

# Annual Performance Report 2020-21



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## Introduction

Wessex Water's Board is accountable for the accuracy and completeness of the information we report and publish. This annual performance report provides information on progress in delivery of customer outcomes, service levels, cost information and financial performance for the year ended 31 March 2021.

We have prepared the report in accordance with Ofwat's requirements (principally from RAG3.12), including the required accounting and narrative disclosures. The table on pages 3 and 4 sets out the requirements and where they may be found in this and other published reports.

### Board statement on accuracy and completeness of information

The Board confirms it is satisfied that the data and information which the company has provided to Ofwat in the reporting year and/or which the company has published in its role as a water and sewerage undertaker was accurate and complete.

Francis Yeoh

**Chairman**

Colin Skellett

**Chief  
Executive**

Jim McKenna

**Senior  
Independent  
Director**

Kate Mingay

**Chair of Audit  
and Risk  
Committee**

7 July 2021

### Information assurance activities

To allow itself to make this statement, the Board carries out a wide range of activities. We have a well-established assurance framework, which is led by our Board. Being honest and ethical in the way we conduct our business is one of our core values. The following groups and processes are in place as part of our approach to information assurance:

#### Wessex Water Services Limited (WWSL) Board

It is the responsibility of the Board to ensure the company meets its regulatory and legal obligations. Board ownership is key to providing a strong assurance process. The WWSL Board has overall responsibility for the accuracy and completeness of the data and information which we provide or publish in our role as a water company.

#### Audit and Risk Committee

The Audit and Risk Committee assists the Board in monitoring the company's obligations in relation to financial reporting, internal control and audit, and compliance and risk management systems. Part of the Committee's role is to review the company's financial statements and Annual review, including the Annual performance report.

The company carries out an exercise with stakeholders to target any issues that need to be addressed and publishes a statement outlining its risks, strengths, and weaknesses. These target areas are each assigned a plan to manage and mitigate the data and information risks associated with them.

At each stage of the process, an independent non-executive director reviews and challenges the approach in a 1:1 session with company managers. Following this review, the Audit and Risk Committee assesses the appraisals and the plans, challenges on the assurance approaches and gives its approval for each. The Committee also assesses the governance processes that sit behind these statements, including the business risk assurance map and the regulatory assurance manual. The Committee gets further assurance from independent financial and technical auditors. The Board then approves the statements and assurance plans. Full details can be found in the relevant documents on the company's website.

This process, alongside the other assurance activities as required in RAG3.12, satisfies the Board that the company has appropriately identified and addressed risks to the provision of accurate and complete data and information in particular areas.

**Ofwat requirements**

<b>Requirement</b>	<b>Location</b>
General	
In-period adjustment model	Separate submission to Ofwat
Ring-fencing certificate	Page 11 and published on our website <a href="#">here</a>
Long-term viability statement	Annual Report and Accounts
Board Statement of Company Direction and Performance	Annual Report and Accounts
Risk and compliance statement	Page 5
Accounting methodology statement	Published on our website as part of the APR
Bioresources market monitoring information	Published on our website as part of the APR
Greenhouse gas emissions	Page 61
Accounting disclosures	
A statement on executive pay and performance	Annual Report and Accounts
A statement as to disclosure of information to auditors	Page 9
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A note on revenue recognition	Page 10
A note on capitalisation policy	Page 10
A note on bad debt policy	Page 11
A statement on sufficiency of non-financial resources	Page 11
A statement on sufficiency of financial resources and facilities	Page 11
The tax strategy for the appointed business	Page 13
A statement on differences between statutory and RAG definitions	Page 14
A long-term viability statement	Annual Report and Accounts

## Introduction

<b>Requirement</b>	<b>Location</b>
A statement explaining out/under performance of the return on regulatory equity (Financial Flows and RORE)	With financial flows narrative disclosure
A statement explaining the variance on infrastructure network reinforcement charges; and	Page 16
A statement on innovation competition.	Page 16
Transactions to be disclosed	Page 17
Narrative disclosures on performance	
Outcomes	Page 47
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Wholesale revenues	Page 28
Current tax analysis	Page 19
Current tax reconciliation	Page 19
Interest	Page 20
Financial flows	Page 20
Narrative on costs	Pages 76, 94, 99 and 104
Supply-demand balance and metering	Pages 76 and 94
Analysis of debt	Page 20
Common performance measures	Page 58
Board statement on accuracy and completeness of data and information	Page 2
Return on regulatory equity	Page 76
Financial derivatives	Page 20
Social tariffs	Page 30

## **Risk and compliance statement**

### **Introduction**

The Water Services Regulation Authority (Ofwat) requires the Board to provide an annual Risk and Compliance Statement (the Compliance Statement). The Compliance Statement confirms that the Company has complied with all its relevant statutory, operating licence and regulatory obligations; that it has processes and systems of internal control in place; that it is taking appropriate steps to manage its risks; and that it demonstrates clear leadership, transparency and good governance. The Company is required to report by exception any instances where a regulatory output has not been met and to detail decisions and actions that demonstrate our governance processes.

Our Annual Review including our annual performance report details progress on performance commitments, outputs and financial information. This information is for our customers, investors and regulators. Our Annual Review is supported by fact but occasional reliance is placed on estimates. These estimates have been made in good faith, based on reasonable assumptions and are clearly stated as an estimate.

### **Compliance statement**

The Board confirms that it has appropriate and effective assurance process in place and:

- the Board has a full understanding of and is meeting, in all material respects, its statutory, licence and regulatory obligations
- the Company has met, in all material respects, relevant regulator and customer expectations as demonstrated by those outputs and service standards set out in its business plan and funded through the Final Determination
- the Board is satisfied that the Company has sufficient processes and internal systems of control to fully meet its obligations, or has disclosed any modification or failure to meet such obligations
- the Company has appropriate systems and processes in place to allow the Board to identify, manage and review risks. Principal risks and the appropriate management of them are set out in the Strategic Report and in the relevant section of the annual review summary
- the Company follows the Wates principles and meets the requirements outlined in Ofwat's Better Leadership, Transparency and Governance principles
- the Company has sufficient financial and management resources for the 12 months from the date of this report
- the Company has sufficient rights and assets available to enable a special administrator to run the business
- any trade with associate companies was at arm's length and no cross subsidy arose
- directors' pay is linked to standards of performance as disclosed in the Annual Report and Accounts
- any failure to deliver outputs agreed at the Final Determination has been disclosed
- the Company is compliant with its licence condition on credit ratings
- the Board considered and approved the proposed charges for 2021 and the associated assurance statement confirming that the Company had met Ofwat's charging expectations and all regulatory and statutory obligations
- greenhouse gas and carbon reporting complies with Defra and Ofwat reporting requirements.

### **Output review**

The Company has 2 individual regulatory outputs and 46 performance commitments of which 40 have targets for 2020-21. In 2020-21, both the regulatory outputs and 21 performance commitments were delivered, as well as strong performance on C-Mex and D-Mex measures. We are on track to deliver all statutory outputs for the AMP.

The Board keeps all outputs and commitments under constant review. Some of the performance

## Risk and compliance statement

commitments in our Final Determination are stretch targets with the potential that the target could not be met in year (or subsequent years). Regular progress reports are prepared for Directors and senior management on progress and mitigation strategies are in place to manage any risk of slow progress or failing to deliver. The Company engages with its regulators (Environment Agency and Drinking Water Inspectorate) where it is foreseen that an output cannot be met. This includes agreeing a future course of action including potential advancement of other outputs. Performance commitments are externally audited each year by the Company's technical auditor.

The Customer Challenge Group (CCG previously known as the Wessex Water Partnership) represents our key stakeholder groups. It has met three times this year and is chaired by an independent chairman. The CCG reviews our progress towards our performance commitments each year and formally reports this to our Board. The CCG have produced a final report for the Board recommending their support for the performance commitment information that is provided in our Annual Review and Annual Performance Report. This is published on our website.

## Customer experience

The Company regularly monitors its customers' experience by:

- surveying customers after work has been completed at a property to check that they are satisfied; that the problem has been resolved and the work area left clean and tidy. This feedback is displayed in real-time visual dashboards and shared across the business to drive continuous improvement. Our customer care team contact any customer who has given a lower satisfaction score to address their concerns
- inviting customers to leave Trustpilot reviews and all ratings and comments are published on our website
- leaving information cards with all customers we have visited, which include an option to return a hardcopy feedback survey if they haven't been able to give their view through any of the channels above
- using a continuous independent image tracker to gather customers' views through telephone interviews on our service now and in the future, including satisfaction; value for money; awareness of services; and other general feedback
- gathering customers' views on different aspects of our service through our online customer panel 'Have your Say'. In 2020-21 we have been particularly interested in customers' views on how we manage our water supplies; how we can meet customer needs in the future; and opinions on the information to new customers in our welcome packs and how it can be improved
- the CCG represents the views of our customers and key stakeholder groups and takes an ongoing interest in customer engagement and customer experience. The group provided independent challenge throughout the development of our business plan for 2020-2025

## Customer information

The Company satisfies Licence Condition G on providing customer information by regular review of its core customer information. This takes the form of detailed information on our website, complemented by a suite of leaflets covering all key aspects of our work. It includes information on the services we provide, our customer guarantees, how to make enquiries and explains our complaints procedure.

Our communication process is customer-led and continues to meet Ofwat's requirements for the provision of customer information as detailed in Information Notice 13/04. All information provided to customers and stakeholders is validated to ensure it is accurate, transparent, clear, current and easily accessible. The Company's Assurance Plan (available on our website) supports this, providing details of how we propose to make further improvements.

We consult with the Consumer Council for Water (CCW) to ensure that the information provided meets customer requirements. CCW review the nature of the information provided and the way we provide it on an annual basis when our customer charges are revised as well as on an ad-hoc basis when updating any customer information.

## Risk review

The management of risk is of fundamental importance to the Company, to guard against both financial

## Risk and compliance statement

loss and customer dissatisfaction. The Company's risk identification and management framework is subject to annual review by the Board. The Board reviews its principal risks twice a year. The Company's processes are flexible to respond to changes in risk and ensure that the necessary controls and mitigation measures are put in place and any significant changes in risk, risk impact and mitigation effectiveness are brought to the Board's attention as they arise. The Audit and Risk Committee approves the annual audit plan that includes audits around the principal risks.

### Risk process

Risk is identified and managed through a tiered system of groups drawn from operational staff, senior management, Executive Directors and the Board. The Board reviews and is ultimately responsible for risk and setting the risk appetite and tolerance. Risks have been identified evaluated and managed in line with our processes throughout the year and up to the approval of the Annual Report and Accounts. Full details of our risk management are available in our Annual Report and Accounts.

Operational staff and senior management review, assess and record asset and operational risks monthly. Risks are scored by assessing probability and impact on a 'five-by-five' scoring mechanism. Risk mitigation plans are recorded and implemented where appropriate and pre-and post-mitigation scores are monitored.

Any identified risk acts as a foundation for the separate corporate risk register. The Risk Management Group maintains and reviews all business risks; the corporate risk register includes emerging and strategic risks. The Risk Management Group comprises senior managers from across the business. The risks are assessed by subject matter experts and subject to independent challenge from our risk experts. We assess risks based on a range of criteria including their financial, social, and environmental impacts. Risks above our tolerance levels will have additional measures to manage and mitigate the risk exposure.

The Board reviews risk as a matter of course and undertakes an in-depth review every six months. This sets out the risk review process and identifies current and emergent principal risks to the business and the relevant mitigation measures.

### Assurance and Board endorsement of the Risk and Compliance Statement

The Company has a clear focus on its performance reporting and verification procedures. The Risk and Compliance Statement is assured by:

- a clear governance process over output and performance commitments
- data collation and reporting process that are externally audited and verified
- an annual process of self-certification confirming compliance to our internal controls
- a programme of internal audits
- governance and scrutiny over the risk management framework
- validation of information being provided to customers and feedback and improvement processes
- Audit and Risk Committee and Board approval of the methodology and content of the Compliance Statement.

The Board confirms it is satisfied it has the appropriate assurance processes in place and based on these processes endorses this compliance statement and states that, to the best of its knowledge and belief, the information produced is accurate, reliable and complete in all material respects.

Francis Yeoh  
Chairman

Colin Skellett  
Chief Executive

Jim McKenna  
Senior  
Independent  
Director

Kate Mingay  
Chair of Audit  
and Risk  
Committee

7 July 2021



## 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.

Under the conditions of its Licence, the Company is obliged to provide the Water Services Regulation Authority (WSRA) with additional information to that contained in the non-statutory financial statements, in order to comply with Licence Condition F. This information is presented on pages 19 to 109.

The differences between the treatment of items in the non-statutory financial statements and these regulatory accounting statements are shown in the disclosure, 'Differences between non-statutory and RAG definitions' on pages 14 to 15.

## 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.

## Accounting methodology statement

We have published the accounting methodology statement for the year to March 2021 on our website [here](#).

## Directors

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

## Statement of Directors' responsibilities

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, non-financial 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 **Annual Report and 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.

## Accounting disclosures

### Statement on executive pay and performance

Details of Directors' remuneration is fully disclosed in the Remuneration Committee report in the Annual Report and Accounts. This includes disclosure of the link between pay and performance. To avoid duplication this information has not been replicated in the Annual Performance Report.

### Statement as to disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

### Statement on dividend policy and explanation of dividends paid

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 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 level of regulatory gearing and its comparison with Ofwat's expectations pertaining at the time
- the sufficiency of distributable reserves

The company will maintain a solid investment grade credit rating at all times.

The Company declared dividends of £50.0m (2020 - £88.0m) to its immediate parent company during the year.

In March 2021, the Board approved the payment of a final dividend in respect of the year 2020-21. In reaching this decision, the Board took account of the Company's projected financial position at 31 March 2021 and its medium term plan projections, which remained compatible with solid investment grade credit ratings. The Board also took into account the principal risks facing the business; good performance against most performance commitments; positive ongoing employee engagement and payments made under the schedule of contributions for the Company's pension scheme.

### Accounting policy for price control units

Cost allocations have been prepared in accordance with RAG 2.08 and RAG 4.07 for the definitions for the regulatory accounting tables. All costs are recorded in the accounting records by cost centre. Cost centres are defined either as a direct department, comprising operational and customer functions, or a support department. Direct departments are mostly directly allocated to service activities based on the nature of the function, although some costs require apportionment on an appropriate basis. Support departments are apportioned across the price controls either based upon a specific analysis of the costs or by apportionment by an appropriate cost driver. Once allocated to the appropriate price control the costs are then allocated to service activities using an appropriate method.

Fixed assets directly involved in the activities within each business unit are recorded against that

business unit using direct allocation per the location or asset type. Where an asset is utilised in more than one business unit, the asset is allocated to the business unit of principal use and costs are recharged to other different business units on the same basis used to allocate operating expenditure.

Further detail is provided in the accounting separation methodology statement published on our website [here](#).

### **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.

In accordance with RAG 3.12, there is one difference in turnover recognition between the statutory and regulatory accounts. This 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.

### **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. The policy is applied consistently between the statutory and regulatory accounts, in accordance with IAS16 Property, Plant and Equipment and IAS38 Intangible Assets. 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 the Income Statement.

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.

## **Bad debt 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 £19.5m compared with £13.7m 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 2021 was £36.8m compared with £42.5m the previous year-end, the reduction being due to the increase in debt written off in the year combined with the reduction in trade debtors balances.

Under 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 a reduction in the trade debtor balance from the prior year. The trade debtor at 31 March 2021 was £91.6m, compared with £94.7m the previous year.

## **Sufficiency of non-financial resources**

Please see **Ring-fencing certificate**.

### **Ring-fencing certificate or certificate of adequacy**

In accordance with the requirements, this is to certify that on 7 July 2021, 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 resources, both financial and non-financial, together with the 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 systems 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 2022;
  - 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 £225m;
  - 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 Environment and Public Value 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 non-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;

## Accounting disclosures

- 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.

## **Tax strategy for appointed business**

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 Executive Director of Finance and Regulation 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 committed 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 on the profits arising in the year was £10.2m. This is lower than the statutory rate of corporation tax of 19% due to the availability of tax relief on capital expenditure.

The Company paid £10.8m 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 £11.3m, business rates of £25.1m, Climate Change Levy costs of £1.8m and Insurance Premium Tax of £0.2m.

### Differences between non-statutory and RAG definitions

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

**Table 1A – Income Statement**

#### Explanation of differences between Statutory and Regulatory accounts

Positive numbers represent increased profit in the Regulatory Accounts	£m
<b>Revenue</b>	
Revenue to be re-classified as Other Income in the Regulatory Accounts	(4.648)
Biosolids treated as negative expenditure	(0.644)
Non-payers excluded from Revenue in accordance with IFRS 15	1.093
Rental income from appointed assets included with Other Income	(0.381)
	<b>(4.580)</b>
<b>Operating costs</b>	
Depreciation of previously capitalised customer leakage repairs are excluded in the Regulatory Accounts and are capitalised in the Non-Statutory Accounts	0.670
Biosolids treated as negative expenditure	0.644
Bad-debt provision on revenue treated as non-payers under IFRS 15 excluded from operating costs	(1.378)
Capitalised interest on completed assets is depreciated in the Non-Statutory Accounts. In the Regulatory Accounts capitalisation of interest is not allowed	0.354
Other operating income shown separately in the Regulatory accounts	(5.023)
Other income shown separately in the Regulatory accounts	(3.195)
Depreciation arising on conversion to IFRS on the revaluation of infrastructure assets has been dis-applied in the Regulatory Accounts	6.427
	<b>(1.501)</b>
<b>Other operating income</b>	
Other operating income shown separately in the Regulatory Accounts	5.023
	<b>5.023</b>
<b>Other income</b>	
Revenue to be re-classified as Other Income in the Regulatory Accounts	4.648
Rental income from appointed assets included with Other Income	0.381
Other income shown separately in the Regulatory accounts	3.195
	<b>8.224</b>
<b>Interest expense</b>	
Capitalisation of interest: excluded from Regulatory accounts	(4.485)
	<b>(4.485)</b>
<b>Deferred tax</b>	
Deferred tax at 19% on the net adjustments described above	(0.576)
	<b>(0.576)</b>
<b>Total differences</b>	<b>2.105</b>

**Table 1C – Statement of Financial Position****Explanation of differences between Statutory and Regulatory accounts**

	£m
<b>Fixed assets</b>	
Infrastructure asset revaluation on adoption of IFRS accounting, after depreciation. This amount is excluded from the Regulatory accounts.	(653.549)
Customer pipe repairs, after depreciation, are excluded from the Regulatory accounts	(35.466)
Interest capitalised on asset construction, after depreciation on completed assets. This amount is excluded from the Regulatory accounts.	(16.623)
	<b>(705.638)</b>
<b>Trade and other receivables</b>	
Non-payers adjustment which is excluded from the Regulatory accounts.	0.675
	<b>0.675</b>
<b>Financial instruments</b>	
Medium-term deposits from 3 to 6 months included in cash	(290.000)
	<b>(290.000)</b>
<b>Cash &amp; cash equivalents</b>	
Medium-term deposits from 3 to 6 months included in cash	290.000
	<b>290.000</b>
<b>Trade and other payables</b>	
To be shown under Capex Creditor	34.655
	<b>34.655</b>
<b>Capex creditor</b>	
From trade and other payables	(34.655)
	<b>(34.655)</b>
<b>Deferred income – G&amp;C's</b>	
Deferred income on adopted assets to be shown separately	101.561
	<b>101.561</b>
<b>Deferred income – adopted assets</b>	
Deferred income on adopted assets to be shown separately	(101.561)
	<b>(101.561)</b>
<b>Deferred tax</b>	
Deferred tax at 19% on fixed asset differences described above	133.864
	<b>133.864</b>
<b>Total differences</b>	<b>(571.099)</b>

**Long-term viability statement**

The Directors' have made a long-term viability statement in the 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.



## **Infrastructure network reinforcement charges**

This year we recovered £2.5m in infrastructure charges compared to expenditure on offsite reinforcement of £7.3m (supply and waste). This is an in-year under recovery of £4.8m, which combined with the brought forward under recovery of £3.4m, gives us a cumulative under recovery of £8.4m.

Although the figure we collected was close to the net figure we expected to have spent a significant amount more than assumed.

We have observed a lower number of connections this year, as work slowed down during Covid-19 lockdowns. This has resulted in a lower gross income than expected. It was offset by seeing a larger number of infrastructure charges paid at the old rates without the income offset.

Over the last 18 months we have reviewed the local authority housing plans in conjunction with our sewer capacity models to assess where investment will be required to support development. We have used our internal governance process to inform a firm plan. The outcome of this analysis was the requirement to substantially increase investment over 2020-21. This is primarily due to development occurring in catchments with limited capacity.

Where we need to invest, we will be investing not only to enable immediate development, but also to enable future planned development. This investment will continue to deliver benefits over the coming years. Therefore, we do not think that the short timescales that this information has been collected over is the most appropriate comparison.

Additionally, we have planned to recover the costs of the Trym tunnel evenly over 5 years within our infrastructure charges. This will smooth the bill impact, but as we have spent substantial amounts this year it shows as a large under recovery.

To address the increase in expenditure we are observing we have increased our infrastructure charges for 2021-22. This rise was supported by understanding the future investment required and will move us to a cost reflective position.

Due to the increase we published a statement of significant changes alongside our developer charges providing additional information around what is driving additional investment and how our charges will get us to a cost reflective position. This can be found on our website [here](#).

## **Innovation competition**

In line with Ofwat guidance, we are reporting having collected the allowed revenues from customers. There was no additional revenue from royalties as no projects have been initiated.

Although we submitted two projects for the first round of the innovation in water challenge, none were successful. Therefore, we have no costs to report in this table. As of 31 March 2021, we were unaware of the eventual winners and so there was no money transferred. Finally, there was no disclosure in the 2020-21 licence fee regarding the contribution for running the competition and therefore there are no costs reported there.

## Transactions with associates and the non-appointed business

### Transactions to be disclosed

Services provided by appointee to associated companies

Associate company	Service provided	Turnover of associate £m	Terms of supply	2020-21 Value £m
Wessex Water Enterprises Ltd	Transport, accommodation, insurance, laboratory, central services (no individual transaction more than 0.5% of turnover)	32.3	No market – actual costs recharged	2.767
Wessex Water Enterprises Ltd	Treatment of imported organic waste	32.3	Negotiated price	3.849
Wessex Water Enterprises Ltd	Sale of bio gas	32.3	Negotiated price	2.760
GENeco Ltd	Access to sludge digestion process	2.4	Negotiated price	0.246
Enterprise Laundry Services Ltd	Accounting, legal and information systems	0.6	No market – actual costs recharged	0.045
Bristol Wessex Billing Services Ltd	Information systems, transport, insurance, staff costs	13.7	No market – actual costs recharged	1.016
Bristol Wessex Billing Services Ltd	Senior management team	13.7	No market – actual costs recharged	0.311
Wessex Water Ltd	Corporate charges	26.7	No market – costs allocated by time	6.672
Gainsborough Hotel (Bath) Ltd	Information systems, equipment maintenance, bottled water	5.9	No market – actual costs recharged	0.026
Wessex Engineering & Construction Services Ltd	Project management and engineering support	0.2	Costs allocated by time allocation	5.458
Wessex Utility Solutions Ltd	Project management	1.4	Actual costs recharged	0.004
Albion Water Ltd	Accounting, legal and information systems services	1.0	No market – actual costs recharged	0.002
Flipper Ltd	Accounting, legal and information systems services	0.4	No market – actual costs recharged	0.013
Water 2 Business Ltd	Legal, insurance, transport and information systems services	148.1	No market – actual costs recharged	0.155
Water 2 Business Ltd	Wholesale water & sewerage for non household market	148.1	Market price	66.732
Thermae Development Company Ltd	Information systems	8.5	No market – actual costs recharged	0.071
YTL Developments (UK) Ltd	Project management, environmental investigations, management and engineering and back office support	1.0	No market – actual costs recharged	0.032

## Services provided to appointee by associated companies

Associate company	Service provided	Turnover of associate £m	Terms of supply	2020-21 Value £m
Bristol Wessex Billing Services Ltd	Billing services	13.7	Competitive letting	10.871
Bristol Wessex Billing Services Ltd	Project support	13.7	No market – actual costs recharged	1.297
Wessex Water Enterprises Ltd	Supply of electricity	32.3	Other market testing	3.425
Wessex Water Ltd	Directors services	26.7	No market – actual costs recharged	1.341
Wessex Water Enterprises Ltd	Project management and other staffing costs	32.3	Other market testing	1.477
Xchanging Malaysia Sdn Bhd	IT services from an offshore development centre	MYR ~800m	Competitive letting and market testing	1.799
YTL Communications Sdn Bhd	IT services from an offshore development centre	MYR ~40m	Competitive letting and market testing	0.409

**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 £80.4m (2020 - £80.8m) 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 £0.9m (2020 - £0.7m) on behalf of Wessex Water Enterprises Ltd and transferred those assets to that company.

## Section 1: Regulatory financial reporting

### Current tax analysis

The UK corporation tax on Table 1A is £5.2m.

Profit before tax and fair value movements was £85.9m which at the standard tax rate of 19% derives an expected tax charge of £16.3m. The actual tax charge of £5.2m is £11.1m lower than £16.3m. The main reconciling items are explained as follows:

-3.6m capital allowances in excess of depreciation
-2.5m pension tax relief in excess of accounting charge
+0.9m permanent disallowable expenditure
-5.0m prior year adjustment
-0.9m other items
-----
-11.1m

The company does not expect to benefit from any group relief. On the basis that no fair value gains or losses are reported, there are no corresponding tax adjustments.

### Current tax reconciliation

The corporation tax charge of £5.2m comprises a current year current tax charge of £10.2m less a prior year credit of £5.0m. The current year current tax charge of £10.2m is £0.1m lower than the £10.3m tax charge allowed in price limits. The main reconciling items are explained as follows:

-12.1m lower profit before tax of £63.6m at 19%
+12.1m lower add back for depreciation
-3.3m higher tax relief on pension payments
+2.2m no debt gearing adjustment
-0.6m lower capital allowances deduction
+0.6m additional non deductible expenses
-0.2m other adjustments
+1.2m additional tax rate @19% v 17% used in price limits
-----
-£0.1m

Future tax charges will be significantly affected by two of the measures included in the 2021 Finance Act. Firstly, the introduction of the 'super deduction' will increase capital allowances claims in the period April 2021 to March 2023. Secondly, the increase in the corporation tax rate from 19% to 25% from April 2023 will increase current tax charges after that date.

