		
			Water only	Wastewater only	Water and wastewater	Total	Water only	Wastewater only	Water and wastewater	Total			
A	Operating expenditure												
4F.1	Customer services	£m	3	0.070	1.181	0.786	2.036	0.086	2.203	2.025	4.314	6.350	
4F.2	Debt management	£m	3	0.007	0.299	0.383	0.689	0.007	0.393	0.640	1.041	1.730	
4F.3	Doubtful debts	£m	3	0.449	5.844	3.748	10.041	0.260	4.852	4.395	9.507	19.548	
4F.4	Meter reading	£m	3					0.029	0.335	0.906	1.270	1.270	
4F.5	Other operating expenditure	£m	3	0.112	1.463	0.938	2.513	0.120	2.236	2.025	4.381	6.895	
4F.6	Total operating expenditure excluding third party services	£m	3	0.638	8.786	5.856	15.280	0.502	10.020	9.991	20.513	35.793	
4F.7	Third party services operating expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4F.8	Total operating expenditure	£m	3	0.638	8.786	5.856	15.280	0.502	10.020	9.991	20.513	35.793	
4F.9	Depreciation - tangible fixed assets (on assets existing at 31 March 2015)	£m	3	0.003	0.035	0.023	0.061	0.003	0.063	0.057	0.123	0.184	
4F.10	Depreciation - tangible fixed assets (on assets acquired since 1 April 2015)	£m	3	0.004	0.050	0.032	0.086	0.005	0.089	0.081	0.175	0.261	
4F.11	Amortisation - intangible fixed assets (on assets existing at 31 March 2015)	£m	3	0.002	0.024	0.016	0.042	0.002	0.037	0.034	0.073	0.115	
4F.12	Amortisation - intangible fixed assets (on assets acquired since 1 April 2015)	£m	3	0.007	0.096	0.061	0.164	0.008	0.146	0.135	0.289	0.453	
4F.13	Total operating costs	£m	3	0.654	8.991	5.988	15.633	0.520	10.355	10.298	21.173	36.806	
4F.14	Capital expenditure	£m	3	0.058	0.776	0.494	1.327	0.068	1.256	1.155	2.480	3.807	
B	Demand-side efficiency and customer-side leaks analysis - Household												
4F.15	Demand-side water efficiency - gross expenditure	£m	3									0.239	
4F.16	Demand-side water efficiency - expenditure funded by wholesale	£m	3									0.000	
4F.17	Demand-side water efficiency - net retail expenditure	£m	3									0.239	
4F.18	Customer-side leak repairs - gross expenditure	£m	3									2.657	
4F.19	Customer-side leak repairs - expenditure funded by wholesale	£m	3									0.000	
4F.20	Customer-side leak repairs - net retail expenditure	£m	3									2.657	

4G - Wholesale current cost financial performance				Wessex Water			
For the 12 months ended 31 March 2020							
Line description	Units	DPs	Water	Wastewater	TTT	Total	
4G.1 Revenue	£m	3	180.182	320.331	0.000	500.513	
4G.2 Operating expenditure	£m	3	-79.101	-99.503	0.000	-178.604	
4G.3 Capital maintenance charges	£m	3	-54.900	-101.100		-156.000	
4G.4 Other operating income	£m	3	1.700	-1.500	0.000	0.200	
4G.5 Current cost operating profit	£m	3	47.881	118.228	0.000	166.109	
4G.6 Other income	£m	3	3.700	2.700		6.400	
4G.7 Interest income	£m	3	0.200	0.300		0.500	
4G.8 Interest expense	£m	3	-30.200	-61.000		-91.200	
4G.9 Other interest expense	£m	3	-1.500	-1.900		-3.400	
4G.10 Current cost profit before tax and fair value movements	£m	3	20.081	58.328	0.000	78.409	
4G.11 Fair value gains/(losses) on financial instruments	£m	3	0.000	0.000		0.000	
4G.12 Current cost profit before tax	£m	3	20.081	58.328	0.000	78.409	