## Interest

The overall interest charge of £89.007m comprises interest expense in Table 1A.7 of £87.207m and Interest on net defined benefit assets/liabilities in Table 1A.8 of £1.800m.

	£m
Interest charged on external borrowings	85.092
Interest payable in relation to leases under IFRS16	0.028
Amortisation of debt premiums/discounts	0.070
Interest on net defined benefit assets/liabilities	1.800
Other financing costs	2.017
<b>Total</b>	<b>89.007</b>

## Analysis of debt

Total borrowings of £2,674.2m is consistent across both Tables 1E and 4B. A summary breakdown is shown in 1E and a detailed breakdown in 4B.

Net debt is arrived at by reducing total borrowings by the value of the cash held on short and medium term deposit. Cash held at 31 March 2021 was £358.9m, giving an overall net debt of £2,315.3m.

## Financial derivatives

Not applicable.

## 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 2017-18 prices for comparison with the last price review.

We have used the base returns, RCV and equity figures published by Ofwat and made no amendments.

## Financial Performance

Our gearing remains above that assumed in the notional structure at 70%, an increase on last year. This is due to:

- Low inflation
- Returning AMP6 outperformance to customers

It is currently under the threshold that triggers the gearing outperformance sharing mechanism (GOSM) and we expect this to be the case throughout the price control period.

This year, with inflation low we are showing an underperformance on the cost of debt. This is as we have c30% index linked debt, lower than the proportion assumed in the notional capital structure. This limits our exposure to rises in interest rates and follows our financing strategy approved by the Board. When inflation recovers towards the Bank of England's target rate, we expect to outperform the cost of debt.

We discuss our tax performance in our tax narrative on page 19.

We have no hedging instruments and no group relief to report.

## Operational Performance

We discuss our performance over these areas in detail in the individual narrative sections.

We have a modest totex saving resulting in outperformance of c£2m after sharing. This represents only a small proportion of our overall totex variance set out in Table 4C (the savings due to efficiency). We are confident that over the coming years we will be able to declare more totex savings. However, at this stage in our programme, with few capital projects complete and increased uncertainty on how the supply chain and input price pressures will evolve post Brexit and Covid-19 we are unable to commit to more with any certainty.

## Section 1: Regulatory financial reporting

Our ODI impact includes the impact of per capita consumption (PCC), even though payments are delayed and set to be reviewed at PR24. We strongly believe that this is inconsistent with the overall picture of water consumption and not in the best interest of customers. We will continue to deliver improvements that are in the best interests of our customers and present this at PR24.

Additionally, for 2020-21 we are excluding the impact of C-MeX and D-MeX, for which we are a top performing WaSC. We expect both of these to provide substantial rewards over AMP7.

On retail we are showing a substantial underperformance this year. As mentioned in the retail narrative this is largely due to:

- Increased bad debt costs
- Increased customer leak repairs

Both of these items have seen an increase due to the impact of Covid-19 and we do not expect to continue at these levels throughout AMP7.

There are no exceptional items included this year.

### **Actual performance 2015-20**

We have used the figure published by Ofwat; however we believe that this excludes the impact of retail performance, which would increase this by £3.5m.

### **Dividends and retained value**

We have calculated the notional dividend by taking the base dividend yield of 2.01%, the dividend growth of 1.18% and the actual FYA CPIH growth to give a notional dividend yield of 2.05%.

This year we have paid dividends of £56.8m (2017-18 prices), a yield of 5.68% on actual equity. We have a flexible dividend policy that ensures that we are paying dividends that are sustainable and supported by our overall financial performance. This is reviewed annually to ensure that we are paying the appropriate dividends, that these relate to our performance, and that we remain financially viable.

Section 1: Regulatory financial reporting

Pro forma 1A

Wessex Water

Income statement for the 12 months ended 31 March 2021

Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Revenue	£m	3	514.710	-4.580	13.763	-18.343	496.367	1A.1
Operating costs	£m	3	-347.318	-1.501	-13.624	12.123	-335.195	1A.2
Other operating income	£m	3	0.000	5.023	0.000	5.023	5.023	1A.3
Operating profit	£m	3	167.392	-1.058	0.139	-1.197	166.195	1A.4
Other income	£m	3	0.000	8.224	0.000	8.224	8.224	1A.5
Interest income	£m	3	0.460	0.000	0.000	0.000	0.460	1A.6
Interest expense	£m	3	-82.722	-4.485	0.000	-4.485	-87.207	1A.7
Other interest expense	£m	3	-1.800	0.000	0.000	0.000	-1.800	1A.8
Profit before tax and fair value movements	£m	3	83.330	2.681	0.139	2.542	85.872	1A.9
Fair value gains/(losses) on financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000	1A.10
Profit before tax	£m	3	83.330	2.681	0.139	2.542	85.872	1A.11
UK Corporation tax	£m	3	-5.249	0.000	0.000	0.000	-5.249	1A.12
Deferred tax	£m	3	-9.262	-0.576	-0.026	-0.550	-9.812	1A.13
Profit for the year	£m	3	68.819	2.105	0.113	1.992	70.811	1A.14
Dividends	£m	3	-50.000	0.000	0.000	0.000	-50.000	1A.15
<b>Tax analysis</b>								
Current year	£m	3	10.164	0.000	0.000	0.000	10.164	1A.16
Adjustments in respect of prior years	£m	3	-4.915	0.000	0.000	0.000	-4.915	1A.17
UK Corporation tax	£m	3	5.249	0.000	0.000	0.000	5.249	1A.18
<b>Analysis of non-appointed revenue</b>								
Imported sludge	£m	3			0.000			1A.19
Tankered waste	£m	3			0.000			1A.20
Other non-appointed revenue	£m	3			13.763			1A.21
Revenue	£m	3			13.763			1A.22

Section 1: Regulatory financial reporting

Pro forma 1B

Wessex Water

Statement of comprehensive income for the 12 months ended 31 March 2021

Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
Profit for the year	£m	3	68.819	2.105	0.113	1.992	70.811	1B.1
Actuarial gains/(losses) on post-employment plans	£m	3	-9.666	0.000	0.000	0.000	-9.666	1B.2
Other comprehensive income	£m	3	0.000	0.000	0.000	0.000	0.000	1B.3
Total Comprehensive income for the year	£m	3	59.153	2.105	0.113	1.992	61.145	1B.4



## Section 1: Regulatory financial reporting

Pro forma 1C

Wessex Water

### Statement of financial position for the 12 months ended 31 March 2021

Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
<b>Non-current assets</b>								
Fixed assets	£m	3	3,901.385	-705.638	0.000	-705.638	3195.747	1C.1
Intangible assets	£m	3	47.884	0.000	0.000	0.000	47.884	1C.2
Investments - loans to group companies	£m	3	0.000	0.000	0.000	0.000	0.000	1C.3
Investments - other	£m	3	0.013	0.000	0.000	0.000	0.013	1C.4
Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000	1C.5
Retirement benefit assets	£m	3	0.000	0.000	0.000	0.000	0.000	1C.6
<b>Total</b>	£m	3	<b>3949.282</b>	<b>-705.638</b>	<b>0.000</b>	<b>-705.638</b>	<b>3243.644</b>	1C.7
<b>Current assets</b>								
Inventories	£m	3	4.402	0.000	0.000	0.000	4.402	1C.8
Trade & other receivables	£m	3	179.719	0.675	0.052	0.623	180.342	1C.9
Financial instruments	£m	3	290.000	-290.000	0.000	-290.000	0.000	1C.10
Cash & cash equivalents	£m	3	68.906	290.000	0.000	290.000	358.906	1C.11
<b>Total</b>	£m	3	<b>543.027</b>	<b>0.675</b>	<b>0.052</b>	<b>0.623</b>	<b>543.650</b>	1C.12
<b>Current liabilities</b>								
Trade & other payables	£m	3	-171.126	34.655	0.000	34.655	-136.471	1C.13
Capex creditor	£m	3	0.000	-34.655	0.000	-34.655	-34.655	1C.14
Borrowings	£m	3	-391.232	0.000	0.000	0.000	-391.232	1C.15
Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000	1C.16
Current tax liabilities	£m	3	3.399	0.000	0.000	0.000	3.399	1C.17
Provisions	£m	3	-0.100	0.000	0.000	0.000	-0.100	1C.18
<b>Total</b>	£m	3	<b>-559.059</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-559.059</b>	1C.19
<b>Net Current assets/(liabilities)</b>	£m	3	<b>-16.032</b>	<b>0.675</b>	<b>0.052</b>	<b>0.623</b>	<b>-15.409</b>	1C.20
<b>Non-current liabilities</b>								
Trade & other payables	£m	3	-6.311	0.000	0.000	0.000	-6.311	1C.21
Borrowings	£m	3	-2283.01	0.000	0.000	0.000	-2283.010	1C.22
Financial instruments	£m	3	0.000	0.000	0.000	0.000	0.000	1C.23
Retirement benefit obligations	£m	3	-91.804	0.000	0.000	0.000	-91.804	1C.24
Provisions	£m	3	0.000	0.000	0.000	0.000	0.000	1C.25
Deferred income - G&C's	£m	3	-296.646	101.561	0.000	101.561	-195.085	1C.26
Deferred income - adopted assets	£m	3	0.000	-101.561	0.000	-101.561	-101.561	1C.27
Preference share capital	£m	3	0.000	0.000	0.000	0.000	0.000	1C.28
Deferred tax	£m	3	-422.372	133.864	0.009	133.855	-288.517	1C.29
<b>Total</b>	£m	3	<b>-3100.143</b>	<b>133.864</b>	<b>0.009</b>	<b>133.855</b>	<b>-2966.288</b>	1C.30
<b>Net assets</b>	£m	3	<b>833.107</b>	<b>-571.099</b>	<b>0.061</b>	<b>-571.160</b>	<b>261.947</b>	1C.31
<b>Equity</b>								
Called up share capital	£m	3	0.000	0.000	0.000	0.000	0.000	1C.32
Retained earnings & other reserves	£m	3	833.107	-571.099	0.061	-571.160	261.947	1C.33
<b>Total Equity</b>	£m	3	<b>833.107</b>	<b>-571.099</b>	<b>0.061</b>	<b>-571.160</b>	<b>261.947</b>	1C.34

Section 1: Regulatory financial reporting

Pro forma 1D

Wessex Water

Statement of cashflows for the 12 months ended 31 March 2021

Line description	Units	DPs	Statutory	Adjustments			Total appointed activities	RAG 4 reference
				Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
<b>Operating activities</b>								
Operating profit	£m	3	167.392	-1.058	0.139	-1.197	166.195	1D.1
Other income	£m	3	0.000	8.224	0.000	8.224	8.224	1D.2
Depreciation	£m	3	119.74	0.767	0.000	0.767	120.507	1D.3
Amortisation - G&C's	£m	3	0.000	-3.195	0.000	-3.195	-3.195	1D.4
Changes in working capital	£m	3	16.127	0.285	-0.139	0.424	16.551	1D.5
Pension contributions	£m	3	0.000	-13.035	0.000	-13.035	-13.035	1D.6
Movement in provisions	£m	3	-12.623	13.035	0.000	13.035	0.412	1D.7
Profit on sale of fixed assets	£m	3	0.000	-5.023	0.000	-5.023	-5.023	1D.8
Cash generated from operations	£m	3	290.636	0.000	0.000	0.000	290.636	1D.9
Net interest paid	£m	3	-68.684	0.000	0.000	0.000	-68.684	1D.10
Tax paid	£m	3	-10.753	0.000	0.000	0.000	-10.753	1D.11
Net cash generated from operating activities	£m	3	211.199	0.000	0.000	0.000	211.199	1D.12
<b>Investing activities</b>								
Capital expenditure	£m	3	-246.333	0.000	0.000	0.000	-246.333	1D.13
Grants & Contributions	£m	3	7.747	0.000	0.000	0.000	7.747	1D.14
Disposal of fixed assets	£m	3	8.900	0.000	0.000	0.000	8.900	1D.15
Other	£m	3	-290.000	290.000	0.000	290.000	0.000	1D.16
Net cash used in investing activities	£m	3	-519.686	290.000	0.000	290.000	-229.686	1D.17
Net cash generated before financing activities	£m	3	-308.487	290.000	0.000	290.000	-18.487	1D.18
<b>Cashflows from financing activities</b>								
Equity dividends paid	£m	3	-59.500	0.000	0.000	0.000	-59.500	1D.19
Net loans received	£m	3	394.617	0.000	0.000	0.000	394.617	1D.20
Cash inflow from equity financing	£m	3	0.000	0.000	0.000	0.000	0.000	1D.21
Net cash generated from financing activities	£m	3	335.117	0.000	0.000	0.000	335.117	1D.22
Increase (decrease) in net cash	£m	3	26.630	290.000	0.000	290.000	316.630	1D.23

Section 1: Regulatory financial reporting

Pro forma 1E

Wessex Water

Net debt analysis (appointed activities) at 31 March 2021

Line description	Units	DPs	Fixed rate	Floating rate	Index linked		Total	RAG 4 reference
					RPI	CPI/CPIH		
<b>Interest rate risk profile</b>								
Borrowings (excluding preference shares)	£m	3	1490.258	365.564	818.420	0.000	2674.242	1E.1
Preference share capital	£m	3					0.000	1E.2
Total borrowings	£m	3					2674.242	1E.3
Cash	£m	3					-48.906	1E.4
Short term deposits	£m	3					-310.000	1E.5
Net Debt	£m	3					2315.336	1E.6
<b>Gearing</b>								
Gearing	%	3					69.873%	1E.7
Adjusted Gearing	%	3					69.874	1E.8
<b>Interest</b>								
Full year equivalent nominal interest cost	£m	3	52.679	3.633	26.114	0.000	82.426	1E.9
Full year equivalent cash interest payment	£m	3	52.679	3.633	14.804	0.000	71.116	1E.10
<b>Indicative interest rates</b>								
Indicative weighted average nominal interest rate	%	3	3.512%	0.994%	3.191%	0.000%	3.082%	1E.11
Indicative weighted average cash interest rate	%	3	3.512%	0.994%	1.809%	0.000%	2.659%	1E.12
<b>Time to maturity</b>								
Weighted average years to maturity	nr	3	8.533	3.632	29.312	0.000	14.222	1E.13

# Section 1: Regulatory financial reporting

Pro forma 1F  
Wessex Water

## Financial flows for the 12 months ended 31 March 2021 and for the price review to date (2017-18 financial year average CPIH)

Line description	12 months ended 31 March 2021						Average 2020-25						RAG 4 reference
	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	
	%			Em			%			Em			
Units	3			3			3			3			
DPs	3			3			3			3			
<b>Return on regulatory equity</b>													
Return on regulatory equity	3.830%	3.084%	3.830%	47.549	38.282	38.282	3.830%	3.084%	3.830%	47.549	38.282	38.282	1F.1
Regulatory equity	1241.500	1241.500	999.523				1241.500	1241.500	999.523				1F.2
<b>Financing</b>													
Gearing		0.746%	0.356%		9.268	3.559		0.746%	0.356%		9.268	3.559	1F.3
Gearing benefits sharing		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.4
Variance in corporation tax		0.192%	0.239%		2.388	2.388		0.192%	0.239%		2.388	2.388	1F.5
Group relief		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.6
Cost of debt		-0.523%	-0.756%		-6.492	-7.561		-0.523%	-0.756%		-6.492	-7.561	1F.7
Hedging instruments		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.8
Return on regulatory equity including Financing adjustments	3.830%	3.499%	3.669%	47.549	43.445	36.668	3.830%	3.499%	3.669%	47.549	43.445	36.668	1F.9
<b>Operational Performance</b>													
Totex out / (under) performance		0.175%	0.217%		2.171	2.171		0.175%	0.217%		2.171	2.171	1F.10
ODI out / (under) performance		-0.072%	-0.090%		-0.896	-0.896		-0.072%	-0.090%		-0.896	-0.896	1F.11
C-Mex out / (under) performance		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.12
D-Mex out / (under) performance		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.13
Retail out / (under) performance		-0.671%	-0.833%		-8.328	-8.328		-0.671%	-0.833%		-8.328	-8.328	1F.14
Other exceptional items		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.15
Operational performance total		-0.568%	-0.706%		-7.053	-7.053		-0.568%	-0.706%		-7.053	-7.053	1F.16
RoRE	3.830%	2.931%	2.963%	47.549	36.392	29.615	3.830%	2.931%	2.963%	47.549	36.392	29.615	1F.17
Actual performance adjustment 2015-20	0.224%	0.224%	0.278%	2.776	2.776	2.776	0.224%	0.224%	0.278%	2.776	2.776	2.776	1F.18
Total earnings	4.054%	3.155%	3.241%	50.325	39.168	32.391	4.054%	3.155%	3.241%	50.325	39.168	32.391	1F.19
RCV growth from inflation	1.010%	1.010%	1.010%	12.539	12.539	10.095	1.010%	1.010%	1.010%	12.539	12.539	10.095	1F.20
Voluntary sharing arrangements		0.000%	0.000%		0.000	0.000		0.000%	0.000%		0.000	0.000	1F.21
Total shareholder return	5.064%	4.165%	4.251%	62.865	51.708	42.486	5.064%	4.165%	4.251%	62.865	51.708	42.486	1F.22
<b>Dividends</b>													
Gross Dividend	2.050%	4.575%	5.683%	25.448	56.800	56.800	2.050%	4.575%	5.683%	25.448	56.800	56.800	1F.23
Interest Received on Intercompany loans	0.000%	0.000%	0.000%	0.000	0.000	0.000	0.000%	0.000%	0.000%	0.000	0.000	0.000	1F.24
Retained Value	3.014%	-0.410%	-1.432%	37.416	-5.092	-14.314	3.014%	-0.410%	-1.432%	37.416	-5.092	-14.314	1F.25

## Section 2: Price review and other segmental reporting

We have not included Table 2G (Non-household water – revenues by tariff type) or Table 2H (Non-household wastewater – revenues by tariff type) as these apply to Welsh companies only.

### Retail

The table below shows actual retail operating costs as detailed in Table 2C, against those assumed in Ofwat's Final Determination in 2019.

	Actual (£m)	Allowed (£m)
Household retail	35.4	27.3

#### Retail: household

This year our retail operating costs were higher than those set at the PR19 final determination. This is a reduction of £1.4m when compared to last year. This is the net effect of:

- A reduction of £3.4m in doubtful debt and debt management costs. 2019-20 was unique in that we had a significant one-off adjustment on doubtful debt costs due to increasing the provision for the expected impact of Covid-19 and a refinement to reflect the most up to date collection rates.
- An increase of £0.5m in expenditure on customer side leaks. As more customers have been at home for longer periods, and consuming more water at home, this has led to increased visibility and hence expenditure on repairing customer side leaks.
- An increase of £1.4m in customer service costs reflecting the inefficiencies of operating during the pandemic together with inflationary pressures.
- A misallocation in 2019-20, which resulted in doubtful debts being overstated by £0.7m and Customer service understated by the corresponding amount. This related to the treatment of an adjustment for Non-Payers in relation to IFRS15.

We expect doubtful debts and customer side leak costs to reduce going forwards as we move past the Covid-19 pandemic.

Further we expect to realize efficiencies, in both debt collection and customer service expenditure as a result of implementing a new billing system over the coming years.

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 the top performing water and sewerage company on C-MeX

Our operational customer service team holds the Institute for Customer Service (ICS) Service Mark with distinction award, one of only 15 companies in the UK to be awarded the accreditation at this level.

#### Retail: non-household

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

### Wholesale revenues

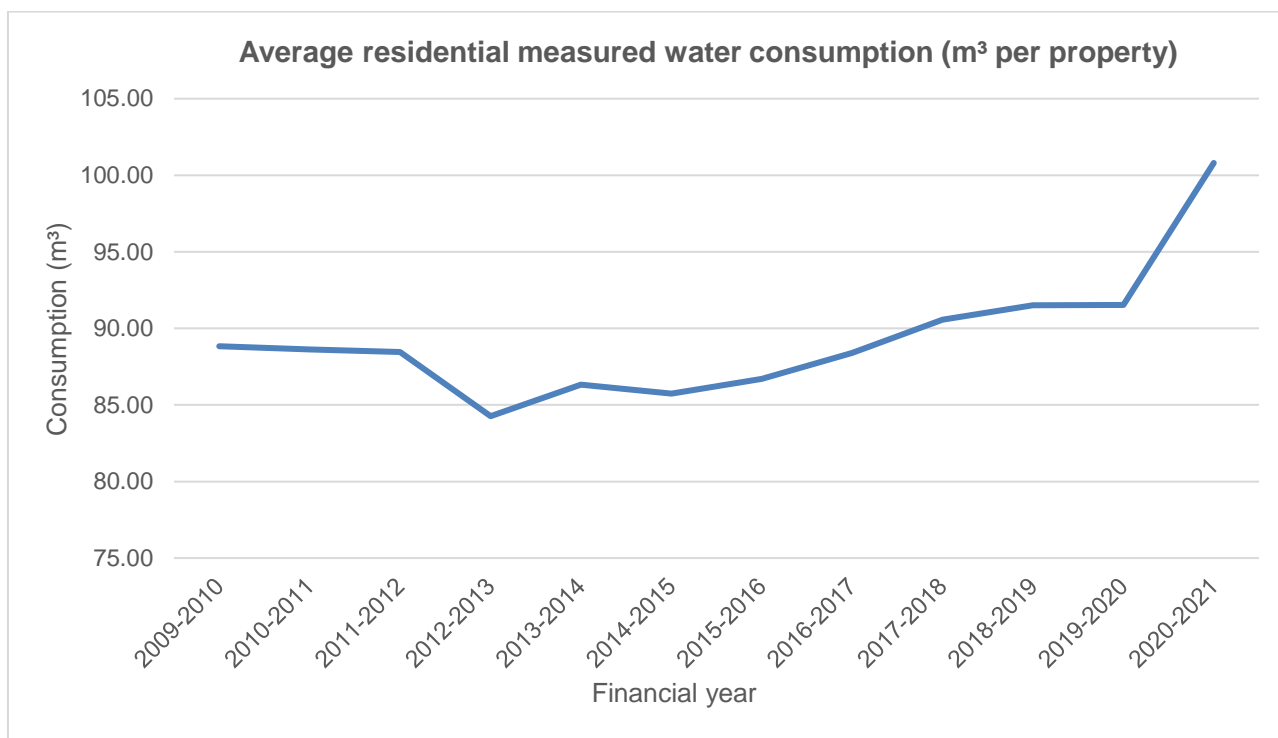
In 2020-21 we recovered £470.6m wholesale revenue against a final determination of £469.8m; within 0.2%. A breakdown of the variance against the final determination is shown in the table below:

Element	Water resources (£m)	Water Network Plus (£m)	Waste water Network Plus (£m)	Bioresources (£m)	Total (£m)	Note
Allowed wholesale revenue	18.6	148.4	255.9	31.0	453.9	
Allowed grants and contributions	0.0	5.4	10.5	0.0	15.9	
Variance in tariff revenue	-0.2	-0.7	4.1	1.3	4.5	1
Variance in grants and contributions	0.0	2.0	-5.8	0.0	-3.8	2
<b>2020-21 recovered revenue</b>	<b>18.4</b>	<b>155.2</b>	<b>264.7</b>	<b>32.3</b>	<b>470.6</b>	

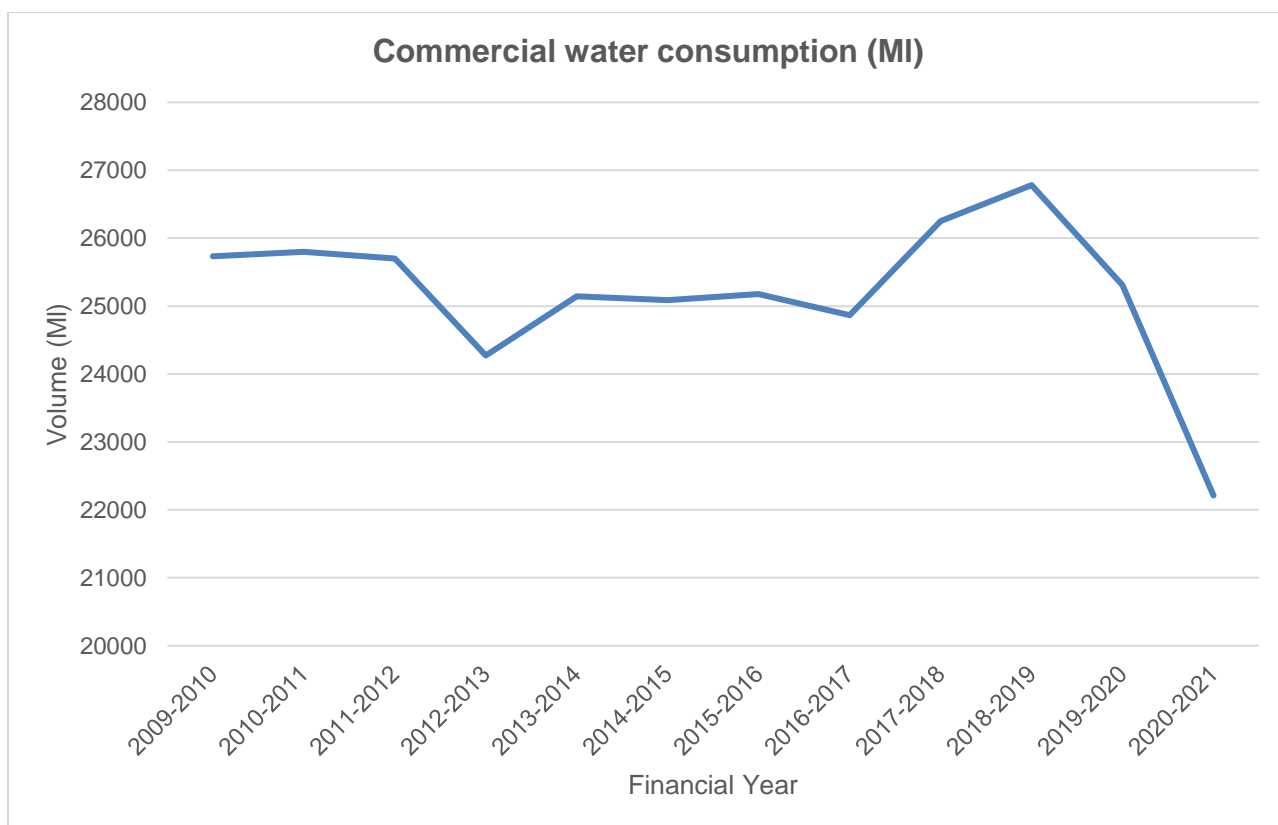
**1) Change in wholesale revenue**

Overall, we recovered very close to the revenue allowed in the final determination. However, we saw substantial swings between non-household and household consumption with household consumption up significantly and non-household demand reducing.

The graph below shows the trend in annual residential water demand between 2009-10 and 2020-21.



The graph below shows the trend in commercial water demand between 2009-10 and 2020-21.



This is the impact of Covid-19 – consumers have moved consumption from businesses, closed due to lockdown, to their homes. We expect to see this trend reversing over 2021-22.

## Section 2: Price review and other segmental reporting

This position is consistent with our overall distribution input, which has risen slightly. This is due to the higher household consumption being seen, not only our measured customers, where we would see an increase in revenue, but also our unmeasured customers where we do not see an increase in revenue from higher consumption.

### Bioresources volume

Although we recovered less than we assumed when setting our charges, we have over recovered our bioresource allowance. This is due to the significant reduction in tonnes of dry solids we have treated; the final determination assumed 71.2 ttds, in 2020-21 we received 62.2 ttds.

This is due to three factors:

- the reduced commercial demand, sludge volumes from trade are at least c2.2 ttds down
- slower buildout of phosphorous removal schemes
- more accurate logged data from our sludge treatment centres.

Although volumes are significantly down this year it is not yet entirely clear how much of this impact relates to changing consumer habits due to Covid-19 restrictions. We will continue to monitor these trends and gather more information to ensure that the impact is fully understood.

## **2) Change in grants and contributions**

On Water Network Plus we have recovered £2m more in grants and contributions than expected. This is due almost entirely to capital contributions of £1.7m received from the construction of the Stonehenge tunnel.

On waste water we have continued to see a reduction in the revenue received for requisitioned sewers. We had reflected part of this when setting our charges, however the slowdown has continued more than initially expected this year with us only recovering £1.1m. In addition, we have smoothed the recovery of grants and contributions relating to the Trym tunnel to provide bill stability.

To address this under recovery we have:

- enhanced our definition of exceptional requisition schemes to ensure that we are charging for these in a cost reflective manner
- increased our infrastructure charges.

This will ensure that we are recovering the correct amount of grants and contributions in future.

## **Social tariffs**

We have not seen the uptake in social tariffs in 2020-21 that we initially forecast. The lack of the ability to data match with the DWP has significantly reduced our Discount for Low Income Pensioners numbers versus forecast. Although we are still slightly behind where we would like to be on numbers of social tariff customers overall, we feel that the combination of the industry data matching and our targeted assistance to those struggling financially due to Covid-19 will lead to us catching up to and potentially surpassing our forecasts for future years.

We have also provided a wide range of additional support this year through payment breaks or flexible payment plans and this may be another reason that we have not seen such a large uptake on our social tariffs as customers have received all the support they require.

The Company continues to offer a range of social tariffs at varying levels of support to ensure that those in need receive the assistance that they require. A breakdown is given below:

<b>2020-21</b>	<b>Assist</b>	<b>WaterSure Plus</b>	<b>Discount for low income pensioners</b>	<b>Total</b>
Forecast	13,813	9,016	29,177	52,006
Actual	15,359	8,662	22,005	46,026
<b>Difference</b>	<b>1,546</b>	<b>-354</b>	<b>-7,172</b>	<b>-5,980</b>

## Section 2: Price review and other segmental reporting

### **Assist**

On Assist we remain ahead of the levels assumed in our business plan mainly through delivery of the initiatives set out in our vulnerability strategy, Every Customer Matters, as opposed to the impact of Covid-19.

Furlough and other government support schemes have been effective in customers avoiding needing Assist at this time. There has also been a drop in debt advice being sought during 2020-21 in part because of this protection but also due to the lack of face-to-face services being offered by advice agencies during lockdowns.

However, we continue to ensure that we are offering support where required and, working with our advice sector partners, have adapted the eligibility criteria for Assist so it is ready to support customers as government support measures such as furlough come to an end. Customers with short-term financial difficulties can access heavily discounted bills through Assist on a temporary basis without the need to seek debt advice.

We expect this to lead to a continued increase in the number of customers on our Assist tariff.

### **WaterSure Plus**

We are behind our forecast for WaterSure Plus this year but we have caught up compared to last year when we were 537 behind forecast. Those on WaterSure Plus for a medical criteria is 3,944 and family criteria is 4,718.

### **Discount for low income pensioners**

The larger shortfall on discount for low income pensioners this year versus forecast is partly because the pandemic has prevented us and our partners from actively engaging with our older customers to promote it. Many pensioners have been shielding or unable to speak to anyone face-to-face. We were also anticipating that data matching with the Department for Work and Pensions (DWP) would have been available to us this year allowing us to directly passport customers in receipt of pension credit onto the scheme. Although our contract has been drafted with the DWP, data matching has been delayed and this has considerably contributed to us being under forecast. We are hopeful of having data matching live within the next six months subject to Covid-19 and Brexit demands on government departments.

During this year, we commissioned customer research to understand how we can increase take-up of the discount and explore new messaging that could be used across our customer communications. This was originally planned to be face-to-face much earlier in 2020 but was delayed due to Covid-19. We held virtual focus groups in August 2020.

The research provided some clear calls to action, some of which we have implemented already and others we still have to do. Changes made as a result of this research were:

- previously known as Pension Credit – the tariff was renamed to Discount for Low Income Pensioners
- changed messaging to customers save ‘around £60’ on their bill instead of ‘around 20%’
- removed the requirement for a National Insurance number in the application form
- engaged with Age UK to run some pilots to increase take up via trusted third parties
- now accept applications from third parties without the evidence as long as they have seen it
- ceased using our automated line to request an application form and provided our contact centre number instead for a warm voice experience.

We saw a greater uplift in numbers during November and December 2020 following a magazine article where we changed the way we promoted the tariff, building on the learning from the research.

We hope that these changes, alongside easing of Covid-19 restrictions enabling face-to-face contact with advice and support groups, and the data matching with DWP will all help towards growth in 2021-22.

### **Priority Services and our tailored assistance programme (TAP)**

Alongside our low rate social tariffs, we have continued to offer customers a range of schemes to help them afford their ongoing water charges and repay their debts along with practical help to reduce their water and energy bills throughout 2020-21. We offer tailored solutions to meet customers’ individual



## Section 2: Price review and other segmental reporting

financial circumstances. This year many of our customers have found themselves in financial difficulty for perhaps the first time or at higher risk of Covid-19. It's been more important than ever to make sure our support schemes were fit for purpose and easily accessible. Early in 2020 we worked with Water UK and the rest of the water industry to quickly come to a joint offering for those struggling financially because of Covid-19 offering payment breaks, flexible plans and suspending court action.

We also launched a new rebate for NHS workers using more water during the pandemic supporting around 14,500 people and adapted our Assist tariff for those with more temporary affordability issues as mentioned above.

Restart – offers customers help to repay debt and get back on track. We had 7,551 customers on Restart as of March 2021.

Flexible plans – offers customers who are seeking independent advice breathing space if they need it and is particularly useful for those applying for benefits or waiting for Universal Credit. We had 493 customers on one of these plans as of March 2021.

Water Direct – there are currently 6,817 customers on this scheme.

Water metering and Home Check – helping customers reduce water and energy use and backed up by our industry first, cash back guarantee designed by our Young People's Panel.

Covid-19 temporary support – the water industry worked together to put measures in place quickly to support those with a loss of income. During 2020-21 we have provided more than 4,000 payment breaks and set up more than 2,000 flexible plans related to customers struggling financially because of Covid-19.

Priority Services – our affordability support sits within the wider vulnerability strategy which has also seen an increase the numbers of households on our Priority Services register by 92% from 16,056 to 30,932.

CCW provided the following comment regarding our efforts to target financial support in May 2021:

*“CCW recognises the continuing work Wessex Water has done to address the issue of affordability for its customers in 2020-21 and in the delivery of its support strategy. We particularly welcome the additional support the company has provided, and steps it has taken, in response to the COVID-19 pandemic and its impact on customers. The company has continued to grow the number of customers supported through WaterSure and its social tariff schemes in 2020-21.*

*“CCW's annual tracking research indicates that a high percentage of Wessex Water's customers feel that their water bill is affordable. The research also shows that a high proportion of Wessex Water's customers would feel comfortable getting in touch with the company if they were worried about paying their bill.”*

## Section 2: Price review and other segmental reporting

### Pro forma 2A

### Wessex Water

#### Segmental income statement for the 12 months ended 31 March 2021

Line description	Units	DPs	Retail Household	Retail non-household	Water resources	Water Network+	Wastewater Network+	Bioresources	Additional Control	Total	RAG 4 reference
Revenue - price control	£m	3	35.727	0.000	18.381	147.796	260.029	32.301	0.000	494.234	2A.1
Revenue - non price control	£m	3	0.000	0.000	0.035	1.097	0.918	0.081	0.000	2.131	2A.2
Operating expenditure - excluding PU recharge impact	£m	3	-35.194	-0.119						-35.313	2A.3
PU opex recharge	£m	3	-0.104	-0.003						-0.107	2A.4
Operating expenditure - including PU recharge impact	£m	3	-35.298	-0.122	-9.352	-68.484	-87.839	-17.689	0.000	-218.783	2A.5
Depreciation - tangible fixed assets	£m	3	-0.431	-0.022	-2.777	-34.738	-62.936	-9.948	0.000	-110.852	2A.6
Amortisation - intangible fixed assets	£m	3	-0.616	0.000	-0.387	-2.980	-5.116	-0.557	0.000	-9.656	2A.7
PU recharge impact	£m	3	0.000	0.000	-0.224	-1.165	1.924	-0.428	0.000	0.107	2A.8
Depreciation & amortisation - including PU recharge impact	£m	3	-1.047	-0.022	-3.388	-38.883	-66.128	-10.933	0.000	-120.401	2A.9
Other operating income	£m	3	-0.029	0.000	1.153	2.807	-0.246	1.338	0.000	5.023	2A.10
Operating profit	£m	3	-0.647	-0.144	6.829	44.333	106.734	5.098	0.000	162.204	2A.11
Surface water drainage rebates											
Surface water drainage rebates	£m	3								0.135	2A.12

## Section 2: Price review and other segmental reporting

### Pro forma 2B

### Wessex Water

#### Totex analysis for the 12 months ended 31 March 2021 - wholesale

Line description	Units	DPs	Water resources	Water Network+	Wastewater Network+	Bioresources	Additional Control	Total	RAG 4 reference
<b>Base operating expenditure</b>									
Power	£m	3	2.729	6.946	20.234	0.809	0.000	30.718	2B.1
Income treated as negative expenditure	£m	3	-0.009	-0.054	-0.096	-3.579	0.000	-3.738	2B.2
Abstraction charges/ discharge consents	£m	3	2.479	0.142	4.125	0.024	0.000	6.771	2B.3
Bulk Supply/Bulk discharge	£m	3	0.000	1.495	0.065	0.013	0.000	1.572	2B.4
Renewals expensed in year (Infrastructure)	£m	3	0.127	8.939	12.316	0.000	0.000	21.382	2B.5
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2B.6
Other operating expenditure	£m	3	2.307	30.846	39.345	18.593	0.000	91.092	2B.7
Local authority and Cumulo rates	£m	3	0.968	15.052	7.150	1.646	0.000	24.816	2B.8
<b>Total base operating expenditure</b>	<b>£m</b>	<b>3</b>	<b>8.601</b>	<b>63.365</b>	<b>83.139</b>	<b>17.507</b>	<b>0.000</b>	<b>172.612</b>	<b>2B.9</b>
<b>Other operating expenditure</b>									
Enhancement operating expenditure	£m	3	0.133	1.246	2.949	0.182	0.000	4.510	2B.10
Developer services operating expenditure	£m	3	0.000	3.354	0.362	0.000	0.000	3.716	2B.11
Total operating expenditure excluding third party services	£m	3	8.734	67.965	86.450	17.689	0.000	180.838	2B.12
Third party services	£m	3	0.617	0.519	1.390	0.000	0.000	2.526	2B.13
<b>Total operating expenditure</b>	<b>£m</b>	<b>3</b>	<b>9.352</b>	<b>68.484</b>	<b>87.839</b>	<b>17.689</b>	<b>0.000</b>	<b>183.364</b>	<b>2B.14</b>
<b>Grants and contributions</b>									
Grants and contributions - operating expenditure	£m	3	0.000	3.417	1.231	0.000	0.000	4.648	2B.15
<b>Capital expenditure</b>									
Base capital expenditure	£m	3	1.987	64.837	70.197	8.760	0.000	145.782	2B.16
Enhancement capital expenditure	£m	3	2.041	4.407	72.767	2.228	0.000	81.443	2B.17
Developer services capital expenditure	£m	3	0.000	5.692	10.498	0.000	0.000	16.189	2B.18
Total gross capital expenditure (excluding third party)	£m	3	4.028	74.936	153.462	10.988	0.000	243.414	2B.19
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2B.20
<b>Total gross capital expenditure</b>	<b>£m</b>	<b>3</b>	<b>4.028</b>	<b>74.936</b>	<b>153.462</b>	<b>10.988</b>	<b>0.000</b>	<b>243.414</b>	<b>2B.21</b>
<b>Grants and contributions</b>									
Grants and contributions - capital expenditure	£m	3	0.000	4.276	3.471	0.000	0.000	7.747	2B.22
<b>Net totex</b>	<b>£m</b>	<b>3</b>	<b>13.379</b>	<b>135.727</b>	<b>236.599</b>	<b>28.677</b>	<b>0.000</b>	<b>414.383</b>	<b>2B.23</b>
<b>Cash expenditure</b>									
Pension deficit recovery payments	£m	3	0.281	4.355	5.787	2.038	0.000	12.461	2B.24
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2B.25
<b>Totex including cash items</b>	<b>£m</b>	<b>3</b>	<b>13.660</b>	<b>140.082</b>	<b>242.386</b>	<b>30.715</b>	<b>0.000</b>	<b>426.844</b>	<b>2B.26</b>

## Section 2: Price review and other segmental reporting

### Pro forma 2C

#### Wessex Water

#### Cost analysis for the 12 months ended 31 March 2021 - retail

Line description	Units	DPs	Household - total	Non-household - total	Total	RAG 4 reference
<b>Operating expenditure</b>						
Customer services	£m	3	7.986	0.000	7.986	2C.1
Debt management	£m	3	1.896	0.000	1.896	2C.2
Doubtful debts	£m	3	15.429	0.000	15.429	2C.3
Meter reading	£m	3	1.300	0.000	1.300	2C.4
Services to developers	£m	3		0.097	0.097	2C.5
Other operating expenditure	£m	3	7.444	0.000	7.444	2C.6
Local authority and Cumulo rates	£m	3	0.090	0.000	0.090	2C.7
Total operating expenditure excluding third party services	£m	3	34.145	0.097	34.242	2C.8
<b>Depreciation</b>						
Depreciation on tangible fixed assets existing at 31 March 2015	£m	3	0.162	0.012	0.174	2C.9
Depreciation on tangible fixed assets acquired after 1 April 2015	£m	3	0.270	0.010	0.280	2C.10
Amortisation on intangible fixed assets existing at 31 March 2015	£m	3	0.115	0.000	0.115	2C.11
Amortisation on intangible fixed assets acquired after 1 April 2015	£m	3	0.502	0.000	0.502	2C.12
<b>Recharges</b>						
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	£m	3	0.016	0.001	0.017	2C.13
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	£m	3	0.000	0.000	0.000	2C.14
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	£m	3	0.088	0.002	0.090	2C.15
Income from wholesale assets acquired after 1 April 2015 principally used by retail	£m	3	0.000	0.000	0.000	2C.16
Net recharges costs	£m	3	0.104	0.003	0.107	2C.17
Total retail costs excluding third party and pension deficit repair costs	£m	3	35.298	0.119	35.417	2C.18
Third party services operating expenditure	£m	3	0.000	0.000	0.000	2C.19
Pension deficit repair costs	£m	3	0.574	0.000	0.574	2C.20
Total retail costs including third party and pension deficit repair costs	£m	3	35.872	0.119	35.991	2C.21
<b>Debt written off</b>						
Debt written off	£m	3	19.453	0.000	19.453	2C.22
<b>Capital expenditure</b>						
Capital expenditure	£m	3	2.860	0.000	2.860	2C.23
<b>Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale</b>						
Demand-side water efficiency - gross expenditure	£m	3	0.191			2C.24
Demand-side water efficiency - expenditure funded by wholesale	£m	3	0.191			2C.25
Demand-side water efficiency - net retail expenditure	£m	3	0.000			2C.26
Customer-side leak repairs - gross expenditure	£m	3	3.114			2C.27
Customer-side leak repairs - expenditure funded by wholesale	£m	3	3.114			2C.28
Customer-side leak repairs - net retail expenditure	£m	3	0.000			2C.29

## Section 2: Price review and other segmental reporting

### Pro forma 2D

### Wessex Water

#### Historic cost analysis of tangible fixed assets at 31 March 2021

Line description	Units	DPs	Retail Household	Retail non-household	Water resources	Water Network+	Wastewater Network+	Bioresources	Additional Control	Total	RAG 4 reference
<b>Cost</b>											
At 1 April 2020	£m	3	22.300	0.200	103.500	1390.000	2692.000	271.300	0.000	4479.300	2D.1
Disposals	£m	3	-0.193	0.000	-1.233	-25.638	-17.065	-2.882	0.000	-47.011	2D.2
Additions	£m	3	2.629	0.000	4.114	75.084	154.239	11.285	0.000	247.351	2D.3
Adjustments	£m	3	-0.034	0.034	-0.024	-0.182	0.237	-0.031	0.000	0.000	2D.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	0.000	2.942	0.000	0.000	2.942	2D.5
At 31 March 2021	£m	3	24.702	0.234	106.357	1439.264	2832.353	279.672	0.000	4682.582	2D.6
<b>Depreciation</b>											
At 1 April 2020	£m	3	-13.900	-0.200	-46.800	-358.700	-879.000	-120.500	0.000	-1419.100	2D.7
Disposals	£m	3	0.164	0.000	1.169	25.048	14.220	2.516	0.000	43.117	2D.8
Adjustments	£m	3	-0.042	0.042	0.000	0.004	-0.005	0.001	0.000	0.000	2D.9
Charge for year	£m	3	-0.431	-0.022	-2.777	-34.738	-62.936	-9.948	0.000	-110.852	2D.10
At 31 March 2021	£m	3	-14.209	-0.180	-48.408	-368.386	-927.721	-127.931	0.000	-1486.835	2D.11
Net book amount at 31 March 2021	£m	3	10.493	0.054	57.949	1070.878	1904.632	151.741	0.000	3195.747	2D.12
Net book amount at 1 April 2020	£m	3	8.400	0.000	56.700	1031.300	1813.000	150.800	0.000	3060.200	2D.13
<b>Depreciation charge for year</b>											
Principal services	£m	3	-0.431	-0.022	-2.777	-34.738	-62.936	-9.948	0.000	-110.852	2D.14
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2D.15
Total	£m	3	-0.431	-0.022	-2.777	-34.738	-62.936	-9.948	0.000	-110.852	2D.16

## Section 2: Price review and other segmental reporting

Pro forma 2E

Wessex Water

### Analysis of 'grants and contributions' for the 12 months ended 31 March 2021 - water resources, water network+ and wastewater network+

Line description	Units	DPs	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total	RAG 4 reference
<b>Grants and contributions - water resources</b>							
Diversions - s185	£m	3	0.000	0.000	0.000	0.000	2E.1
Other contributions (price control)	£m	3	0.000	0.000	0.000	0.000	2E.2
Price control grants and contributions	£m	3	0.000	0.000	0.000	0.000	2E.3
Diversions - NRSWA	£m	3	0.000	0.000	0.000	0.000	2E.4
Diversions - other non-price control	£m	3	0.000	0.000	0.000	0.000	2E.5
Other contributions (non-price control)	£m	3	0.000	0.000	0.000	0.000	2E.6
Total	£m	3	0.000	0.000	0.000	0.000	2E.7
Value of adopted assets	£m	3	0.000	0.000		0.000	2E.8
<b>Grants and contributions - water network+</b>							
Connection charges	£m	3	1.710	0.000	0.000	1.710	2E.9
Infrastructure charge receipts	£m	3	0.000	0.813	0.000	0.813	2E.10
Requisitioned mains	£m	3	0.000	1.526	0.000	1.526	2E.11
Diversions - s185	£m	3	1.683	0.000	0.000	1.683	2E.12
Other contributions (price control)	£m	3	0.000	1.712	0.000	1.712	2E.13
Price control grants and contributions before deduction of income offset	£m	3	3.393	4.051	0.000	7.444	2E.14
Income offset	£m	3	0.000	0.000	0.000	0.000	2E.15
Price control grants and contributions after deduction of income offset	£m	3	3.393	4.051	0.000	7.444	2E.16
Diversions - NRSWA	£m	3	0.024	0.000	0.000	0.024	2E.17
Diversions - other non-price control	£m	3	0.000	0.000	0.000	0.000	2E.18
Other contributions (non-price control)	£m	3	0.000	0.225	0.000	0.225	2E.19
Total	£m	3	3.417	4.276	0.000	7.693	2E.20
Value of adopted assets	£m	3	0.000	0.000		0.000	2E.21
<b>Grants and contributions - wastewater network+</b>							
Receipts for on-site work	£m	3	0.470	1.126	0.000	1.596	2E.22
Infrastructure charge receipts	£m	3	0.000	1.497	0.000	1.497	2E.23
Diversions - s185	£m	3	0.155	0.000	0.000	0.155	2E.24
Other contributions (price control)	£m	3	0.606	0.848	0.000	1.454	2E.25
Price control grants and contributions before deduction of income offset	£m	3	1.231	3.471	0.000	4.702	2E.26
Income offset	£m	3	0.000	0.000	0.000	0.000	2E.27
Price control grants and contributions after deduction of income offset	£m	3	1.231	3.471	0.000	4.702	2E.28
Diversions - NRSWA	£m	3	0.000	0.000	0.000	0.000	2E.29
Diversions - other non-price control	£m	3	0.000	0.000	0.000	0.000	2E.30
Other Contributions (non-price control)	£m	3	0.000	0.000	0.000	0.000	2E.31
Total	£m	3	1.231	3.471	0.000	4.702	2E.32
Value of adopted assets	£m	3	0.000	2.942		2.942	2E.33
<b>Movements in capitalised grants and contributions</b>							
b/f	£m	3	0.000	64.618	124.896	189.514	2E.34
Capitalised in year	£m	3	0.000	4.276	3.471	7.747	2E.35
Amortisation (in income statement)	£m	3	0.000	-0.672	-1.504	-2.176	2E.36
c/f	£m	3	0.000	68.222	126.863	195.085	2E.37

## Pro forma 2F

## Wessex Water

## Residential retail for the 12 months ended 31 March 2021

Line description	Revenue	Number of customers	Average residential revenues	RAG 4 reference
Units	£m	000s	£	
DPs	3	3	3	
<b>Residential revenue</b>				
Wholesale charges	373.081			2F.1
Retail revenue	35.727			2F.2
Total residential revenue	408.808			2F.3
<b>Retail revenue</b>				
Revenue Recovered ("RR" )	35.727			2F.4
Revenue sacrifice	0.000			2F.5
Actual revenue (net)	35.727			2F.6
<b>Customer information</b>				
Actual customers ("AC" )		1222.026		2F.7
Reforecast customers		1234.903		2F.8
<b>Adjustment</b>				
Allowed revenue ("R" )	34.524			2F.9
Net adjustment	-1.203			2F.10
<b>Other residential information</b>				
Average residential retail revenue per customer			29.236	2F.11

## Section 2: Price review and other segmental reporting

### Pro forma 2I

### Wessex Water

#### Revenue analysis for the 12 months ended 31 March 2021

Line description	Units	DPs	Household	Non- household	Total	Water resources	Water network+	Total	RAG 4 reference
<b>Wholesale charge - water</b>									
Unmeasured	£m	3	47.631	1.442	49.073	5.440	43.633	49.073	2I.1
Measured	£m	3	77.924	38.813	116.737	12.941	103.796	116.737	2I.2
Third party revenue	£m	3	0.000	0.367	0.367	0.000	0.367	0.367	2I.3
<b>Total wholesale water revenue</b>	£m	3	<b>125.555</b>	<b>40.622</b>	<b>166.177</b>	<b>18.381</b>	<b>147.796</b>	<b>166.177</b>	2I.4
<b>Wholesale charge - wastewater</b>									
Unmeasured - foul charges	£m	3	79.544	1.595	81.139	72.112	9.027	81.139	2I.5
Unmeasured - surface water charges	£m	3	8.402	0.168	8.570	7.617	0.953	8.570	2I.6
Unmeasured - highway drainage charges	£m	3	7.932	0.165	8.097	7.196	0.901	8.097	2I.7
Measured - foul charges	£m	3	120.047	35.808	155.855	138.516	17.339	155.855	2I.8
Measured - surface water charges	£m	3	16.67	2.658	19.328	17.178	2.15	19.328	2I.9
Measured - highway drainage charges	£m	3	14.931	2.427	17.358	15.427	1.931	17.358	2I.10
Third party revenue	£m	3	0.000	1.983	1.983	1.983	0.000	1.983	2I.11
<b>Total wholesale wastewater revenue</b>	£m	3	<b>247.526</b>	<b>44.804</b>	<b>292.330</b>	<b>260.029</b>	<b>32.301</b>	<b>292.330</b>	2I.12
<b>Wholesale charge - Additional Control</b>									
Unmeasured	£m	3	0.000	0.000	0.000				2I.13
Measured	£m	3	0.000	0.000	0.000				2I.14
<b>Total wholesale additional control revenue</b>	£m	3	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>				2I.15
<b>Wholesale Total</b>	£m	3	<b>373.081</b>	<b>85.426</b>	<b>458.507</b>				2I.16
<b>Retail revenue</b>									
Unmeasured	£m	3	9.996	0.000	9.996				2I.17
Measured	£m	3	25.731	0.000	25.731				2I.18
Other third party revenue	£m	3	0.000	0.000	0.000				2I.19
<b>Retail Total</b>	£m	3	<b>35.727</b>	<b>0.000</b>	<b>35.727</b>				2I.20
<b>Third party revenue - non-price control</b>									
Bulk supplies - water	£m	3			0.326				2I.21
Bulk supplies - wastewater	£m	3			0.519				2I.22
Other third party revenue	£m	3			0.521				2I.23
<b>Principal services - non-price control</b>									
Other appointed revenue	£m	3			0.766				2I.24
<b>Total appointed revenue</b>	£m	3			<b>496.366</b>				2I.25