4H - Financial metrics		Wessex Water			
For the 12 months ended 31 March 2020					
Line description	Units	DPs	Current year	AMP to date	
A Financial indicators					
4H.1	Net debt	£m	3	2219.300	
4H.2	Regulated equity	£m	3	1131.060	
4H.3	Regulated gearing	%	2	66.24%	
4H.4	Post tax return on regulated equity	%	2	9.73%	
4H.5	RORE (return on regulated equity)	%	2	8.29%	9.10%
4H.6	Dividend yield	%	2	7.78%	
4H.7	Retail profit margin - Household	%	2	0.24%	
4H.8	Retail profit margin - Non household	%	2	0.00%	
4H.9	Credit rating	Text	n/a	BBB	
4H.10	Return on RCV	%	2	6.22%	
4H.11	Dividend cover	dec	2	0.82	
4H.12	Funds from operations (FFO)	£m	3	220.200	
4H.13	Interest cover (cash)	dec	2	4.30	
4H.14	Adjusted interest cover (cash)	dec	2	2.11	
4H.15	FFO/Debt	dec	2	0.10	
4H.16	Effective tax rate	%	2	13.65%	
4H.17	RCF	£m	3	132.200	
4H.18	RCF/capex	dec	2	0.55	
B Revenue and earnings					
4H.19	Revenue (actual)	£m	3	532.372	
4H.20	EBITDA (actual)	£m	3	317.831	
C Movement in RORE					
4H.21	Base return	%	2	5.55%	5.59%
4H.22	Totex out / (under) performance	%	2	0.33%	1.19%
4H.23	Retail cost out / (under) performance	%	2	-0.20%	0.02%
4H.24	ODI out / (under) performance	%	2	1.15%	0.62%
4H.25	Financing out / (under) performance	%	2	1.46%	1.62%
4H.26	Other factors	%	2	0.00%	0.07%
4H.27	Regulatory return for the year	%	2	8.29%	9.10%
C Borrowings					
4H.28	Proportion of borrowings which are fixed rate	%	2	50.61%	
4H.29	Proportion of borrowings which are floating rate	%	2	13.95%	
4H.30	Proportion of borrowings which are index linked	%	2	35.44%	
4H.31	Proportion of borrowings due within 1 year or less	%	2	0.26%	
4H.32	Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	3.83%	
4H.33	Proportion of borrowings due in more than 2 years but but no more than 5 years	%	2	25.05%	
4H.34	Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	39.07%	
4H.35	Proportion of borrowings due in more than 20 years	%	2	31.79%	

Section 4: Additional Regulatory Information

41 - Financial derivatives											Wessex Water		
For the 12 months ended 31 March 2020													
Line description	Units	DPs	Nominal value by maturity (net)			Total value at 31 March 2020		Total accretion at 31 March 2020	Units	DPs	Interest rate (weighted average for 12 months to 31 March 2020)		
			1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market				Payable	Receivable	
Derivative type													
A Interest rate swap (sterling)													
41.1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.6	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.7	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
B Foreign Exchange													
41.8	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.9	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.10	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.11	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.12	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
C Currency interest rate													
41.13	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.14	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.15	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.16	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.17	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
D Forward currency contracts													
41.18	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.19	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.20	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.21	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.22	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.23	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.24	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
41.25	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000				
E Other financial derivatives													
41.26	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	%	2	0.00%	0.00%
F Total													
41.27	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000				

The Company has no interest rate or foreign currency swaps.

Bidding activity: bioresources market

Wessex Water

Line description		Units	DPs	2019-20 value
A Summary of market activity				
1	Total number of contracts held with a third party at end of the financial year	Nr	0	0
2	Total amount paid on contracts during the financial year	£k/year	0	0
3	Number of different suppliers at the year end	Nr	0	0
4	Number of contracts ended during the year	Nr	0	0
5	Number of contracts renewed during the year	Nr	0	0
6	Number of new contracts that have been agreed during the year	Nr	0	0
B Formal tender process				
1	Number of formal tenders you issued during the year	Nr	0	0
2	Total number of bids received on all your tenders	Nr	0	0
3	Number of tenders you awarded during the year	Nr	0	0
C Informal bidding process				
1	Number of offers made by a third party outside the formal tender process during the financial year	Nr	0	0
2	The number of successful offers	Nr	0	0
D Treatment of sludge				
1	Total quantity of sludge produced in performance of the company's functions as a sewerage undertaker	ttds/year	2	69.18
2	Quantity of sludge treated in-house	ttds/year	2	69.18
3	Quantity of sludge treated by a third party	ttds/year	2	0.00
4	Number of contracts to provide sludge treatment	Nr	0	0
5	Number of suppliers with contracts for sludge treatment	Nr	0	0
E Sludge transported				
1	Total quantity of sludge transported by road	ttds/year	2	78.61
2	Quantity of sludge transported by road in-house by your own bioresources service	ttds/year	2	78.61
3	Quantity of sludge transported by road by a third party	ttds/year	2	0
4	Number of contracts to provide sludge transport services	Nr	0	0
5	Number of suppliers with contracts for sludge transportation	Nr	0	0
F Sludge recycled or disposed				
1	Total quantity of sludge recycled or disposed	ttds/year	2	47.70
2	Quantity of sludge recycled or disposed in-house by your own bioresources service	ttds/year	2	47.70
3	Quantity of sludge recycled by a third party	ttds/year	2	0
4	Number of contracts held to provide sludge recycling or disposal services	Nr	0	0
5	Number of suppliers with contracts for sludge recycling or disposal	Nr	0	0

Further details on our bioresources market information are published on our website [here](#).