## Pro forma 2J

## Wessex Water

## Infrastructure network reinforcement costs for the 12 months ended 31 March 2021

Line description	Units	DPs	Network reinforcement capex	On site / site specific capex (memo only)	RAG 4 reference
<b>Wholesale water network+ (treated water distribution)</b>					
Distribution and trunk mains	£m	3	0.947	4.703	2I.1
Pumping and storage facilities	£m	3	-0.008	0.049	2I.2
Other	£m	3	0.000	0.000	2I.3
<b>Total</b>	<b>£m</b>	<b>3</b>	<b>0.939</b>	<b>4.752</b>	<b>2I.4</b>
<b>Wholesale wastewater network+ (sewage collection)</b>					
Foul and combined systems	£m	3	4.789	5.526	2I.5
Surface water only systems	£m	3	0.002	0.675	2I.6
Pumping and storage facilities	£m	3	1.584	0.599	2I.7
Other	£m	3	0.000	0.000	2I.8
<b>Total</b>	<b>£m</b>	<b>3</b>	<b>6.375</b>	<b>6.800</b>	<b>2I.9</b>

## Pro forma 2K

## Wessex Water

## Infrastructure charges reconciliation for the 12 months ended 31 March 2021

Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
<b>Impact of infrastructure charge discounts</b>						
Infrastructure charges	£m	3	0.813	1.497	2.310	2K.1
Discounts applied to infrastructure charges	£m	3	0.137	0.094	0.231	2K.2
Gross Infrastructure charges	£m	3	0.950	1.591	2.541	2K.3
<b>Comparison of revenue and costs</b>						
Variance brought forward	£m	3	1.934	-5.309	-3.375	2K.4
Revenue	£m	3	0.813	1.497	2.310	2K.5
Costs	£m	3	-0.939	-6.375	-7.314	2K.6
Variance carried forward	£m	3	1.808	-10.187	-8.379	2K.7

Pro forma 2L

Wessex Water

Analysis of land sales for the 12 months ended 31 March 2021

Line description	Units	DPs	Water resources	Water Network+	Wastewater Network+	Total	RAG 4 reference
Proceeds from disposals of protected land	£m	3	0.014	0.733	0.025	0.772	2L.1

## Section 2: Price review and other segmental reporting

### Pro forma 2M

### Wessex Water

#### Revenue reconciliation for the 12 months ended 31 March 2021 - wholesale

Line description	Units	DPs	Water resources	Water network+	Wastewater network+	Bioresources	Additional Price Control	Total	RAG 4 reference
<b>Revenue recognised</b>									
Wholesale revenue governed by price control	£m	3	18.381	147.796	260.029	32.301	0.000	458.507	2M.1
Grants & contributions (price control)	£m	3	0.000	7.444	4.702			12.146	2M.2
Total revenue governed by wholesale price control	£m	3	18.381	155.240	264.731	32.301	0.000	470.653	2M.3
<b>Calculation of the revenue cap</b>									
Allowed wholesale revenue before adjustments (or modified by CMA)	£m	3	18.640	148.391	255.907	30.977	0.000	453.915	2M.4
Allowed grants & contributions before adjustments (or modified by CMA)	£m	3	0.000	5.393	10.530	0.000	0.000	15.923	2M.5
Revenue adjustment	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2M.6
Other adjustments	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	2M.7
Revenue cap	£m	3	18.640	153.784	266.437	30.977	0.000	469.838	2M.8
<b>Calculation of the revenue imbalance</b>									
Revenue cap	£m	3	18.640	153.784	266.437	30.977	0.000	469.838	2M.9
Revenue Recovered	£m	3	18.381	155.240	264.731	32.301	0.000	470.653	2M.10
Revenue imbalance	£m	3	0.259	-1.456	1.706	-1.324	0.000	-0.815	2M.11

## Section 2: Price review and other segmental reporting

### Pro forma 2N

#### Wessex Water

#### Residential retail - social tariffs

Line description	Revenue	Number of customers	Average amount per customer	RAG 4 reference
Units	£m	000s	£	
DPs	3	3	3	

Number of residential customers on social tariffs				
Residential water only social tariffs		0.053		2N.1
Residential wastewater only social tariffs		23.145		2N.2
Residential dual service social tariffs		20.887		2N.3

Number of residential customers not on social tariffs				
Residential water only no social tariffs		40.938		2N.4
Residential wastewater only no social tariffs		631.700		2N.5
Residential dual service no social tariffs		505.303		2N.6

Social tariff discount				
Average discount per water only social tariffs customer			150.943	2N.7
Average discount per wastewater only social tariffs customer			130.352	2N.8
Average discount per dual service social tariffs customer			186.097	2N.9

Social tariff cross-subsidy - residential customers				
Total customer funded cross-subsidies for water only social tariffs customers	0.008			2N.10
Total customer funded cross-subsidies for wastewater only social tariffs customers	3.017			2N.11
Total customer funded cross-subsidies for dual service social tariffs customers	3.887			2N.12
Average customer funded cross-subsidy per water only social tariffs customer			0.195	2N.13
Average customer funded cross-subsidy per wastewater only social tariffs customer			4.607	2N.14
Average customer funded cross-subsidy per dual service social tariffs customer			7.387	2N.15

Social tariff cross-subsidy - company				
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.000			2N.16
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.000			2N.17
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	0.000			2N.18
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			0.000	2N.19
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.000	2N.20
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			0.000	2N.21

Social tariff support - willingness to pay				
Level of support for social tariff customers reflected in business plan			6.450	2N.22
Maximum contribution to social tariffs supported by customer engagement			7.090	2N.23

## Section 2: Price review and other segmental reporting

Pro forma 20

Wessex Water

### Historic cost analysis of intangible fixed assets

Line description	Units	DPs	Water Resources	Water Network+	Wastewater Network+	Bioresources	Additional Control	Retail Residential	Retail non-household	Total	RAG 4 reference
<b>Cost</b>											
At 1 April 2020	£m	3	2.911	20.429	45.631	3.866	0.000	5.096	0.000	77.933	20.1
Disposals	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.2
Additions	£m	3	-0.013	0.207	-0.960	0.000	0.000	0.104	0.000	-0.662	20.3
Adjustments	£m	3	0.017	0.131	0.141	0.022	0.000	0.000	0.000	0.311	20.4
Assets adopted at nil cost	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.5
At 31 March 2021	£m	3	2.915	20.767	44.812	3.888	0.000	5.200	0.000	77.582	20.6
<b>Amortisation</b>											
At 1 April 2020	£m	3	-0.708	-5.888	-10.624	-1.143	0.000	-1.464	0.000	-19.827	20.7
Disposals	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.8
Adjustments	£m	3	-0.029	-0.062	-0.09	-0.035	0.000	0.000	0.000	-0.216	20.9
Charge for year	£m	3	-0.387	-2.980	-5.116	-0.557	0.000	-0.616	0.000	-9.656	20.10
At 31 March 2021	£m	3	-1.124	-8.930	-15.830	-1.735	0.000	-2.080	0.000	-29.699	20.11
Net book amount at 31 March 2021	£m	3	1.791	11.837	28.982	2.153	0.000	3.120	0.000	47.883	20.12
Net book amount at 1 April 2020	£m	3	2.203	14.541	35.007	2.723	0.000	3.632	0.000	58.106	20.13
<b>Amortisation for year</b>											
Principal services	£m	3	-0.387	-2.980	-5.116	-0.557	0.000	-0.616	0.000	-9.656	20.14
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	20.15
Total	£m	3	-0.387	-2.980	-5.116	-0.557	0.000	-0.616	0.000	-9.656	20.16

## Section 3: Performance summary

### Summary position

The year has been very challenging due to the combined effects of Covid-19 alongside saturated groundwater levels, extreme rainfall and dry conditions. Our thanks go to all our colleagues who worked so tirelessly and flexibly, particularly by minimising the impact of Covid-19. Given the magnitude of the shocks and stresses felt in the year, one would have expected performance to have been affected even more than it has, which is also a credit to our resilience arrangements, scenario planning and collaborative working.

The summary of performance in terms of performance commitments is as follows:

Category	Target met/exceeded	Target not met	No target or not company reported	Totals
Common PC's	7	6	2	15
Bespoke PC's	14	11	6	31
<b>Totals</b>	21	17	8	46

We are discussing the definition of certain PCs with Ofwat. Please see separate section below.

Of those measures flagged as not meeting the target, the majority were directly affected by either the weather conditions or Covid-19, or were delivered within the tolerance levels agreed with regulators when conditions are unusual. Only two of the common performance commitments were due to other factors:

- Mains repairs – increased numbers as a consequence of reducing leakage
- Priority services for customers – due to delays in the national data share arrangement with other utilities.

Notable successes include:

- Leakage – significant reduction relative to target (although note impact on mains repairs above).
- Supply interruptions – improvements implemented in previous year resulting in significant outperformance.
- Internal sewer flooding – despite the extreme conditions, the target was still met

There have been opportunities to change the way we work and interact with our customers resulting from the experiences through the year. These include greater use of digital channels, less intrusive works when working near customers' properties and continuing to codesign/develop nature based solutions.

The following review of our performance over the year focuses on the long-term outcomes we identified with our customers and stakeholders as priorities for 2020-25. We continue to discuss the priorities that we should focus on with our customers and stakeholders and report on progress. As this is the first year of this period it is too early to determine trends, particularly with the impact of the shocks and stresses highlighted. During the next few months, we will start to get a better view of trends in performance in relation to the stretching targets we set and highlight and mitigate any issues we find.

## Outcomes



### Outcome: Affordable bills

Reducing water bills and ensuring no customer has to ration their water use based on ability to pay were key drivers of our affordable bills outcome. While efficient investment and delivery is fundamental to lowering bills, there are four specific performance commitments that measure our activity in this area.

Covid-19 has had a huge impact on customer finances, not just related to their water bills. We have continued to deliver a range of services to customers to ensure they can afford their water bills through our tailored assistance programme (TAP). However, due to the change in the way customers have sought financial support (eg, mortgage payment breaks) and the third-party provision of debt advice (eg, a reduction in face-to-face provision of services, which is imperative to some of our customers in vulnerable circumstances) we have failed to meet two of the commitments in this area - applications for assistance and bill reduction to customers on social tariffs.

However, our two commitments focused on effectively billing properties have been met - void and gap sites. These two commitments mean that we are more accurately billing a wider range of properties in our region, reducing the overall bill per customer and ensuring all are billed fairly. This is despite the impact of Covid-19, meaning we couldn't do physical void inspections for several months. We have implemented changes in use of Land Registry searches, sharing of data with Bournemouth Water, use of a void tracing tool, and use of meter readers to conduct inspections.

PC <i>Unit</i>	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Successful applications for assistance received by the independent advice sector/third parties'</b> <i>Number of applications</i>	● 1,614	2,300 per year	Reputational	2,300 per year
<b>Total bill reduction to customers on social tariffs per 10,000*</b> <i>£ reduction per 10,000 customers</i>	● 56,562	61,767	£0.068m	£87,029
<b>Void sites</b> <i>%age of households classed as voids</i>	● 1.83	2	£0.328m	2
<b>Gap sites</b> <i>Number of sites</i>	● 113	112	£145	112

\*We are seeking an adjustment to these targets following the reduction in bills in the final determination compared to our business plan, which did not reflect the drop.

#### Summary of reasons for under performance

- Applications for assistance – closure of agencies and inability to deliver face-to-face advice, customers offered wider financial support (Covid-19).
- Total bill reduction to customers on social tariffs – target does not reflect final business plan bill reduction, being clarified with Ofwat.





**Outcome: Excellent service for customers**

We aspire to match the best organisations for customer service. We want to ensure our customers can access the services they require, when they need them, while continuing to deliver value for money.

For our household customers C-MeX (customer measure of experience) is the leading indicator in this area, and 2020-21 has seen us score 86.09, coming top of all water and sewerage companies, and second out of all water companies. We are incredibly proud of this result and it is a testament to the hard work of staff who regularly go the extra mile to deliver excellent service.

Whilst the C-MeX score cannot be directly compared between 2019-20 and 2020-21 due to scoring methodology changes, we have maintained our excellent performance and improved our overall position by one place when compared to other companies.

This result has been achieved through the hard work of colleagues throughout Wessex Water who regularly go above and beyond to make sure we give the best customer experience and service. We are particularly proud our leading performance has been maintained throughout the Covid-19 pandemic.

This is supported by our value for money score, which is above the industry average for 2020-21 at 78% and our target of 77% (industry average of 77%).

For our developer customers, be they single properties or large new developments, D-MeX (developer measure of experience) is the leading indicator. There has been a change from Ofwat in the calculation of the quantitative method since last year. But, the score of 89.47 is higher than the shadow reported year, which is an excellent performance given the impact of Covid-19 early on.

PC Unit	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>C-MeX (common)</b>	Ofwat determine comparative performance post APR			
<b>D-MeX (common)</b>	Ofwat determine comparative performance post APR			
<b>Value for money %age score</b>	● 78%	77%	Reputational	84%



### Outcome: Better relationships with customers and communities

Developing better relationships with our customers and communities will ensure we are engaging with them and delivering the services that they need, now and in the future. We know that customers' needs can change over time, be that due to a change in finances, household or health. While finance is covered in our affordability outcome, changes to a customer's physical needs are just as crucial. A better relationship allows us to adapt to these changes.

Our annual targets for Priority Services - Reach assumed that the national datashare between water and energy would be in place early in the business plan period. As this has been further delayed, we have missed our target for this year. Despite this we have almost doubled the number of households on our Priority Services register to 2.5% largely through delivery of the various initiatives set out in Every Customer Matters, our vulnerability strategy, along with additional promotion of customer support through the pandemic. We have also increased our contact with customers already on this register to ensure we are checking if their needs have changed over time. Our continued compliance with British Standards (BS18477 Inclusive Service) supports our approach on the PSR and wider customer service ethos.

A key area of activity for a number of years has been working with children and students, our customers of the future, to increase their knowledge and awareness of their actions on the environment and the water and sewerage networks. Covid-19 has had a significant impact on our ability to deliver face to face engagement, and while we have hugely expanded our online provision this year, we have been unable to deliver the same programme as in previous years. *We are seeking a change to this commitment definition to allow us to better respond to the changes that Covid-19 will have in the future as our options to deliver this programme have fundamentally changed.*

PC		Actual performance	Target	Out / under performance total £m	2024-25 target
Priority services for customers in vulnerable circumstances (common)  <i>% of all applicable household customers</i>	%age of customer base on the PSR	● 2.5%	2.8%	Reputational	7%
	%age attempted contact in the last 2 years	● 49.4%	45.0%		90%
	%age with actual contact in the last 2 years	● 35.7%	17.5%		35%
Delivering for customers in vulnerable circumstances <i>Compliance statement</i>		● Maintained	Maintain	Reputational	Maintain
Number of children/students engaged <i>Number of children/students</i>		● 453	24,370	-£0.096m	24,370

#### Summary of reasons for under performance

- Priority services register - assumed that the national datashare between water and energy would be in place early in the business plan period.
- Students and children engaged – unable to deliver face to face educational services due to Covid-19. Seeking change from Ofwat to definition to allow digital education which is now the norm.



### Outcome: Efficient use of water

Reducing the amount of water abstracted from the environment, whether through our own network leakage or working with customers to reduce consumption, is crucial to the long-term sustainability of the environment.

2020-21 has been a challenging year with respect to water usage. As a result of the national lockdowns and significant increase in people working from home throughout the year, as well as a long hot and dry period, the per capita consumption – the amount of water on average a customer in our region uses per day – has increased significantly to 151.8 litres per person per day. As a three year average this is a 3.8% increase. While we anticipate more home working going forward, we will be striving to reduce the per capita consumption over the next four years, including using our water efficiency programme to support this.

From an outcome point of view while the household water use has been higher, the total water into supply was lower as there was a larger reduction in non-household water use. Water into supply is a more accurate measure of the outcome we are aiming to achieve.

We have also been working to reduce our own leakage levels; 2020-21 saw our leakage reduce to 65.1MI/d, meaning that when compared to our three year average (the measure of performance for this commitment) we have reduced our levels by 5.2%. This performance has been a result of increasing our acoustic logger programme, increased leakage detection resource, pressure reduction and asset optimisation. This strong first-year performance means we are well on our way to our five-year target of 12.8%, and reducing abstraction overall. However, it has resulted in an increase in our mains repairs, commented on in the ‘Resilient Services’ outcome.

We continue to perform well on customer reported leaks fixed within a day, with a performance of 92%.

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Leakage (common)</b> <i>% reduction from baseline</i>	● 5.2	1.6	0.572	12.8
<b>Per capita consumption (common)</b> <i>% reduction from baseline</i>	● -3.8	0.1	-0.702	0.9
<b>Customer reported leaks fixed within a day</b> <i>%age</i>	● 92	90	0.126	90
<b>Volume of water saved by water efficiency engagement</b> <i>MI/d</i>	● 0.7MI/d	1MI/d	Reputational	5MI/d

#### Summary of reasons for under performance

- Per capita consumption – household consumption increased due to a rise in home working.
- Volume of water saved – unable to deliver in home audit programme due to Covid-19, we have reprofiled our activities and with enhanced promotion we are seeking catchup over the next 2 years.



## Outcome: Excellent drinking water quality

Providing safe quality drinking water to our customers underpins everything our water business does. We take our responsibility seriously and through near miss management approach we have a culture of continuous improvement. Our performance commitments in this area ensure that we provide clean, safe water to our customers and work with them where necessary to improve their own properties where needed.

We set the bar very high for our targeted performance and are consistently an upper quartile performer. Our continuous improvement programme and near miss management maintains focus on excellent drinking water quality. Indeed, the targets for both compliance and event risk indices are sufficiently tight that individual, minor issues can affect the score. Every issue, no matter how small, is reported to senior management with any learnings and mitigation confirmed with a focus on sample quality from site to laboratory.

While our performance overall has been very good, this year has proven challenging to work with customers in their homes and workplaces, again due to the national Covid-19 restrictions. We have as a result fallen short of our targets to replace lead communication pipes to customer properties and inspections with business premises when tackling water quality in the workplace. We plan to catch up with our lead replacement programme in 2021-22, securing the long term water quality improvement this commitment seeks to deliver for our customers.

A particular focus is on reducing customer contacts for drinking water quality. We are implementing a programme of work, including optimisation of silicate dosing and flushing programmes, improvements to outlet pipework arrangements and use of mains conditioning to create calm networks. It is too early to establish if these changes are having an impact, but early results are encouraging.

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Water quality compliance CRI (common)</b> Score	● 1.61	0	In deadband	0
<b>Water quality customer contacts</b> No. of contacts per 1,000 population	● 1.44	1.31	£0.078	0.93
<b>Tackling water quality at home and in the workplace</b> Score	● 9,739	18,297	£0.111m	18,297
<b>Lead communication service pipes replaced</b> No. of pipes replaced	● 944	1,160	£0.130m	2,210
<b>Event risk index (ERI)</b> Score	● 16.766	12.800	Reputational	12.800

### Summary of reasons for under performance

- CRI – while overall a reduced number of statutory failures from previous years and a performance within the deadband, failures from water treatment centres increased.
- Water quality customer contacts - we are in discussion with the DWI about our discoloration strategy and a cost-effective programme of works to improve the position over the next few years.
- Tackling water quality – unable to conduct ‘in property’ audits due to Covid-19.
- Lead pipe replacement – unable to replace customer property lead pipes due to Covid-19, programme reprofiled to catch up with cumulative performance by end of 2021-22.
- ERI – the score was lower than the previous year, although in total there were more events, the majority of which were minor.



### Outcome: Minimise sewer flooding

Reducing sewer flooding, internal and external, were the two highest priorities mentioned by our customers when we contacted them during the compilation of our business plan. Thankfully these incidents are rare. This outcome focuses on reducing them further.

Despite some periods of extreme rainfall, we met our internal sewer flooding target with 178 incidents compared to a target of 211 (note the commitment is normalised to internal flooding incidents per 10,000 sewer connections to allow for comparison across the industry). A number of asset and customer focused schemes to reduce these incidents has contributed to this.

However, the extreme rainfall resulted in an increased number of external flooding events, with 2,450 incidents against a target of 2,160 (again, commitment has a normalised rate and target). Last year was the wettest since 2014 and the groundwater remained high after a wet 2019, resulting in groundwater infiltration in our sewers and reduced capacity during the 2020 wet weather.

This increase in the groundwater levels and heavy rainfall meant that we also missed our sewer flooding risk commitment. As we remain in the deadband, no penalty is due. We are delivering a number of schemes in the coming year which we hope will improve this score.

Work continues to progress on the North Bristol Trym sewer scheme, with a current commitment target date of March 2023. We have highlighted that Covid-19 has had an impact on this programme, which we continue to monitor.

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Internal sewer flooding (common)</b> <i>No. of incidents per 10,000 sewer connections</i>	● 1.41	1.68	£1.536m	1.34
<b>External sewer flooding</b> <i>No. of incidents per 10,000 sewer connections</i>	● 19.35	17.07	-£1.824m	15.68
<b>Sewer flooding risk</b> <i>Score</i>	● 55,015	50,651	In deadband	50,651
<b>North Bristol sewer scheme – Trym</b> <i>Months delay</i>	● 0	0	N/A	Deliver by 31 <sup>st</sup> March 2023

#### Summary of reasons for under performance

- External sewer flooding – high rainfall in the last five months of 2019 which resulted in high groundwater levels coming into 2020. High rainfall continued into the start of 2020, with one of the wettest Februarys on record. This was then followed by four further periods of extreme rainfall.



### Outcome: Resilient services

Providing secure and reliable services to our customers, whether we experience sudden shocks or gradual stresses, underpins this outcome with commitments in both waste and supply. Of any year, 2020-21, with the impact of Covid-19, extreme weather conditions, Brexit transition period and supply chain constraints will have seen the biggest challenge to any organisation's resilience. Our performance has been excellent and our thanks go to all of our people as well as customers and stakeholders in managing such a combination of shocks and stresses.

The significant improvement in leakage, albeit in good conditions, has resulted in a 5.2% reduction in our three year average leakage. This increased focus on reducing leaks has had the consequence of an increase in the number of repairs to our water mains as we identify and resolve larger numbers of leaks. We will continue to implement schemes such as pressure reduction to reduce the likelihood of bursts in the future, but this higher number of repairs is likely to continue. There still remains considerable uncertainty about the cost effective delivery of future leakage improvements without further technological improvements being identified in the sector.

We have also continued to reduce the impact water events have on our customers. We have beaten our target for water supply interruptions with 4 minutes and 34 seconds of interruption per property on average over the year, part of a 5 year downward trend. This has been achieved through a number of initiatives such as increased data and additional staff and network mapping to assist in rezoning.

The resilience of our water supply systems continues to be strong with no hosepipe bans and 0% of our population at risk of severe restrictions in a drought. Our unplanned outage (demonstrating our treatment works asset health) continues to be low, with outages totalling 0.57% of our peak week production capacity during the year.

On the waste water side, we are on track to deliver our drainage and waste water management plans by June 2022 and have met our sewer collapses performance commitment, with 214 incidents (the commitment is normalised per 1,000km of sewers to allow for industry comparison). We have also met our risk of sewer flooding in a storm commitment, with 11.82% of properties at risk compared to a target level of no more than 12.93%. This commitment definition and calculation is being reviewed by the industry and we are chairing this group.

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Water supply interruptions (common)</b> <i>mm:ss per property per year</i>	● 04:34	06:30	£0.271m	05:00
<b>Risk of severe restrictions in a drought (common)</b> <i>Score</i>	● 0	0	Reputational	0
<b>Mains repairs (common)</b> <i>No. of repairs per 1,000km of mains</i>	● 177.7	161.4	-£0.750m	152.4
<b>Unplanned outage (common)</b> <i>(%)</i>	● 0.57	2.34	-	2.34
<b>Restrictions on water use</b> <i>No of hosepipe bans</i>	● 0	0	-	0
<b>Security non-SEMD outputs</b> <i>Projects delivered</i>	● 0	0	N/A	7
<b>Sewer collapses</b> <i>No. per 1,000km of sewer network</i>	● 6.12	6.33	-	6.33
<b>Drainage and waste water management plans (DWMPs)</b> <i>%age</i>	● 0	0	Reputational	100
<b>Risk of sewer flooding in a storm (common)</b> <i>%age population at risk</i>	● 11.82	12.93	Reputational	8.37

### Section 3: Performance summary

#### *Summary of reasons for under performance*

- Mains repairs – due to increased focus on leakage and higher number of proactive activities the number of mains repairs has increased. As we work to reduce leakage, the number of mains repairs will continue to increase. These two measures should be looked at together to assess performance.



## Outcome: Protecting and enhancing the environment

We seek to protect and enhance the rivers and coastlines that make up our region and this outcome measures our performance across a range of measures to ensure we achieve this. One area of impact is permit compliance at our water recycling centres (WRC). In 2020 there were three failures at WRCs leading to a compliance score of 99.08%.

To ensure we continue to improve our performance and meet new discharge permits at our WRCs, in particular to meet tighter phosphorus standards, we have three performance commitments that focus on the Water Industry National Environment Programme (WINEP). We are currently on track to deliver all of these commitments (Bristol water recycling centre, Avonmouth, delivery of WINEP and length of rivers with improved water quality through WINEP delivery), although due to Covid-19 some of the permit deadlines have been extended with the Environment Agency as construction activity was paused in the initial lockdown.

However, works on our own water recycling centres and assets are not the only way in which we improve our region's rivers and coastlines; we work closely with local farmers, landowners and communities to reduce nutrient impact and improve the catchments in which we operate. This work forms part of the WINEP commitments, but of particular note is our 'length of rivers improved non-WINEP' commitment, in which we are extending our work in Poole Harbour, working with farmers and EnTrade, the environmental trading platform, to reduce their nitrogen input. We have saved an additional 45 tonnes of nitrogen from entering the water sources, leading to an outperformance payment of £0.23m. We hope to continue this work over the AMP.

Our bathing waters and catchment partners commitments have seen us partner with local community groups to deliver environmental improvements. For example, in Bournemouth we have tested messaging on reducing litter on beaches as well as looking at waste from beach huts while, to deliver our catchment partnerships commitment, we have progressed 33 projects. Examples include a WaterSpace study with Bath and North East Somerset council and catchment partnerships in the Hampshire Avon and Somerset. We have also worked with Natural England and tenants on our own landholdings that are sites of scientific interest (SSSIs) to improve the condition of those sites, with activities agreed for the next four years.

Finally, our Abstraction Incentive Mechanism (AIM) commitments at Mere and Stubbampton have seen us reduce the amount of water we take from those sources, meeting our commitments.

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Treatment works compliance (common)</b> %age	● 99.08	100%	In deadband	100%
<b>Waste water pollution incidents (common)</b> No. of incidents per 10,000km of sewer	● 25.18	24.51	-£0.181	19.50
<b>Satisfactory sludge disposal</b> %age	● 99.54	100	-£0.045m	100
<b>Reduce FSOs (non WINEP)</b> Number	● 0	0	N/A	0
<b>Delivery of WINEP</b> Statement	● Met	Met	Reputational	Met
<b>Length of rivers with improved water quality through WINEP delivery</b> Km of river	● 0	0	N/A	399.9
<b>Length of rivers improved non-WINEP</b> Km of river	● 23.0	0	£0.230m	0



Section 3: Performance summary

PC Units	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>WINEP requirements (Bristol (Avonmouth) STW)</b> <i>Months delay</i>	● 0	0	N/A	0
<b>Natural capital – improve SSSI</b> <i>%age delivered</i>	● 22	20	£0.0002m	100%
<b>GHG emissions</b> <i>Kilotonnes of carbon equivalent</i>	● 109	111	£0m	101
<b>Working with communities to improve bathing water experience</b> <i>No. of beaches</i>	● 20	20	-	47
<b>Working with catchment partners to improve natural capital</b> <i>No. of projects</i>	● 33	29	£0.013	37
<b>AIM – Mere</b> <i>MI</i>	● -299*	-100	£0.005	-100
<b>AIM Stubhampton</b> <i>MI</i>	● -157*	-45	£0.002	-45

\*lower is better

*Summary of reasons for under performance*

- Treatment works compliance – three failures at three water recycling centres
- Waste water pollution incidents – exceptionally high rainfall has contributed to this underperformance, our strategy is to continue to reduce pollutions and our overall glide path reflects this.
- Satisfactory sludge disposal – a single slumping stockpile due to extreme rainfall in February 2020. Sludge storage barns have been constructed to mitigate this risk in future.

## Impact of Covid-19

While our response to the impact of Covid-19 has been very good and we have been resilient to much of the impact on our services, it is inevitable that there has been an impact on our ability to deliver this year, and will continue to affect our plans for the future. The world is a different place now, and whilst Covid-19 has created risks to manage, it has also created opportunities for step changes in the use of technology in how we interact with our customers. As has been commented on elsewhere in this narrative, our response to Covid-19 has been excellent and our thanks go to all of our people as well as customers and stakeholders in managing through such a combination of shocks and stresses.

The table below highlights the performance commitments that have been affected by Covid-19 in terms of performance in 2020-21. As expected, there have also been knock on implications on the delivery and programming of our capital projects both now and for delivery of future outputs. As a result, our internal management of the programme has allowed us to minimize these impacts, and also highlight specific WINEP output dates that needed to be amended. These changes have been agreed with EA/DEFRA, which now means the future profiles of the performance commitment targets for 'Delivery of WINEP' and 'length of rivers with improved water quality through WINEP delivery' should now reprofile to reflect the updated WINEP programme. We will report on these changes in future annual performance reports.

To summarise, the main effects of Covid-19 on our performance commitments are as follows:

- successful applications for assistance – combination of customer advice agencies being closed and unable to deliver face-to-face advice and customers being offered alternative debt control options
- inability to visit schools for face-to-face visits for children and students engaged; we are seeking an amendment to this commitment with Ofwat
- significant increase in per capita consumption due to lockdown and increased working from home, plus a hot dry summer
- inability to deliver our in-home audits for our water efficiency programme – we hope to catch up on this commitment over the next four years
- inability to conduct in-property inspections for tackling water quality at home and in the workplace – we should see some outperformance in future years to make up for this when we catch up on our lead commitment (see below)
- inability to replace as many lead pipes to domestic properties – we hope to catch up on this commitment over the next four years
- the profile of our WINEP schemes has been adjusted to take into account the pause in construction during the initial lockdown, changing the two WINEP PCs listed.

PC <i>Unit</i>	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Successful applications for assistance received by the independent advice sector/third parties'</b> <i>Number of applications</i>	● 1,614	2,300 per year	Reputational	2,300 per year
<b>Number of children/students engaged</b> <i>Number of children/students</i>	● 1,344	24,370	-£0.092m	24,370
<b>Per capita consumption (common)</b> <i>% reduction from baseline</i>	● -3.8	0.1	-0.702	0.9
<b>Volume of water saved by water efficiency engagement</b>	● 0.7Ml/d	1Ml/d	Reputational	5Ml/d

### Section 3: Performance summary

PC <i>Unit</i>	Actual performance	Target	Out / under performance total £m	2024-25 target
<i>MI/d</i>				
<b>Tackling water quality at home and in the workplace</b> <i>Score</i>	● 9,739	18,297	-£0.111m	18,297
<b>Lead communication service pipes replaced</b> <i>No. of pipes replaced</i>	● 944	1,160	-£0.130m	2,210

### Ofwat PC definition changes

We are seeking amendments to the performance commitments detailed below for the following reasons:

- total bill reduction – following the final determination and the increased bill reduction the target for this commitment was not reduced to take into account the lower total bills. We are seeking this reduction to reflect the bill change
- number of children/students engaged – we are requesting that this commitment definition is extended to include digital education, both as a result of Covid-19 and changes in the way schools like to receive programmes more widely

PC <i>Unit</i>	Actual performance	Target	Out / under performance total £m	2024-25 target
<b>Total bill reduction to customers on social tariffs per 10,000*</b> <i>£ reduction per 10,000 customers</i>	● 56,562	61,767	-£0.068m	£87,029
<b>Number of children/students engaged</b> <i>Number of children/students</i>	● 1,344	24,370	-£0.092m	24,370

### Common performance measures

We have been able to implement the reporting guidance for common performance commitments and are green in all respects except for leakage and sewer collapses as detailed below.

#### W1: Leakage

We are green on all sub components except for one of distribution input where we are amber (see below) as we need to review our approach to calibrating mechanical abstraction meters. A project is planned to look at the extent of mechanical meters in the network. This is a very small component and won't alter the PC.

Section 3: Performance summary

	Component / Element	Component R/A/G	Element R/A/G	Reason for any non-compliant components / comments	Confidence grade
11	Distribution input	Green			A2
11a	Distribution input to the system is metered with at least daily readings at all defined locations		Green		
11b	Meters are appropriate size for the flow to be measured and located at appropriate inputs to the network confirmed by record plans. Any treatment works take-off		Green		A2
11c	Data validity checks are carried out at least monthly		Green		A2
11d	Missing data is infilled using both pre- and post- data for the location over at least one month, extrapolated from pump hours or use of upstream or downstream meters		Green		A2
11e	The data transfer systems from meter output to central database is checked and validated on a risk-based frequency from one up to two years		Green		A2
11f	Flow checks are carried out on DI meters consistent with the principles of the document 'EA Abstraction Good Metering Guide' and in particular the frequency of flow checking defined in Table 6.2 of the EA guide		Amber	See detailed commentary (below)	A2

This component had been classified as green in previous reporting. However, following an internal review, the subcomponent 11f has been classified as amber until a detailed review can be carried out. This primarily relates to the flow checking requirements. Most of our distribution input meters are electromagnetic and subject to verification every two years. These meters do not require calibration as they have been shown not to lose accuracy provided the verification is satisfactory. However, a number of our meters are mechanical meters. There is an ongoing project to review the extent of mechanical meters used for compliance and then provide recommendations on a risk-based approach.

**R6: Sewer collapses**

The number of collapses is based on information from the original job cards that are raised by the sewerage customer service technician (CST) with additional supplementary questions. Where there is any element of doubt to the underlying reason regarding why works on the sewerage system have been raised, the CSTs are asked for clarification. If there is still an element of doubt, these are recorded as unknowns and are included in the reportable number.

An IT process improvement is being proposed that will be able to incorporate clarifying questions to the electronic job card when sewer repairs are raised.

Section 3: Performance summary

	<b>Component / Element</b>	<b>Element R/A/G</b>	<b>Reason for any non-compliant components / comments</b>	<b>Confidence grade</b>
1	Number of collapses	Amber	See commentary above	B3
2	Sewer length			
a)	Length excluding transferred sewers	Green		B2
b)	Length of sewers transferred under the Private Sewer Regs 2011	Green		C4

**Reporting of greenhouse gas emissions**

As requested in Information notice IN 21/02

		Water	Waste-water	Total
<b>Scope 1</b>				
Direct emissions from burning of fossil fuels		1,256	15,341	
Process and fugitive emissions			25,069	
Transport: Company owned or leased vehicles		3,937	7,477	
<b>Total scope one emissions</b>		<b>5,193</b>	<b>47,886</b>	<b>53,079</b>
Total scope one emissions by GHG type	CO <sub>2</sub>			27,773
	CH <sub>4</sub>			5,145
	N <sub>2</sub> O			20,161
<b>Scope 2</b>				
Grid electricity used by company		<b>18,390</b>	<b>33,677</b>	<b>52,067</b>
<b>Scope 3</b>				
Business travel on public transport, private vehicles used for company business		0	0	0
Outsourced activities		697	1,687	2,384
Electricity transmission and distribution		1,582	2,896	4,478
<b>Total scope three emissions</b>		<b>2,279</b>	<b>4,583</b>	<b>6,862</b>
Total scope three emissions by GHG type	CO <sub>2</sub>			6,793
	CH <sub>4</sub>			15
	N <sub>2</sub> O			54
<b>Gross operational emissions (Scope 1, 2, 3)</b>				
		<b>25,862</b>	<b>86,146</b>	<b>112,008</b>
Exported renewables (generated onsite and exported)				-1,562
Emissions reduction from purchased renewable energy				n/a
<b>Total net operational emissions</b>				
				<b>110,446</b>
<b>Annual operational GHG intensity ratios</b>				
kgCO <sub>2</sub> e / megalitre		<b>167</b>	<b>195</b>	
tCO <sub>2</sub> e per £m turnover				<b>223</b>

**Notes**

- All data are expressed as tonnes carbon dioxide equivalent (tCO<sub>2</sub>e).
- We use the location-based method of reporting throughout
- Data were compiled using edition 15 of the UK water sector's carbon accounting workbook (CAW15).
- The water and wastewater columns include their respective share of retail emissions
- CAW15 does not provide totals for carbon dioxide, methane and nitrous oxide emissions by water and wastewater services.

### Section 3: Performance summary

#### Commentary

*We also encourage companies to specify additional reporting practices they may be using. For example, companies should make clear their use of accounting methodologies and programmes such as GHG Protocol Corporate Standard, ISO 14064-1 or Carbon Disclosure Programme.*

In addition to this report and the Streamlined Energy and Carbon Reporting disclosure in our Annual report and accounts, we have a performance commitment for gross greenhouse gas emissions. For that, we are using the 2018-19 carbon accounting workbook with the exception of emissions factors for grid electricity, for which we are using the forecast emissions factors published by BEIS in 2017. These support the Treasury Green Book supplementary appraisal guidance on valuing energy use and greenhouse gas emissions and are as follows (kgCO<sub>2</sub>e / kWh):

	2020-1	2021-2	2022-3	2023-4	2024-5
Grid electricity scope 2	0.205	0.195	0.181	0.171	0.148
Grid electricity scope 3	0.015	0.014	0.013	0.013	0.011

*We would also encourage companies to make clear the assurance processes they have in place for calculating their GHG emissions, which may involve assurance from a named third party and/or accreditation demonstrated via external bodies such as the Carbon Trust*

Third party assurance for our reporting is provided by our technical auditor, Mott MacDonald.

*We would also like companies to include an explanatory statement alongside the emissions data reported to us. This will facilitate greater clarity and understanding of the progress made in reducing GHG emissions. We would like companies to structure their explanatory statements such that they explain the 'Strengths', 'Weakness', 'Opportunities', 'Threats' (SWOT) of their approach to reducing GHG emissions. This approach is aimed at encouraging the sharing of best practice as well as highlighting any challenges companies face, particularly in relation to identifying how barriers to action can be overcome, and/or how innovation can be encouraged, as well as highlighting risks to continued progress*

We have been advocating for the need to address greenhouse gas emissions as an integral part of our environmental delivery for around 25 years. We are fully in line with the sectors aims to achieve net zero carbon. Our current position is summarised below using the Strengths, Weaknesses, Opportunities and Threats structure requested in IN 21/02.

#### Strengths

- An integrated view of carbon management, with an established hierarchy of measures involving emissions avoidance, efficiency and renewable energy
- Capabilities in designing and operating technologically advanced infrastructure and support systems
- Experience implementing real-time monitoring and control for energy efficiency
- Expertise in waste to energy methods that sit at the interface of renewable energy and circular economy thinking.
- Capabilities in catchment management and nature-based solutions, that can offer lower-carbon methods for improving the water environment.

#### Weaknesses

- Less experience in quantifying and reducing embodied carbon emissions

#### Opportunities

- Rapidly falling costs for renewable energy generation due to falling production costs globally, especially for wind, solar and storage
- A positive shift in support for rapid decarbonisation across the political spectrum and amongst investors
- A recognition within the water sector that carbon reduction is a key strategic priority and a focus for innovation and research.
- The possibilities offered by advanced analytical tools for improving the efficiency of treatment

### Section 3: Performance summary

processes and pumped networks

- Potentially, the maturing of greenhouse gas removal technology such as pyrolysis and hydrothermal carbonisation.

#### *Threats*

- Narrowly focused, single-issue regulation leading to solutions that increase our energy consumption
- Specifically, a 2024 WINEP that does not have carbon reduction as a central priority
- The possibility of major upwards revisions to emissions factors for treatment processes; especially nitrous oxide from wastewater treatment; this will increase the challenge of achieving net zero carbon
- Potential political desire for visible, heavily engineered solutions for capacity / resilience, that are very carbon intensive in the construction phase
- Separation of operating and capital carbon leading to a less joined-up view of competing options. However, the sector is working together to understand how to take a wholelife carbon view.



## Section 3: Performance summary

### Pro forma 3A

#### Outcome performance - Water performance commitments (financial) Wessex Water

Line description	Unique reference	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment	RAG 4 reference
				Previous reporting year	Current reporting year				
				£m	£m				

#### Common PCs - Water (Financial)

Water quality compliance (CRI)	PR19WSX_Q1	number	2		1.61	No	0.000	0.000	3A.1
Water supply interruptions	PR19WSX_R1	hh:mm:ss		00:07:52	00:04:34	Yes	0.271	0.271	3A.2
Leakage	PR19WSX_W1	%	1		5.2	Yes	0.572	0.000	3A.3
<i>[For use by NES and SSC only]</i>									3A.3
Per capita consumption	PR19WSX_W2	%	1		-3.8	No	-0.702	-0.702	3A.4
<i>[For use by SSC only]</i>									3A.4
Mains repairs	PR19WSX_R4	number	1	148.2	177.7	No	-0.750	-2.880	3A.5
Unplanned outage	PR19WSX_R5	%	2	1.46	0.57	Yes	0.000	0.000	3A.6

#### Bespoke PCs - Water and Retail (Financial)

Total bill reduction to customers on social tariffs per 10,000 households	PR19WSX_A1	nr			56,562	No	-0.068	0.000	3A.7
Void sites	PR19WSX_A3	%	2		1.83	Yes	0.328	0.328	3A.8
Gap sites	PR19WSX_A4	nr			113	Yes	0.000	0.000	3A.9
Number of children/students engaged	PR19WSX_C3	nr			453	No	-0.096	-0.276	3A.10
Customer reported leaks fixed within a day	PR19WSX_W3	%			92	Yes	0.126	0.126	3A.11
Water quality customer contacts (appearance, taste and odour)	PR19WSX_Q2	nr	2		1.44	No	-0.078	-0.392	3A.12
Tackling water quality at home and in the work place	PR19WSX_Q3	score			9,739	No	-0.111	-0.111	3A.13
Lead communication service pipes replaced (Wessex Water assets)	PR19WSX_Q4	nr			944	No	-0.130	0.000	3A.14
Restrictions on water use (hosepipe bans)	PR19WSX_R7	nr			0	Yes	0.000	0.000	3A.15
Abstraction Incentive Mechanism (Mere)	PR19WSX_E3	nr			-299	Yes	0.005	0.005	3A.16
Natural capital: improve Sites of Special Scientific Interest (SSSI sites)	PR19WSX_E4	%			22	Yes	0.000	0.000	3A.17
Abstraction Incentive Mechanism (Sturhampton)	PR19WSX_E12	MI/a			-157	Yes	0.002	0.002	3A.18
Delivery of security (non-SEMD)	PR19WSX_SEC	months			0	-	0.000	0.000	3A.19

Section 3: Performance summary

Pro forma 3B

Outcome performance - Wastewater performance commitments (financial) Wessex Water

Line description	Unique reference	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment	RAG 4 reference
				3	4				
				Previous reporting year	Current reporting year		£m	£m	
<b>Common PCs - Wastewater (Financial)</b>									
Internal sewer flooding	PR19WSX_F1	Number of internal sewer flooding incidents per 10,000 sewer connection	2	1.18	1.41	Yes	1.536	5.743	3B.1
Pollution incidents	PR19WSX_E2	Pollution incidents per 10,000 km of sewer length	2		25.18	No	-0.181	0.000	3B.2
Sewer collapses	PR19WSX_R6	Number of sewer collapses per 1,000 km of all sewers	2	5.21	6.12	Yes	0.000	0.000	3B.3
Treatment works compliance	PR19WSX_E1	%	2		99.08	No	0.000	0.000	3B.4
<b>Bespoke PCs - Wastewater (Financial)</b>									
Customer property sewer flooding (external)	PR19WSX_F2	nr	2	17.21	19.35	No	-1.824	-1.350	3B.5
Sewer flooding risk	PR19WSX_F3	score			55,015	No	0.000	0.000	3B.6
North Bristol Sewer Scheme - Trym catchment	PR19WSX_F4	nr			0	-	0.000	0.000	3B.7
Greenhouse gas emissions	PR19WSX_E5	nr			109	Yes	0.000	0.000	3B.8
Working with communities to improve bathing water experience	PR19WSX_E6	nr			20	Yes	0.000	0.000	3B.9
Working with catchment partners to improve natural capital	PR19WSX_E7	nr			33	Yes	0.013	0.000	3B.10
Satisfactory sludge disposal	PR19WSX_E8	%	2		99.54	No	-0.045	-0.045	3B.11
Reduce frequent spilling overflows (non-WINEP)	PR19WSX_E9	nr			0	-	0.000	0.000	3B.12
Length of river with improved water quality through WINEP delivery	PR19WSX_E10	km	1		0.0	-	0.000	0.000	3B.13
Km of river improved (non-WINEP)	PR19WSX_E11	km	1		23.0	Yes	0.230	0.460	3B.14
WINEP requirements (Bristol (Avonmouth) STW)	PR19WSX_E13	months			0	-	0.000	0.000	3B.15
									3B.16
									3B.17
									3B.18
Financial wastewater performance commitments achieved		%				55			3B.19

## Pro forma 3C

### Customer measure of experience (C-MeX) table

Wessex Water

Item	Unit	Value	RAG 4 reference
Annual customer satisfaction score for the customer service survey	Number	86.77	3C.1
Annual customer satisfaction score for the customer experience survey	Number	85.41	3C.2
Annual C-MeX score	Number	86.09	3C.3
Annual net promoter score	Number	46.00	3C.4
Total household complaints	Number	9542	3C.5
Total connected household properties	Number	1,250,148	3C.6
Total household complaints per 10,000 connections	Number	76.327	3C.7
Confirmation of communication channels offered	TRUE or FALSE	TRUE	3C.8

Section 3: Performance summary

Pro forma 3D

Developer services measure of experience (D-MeX) table Wessex Water

Item	Unit	Value	RAG 4 reference
Qualitative component annual results	Number	81.03	3D.1
Quantitative component annual results	Number	97.91	3D.2
D-MeX score	Number	89.47	3D.3
Developer services revenue (water)	£m	7.581	3D.4
Developer services revenue (wastewater)	£m	4.796	3D.5

Calculating the D-MeX quantitative component					RAG 4 reference
Water UK performance metric	Unit	First reporting period (1 April to 30 September)	Second reporting period (1 October to 31 March)	Quantitative score (annual)	
W1.1	%	100.00%	100.00%		3D.W1
W3.1	%	96.08%	99.85%		3D.W2
W4.1	%	89.03%	98.06%		3D.W3
W6.1	%	100.00%	100.00%		3D.W4
W7.1	%				3D.W5
W8.1	%	96.43%	100.00%		3D.W6
W17.1	%	80.00%	90.91%		3D.W7
W17.2	%				3D.W8
W18.1	%	100.00%	100.00%		3D.W9
W20.1	%		100.00%		3D.W10
W21.1	%				3D.W11
W23.1	%	100.00%	100.00%		3D.W12
W24.1	%				3D.W13
W26.1	%	100.00%	100.00%		3D.W14
W27.1	%		100.00%		3D.W15
W30.1	%	100.00%	100.00%		3D.W16
S1.1	%	99.20%	100.00%		3D.W17
S3.1	%	100.00%	100.00%		3D.W18
S4.1	%	100.00%	100.00%		3D.W19
S7.1	%	100.00%	92.68%		3D.W20
WN1.1	%		100.00%		3D.W21
WN2.2	%		100.00%		3D.W22
SN2.2	%		100.00%		3D.W23
WN4.1	%				3D.W24
SN4.1	%				3D.W25
WN4.2	%				3D.W26
WN4.3	%				3D.W27
SAM - 3/1	%		90.91%		3D.W28
SAM - 4/1	%				3D.W29
	%				3D.W30
	%				3D.W31
	%				3D.W32
	%				3D.W33
	%				3D.W34
	%				3D.W35
	%				3D.W36
	%				3D.W37
	%				3D.W38
	%				3D.W39
	%				3D.W40
	%				3D.W41
	%				3D.W42
	%				3D.W43
	%				3D.W44
	%				3D.W45
	%				3D.W46
	%				3D.W47
	%				3D.W48
	%				3D.W49
	%				3D.W50

D-MeX quantitative score (for the relevant reporting period)	%	97.20%	98.62%		3D.6, 3D.7
D-MeX quantitative score (annual)	Number			0.98	3D.8

Section 3: Performance summary

Pro forma 3E

Outcome performance - Non financial performance commitments Wessex Water

Line description	1	2	2a	3		4	5	RAG 4 reference
	Unique reference	Unit	Decimal places	Performance level - actual		PCL met?		
				Previous reporting year	Current reporting year			
<b>Common</b>								
Risk of severe restrictions in a drought	PR19WSX_R2	%	1	0.0	0.0	Yes		3E.1
Priority services for customers in vulnerable circumstances - PSR reach	PR19WSX_C1	%	1	1.4	2.5	No		3E.2
Priority services for customers in vulnerable circumstances - Attempted contacts	PR19WSX_C1	%	1	0.0	49.4	Yes		3E.3
Priority services for customers in vulnerable circumstances - Actual contacts	PR19WSX_C1	%	1	0.0	35.7	Yes		3E.4
Risk of sewer flooding in a storm	PR19WSX_R3	%	2	13.85	11.82	Yes		3E.5
<b>Bespoke PCs</b>								
Successful applications for assistance received by the independent advice sector/third parties	PR19WSX_A2	nr			1,614	No		3E.6
Value for money	PR19WSX_X3	%			78	Yes		3E.7
Delivering for customers in vulnerable circumstances	PR19WSX_C2	text			Maintained	Yes		3E.8
Volume of water saved by water efficiency engagement	PR19WSX_W4	nr	1		0.7	No		3E.9
Event risk index (Wessex Water) (ERI WW)	PR19WSX_Q5	score	3		16.766	No		3E.10
WINEP Delivery	PR19WSX_NEP01	text			Met	Yes		3E.11
Delivery of DWMPs	PR19WSX_DWMP	%			0	-		3E.12
								3E.13
								3E.14
								3E.15
								3E.16
								3E.17
								3E.18
								3E.19
								3E.20
								3E.21
								3E.22
								3E.23
								3E.24
								3E.25
								3E.26
								3E.27
								3E.28
<b>Non-financial performance commitments achieved</b>							<b>64</b>	<b>3E.29</b>



## Pro forma 3G

## Underlying calculations for common performance commitments - wastewater

Wessex Water

	1	2	3	4	5	6	
Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level	RAG 4 reference
Performance commitments set in standardised units							
Internal sewer flooding - customer proactively reported	PR19WSX_F1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	1,265.36	178	1.41	3G.1
Internal sewer flooding - company reactively identified (ie neighbouring properties)	PR19WSX_F1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	1,265.36	0	0.00	3G.2
Internal sewer flooding	PR19WSX_F1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	1,265.36	178	1.41	3G.3
Pollution incidents	PR19WSX_E2	Pollution incidents per 10,000 km of sewer length	Sewer length in km	34,551.00	87	25.18	3G.4
Sewer collapses	PR19WSX_R6	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	34,965.72	214	6.12	3G.5

## Pro forma 3H

### Summary information on outcome delivery incentive payments

Line description	1	RAG 4 reference
	Initial calculation of performance payments (excluding CMEX and DMEX)	
	£m (2017-18 prices)	
<b>Initial calculation of in period revenue adjustment by price control</b>		
Water resources	-0.02	3H.1
Water network plus	-0.83	3H.2
Wastewater network plus	-0.25	3H.3
Bioresources (sludge)	-0.07	3H.4
Residential retail	0.26	3H.5
Business retail	0.00	3H.6
Dummy control	0.00	3H.7
<b>Initial calculation of end of period revenue adjustment by price control</b>		
Water resources	0.00	3H.8
Water network plus	0.00	3H.9
Wastewater network plus	0.00	3H.10
Bioresources (sludge)	0.00	3H.11
Residential retail	0.00	3H.12
Business retail	0.00	3H.13
Dummy control	0.00	3H.14
<b>Initial calculation of end of period RCV adjustment by price control</b>		
Water resources	0.00	3H.15
Water network plus	0.00	3H.16
Wastewater network plus	0.00	3H.17
Bioresources (sludge)	0.00	3H.18
Residential retail	0.00	3H.19
Business retail	0.00	3H.20
Dummy control	0.00	3H.21



## Pro forma 3I

### Supplementary outcomes information Wessex Water

Line description	1 Current company level peak week production capacity (PWPC) MI/d	2 Reduction in company level PWPC MI/d	3 Outage proportion of PWPC %	RAG 4 reference
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Unplanned or planned outage				
Planned outage	579.90	34.45	5.94%	3I.1

Line description	4 Deployable output	5 Outage allowance	6 Dry year demand	7 Target headroom	8 Total population supplied	9 Customers at risk	RAG 4 reference
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Risk of severe restrictions in drought							
Risk of severe restrictions in drought	387.64	19.38	344.56	35.06	1,362.31	0.00	3I.2

Line description	10 Total pe served	11 Total pe in excluded catchments	12 Percentage of total pe in excluded catchments	13 Total pe Option 1a	14 Percentage of total pe Option 1a	15 Total pe Option 1b	16 Percentage of total pe Option 1b	17-19 Vulnerability risk grade			RAG 4 reference
								Low	Medium	High	
								Percentage of total population served			

Risk of sewer flooding in a storm											
Risk of sewer flooding in a storm	2,802,982.00	65,985.00	2.35%	143,407.00	5.12%	#####	92.53%	88.18%	0.00%	11.82%	3I.3

Line description	20 Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.	RAG 4 reference
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Sewer collapses		
Sewer collapses	10	3I.4

## Section 4: Additional regulatory information – service level

As directed by Ofwat, we have not included Table 4B (analysis of debt), Table 4L (enhancement expenditure water) and Table 4M (enhancement expenditure wastewater) in this report due to their size. We have not included Tables 4F and 4G as these are blank. We have prepared all tables in accordance with the Regulatory Accounting Guidelines, submitted them to Ofwat and published them on our website. The other Section 4 tables are included in this report below the narrative.

### 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 comprise a mix of horizontal (advancement or slippage) and vertical (overspend or saving) movements. Table 4C requires the assessment of the variance in 2020-21 compared to the FD.

As this is the first year of the five-year price control, with minimal outputs yet to be delivered and no major projects to be completed, the net variance is not assumed to be savings.

#### *Explanation of variance*

The net totex variance to the end of 2020-21 is £17m under the FD allowance.

With regards to capital expenditure, following the impact of first national lockdown for Covid-19, we assessed the impact to date and forecast the potential consequence of Covid-19 on our capital expenditure programme for the full year. Overall, we estimated the impact would be approximately £20m under our original budgeted net expenditure for 2020-21, after taking account of expected additional costs due to Covid-19. The full year underspend variance of £16m on net capital expenditure reflects the reprofiling to later years.

Where applicable, the delays to delivery of outputs caused by Covid-19 have been reflected by agreed changes to EA regulatory dates (WINEP). In alignment with the revised dates, all WINEP outputs are forecast to be delivered on time.

We are in discussion with Ofwat regarding resetting PC targets to reflect known impacts of Covid-19.

In both capital and operational expenditure some of the expenditure includes a proportion of new requirements and inefficient delivery of in-flight projects and programmes of work, relating to direct impacts from the Covid-19 pandemic. This are estimated to be circa £10m of additional cost in the year (capital and operational expenditure) which is detailed further below.

The net opex savings in 2020-21 of £1m have been delivered through a number of efficiencies against a background of the increases costs resulting from Covid-19. Highlights include:

- reduced power consumption and market rates due to forward purchases
- cost incurred as a result of Covid-19, totaling approx. £2.5m, including but not limited to:
  - staff (lost hours)
  - power rate increase (Covid-19 cost impact passed through from the wholesaler)
  - making our offices Covid-19 secure
  - increases in external contractors and vehicle hires to maintain social distancing
  - additional PPE and clothing to maintain safe ways of working
  - increases in training costs (reduced class sizes).
- chemical process optimization and internal review of external contractors

The net capex variance of £16m under FD in this first year relates to a combination of upwards and downwards movements.

#### Section 4: Additional regulatory information – service level

- Increases in costs incurred on construction sites due to Covid-19 for shielding and social distancing measures, for ourselves and our supply chain to enable delivery of projects in safe manner.
- Lower grants and contributions than anticipated (slowing of new development due to Covid-19 and regulatory changes encouraging more third parties bidding for contestable work).
- Reprofiled programmes of delivery compared to the FD (partially due to Covid-19 impacts).

We have been insulated from additional construction cost increase as a result of Covid-19, where the specific terms of the contract have protected Wessex Water from full commercial liability of additional costs incurred.

We have mitigated further construction costs increases by maintaining our safe systems of work which has enabled us to continue to deliver as efficiently as possible. We have used our relationships with our supply chain to share best practice to mitigate the impact from the wider challenges with regards to material shortages and delays in procuring equipment.

The expenditure has been delivered while maintaining the acceptable level of risk determined by the Board and while achieving consistently industry leading / upper quartile performance on key common performance commitments.

#### **Wholesale: Actual expenditure v final determination (FD)**

The following table provides a comparison of the actual expenditure to FD in 2020-21. This includes transitional expenditure allowed for in the PR19 FD.

The comparison is based on the net PAYG FD value at outturn prices and excludes any pension deficit repair allowance, includes strategic water resources, third Party costs, non-section 185 diversions and is net of grants and contributions (price control and non-price control).

<b>2020-21 price base</b>	<b>Water (£m)</b>	<b>Sewerage (£m)</b>	<b>Total (£m)</b>
Net totex FD (CPIH inflated)	109.3	301.0	410.3
Actual net totex	129.2	263.7	392.9
PAYG variance	19.9	-37.3	-17.4

#### *Wholesale: water*

The totex expenditure for wholesale water shows a £20m overspend against the FD in the year.

Net expenditure variance over the FD is attributed to the following main factors:

- an increase in targeted active leakage control activities to achieve our target reduction in leakage
- additional leakage repair activity caused by Covid-19 – with more customers working from home we have had unprecedented levels of customer reported leakage, exacerbated by the long period of dry weather (making leaks more visible)
- an increase in new development activity on supply compared to the FD profile for 2020-21
- additional costs incurred by Covid-19, being a mixture of sunk costs incurred in the first national lockdown (with some field resources stood-down temporarily, shielding, etc) and additional equipment, and resources to implement and maintain safe systems of work and social distancing measures
- the continuation of the major refurbishment of Durleigh water treatment centre near Bridgwater, which has encountered significant effects on two key milestone deliverables due to Covid-19. Namely, delivery delay of process units as a result of the manufacturer suffering multiple shut-downs due to the isolation of staff; and restrictions on the number of staff able to work within the main treatment building, to maintain social distancing. This is reflected in the delay to the project water in supply date.
- The completion of two treatment centres' disinfection improvement projects required by the DWI under Reg 28 notices
- reduced power consumption due to efficiencies realised following commissioning and BAU operation of the major distribution network resilience grid project (AMP5/6)

#### Section 4: Additional regulatory information – service level

- reduced water supply cumulo local authority rates.

As we stated in our PR19 submissions, to achieve a step-change reduction in leakage performance, additional expenditure was required over historical levels. This was not allowed for as enhancement expenditure in the FD. In order to achieve our PC target for AMP7 we have targeted a glide path of reductions, which has been funded by totex base maintenance.

##### *Wholesale: sewerage*

The totex expenditure for wholesale waste water shows an £37m underspend against the FD in the year.

Net variance in 2020-21 under the FD is attributed to the following factors:

- Reprofitting of large programmes of work compared to the submitted final business plan, particularly those tied to WINEP drivers:
  - the large programme of work for the phosphorus reduction drivers, delays from Covid-19 resulted in a concertina effect on the original programme. Delivery to meet the original regulatory dates would have incurred additional costs and was a factor in the agreement to defer some of the WINEP dates with the EA
  - investigations with WINEP outputs in year 1 or 2 have been delayed and reflected in regulatory dates changes by the EA
  - while the EA granted blanket extensions to WINEP regulatory dates for installation of event duration monitors (EDMs) due to Covid-19, we continued to progress with delivery largely to our original programme, to maintain our ability to deliver outputs in later years of the AMP.
- Our large sewer network project, the Trym relief sewer project, has incurred additional costs to date of circa £3m due to Covid-19 causing delays in the start of the tunnelling contract and subsequent lower tunnel production rates than envisaged.
  - While the expenditure for the project was higher in 2020-21 than the final business plan (and hence higher than in the FD allowance for 2020-21), since submission of the FBP we had revised the programme, which was reflected in forecast higher expenditure in year 1 compared to the FD. Actual expenditure was lower than the revised programme due to the delays as a result of Covid-19.
  - In addition to the circa £3m cost increase currently visible, the tunnelling contractor is forecasting above the maximum payment permitted under the contract and as such it is reasonable to assume further claims will be submitted (and hence further increase in costs due to Covid-19), but the extent of this is unknown at this stage.
- Costs incurred due to Covid-19, being a mixture of sunk costs incurred in the first lockdown (with some field resources stood down temporarily) and additional equipment, transport, PPE, testing and resources, increased site set up and continued ways of working to enable and maintain social distancing (ie, additional cabins/cleaning etc.).
- Overall reduced power consumption for sewerage due to lower than average rainfall across the year. While we had overall lower rainfall, the influence of this was not reflected in areas where we had a lower than expected performance on pollutions, due to the nature and timing of rainfall events.

##### *Disallowable costs*

Gross totex figures reported in table 4C generally exclude disallowable costs, but we have reported £1.3m of disallowable costs in line 4, which are reported in totex costs in tables 4D and 4E. These include:

- £0.3m in relation to the investigation of the incident at Avonmouth WRC
- £0.1m of legal and support costs resulting from the bond issue in January 2021
- £0.9m arising from fines or compensation claims against the company.

##### *Recharges between business units*

Some assets within the appointed business are multifunctional in nature in that more than one price

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control unit will benefit from their use over time. Examples of such ‘Management and General’ assets include IT systems, IT hardware infrastructure, laboratories, offices, depots, stores and some vehicles.

The approach adopted by Wessex Water is to assign such assets to the price control unit that is the principal user of the asset. A recharge of the usage by other price control units is then calculated based on the most appropriate cost driver. Typically, this is the same as the one used for overhead allocation of operating costs associated with the asset.

As expected, this year the major beneficiary of net recharges is Waste water Networks Plus at £1.9m (£1.9m in 2019-20) and the largest net recipient of charges is Water Networks Plus at £1.2m (£0.9m in 2019-20). The decrease here can be mostly attributed to a decline in recharges to Retail from approx. £200k (2019-20) to less than £50k this year.

At the same time recharges to Retail have fallen overall from £0.6m in 2019-2020 to £0.1m in 2020-21. The decline is driven by a reduction in the overhead allocation rates for Information Services, reflecting a move away from charging for IT services and support from Wessex Water based overheads and an increasing reliance on a direct cost-recovery model.

### Return on regulatory equity

There are no exceptional items.

### Supply-demand balance and metering

*Table 4L requires companies to provide details of their expenditure in the areas of long-term improvements to the supply-demand balance and strategic regional water resource solutions. We expect companies to include narrative commentary to report on progress and deliverables in these areas. This should include explanation of any variances from their business plan and water resources management plan proposals.*

With no previously identified supply demand balance deficit, the main area of expenditure has been in relation to the assessment of strategic regional water resource solutions where we have worked in collaboration with other companies through the West Country Water Resources Group (WCWRG).

The group comprises ourselves, Bristol Water, and South West Water as core members with the Environment Agency and Natural England as affiliates. The group is responsible for developing a regional coordinated water resources plan and for investigating a number of strategic resource options. From the last round of planning (that included company WRMPs), it was identified that both Wessex Water and the West Country as a whole was in an area of supply surplus. Therefore, at the FD, strategic regional schemes were identified for investigation in the current AMP that would be for the potential benefit of neighbouring Southern Water who have a significant supply deficit.

Last year we completed initial investigations into a possible regional scheme in the north of the region (North Sources), involving construction of a second reservoir at Cheddar coupled with a transmission pipeline to where the water is needed. Following approval from RAPID this scheme has now moved to the second (Gate 2) feasibility stage where we are looking at a variety of new transmission options to potentially utilise parts of the existing water network infrastructure. Investigations started last year on Gate 1 investigations for schemes under the South Sources and Southern Transfer options. These include greater use of Roadford Reservoir through provision of additional winter transfers, and effluent reuse. We will report on the results of these investigations as part of our Gate 1 submission to RAPID this summer.

On meter optants our expenditure was less than planned due to fewer meter installations as a result of Covid-19 restrictions affecting delivery, while our smaller change of occupier programme costs were similar to the previous year.

### Narrative on costs

*The lines in Tables 4L and 4M generally correspond to the standard lines in the PR19 business plan tables WS2 and WWS2 respectively. Where lines from the business plan tables have no corresponding lines in Tables 4L or 4M it is because these lines were either not used by companies or by just one or two companies. Tables 4L and 4M have lines for companies to insert their own expenditure purpose categories. If companies would have allocated expenditure to any of the standard lines in the business plan tables that have not been copied across to RAG4.09 tables, they should instead allocate the expenditure to these ‘freeform’ lines. If these lines have been used, companies should provide*

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*commentary to explain them.*

#### **Line 4L.70 NEP - Local priority**

Minimal capital expenditure completing projects with AMP6 drivers at Mere and Malmesbury.

#### **Line 4L.73 NEP - CROW Act**

The operating expenditure is continuation of activities at Blashford Lakes involving water quality monitoring and plant surveys. This relates to the AMP6 NEP.

#### **Line 4M.68 North Bristol Strategic Sewers**

The second phase of the North Bristol strategic sewer programme is the Trym relief sewer project. The project saw significant spend this year, around 2.5 times the expenditure in 2019/20, relating to tunnelling activities. The works have continued despite delays caused by the first Covid-19 national lockdown. There was a delay in the tunnelling equipment arriving on site plus re-establishing ways of working with social distancing. Increased expenditure this financial year relative to last was expected as the project is scheduled to complete in the middle of AMP7. This programme will provide extra capacity in the sewer network for existing housing and new developments in North Bristol.

As in 2019-20, we are accounting all costs against the North Bristol strategic sewer programme in the freeform line. This includes an allowance for network reinforcement accounted for in table 2J.

#### **Line 4M.70 & 71 WINEP - Catchment nutrient balancing**

Capital expenditure relates to commencement of compliance and environmental monitoring to provide baseline data to assess the environmental impact of the catchment permitting approach in the Stour, Tone and Parrett catchments. This will assess compliance with the catchment scale phosphorus permit and assess ecological impact and river water quality impacts of the catchment permit.

The opex costs are for commencing catchment nutrient balancing (CNB) trials across sub-catchments of the Stour, Parrett and Tone. CNB is the 'offsetting' of nutrient load reductions required for WRCs, through funding of the agricultural sector to deliver measures resulting in the required load reduction. The benefits of this approach are nutrient load reductions to waterbodies are achieved with lower carbon emissions and at a lower cost, whilst providing additional environmental 'goods' such as soil protection, Natural Flood Management (NFM) and biodiversity gains.

#### **Line 4M.73 Network growth**

£0.2m of new opex costs relate to sewage pumping stations that have been adopted which we are now required to operate.

*Companies should provide commentary on how they have calculated population and household growth in table 4R including how they have taken account of the 2011 census.*

We have included the detail required in our commentary for Table 4R commentary.

For AMP6 and now AMP7, we are using the ONS mid-year estimates which include the Census 2011 population uplift. Please see below table which shows which census was used for each annual return year.

<b>Year</b>	<b>Census</b>
2011-12	2001
2012-13	2001
2013-14	2001
2014-15	2001
2015-16	2011
2016-17	2011

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<b>Year</b>	<b>Census</b>
2017-18	2011
2018-19	2011
2019-20	2011
2020-21	2011

*Where companies have used a different methodology to calculate non-resident population in table 4R they should provide details in their commentary.*

We have not used a different methodology.

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Pro forma 4A

Wessex Water

Water bulk supply information for the 12 months ended 31 March 2021

Line description	Volume	Operating costs	Revenue	RAG 4 reference
Units	MI	£m	£m	
DPs	3	3	3	

Bulk supply exports				
Bournemouth Water, Whiteparish	0.000	0.000	0.000	4A.1
Wessex cross connection to Bournemouth Water, Corfe Hills reservoir/Canford Bottom	0.000	0.000	0.000	4A.2
Bristol Water, Chapmanslade	22.062	0.004	0.044	4A.3
Bristol Water, Compton Dundon (Ivythorne)	140.711	0.025	0.000	4A.4
Bristol Water, Corsley	30.028	0.005	0.058	4A.5
Bristol Water, Lydford	13.840	0.002	0.001	4A.6
Bristol Water, Standerwick	0.000	0.000	0.000	4A.7
Bristol Water, Shipton Moyne	3.853	0.001	0.000	4A.8
Leep Utilities (Scottish & Southern), Old Sarum	122.300	0.022	0.157	4A.9
Leep Utilities (Scottish & Southern), Brewery Square	36.509	0.006	0.066	4A.10
South West Water, Smeatharpe	0.000	0.000	0.000	
<b>Total bulk supply exports</b>	<b>369.303</b>	<b>0.065</b>	<b>0.326</b>	<b>4A.11</b>

Bulk supply imports				
Bournemouth Water, Whiteparish	0.000	0.000		4A.12
Wessex cross connection to Bournemouth Water, Corfe Hills reservoir/Canford Bottom	0.000	0.000		4A.13
Bournemouth Water, Crichel/Stubhampton	3.274	0.003		4A.14
Bristol Water, Ashcott	100.459	0.000		4A.15
Bristol Water, Bath	2028.880	0.899		4A.16
Bristol Water, Marshfield	7.944	0.000		4A.17
Southern Water, Biddesden	8.561	0.012		4A.18
Southern Water, Ludgershall	77.052	0.089		4A.19
Southern Water, Andover	0.000	0.000		4A.20
South West Water, Charmouth	6.671	0.011		4A.21
South West Water, Wellington	10.757	0.023		
Thames Water, Malmesbury	6.444	0.010		
Veolia, Leckford	804.760	0.316		
Veolia, Pewsey (Tidworth)	64.908	0.132		
<b>Total bulk supply imports</b>	<b>3119.710</b>	<b>1.495</b>		<b>4A.22</b>



## Section 4: Additional regulatory information – service level

Pro forma 4C

Wessex Water

### Impact of price control performance to date on RCV

Line description	Units	DPS	12 months ended 31 March 2021					Price control period to date					RAG 4 reference
			Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	
<b>Totex (net of business rates, abstraction licence fees and grants and contributions)</b>													
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	19.802	89.524	278.982	22.085	0.000	19.802	89.524	278.982	22.085	0.000	4C.1
Actual totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	9.292	120.001	228.060	27.031	0.000	9.292	120.001	228.060	27.031	0.000	4C.2
Transition expenditure	£m	3	0.000	0.000	9.200	0.000	0.000	0.000	0.000	9.200	0.000	0.000	4C.3
Disallowable costs	£m	3	0.008	0.095	0.182	0.369	0.000	0.008	0.095	0.182	0.369	0.000	4C.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	£m	3	9.284	119.906	237.078	26.662	0.000	9.284	119.906	237.078	26.662	0.000	4C.5
Variance	£m	3	-10.518	30.382	-41.904	4.577	0.000	-10.518	30.382	-41.904	4.577	0.000	4C.6
Variance due to timing of expenditure	£m	3	-9.083	29.381	-41.130	4.674	0.000	-9.083	29.381	-41.130	4.674	0.000	4C.7
Variance due to efficiency	£m	3	-1.435	1.001	-0.774	-0.097	0.000	-1.435	1.001	-0.774	-0.097	0.000	4C.8
Customer cost sharing rate	£m	3	0.561	0.439	0.587	0.000	0.000	0.561	0.439	0.587	0.000	0.000	4C.9
Customer share of totex over/underspend	£m	3	-0.805	0.439	-0.454	0.000	0.000	-0.805	0.439	-0.454	0.000	0.000	4C.10
Company share of totex over/underspend	£m	3	-0.629	0.562	-0.320	-0.097	0.000	-0.629	0.562	-0.320	-0.097	0.000	4C.11
<b>Totex - business rates and abstraction licence fees</b>													
Final determination allowed totex - business rates and abstraction licence fees	£m	3	3.037	14.675	7.285	1.709	0.000	3.037	14.675	7.285	1.709	0.000	4C.12
Actual totex - business rates and abstraction licence fees	£m	3	3.447	15.194	7.150	1.646	0.000	3.447	15.194	7.150	1.646	0.000	4C.13
Variance - business rates and abstraction licence fees	£m	3	0.410	0.519	-0.135	-0.063	0.000	0.410	0.519	-0.135	-0.063	0.000	4C.14
Customer cost sharing rate - business rates and abstraction licence fees	£m	3	0.750	0.750	0.750	0.000	0.000	0.750	0.750	0.750	0.000	0.000	4C.15
Customer share of totex over/underspend - business rates and abstraction licence fees	£m	3	0.308	0.389	-0.101	0.000	0.000	0.308	0.389	-0.101	0.000	0.000	4C.16
Company share of totex over/underspend - business rates and abstraction licence fees	£m	3	0.103	0.130	-0.034	-0.063	0.000	0.103	0.130	-0.034	-0.063	0.000	4C.17
<b>Totex not subject to cost sharing</b>													
Final determination allowed totex - not subject to cost sharing	£m	3	0.685	1.317	0.219	0.000	0.000	0.685	1.317	0.219	0.000	0.000	4C.18
Actual totex - not subject to cost sharing	£m	3	0.023	0.274	0.000	0.000	0.000	0.023	0.274	0.000	0.000	0.000	4C.19
Variance - 100% company allocation	£m	3	-0.662	-1.043	-0.219	0.000	0.000	-0.662	-1.043	-0.219	0.000	0.000	4C.20
Total company share of totex over/under spend	£m	3	-1.189	-0.352	-0.573	-0.160	0.000	-1.189	-0.352	-0.573	-0.160	0.000	4C.21
<b>RCV</b>													
Total customer share of totex out /under spend	£m	3	-0.498	0.828	-0.555	0.000	0.000	-0.498	0.828	-0.555	0.000	0.000	4C.22
PAYG rate	£m	3	0.467	0.729	0.360	0.755	0.000	0.467	0.729	0.360	0.755	0.000	4C.23
RCV element of totex over/underspend	£m	3	-0.266	0.225	-0.355	0.000	0.000	-0.266	0.225	-0.355	0.000	0.000	4C.24
Adjustment for ODI outperformance payment or underperformance payment	£m	3						0.000	0.000	0.000	0.000	0.000	4C.25
RCV determined at FD at 31 March	£m	3						76.685	1069.718	2051.057	116.153	0.000	4C.26
Projected 'shadow' RCV	£m	3						76.419	1069.943	2050.702	116.153	0.000	4C.27

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Pro forma 4D

Wessex Water

Totex analysis for the 12 months ended 31 March 2021 - water resources and water network+

Line description	Units	DPs	Water resources	Network+				Total	RAG 4 reference
				Raw water transport	Raw water storage	Water treatment	Treated water distribution		
<b>Operating expenditure</b>									
Base operating expenditure	£m	3	8.601	0.000	0.000	18.816	44.647	72.065	4D.1
Enhancement operating expenditure	£m	3	0.133	0.000	0.000	0.462	0.784	1.379	4D.2
Developer services operating expenditure	£m	3	0.000	0.000	0.000	0.000	3.354	3.354	4D.3
Total operating expenditure excluding third party services	£m	3	8.734	0.000	0.000	19.278	48.785	76.798	4D.4
Third party services	£m	3	0.617	0.000	0.000	0.053	0.466	1.136	4D.5
Total operating expenditure	£m	3	9.352	0.000	0.000	19.332	49.251	77.934	4D.6
<b>Grants and contributions</b>									
Grants and contributions - operating expenditure	£m	3	0.000	0.000	0.000	0.000	3.417	3.417	4D.7
<b>Capital expenditure</b>									
Base capital expenditure	£m	3	1.987	0.004	0.000	28.692	36.141	66.824	4D.8
Enhancement capital expenditure	£m	3	2.041	0.012	0.000	0.084	4.311	6.448	4D.9
Developer services capital expenditure	£m	3	0.000	0.000	0.000	0.000	5.692	5.692	4D.10
Total gross capital expenditure (excluding third party)	£m	3	4.028	0.016	0.000	28.776	46.143	78.963	4D.11
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.12
Total gross capital expenditure	£m	3	4.028	0.016	0.000	28.776	46.143	78.963	4D.13
<b>Grants and contributions</b>									
Grants and contributions - capital expenditure	£m	3	0.000	0.000	0.000	0.000	4.276	4.276	4D.14
Net totex	£m	3	13.379	0.016	0.000	48.108	87.701	149.204	4D.15
<b>Cash expenditure</b>									
Pension deficit recovery payments	£m	3	0.281	0.000	0.000	0.895	3.460	4.636	4D.16
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.17
Totex including cash items	£m	3	13.660	0.016	0.000	49.003	91.161	153.840	4D.18
<b>Atypical expenditure</b>									
Item 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.19
Item 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.20
Item 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.21
Item 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.22
Item 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.23
Total atypical expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4D.24

## Section 4: Additional regulatory information – service level

Pro forma 4E

Wessex Water

### Totex analysis for the 12 months ended 31 March 2021 - wastewater network+ and bioresources

Line description	Units	DPs	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			Total	RAG 4 reference
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal		
<b>Operating expenditure</b>												
Base operating expenditure	£m	3	21.614	7.675	6.032	46.153	1.675	5.892	7.360	4.255	100.656	4E.1
Enhancement operating expenditure	£m	3	1.464	0.004	0.000	1.481	0.000	0.000	0.182	0.000	3.131	4E.2
Developer services operating expenditure	£m	3	0.262	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.362	4E.3
Total operating expenditure excluding third party services	£m	3	23.340	7.779	6.032	47.634	1.675	5.892	7.542	4.255	104.148	4E.4
Third party services	£m	3	0.709	0.317	0.363	0.000	0.000	0.000	0.000	0.000	1.390	4E.5
Total operating expenditure	£m	3	24.049	8.097	6.395	47.634	1.675	5.892	7.542	4.255	105.538	4E.6
<b>Grants and contributions</b>												
Grants and contributions - operating expenditure	£m	3	0.825	0.203	0.203	0.000	0.000	0.000	0.000	0.000	1.231	4E.7
<b>Capital expenditure</b>												
Base capital expenditure	£m	3	26.865	1.700	0.000	41.205	0.428	0.330	8.229	0.202	78.958	4E.8
Enhancement capital expenditure	£m	3	34.212	1.496	0.000	36.900	0.159	0.000	2.228	0.000	74.995	4E.9
Developer services capital expenditure	£m	3	9.821	0.677	0.000	0.000	0.000	0.000	0.000	0.000	10.498	4E.10
Total gross capital expenditure (excluding third party services)	£m	3	70.897	3.873	0.000	78.105	0.587	0.330	10.457	0.202	164.451	4E.11
Third party services	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.12
Total gross capital expenditure	£m	3	70.897	3.873	0.000	78.105	0.587	0.330	10.457	0.202	164.451	4E.13
<b>Grants and contributions</b>												
Grants and contributions - capital expenditure	£m	3	2.325	0.573	0.573	0.000	0.000	0.000	0.000	0.000	3.471	4E.14
Net totex	£m	3	91.796	11.194	5.619	125.739	2.262	6.221	17.999	4.457	265.286	4E.15
<b>Cash expenditure</b>												
Pension deficit recovery payments	£m	3	1.355	0.607	0.694	3.131	0.000	0.921	1.117	0.000	7.825	4E.16
Other cash items	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.17
Totex including cash items	£m	3	93.151	11.801	6.313	128.870	2.262	7.142	19.116	4.457	273.111	4E.18
<b>Atypical expenditure</b>												
Item 1	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.19
Item 2	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.20
Item 3	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.21
Item 4	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.22
Item 5	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.23
Total atypical expenditure	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4E.24

## Section 4: Additional regulatory information – service level

### Pro forma 4H

### Wessex Water

#### Financial metrics for the 12 months ended 31 March 2021

Line description	Units	DPs	Current year	AMP to date	RAG 4 reference
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Financial indicators					
Net debt	£m	3	2315.336		4H.1
Regulatory equity	£m	3	998.277		4H.2
Regulatory gearing	%	2	69.87%		4H.3
Post tax return on regulatory equity	%	2	8.20%		4H.4
RORE (return on regulatory equity)	%	2	2.93%	2.93%	4H.5
Dividend yield	%	2	5.01%		4H.6
Retail profit margin - Household	%	2	-1.81%		4H.7
Retail profit margin - Non household	%	2	0.00%		4H.8
Credit rating - Fitch	Text	n/a	BBB (Stable)		4H.9
Credit rating - Moody's	Text	n/a	Baa1 (Stable)		4H.10
Credit rating - Standard and Poor's	Text	n/a	n/a		4H.11
Return on RCV	%	2	5.21%		4H.12
Dividend cover	dec	2	1.42		4H.13
Funds from operations (FFO)	£m	3	194.648		4H.14
Interest cover (cash)	dec	2	3.82		4H.15
Adjusted interest cover (cash)	dec	2	1.81		4H.16
FFO/Net debt	dec	2	0.08		4H.17
Effective tax rate	%	2	11.84%		4H.18
RCF	£m	3	135.148		4H.19
RCF/Net debt	dec	2	0.06		4H.20

Revenue and earnings					
Revenue (actual)	£m	3	494.234		4H.21
EBITDA (actual)	£m	3	713.017		4H.22

Borrowings					
Proportion of borrowings which are fixed rate	%	2	55.73%		4H.23
Proportion of borrowings which are floating rate	%	2	13.67%		4H.24
Proportion of borrowings which are index linked	%	2	30.60%		4H.25
Proportion of borrowings due within 1 year or less	%	2	14.63%		4H.26
Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	0.60%		4H.27
Proportion of borrowings due in more than 2 years but no more than 5 years	%	2	16.57%		4H.28
Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	40.74%		4H.29
Proportion of borrowings due in more than 20 years	%	2	27.46%		4H.30

Section 4: Additional regulatory information – service level

Pro forma 4I

Wessex Water

Financial derivatives

Line description	Nominal value by maturity (net) at 31 March			Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2021)		RAG 4 reference
	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable	
Units	£m	£m	£m	£m	£m	£m	%	%	
DPs	3	3	3	3	3	3	3	3	
<b>Interest rate swap (sterling)</b>									
Floating to fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.1
Floating from fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.2
Floating to index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.3
Floating from index linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.4
Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.5
Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4I.6
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			<b>4I.7</b>
<b>Foreign Exchange</b>									
Cross currency swap USD	0.000	0.000	0.000	0.000	0.000	0.000			4I.8
Cross currency swap EUR	0.000	0.000	0.000	0.000	0.000	0.000			4I.9
Cross currency swap YEN	0.000	0.000	0.000	0.000	0.000	0.000			4I.10
Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000			4I.11
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			<b>4I.12</b>
<b>Currency interest rate</b>									
Currency interest rate swaps USD	0.000	0.000	0.000	0.000	0.000	0.000			4I.13
Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000			4I.14
Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000			4I.15
Currency interest rate swaps Other	0.000	0.000	0.000	0.000	0.000	0.000			4I.16
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			<b>4I.17</b>
<b>Forward currency contracts</b>									
Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000			4I.18
Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000			4I.19
Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000			4I.20
Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000			4I.21
Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000			4I.22
Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000			4I.23
Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000			4I.24
<b>Total</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			<b>4I.25</b>
<b>Other financial derivatives</b>									
Other financial derivatives	0.000	0.000	0.000	0.000	0.000	0.000			4I.26
<b>Total financial derivatives</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			<b>4I.27</b>

Section 4: Additional regulatory information – service level

Pro forma 4J

Wessex Water

Base expenditure analysis for the 12 months ended 31 March 2021 - water resources and water network+

Line description	Units	DPs	Water resources	Water network+				Total	RAG 4 reference
				Raw water distribution	Raw water storage	Water treatment	Treated water distribution		
<b>Operating expenditure</b>									
Power	£m	3	2.729	0.000	0.000	5.238	1.707	9.675	4J.1
Income treated as negative expenditure	£m	3	-0.009	0.000	0.000	-0.028	-0.027	-0.064	4J.2
Bulk supply	£m	3	0.000	0.000	0.000	1.335	0.160	1.495	4J.3
Renewals expensed in year (infrastructure)	£m	3	0.127	0.000	0.000	0.000	8.939	9.066	4J.4
Renewals expensed in year (non-infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.5
Other operating expenditure	£m	3	2.307	0.000	0.000	10.243	20.603	33.153	4J.6
Local authority and Cumulo rates	£m	3	0.968	0.000	0.000	1.899	13.153	16.019	4J.7
<b>Service Charges</b>									
Canal & River Trust abstraction charges/ discharge consents	£m	3	0.152	0.000	0.000	0.000	0.000	0.152	4J.8
Environment Agency / NRW abstraction charges/ discharge consents	£m	3	2.327	0.000	0.000	0.129	0.013	2.470	4J.9
Other abstraction charges/ discharge consents	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.10
<b>Other operating expenditure</b>									
Costs associated with Traffic Management Act	£m	3	0.000	0.000	0.000	0.000	0.098	0.098	4J.11
Costs associated with lane rental schemes	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.12
Statutory water softening	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4J.13
<b>Total base operating expenditure</b>	<b>£m</b>	<b>3</b>	<b>8.601</b>	<b>0.000</b>	<b>0.000</b>	<b>18.816</b>	<b>44.647</b>	<b>72.065</b>	<b>4J.14</b>
<b>Capital expenditure</b>									
Maintaining the long term capability of the assets - infra	£m	3	0.160	0.000	0.000	0.000	23.867	24.027	4J.15
Maintaining the long term capability of the assets - non-infra	£m	3	1.827	0.004	0.000	28.692	12.274	42.797	4J.16
<b>Total base capital expenditure</b>	<b>£m</b>	<b>3</b>	<b>1.987</b>	<b>0.004</b>	<b>0.000</b>	<b>28.692</b>	<b>36.141</b>	<b>66.824</b>	<b>4J.17</b>
<b>Traffic Management Act</b>									
Projects incurring costs associated with Traffic Management Act	nr	0	0	0	0	3	2650	2653	4J.18

## Section 4: Additional regulatory information – service level

Pro forma 4K

Wessex Water

### Base expenditure analysis for the 12 months ended 31 March 2021 - wastewater network + and biosources

Line description	Units	DPs	Expenditure in report year									RAG 4 reference
			Wastewater network+					Biosources			Total	
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge Transport	Sludge Treatment	Sludge Disposal		
<b>Operating expenditure</b>												
Power	£m	3	2.165	0.969	1.109	15.030	0.961	0.007	0.800	0.002	21.043	4K.1
Income treated as negative expenditure	£m	3	-0.017	-0.008	-0.009	-0.062	0.000	-0.167	-2.766	-0.646	-3.675	4K.2
Bulk discharge	£m	3	0.001	0.000	0.000	0.057	0.007	0.000	0.013	0.000	0.078	4K.3
Renewals expended in year (infrastructure)	£m	3	9.830	2.402	0.000	0.084	0.000	0.000	0.000	0.000	12.316	4K.4
Renewals expended in year (non-infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.5
Other operating expenditure	£m	3	8.894	3.983	4.556	21.534	0.379	6.043	7.653	4.898	57.939	4K.6
Local authority and Cumulo rates	£m	3	0.015	0.007	0.008	6.831	0.289	0.009	1.637	0.000	8.796	4K.7
<b>Service Charges</b>												
Canal & River Trust discharge consents	£m	3	0.063	0.028	0.032	0.000	0.000	0.000	0.000	0.000	0.124	4K.8
Environment Agency / NRW discharge consents	£m	3	0.655	0.293	0.336	2.677	0.040	0.000	0.024	0.000	4.025	4K.9
Other discharge charges / permits	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.10
<b>Other expenditure</b>												
Costs associated with Traffic Management Act	£m	3	0.008	0.000	0.000	0.002	0.000	0.000	0.000	0.000	0.010	4K.11
Costs associated with lane rental schemes	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.12
Costs associated with Industrial Emissions Directive	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4K.13
<b>Total base operating expenditure</b>	£m	3	<b>21.614</b>	<b>7.675</b>	<b>6.032</b>	<b>46.153</b>	<b>1.675</b>	<b>5.892</b>	<b>7.360</b>	<b>4.255</b>	<b>100.656</b>	<b>4K.14</b>
<b>Capital expenditure</b>												
Maintaining the long term capability of the assets - infra	£m	3	12.219	0.634	0.000	0.171	0.000	0.009	0.000	0.000	13.033	4K.15
Maintaining the long term capability of the assets - non-infra	£m	3	14.646	1.066	0.000	41.034	0.428	0.321	8.229	0.202	65.925	4K.16
<b>Total base capital expenditure</b>	£m	3	<b>26.865</b>	<b>1.700</b>	<b>0.000</b>	<b>41.205</b>	<b>0.428</b>	<b>0.330</b>	<b>8.229</b>	<b>0.202</b>	<b>78.958</b>	<b>4K.17</b>
<b>Traffic Management Act</b>												
Projects incurring costs associated with Traffic Management Act	nr	0	213	0	0	10	0	0	0	0	223	4K.18

Section 4: Additional regulatory information – service level

Pro forma 4N

Wessex Water

Developer services expenditure for the 12 months ended 31st March 2021 - water resources and water network+

Line description	Units	DPs	Expenditure in report year						RAG 4 reference	
			Water resources	Water network+				Total		
				Raw water transport	Raw water storage	Water treatment	Treated water distribution			
New connections	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4N.1
New connections	Opex	£m	3	0.000	0.000	0.000	0.000	1.976	1.976	4N.2
Requisition mains	Capex	£m	3	0.000	0.000	0.000	0.000	3.180	3.180	4N.3
Requisition mains	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4N.4
Infrastructure network reinforcement	Capex	£m	3	0.000	0.000	0.000	0.000	0.939	0.939	4N.5
Infrastructure network reinforcement	Opex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4N.6
s185 diversions	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	4N.7
s185 diversions	Opex	£m	3	0.000	0.000	0.000	0.000	1.358	1.358	4N.8
Other price controlled activities	Capex	£m	3	0.000	0.000	0.000	0.000	1.573	1.573	4N.9
Other price controlled activities	Opex	£m	3	0.000	0.000	0.000	0.000	0.010	0.010	4N.10
Total developer services expenditure - capex	Capex	£m	3	0.000	0.000	0.000	0.000	5.692	5.692	4N.11
Total developer services expenditure - opex	Opex	£m	3	0.000	0.000	0.000	0.000	3.344	3.344	4N.12
Total developer services expenditure	Totex	£m	3	0.000	0.000	0.000	0.000	9.035	9.035	4N.13



Section 4: Additional regulatory information – service level

Pro forma 40

Wessex Water

Developer services expenditure for the 12 months ended 31st March 2021 - wastewater network+ and bioresources

Line description	Units	DPs	Expenditure in report year									RAG 4 reference	
			Wastewater network+					Bioresources					Total
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge Transport	Sludge Treatment	Sludge Disposal			
New connections and requisition sewers	Capex	£m	3	3.084	0.651	0.000	0.000	0.000	0.000	0.000	0.000	3.735	40.1
New connections and requisition sewers	Opex	£m	3	0.073	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.073	40.2
Infrastructure network reinforcement	Capex	£m	3	3.696	0.002	0.000	0.000	0.000	0.000	0.000	0.000	3.698	40.3
Infrastructure network reinforcement	Opex	£m	3	0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.004	40.4
s185 diversions	Capex	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	40.5
s185 diversions	Opex	£m	3	0.184	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.184	40.6
Other price controlled activities	Capex	£m	3	3.041	0.024	0.000	0.000	0.000	0.000	0.000	0.000	3.065	40.7
Other price controlled activities	Opex	£m	3	0.000	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.100	40.8
Total developer services expenditure	Capex	£m	3	9.821	0.677	0.000	0.000	0.000	0.000	0.000	0.000	10.498	40.9
Total developer services expenditure	Opex	£m	3	0.262	0.100	0.000	0.000	0.000	0.000	0.000	0.000	0.362	40.10
Total developer services expenditure	Totex	£m	3	10.082	0.777	0.000	0.000	0.000	0.000	0.000	0.000	10.859	40.11

Section 4: Additional regulatory information – service level

Pro forma 4P

Wessex Water

**Expenditure on non-price control diversions for the 12 months ended 31 March 2021**

Line description	Units	DPs	Water resources	Water network+	Wastewater network+	Bioresources	Total	RAG 4 reference
<b>Non-price control diversions</b>								
Diversions - NRSWA	£m	3	0.000	0.011	0.000	0.000	0.011	4P.1
Diversions - other non-price control	£m	3	0.000	0.000	0.000	0.000	0.000	4P.2
Total expenditure on non-price control diversions	£m	3	0.000	0.011	0.000	0.000	0.011	4P.3

## Pro forma 4Q

## Wessex Water

## Developer services - New connections, properties and mains

Line description	Units	DPs	Water	Wastewater	Total	RAG 4 reference
<b>Connections volume data</b>						
New connections (residential – excluding NAVs)	nr	0	3909	8575	12484	4Q.1
New connections (business – excluding NAVs)	nr	0	264	262	526	4Q.2
Total new connections served by incumbent	nr	0	4173	8837	13010	4Q.3
New connections – SLPs	nr	0	1830			4Q.4
<b>Properties volume data</b>						
New properties (residential - excluding NAVs)	nr	0	4003	8575	12578	4Q.5
New properties (business - excluding NAVs)	nr	0	276	262	538	4Q.6
Total new properties served by incumbent	nr	0	4279	8837	13116	4Q.7
New residential properties served by NAVs	nr	0	0	231	231	4Q.8
New business properties served by NAVs	nr	0	0	2	2	4Q.9
Total new properties served by NAVs	nr	0	0	233	233	4Q.10
Total new properties	nr	0	4279	9070	13349	4Q.11
New properties – SLP connections	nr	0	1830			4Q.12
<b>New water mains data</b>						
Length of new mains (km) - requisitions	nr	0	21			4Q.13
Length of new mains (km) - SLPs	nr	0	14			4Q.14

Section 4: Additional regulatory information – service level

Pro forma 4R

Wessex Water

**Connected properties, customers and population**

Line description	Units	DPs	Unmeasured	Measured	Total	Voids	RAG 4 reference
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**Customer numbers - average during the year**

Residential water only customers	000s	3	18.902	22.089	40.991	0.874	4R.1
Residential wastewater only customers	000s	3	244.345	410.500	654.845	12.283	4R.2
Residential water and wastewater customers	000s	3	155.643	370.547	526.190	9.661	4R.3
Total residential customers	000s	3	418.890	803.136	1222.026	22.818	4R.4
Business water only customers	000s	3	0.531	17.747	18.278	0.886	4R.5
Business wastewater only customers	000s	3	2.009	28.828	30.837	2.979	4R.6
Business water & wastewater customers	000s	3	2.618	23.244	25.862	2.699	4R.7
Total business customers	000s	3	5.158	69.819	74.977	6.564	4R.8
Total customers	000s	3	424.048	872.955	1297.003	29.382	4R.9

Line description	Units	Dps	Water			Wastewater		
			Unmeasured	Measured	Total	Unmeasured	Measured	Total

**Property numbers - average during the year**

Residential properties billed	000s	3	174.545	392.636	567.181	399.988	781.047	1181.035	4R.10
Residential void properties	000s	3			10.535			21.944	4R.11
Total connected residential properties	000s	3			577.716			1202.979	4R.12
Business properties billed	000s	3	3.149	40.991	44.140	4.627	52.072	56.699	4R.13
Business void properties	000s	3			3.585			5.678	4R.14
Total connected business properties	000s	3			47.725			62.377	4R.15
Total connected properties	000s	3			625.441			1265.356	4R.16

Line description	Units	Dps	Water								Total
			Unmeasured				Measured				
			No meter	Basic meter	Smart meter	Total	No meter	Basic meter	Smart meter	Total	

**Property and meter numbers - at end of year**

Total new residential properties connected in year	000s	3	0.000	0.000	0.000	0.000	0.000	4.196	0.124	4.320	4.320	4R.17
Total new business properties connected in year	000s	3	0.000	0.000	0.000	0.000	0.000	0.267	0.025	0.292	0.292	4R.18
Residential properties billed at year end	000s	3	166.961	5.094	0.061	172.116	0.000	394.435	4.198	398.633	570.749	4R.19
Residential void properties at year end	000s	3				3.665				5.668	9.333	4R.20
Total connected residential properties at year end	000s	3				175.781				404.301	580.082	4R.21
Business properties billed at year end	000s	3	3.081	0.000	0.000	3.081	0.000	37.819	2.952	40.771	43.852	4R.22
Business void properties at year end	000s	3				0.481				3.286	3.767	4R.23
Total connected business properties at year end	000s	3				3.562				44.057	47.619	4R.24
Total connected properties at year end	000s	3				179.343				448.358	627.701	4R.25

Line description	Units	DPs	Water	Wastewater
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**Population data**

Resident population	000s	3	1356.926	2852.949	4R.26
Business population	000s	3		40.908	4R.27

**Section 5: Additional regulatory information – water resources**

Pro forma 5A

Wessex Water

**Water resources asset and volumes data for the 12 months ended 31st  
March 2021**

Line description	Units	DPs	Input	RAG 4 reference
<b>Water resources</b>				
Water from impounding reservoirs	MI/d	2	80.65	5A.1
Water from pumped storage reservoirs	MI/d	2	1.64	5A.2
Water from river abstractions	MI/d	2	6.38	5A.3
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	2	254.02	5A.4
Water from artificial recharge (AR) water supply schemes	MI/d	2	0.00	5A.5
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	2	0.00	5A.6
Water from saline abstractions	MI/d	2	0.00	5A.7
Water from water reuse schemes	MI/d	2	0.00	5A.8
Number of impounding reservoirs	nr	0	11	5A.9
Number of pumped storage reservoirs	nr	0	0	5A.10
Number of river abstractions	nr	0	7	5A.11
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	0	189	5A.12
Number of artificial recharge (AR) water supply schemes	nr	0	0	5A.13
Number of aquifer storage and recovery (ASR) water supply schemes	nr	0	0	5A.14
Number of saline abstraction schemes	nr	0	0	5A.15
Number of reuse schemes	nr	0	0	5A.16
Total number of sources	nr	0	207	5A.17
Total number of water reservoirs	nr	0	11	5A.18
Total volumetric capacity of water reservoirs	MI	0	20248	5A.19
Total number of intake and source pumping stations	nr	0	77	5A.20
Total installed power capacity of intake and source pumping stations	kW	0	9617	5A.21
Total length of raw water abstraction mains and other conveyors	km	2	112.99	5A.22
Average pumping head – raw water abstraction	m.hd	2	36.49	5A.23
Energy consumption - raw water abstraction	MWh	3	9783.453	5A.24
Total number of raw water abstraction imports	nr	0	0	5A.25
Water imported from 3rd parties' raw water abstraction systems	MI/d	2	0.00	5A.26
Total number of raw water abstraction exports	nr	0	0	5A.27
Water exported to 3rd parties' from raw water abstraction systems	MI/d	2	0.00	5A.28
Water resources capacity (measured using water resources yield)	MI/d	2	396.03	5A.29

Section 5: Additional regulatory information – water resources

Pro forma 5B

Wessex Water

Water resources operating cost analysis for the 12 months ended 31st March 2021

Line description	Units	DPs	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge (AR) water supply schemes	Aquifer Storage and Recovery (ASR) water supply schemes	Other	Total	RAG 4 reference
<b>Opex analysis</b>											
Power	£m	3	0.642	0.013	0.051	2.023	0.000	0.000	0.000	2.729	5B.1
Income treated as negative expenditure	£m	3	-0.002	0.000	0.000	-0.007	0.000	0.000	0.000	-0.009	5B.2
Abstraction charges / discharge consents	£m	3	0.584	0.012	0.046	1.838	0.000	0.000	0.000	2.479	5B.3
Bulk supply	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	5B.4
<b>Other operating expenditure</b>											
Renewals expensed in year (Infrastructure)	£m	3	0.030	0.001	0.002	0.094	0.000	0.000	0.000	0.127	5B.5
Renewals expensed in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	5B.6
Other operating expenditure excluding renewals - direct	£m	3	0.759	0.015	0.060	2.391	0.000	0.000	0.000	3.226	5B.7
Other operating expenditure excluding renewals - indirect	£m	3	-0.216	-0.004	-0.017	-0.681	0.000	0.000	0.000	-0.919	5B.8
Local authority and Cumulo rates	£m	3	0.228	0.005	0.018	0.717	0.000	0.000	0.000	0.968	5B.9
Total operating expenditure (excluding 3rd party)	£m	3	2.024	0.041	0.160	6.376	0.000	0.000	0.000	8.601	5B.10

## **Section 6: Additional regulatory information – water network plus**

### **Narrative on costs**

*In table 6A.13 to 6A.27 companies are required to report water treatment works that have not been used in the year but have not been decommissioned. Companies should provide commentary on any instances where this is the case.*

We have one site that has not been used in the year but has not been decommissioned; Durleigh WTC. The site is having a major refurbishment as part of our long-term rolling strategy of major refurbishments for our large surface water treatment works.

### **Supply-demand balance and metering**

*Tables 4L and 6C require companies to provide details of the expenditure and related benefits delivered through their internal interconnection programmes. We expect companies to include narrative commentary to report on progress and the deliverables in this areas. This should include detail of installed pipe material, length, diameter and capacity, in particular where these solutions do not provide supply-demand balance benefits but solve intra-zonal deficits. Companies should include explanation of any variances from their business plan and water resources management plan proposals. RAG 3.12 – Guideline for the format and disclosures for the annual performance report 23*

On new potable mains our expenditure was significantly lower than in previous years due to the impact of Covid-19, with the figures on mains length categories outlined in the individual commentary for Table 6C. While our lead communication replacement programme was also affected by Covid-19, we still managed to replace 438 pipes by ramping up activity outside of the lockdown periods.

On internal interconnections and supply side improvements, we have no enhancement expenditure in this category during the current AMP and hence no resulting benefit to our supply-demand balance. On demand side improvements we reported 0.7 MI/d in water efficiency improvements from our ongoing water efficiency activities (see commentary for table 3E).

*Table 6B requires companies to report their total annual leakage. This figure should be derived from the same leakage data that is used in both leakage performance reporting (as an input to the three-year average calculation) and annual water resources management plan reporting. Companies should include explanation of any variances from their business plan and water resources management plan proposals.*

Table 6B outlines the components of our water balance and we have restated our baseline leakage numbers for 2017-18 to 2019-20 as a result of improved methods, as outlined in the Table 3A commentary, which explains the changes since our business plan. Our total leakage for 2020-21 is 65.1 which is a 2.8 MI/d reduction on the previous year.

*Table 6D requires companies to provide detail of their smart metering programmes. We understand that a number of alternative smart meter technologies can be adopted by companies. Companies should include narrative commentary explaining the smart metering technologies it is utilising and the capabilities and benefits these provide.*

We do not currently have a smart metering programme. We intend to revisit the benefits of such a programme in our future Water Resources Management Plan and Business Plan submissions.

*We expect companies to include narrative commentary to explain how the metering and leakage figures reported in Table 6D relate to their business plan and water resources management plan forecasts.*

Our table commentaries on leakage (Table 3A) and metering (Table 6D and 4L) explain how our quoted figures relate to our business plan numbers, with leakage ahead of target (taking baseline changes into account) and metering behind target due to Covid 19 restrictions.

Section 6: Additional regulatory information – water network plus

Pro forma 6A

Wessex Water

Raw water transport, raw water storage and water treatment data for the 12 months ended 31st March 2021

Line description	Units	DPs	Input	RAG 4 reference
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Raw water transport and storage				
Total number of balancing reservoirs	nr	0	0	6A.1
Total volumetric capacity of balancing reservoirs	MI	0	0	6A.2
Total number of raw water transport stations	nr	0	3	6A.3
Total installed power capacity of raw water transport pumping stations	kW	0	165	6A.4
Total length of raw water transport mains and other conveyors	km	2	115.96	6A.5
Average pumping head ~ raw water transport	m.hd	2	0.12	6A.6
Energy consumption ~ raw water transport	MWh	3	337.425	6A.7
Total number of raw water transport imports	nr	0	0	6A.8
Water imported from 3rd parties' raw water transport systems	MI/d	2	0.00	6A.9
Total number of raw water transport exports	nr	0	1	6A.10
Water exported to 3rd parties' raw water transport systems	MI/d	2	0.01	6A.11
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	2	6.50	6A.12

Water treatment - treatment type analysis	Surface water		Ground water		RAG 4 reference
	Water treated	Number of works	Water treated	Number of works	
Units	MI/d	nr	MI/d	nr	
DPs	2	0	2	0	
All SD simple disinfection works	0.00	0	96.46	27	6A.13
W1 works	0.00	0	35.68	10	6A.14
W2 works	0.00	0	42.48	5	6A.15
W3 works	0.00	0	0.00	0	6A.16
W4 works	73.06	3	74.49	14	6A.17
W5 works	15.61	2	4.91	3	6A.18
W6 works	0.00	0	0.00	0	6A.19

Water treatment - works size	% of total	Number of works	RAG 4 reference
Units	DI	nr	
DPs	1	0	
WTWs in size band 1	4.1	15	6A.20
WTWs in size band 2	3.3	7	6A.21
WTWs in size band 3	12	12	6A.22
WTWs in size band 4	35.1	19	6A.23
WTWs in size band 5	29.4	10	6A.24
WTWs in size band 6	0.0	0	6A.25
WTWs in size band 7	16.1	1	6A.26
WTWs in size band 8	0.0	0	6A.27

Water treatment - other information	Units	DPs	Input	RAG 4 reference
Total water treated at more than one type of works	MI/d	2	0.00	6A.28
Number of treatment works requiring remedial action because of raw water deterioration	nr	0	21	6A.29
Zonal population receiving water treated with orthophosphate	000's	3	539.529	6A.30
Average pumping head – water treatment	m.hd	2	9.68	6A.31
Energy consumption ~ water treatment	MWh	3	64829.428	6A.32
Total number of water treatment imports	nr	0	0	6A.33
Water imported from 3rd parties' water treatment works	MI/d	2	0.00	6A.34
Total number of water treatment exports	nr	0	0	6A.35
Water exported to 3rd parties' water treatment works	MI/d	2	0.00	6A.36



Section 6: Additional regulatory information – water network plus

Pro forma 6B

Wessex Water

Treated water distribution - assets and operations for the 12 months ended 31st March 2021

Line description	Units	DPs	Input	RAG 4 reference
<b>Assets and operations</b>				
Total installed power capacity of potable water pumping stations	kW	0	28786	68.1
Total volumetric capacity of service reservoirs	MI	1	628.1	68.2
Total volumetric capacity of water towers	MI	1	9.0	68.3
Distribution input	MI/d	2	342.69	68.4
Water delivered (non-potable)	MI/d	2	0.00	68.5
Water delivered (potable)	MI/d	2	286.47	68.6
Water delivered (billed measured residential)	MI/d	2	119.86	68.7
Water delivered (billed measured business)	MI/d	2	67.49	68.8
Total annual leakage	MI/d	2	65.05	68.9
Distribution losses	MI/d	2	53.01	68.10
Water taken unbilled	MI/d	2	3.94	68.11
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.235	68.12
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.005	68.13
Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.019	68.14
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	3	0.741	68.15
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	3	0.000	68.16
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	3	0.000	68.17
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	3	0.000	68.18
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	3	0.000	68.19
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	0	294	68.20
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	0	54	68.21
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	0	5	68.22
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	0	233	68.23
Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0	2	68.24
Total number of service reservoirs	nr	0	303	68.25
Number of water towers	nr	0	11	68.26
Energy consumption ~ treated water distribution	MWh	3	19640.739	68.27
Average pumping head – treated water distribution	m.hd	2	93.69	68.28
Total number of treated water distribution imports	nr	0	14	68.29
Water imported from 3rd parties' treated water distribution systems	MI/d	2	8.55	68.30
Total number of treated water distribution exports	nr	0	10	68.31
Water exported to 3rd parties' treated water distribution systems	MI/d	2	1.00	68.32

Section 6: Additional regulatory information – water network plus

Pro forma 6C

Wessex Water

**Water network+ - Mains, communication pipes and other data for the 12 months ended 31st March 2021**

Line description	Units	DPs	Input	RAG 4 reference
<b>Treated water distribution - mains analysis</b>				
Total length of potable mains as at 31 March	km	1	12054.5	6C.1
Total length of potable mains relined	km	1	0.0	6C.2
Total length of potable mains renewed	km	1	26.3	6C.3
Total length of new potable mains	km	1	26.3	6C.4
Total length of potable water mains (≤320mm)	km	1	11085.7	6C.5
Total length of potable water mains >320mm and ≤ 450mm	km	1	567.1	6C.6
Total length of potable water mains >450mm and ≤610mm	km	1	317.8	6C.7
Total length of potable water mains > 610mm	km	1	83.9	6C.8
<b>Communication pipes</b>				
Number of lead communication pipes	nr	0	45645	6C.9
Number of galvanised iron communication pipes	nr	0	48731	6C.10
Number of other communication pipes	nr	0	487044	6C.11
<b>Treated water distribution - mains age profile</b>				
Total length of potable mains laid or structurally refurbished pre-1880	km	1	73.2	6C.12
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	1	325.5	6C.13
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	1	401.9	6C.14
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1	1526.9	6C.15
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	1	2230.4	6C.16
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1	2705.4	6C.17
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1	2796.3	6C.18
Total length of potable mains laid or structurally refurbished post 2001	km	0	1995	6C.19
<b>Other</b>				
Company area	km <sup>2</sup>	0	7317	6C.20
Number of lead communication pipes replaced for water quality	nr	0	438	6C.21
Supply-side improvements delivering benefits in 2020-25	MI/d	2	0.00	6C.22
Demand-side improvements delivering benefits in 2020-25 (excluding leakage and metering)	MI/d	2	0.70	6C.23
Leakage improvements delivering benefits in 2020-25	MI/d	2	2.84	6C.24
Internal interconnectors delivering benefits in 2020-25	MI/d	2	0.00	6C.25
Event Risk Index	nr	0	17	6C.26

## Pro forma 6D

## Wessex Water

## Demand management - Metering and leakage activities for the 12 months ended 31 March 2012

Line description	Units	DPs	Basic meter	Smart meter	RAG 4 reference	
<b>Metering activities - Totex expenditure</b>						
New optant meter installation	£m	3	1.096	0.157	6D.1	
New selective meter installation	£m	3	1.020	0.024	6D.2	
New business meter installation	£m	3	0.011	0.003	6D.3	
Residential meters renewed	£m	3	0.599	0.038	6D.4	
Business meters renewed	£m	3	0.151	0.004	6D.5	
<b>Metering activities - Explanatory variables</b>						
New optant meters installed	000s	3	2.906	0.397	6D.6	
New selective meters installed	000s	3	2.856	0.061	6D.7	
New business meters installed	000s	3	0.031	0.007	6D.8	
Residential meters renewed	000s	3	3.688	0.191	6D.9	
Business meters renewed	000s	3	0.697	0.015	6D.10	
New residential meters installation – supply-demand balance benefit	MI/d	2	0.09	0.01	6D.11	
New business meters installation – supply-demand balance benefit	MI/d	2	0.00	0.00	6D.12	
Residential meters renewed - supply-demand balance benefit	MI/d	2		0.00	6D.13	
Business meters renewed - supply-demand balance benefit	MI/d	2		0.00	6D.14	
Residential properties - meter penetration	%	1	67.2	0.7	6D.15	
<b>Leakage activities - Totex expenditure</b>						
	Units	DPs	Maintaining leakage	Reducing leakage	Total	
Total leakage activity	£m	3	24.774	3.595	28.369	6D.16
<b>Per capita consumption (excluding supply pipe leakage)</b>						
Per capita consumption (measured customers)	l/h/d	2	140.50		6D.17	
Per capita consumption (unmeasured customers)	l/h/d	2	170.80		6D.18	

## Section 7: Additional regulatory information – waste water network plus

As directed by Ofwat, we have not included Table 7B (large sewage treatment works) as part of the APR due to its size. We have prepared the table in accordance with the Regulatory Accounting Guidelines, submitted it to Ofwat and published it on our website. The other Section 7 tables are included in this report below the narrative.

### Narrative on costs

*Companies are encouraged to provide commentary on how they interpret 'structurally refurbished' in completing line 7C.15. If a company is unable to identify the actual length of rising main that has been replaced or structurally refurbished, then it should submit an estimate and fully explain the methodology used and the assumptions made in the accompanying commentary.*

We agree that the term 'structurally refurbished' refers to any repair which improves the structural integrity of the pipe such that its expected service life is extended. We have reported our repair length in Line 7C.15 to that definition. The actual length of repair for proactive rising main repairs is known and reported. The actual length of repair is not known for reactive rising main repairs, therefore a 1m repair length is assumed.

*The default assumption will be that the population equivalents reported in lines 7D.17 to 7D.20 will be served by water recycling centres at which the required output has been delivered primarily by a capex solution. Where this is not the case companies should report the population equivalent benefiting from (primarily) opex solutions in their commentary.*

We have no STWs to report against lines 7D.17 – 20 (population equivalent at STWs with new/tightened consents) and hence no opex solutions to report.

## Pro forma 7A

## Wessex Water

**Wastewater network+ - Functional expenditure for the 12 months ended 31st March 2021**

Line description	Units	DPs	£'000	RAG 4 reference
<b>Costs of STWs in size bands 1 to 5</b>				
Direct costs of STWs in size band 1	000s	3	1566.436	7A.1
Direct costs of STWs in size band 2	000s	3	1091.454	7A.2
Direct costs of STWs in size band 3	000s	3	5925.721	7A.3
Direct costs of STWs in size band 4	000s	3	8662.311	7A.4
Direct costs of STWs in size band 5	000s	3	10534.137	7A.5
General & support costs of STWs in size bands 1 to 5	000s	3	1228.959	7A.6
Functional expenditure of STWs in size bands 1 to 5	000s	3	29009.017	7A.7
<b>Costs of large STWs (size band 6)</b>				
Service charges for STWs in size band 6	000s	3	698.21505	7A.8
Estimated terminal pumping costs size band 6 works	000s	3	938.28045	7A.9
Other direct costs of STWs in size band 6	000s	3	31662.77359	7A.10
Direct costs of STWs in size band 6	000s	3	33299.26909	7A.11
General & support costs of STWs in size band 6	000s	3	1473.122907	7A.12
Functional expenditure of STWs in size band 6	000s	3	34772.392	7A.13
<b>Costs of STWs - all sizes</b>				
Total Functional expenditure for Sewage treatment	000s	3	63781.409	7A.14

Section 7: Additional regulatory information – waste water network plus

Pro forma 7C

Wessex Water

**Wastewater network+ - Sewer and volume data for the 12 months ended 31st March 2021**

Line description	Units	DPs	Input	RAG 4 reference
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Wastewater network				
Connectable properties served by s101A schemes completed in the report year	nr	0	0	7C.1
Number of s101A schemes completed in the report year	nr	0	0	7C.2
Total pumping station capacity	kW	0	48651	7C.3
Number of network pumping stations	nr	0	2129	7C.4
Total number of sewer blockages	nr	0	13308	7C.5
Total number of gravity sewer collapses	nr	0	147	7C.6
Total number of sewer rising main bursts	nr	0	67	7C.7
Number of combined sewer overflows	nr	0	1089	7C.8
Number of emergency overflows	nr	0	198	7C.9
Number of settled storm overflows	nr	0	197	7C.10
Sewer age profile (constructed post 2001)	km	0	6345	7C.11
Volume of trade effluent	MI/yr	2	5172.66	7C.12
Volume of wastewater receiving treatment at sewage treatment works	MI/yr	2	349484.09	7C.13
Length of gravity sewers rehabilitated	km	0	33	7C.14
Length of rising mains replaced or structurally refurbished	km	0	6	7C.15
Length of foul (only) public sewers	km	0	9164	7C.16
Length of surface water (only) public sewers	km	0	4451	7C.17
Length of combined public sewers	km	0	3106	7C.18
Length of rising mains	km	0	1252	7C.19
Length of other wastewater network pipework	km	0	0	7C.20
Total length of "legacy" public sewers as at 31 March	km	0	17974	7C.21
Length of formerly private sewers and lateral drains (s105A sewers)	km	0	16992	7C.22

# Section 7: Additional regulatory information – waste water network plus

Pro forma 7D

Wessex Water

Wastewater network+ - Sewage treatment works data for the 12 months ended 31st March 2021

Line description	Units	DPs	Treatment categories								Treatment works consents																RAG 4 reference	
			Primary	Secondary			Tertiary				Phosphorus						BOD5				Ammonia							
				Activated Sludge	Biological	A1	A2	B1	B2	Total	<=0.5mg/l	>0.5 to <=1mg/l	>1mg/l	No permit	Total	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit		Total
<b>Load received at sewage treatment works</b>																												
Load received by STWs in size band 1	kg BOD <sub>5</sub> /day	0	11	88	374	46	19	76	14	628.000	0	0	0	628	628.000	0	0	132	118	378	628.000	0	0	73	144	411	628.000	70.1
Load received by STWs in size band 2	kg BOD <sub>5</sub> /day	0	0	16	381	44	0	140	104	685.000	0	0	74	609	683.000	0	0	256	412	16	684.000	0	0	310	338	35	683.000	70.2
Load received by STWs in size band 3	kg BOD <sub>5</sub> /day	0	0	431	3167	159	82	1754	1568	7161.000	0	639	383	6139	7161.000	0	311	3961	2889	0	7161.000	0	397	3634	3020	109	7160.000	70.3
Load received by STWs in size band 4	kg BOD <sub>5</sub> /day	0	0	1789	5056	190	2466	3289	5771	18561.000	1053	3327	2471	11709	18560.000	0	413	8713	9433	0	18559.000	0	0	11940	6040	580	18560.000	70.4
Load received by STWs in size band 5	kg BOD <sub>5</sub> /day	0	0	1815	2335	2300	5239	719	15024	27432.000	2188	5541	9291	10412	27432.000	0	905	13784	12742	0	27431.000	0	3538	10009	10786	3098	27431.000	70.5
Load received by STWs above size band 5	kg BOD <sub>5</sub> /day	0	0	58507	0	0	59099	0	32268	149874.000	0	23797	17086	108991	149874.000	0	0	54042	95832	0	149874.000	0	10669	56856	10230	72119	149874.000	70.6
Total load received	kg BOD <sub>5</sub> /day	0	11.000	62646.000	11313.000	2739.000	66905.000	5978.000	54749.000	204341.000	3241.000	33304.000	29305.000	138488.000	204338.000	0.000	1629.000	80888.000	123426.000	394.000	204337.000	0.000	14604.000	82822.000	30558.000	76352.000	204336.000	70.7
Load received from trade effluent customers at treatment works	kg BOD <sub>5</sub> /day	0	0	2103	373	304	3138	226	3505	9649																		70.8
<b>Number of sewage treatment works</b>																												
STWs in size band 1	nr	0	21	26	93	3	2	10	1	156.000	0	0	0	156	156.000	0	0	16	27	113	156.000	0	0	8	20	128	156.000	70.9
STWs in size band 2	nr	0	0	1	18	2	0	6	4	31.000	0	0	3	28	31.000	0	0	12	18	1	31.000	0	0	14	15	2	31.000	70.10
STWs in size band 3	nr	0	0	6	45	2	1	23	20	97.000	0	8	6	83	97.000	0	3	53	41	0	97.000	0	4	49	42	2	97.000	70.11
STWs in size band 4	nr	0	0	7	20	1	5	9	19	61.000	2	11	7	41	61.000	0	2	25	34	0	61.000	0	0	36	22	3	61.000	70.12
STWs in size band 5	nr	0	0	2	2	2	5	1	16	28.000	2	7	9	10	28.000	0	1	14	13	0	28.000	0	3	12	10	3	28.000	70.13
STWs above size band 5	nr	0	0	4	0	0	13	0	10	27.000	0	7	6	14	27.000	0	0	14	13	0	27.000	0	4	13	3	7	27.000	70.14
Total number of works	nr	0	21.000	46.000	178.000	10.000	26.000	49.000	70.000	400.000	4.000	33.000	31.000	332.000	400.000	0.000	6.000	134.000	146.000	114.000	400.000	0.000	11.000	132.000	112.000	145.000	400.000	70.15
<b>Population equivalent</b>																												
Current population equivalent served by STWs	000s	3	3543.999																							70.16		
Current population equivalent served by filter bed or activated sludge STWs with tightened/new P consents	000s	3	0.000																							70.17		
Current population equivalent served by STWs with tightened/new N consents	000s	3	0.000																							70.18		
Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	3	0.000																							70.19		
Current population equivalent served by STWs with tightened/new UV consents	000s	3	0.000																							70.20		
Population equivalent treatment capacity enhancement	000s	3	0.000																							70.21		
Current population equivalent served by STW with tightened/new consents for chemicals	000s	3	0.000																							70.22		
Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	l/s	3	0.000																							70.23		
Additional storm tank capacity provided at STWs	m3	3	0.000																							70.24		
Additional volume of network storage at CSOs etc to reduce spill frequency	m3	3	0.000																							70.25		

## Pro forma 7E

## Wessex Water

**Wastewater network+ - Energy consumption and other data for the 12 months ended 31st March 2011**

Line description	Units	DPs	Input	RAG 4 reference
------------------	-------	-----	-------	-----------------

Other				
Total sewerage catchment area	km <sup>2</sup>	0	2137	7E.1
Designated coastal bathing waters	nr	0	48	7E.2
Number of intermittent discharge sites with event duration monitoring	nr	0	125	7E.3
Number of monitors for flow monitoring at STWs	nr	0	0	7E.4
Number of odour related complaints	nr	0	1346	7E.5

Energy consumption				
Energy consumption - sewage collection	MWh	3	47653.269	7E.6
Energy consumption - sewage treatment	MWh	3	153200.035	7E.7
Energy consumption - wastewater network +	MWh	3	200853.304	7E.8



## Section 8: Additional regulatory information – bio-resources

### Narrative on costs

*Companies should explain the basis of its estimate for line 8A.4 of all the untreated sewage sludge (primary, secondary, tertiary) produced by in-area waste water treatment processes in the report year, and which is produced as a result of treating non-appointed liquid wastes through appointed wastewater treatment assets. Companies should explain the basis of their estimate of total sewage sludge produced from non-appointed liquid waste treatment reported in line 8A.4.*

The volume of sludge arising from the treatment of organic waste cannot be directly measured – it can only be calculated from measurement of volume and load discharged into the head of the STW.

We routinely measure settled chemical oxygen demand (COD) and total suspended solids and have comprehensive data for these parameters. To estimate sludge production requires further data on biochemical oxygen demand (BOD) and settleable solids for which we have limited data only.

To derive secondary sludge production, we use a conversion factor (kg sludge produced from kg BOD) for the relevant process at each STW where organic waste is treated. The procedure for this calculation is as follows, which is the same method used in our forecast for the 2019-20 APR:

1. STCs receiving non-appointed liquid waste are identified
2. Liquid waste flow and load data is collected; provided by Wessex Water Enterprises
3. COD, SS and BOD loads estimated for each site using sample data and COD: SS and COD:BOD ratios
4. Equivalent sludge mass calculated for each STW and treatment process stage, using standard conversion factors for converting the organic load to produced sludge solids.

*In lines 8A.10 and 8A.13 we ask for a measure of intersiting work done by tanker. In line 8A.11 we ask for a measure of intersiting work done by truck. In lines 8A.15 and 8A.18 we ask for a measure of work done in sludge disposal operations by tanker. In line 8A.16 we ask for a measure of work done in sludge disposal operations by truck. If actual road distances are not available companies should estimate the road distance and state in the commentary if this is the case.*

We use actual road distances for lines 8A.10, 8A.11 and 8A.13. We have reported zeros against lines 8A.15 and 8A.18.

As explained in our commentary for this table, we currently have not used actual road distances for line 8A.16 (measure of work done in sludge disposal operations by truck). We calculate Crow km, and use calibrated conversion factors to convert this to Road km. We expect to be able to use actual road distance figures for this line in the 2021-22 annual performance report.

*In table 8A where both the incumbent and a third party service provider undertake different stages of sludge treatment, eg dewatering followed by lime stabilisation, sludge quantities should not be double-counted and should be reported either in line 8A.1 or line 8A.2, not both. Where this situation occurs, the companies should report on the quantity involved and the line to which it has been allocated in the commentary.*

Our commentary for 8A.1 and 8A.2 explains how the quantities for incumbent and third-party treatment of sludge are identified separately and with no double-counting.

## Pro forma 8A

## Wessex Water

## Bioresources sludge data for the 12 months ended 31st March 2021

Line description	Units	DPs	Total	RAG 4 reference
Total sewage sludge produced, treated by incumbents	ttds/year	1	62.1	8A.1
Total sewage sludge produced, treated by 3 <sup>rd</sup> party sludge service provider	ttds/year	1	0.0	8A.2
Total sewage sludge produced	ttds/year	1	62.2	8A.3
Total sewage sludge produced from non-appointed liquid waste treatment	ttds/year	1	4.4	8A.4
Percentage of sludge produced and treated at a site of STW and STC co-location	%	2	50.57	8A.5
Total sewage sludge disposed by incumbents	ttds/year	1	41.3	8A.6
Total sewage sludge disposed by 3 <sup>rd</sup> party sludge service provider	ttds/year	1	0.0	8A.7
Total sewage sludge disposed	ttds/year	1	41.3	8A.8
Total measure of intersiting 'work' done by pipeline	ttds*km/year	0	14	8A.9
Total measure of intersiting 'work' done by tanker	ttds*km/year	0	867	8A.10
Total measure of intersiting 'work' done by truck	ttds*km/year	0	131	8A.11
Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/year	0	1012	8A.12
Total measure of of intersiting 'work' done by tanker (by volume transported)	m <sup>3</sup> *km/y r	0	24073504	8A.13
Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/year	0	0	8A.14
Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/year	0	0	8A.15
Total measure of 'work' done in sludge disposal operations by truck	ttds*km/year	0	2212	8A.16
Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/year	0	2212	8A.17
Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m <sup>3</sup> *km/y r	0	8807555	8A.18
Chemical P sludge as % of sludge produced at STWs	%	2	37.64	8A.19

Section 8: Additional regulatory information – bio-resources

Pro forma 8B

Wessex Water

Bioresources operating expenditure analysis for the 12 months ended 31st March 2021

Line description	Units	DPs	Pipeline	Tanker	Truck	Total	RAG 4 reference
------------------	-------	-----	----------	--------	-------	-------	-----------------

Sludge transport method							
Power	£m	3	0.007	0.000	0.000	0.007	88.1
Income treated as negative expenditure	£m	3	0.000	-0.167	0.000	-0.167	88.2
Discharge consents	£m	3	0.000	0.000	0.000	0.000	88.3
Bulk discharge	£m	3	0.000	0.000	0.000	0.000	88.4

Other operating expenditure							
Renewals expended in year (Infrastructure)	£m	3	0.000	0.000	0.000	0.000	88.5
Renewals expended in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	88.6
Other operating expenditure excluding renewals - direct	£m	3	1.245	3.684	0.050	4.978	88.7
Other operating expenditure excluding renewals - indirect	£m	3	0.266	0.788	0.011	1.065	88.8
Total functional expenditure	£m	3	1.517	4.305	0.060	5.883	88.9
Local authority and Cumulo rates	£m	3	0.009	0.000	0.000	0.009	88.10
Total operating expenditure (excluding 3rd party)	£m	3	1.526	4.305	0.061	5.892	88.11

Line description	Units	DPs	Untreated Sludge	Raw Sludge liming	Conventional AD	Incineration of raw sludge	Incineration of digested Sludge	Photo-conditioning/composting	Advanced Anaerobic Digestion	Other	Total	
Sludge treatment type												
Power	£m	3	0.000	0.065	0.245	0.000	0.000	0.000	0.496	0.124	0.930	88.12
Income treated as negative expenditure	£m	3	0.000	0.000	-0.916	0.000	0.000	0.000	-1.850	0.000	-2.766	88.13
Discharge consents	£m	3	0.000	0.002	0.006	0.000	0.000	0.000	0.013	0.003	0.024	88.14
Bulk discharge	£m	3	0.000	0.001	0.003	0.000	0.000	0.000	0.007	0.002	0.013	88.15

Other operating expenditure												
Renewals expended in year (Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	88.16
Renewals expended in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	88.17
Other operating expenditure excluding renewals - direct	£m	3	0.000	0.351	1.320	0.000	0.000	0.000	2.667	0.665	5.003	88.18
Other operating expenditure excluding renewals - indirect	£m	3	0.000	0.190	0.713	0.000	0.000	0.000	1.440	0.359	2.702	88.19
Total functional expenditure	£m	3	0.000	0.609	1.372	0.000	0.000	0.000	2.772	1.152	5.905	88.20
Local authority and Cumulo rates	£m	3	0.000	0.115	0.432	0.000	0.000	0.000	0.872	0.218	1.637	88.21
Total operating expenditure (excluding 3rd party)	£m	3	0.000	0.724	1.804	0.000	0.000	0.000	3.644	1.370	7.542	88.22

Line description	Units	DPs	landfill, raw	landfill, partly treated	land restoration/reclamation	sludge recycled to farmland	Other	Total	
Sludge disposal route									
Power	£m	3	0.000	0.000	0.000	0.002	0.000	0.002	88.23
Income treated as negative expenditure	£m	3	0.000	0.000	0.000	-0.646	0.000	-0.646	88.24
Discharge consents	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	88.25
Bulk discharge	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	88.26

Other operating expenditure									
Renewals expended in year (Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	88.27
Renewals expended in year (Non-Infrastructure)	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	88.28
Other operating expenditure excluding renewals - direct	£m	3	0.000	0.000	0.000	4.569	0.000	4.569	88.29
Other operating expenditure excluding renewals - indirect	£m	3	0.000	0.000	0.000	0.329	0.000	0.329	88.30
Total functional expenditure	£m	3	0.000	0.000	0.000	4.255	0.000	4.255	88.31
Local authority and Cumulo rates	£m	3	0.000	0.000	0.000	0.000	0.000	0.000	88.32
Total operating expenditure (excluding 3rd party)	£m	3	0.000	0.000	0.000	4.255	0.000	4.255	88.33

## Section 8: Additional regulatory information – bio-resources

Pro forma 8C

Wessex Water

### Bioreources energy and liquors analysis for the 12 months ended 31st March 2021

Line description	Units	DPs	Electricity	Heat	Biomethane	Total	Electricity	Heat	Biomethane	Total	RAG 4 reference
			MWh (0 DPs)	MWh (0 DPs)	MWh (0 DPs)	MWh (0 DPs)	£m (3 DPs)	£m (3 DPs)	£m (3 DPs)	£m (3 DPs)	

Energy												
Energy consumption - bioreources	SE Column Headings	SE Column Headings									0.431	8C.1
Energy generated by and used in bioreources control	SE Column Headings	SE Column Headings	0	0	0	0	0	0	0	0	0.000	8C.2
Energy generated by bioreources and used in network plus control	SE Column Headings	SE Column Headings	0	0	0	0	0	0	0	0	0.000	8C.3
Energy generated by bioreources and exported to the grid or third party	SE Column Headings	SE Column Headings	0	0	157895	157895	0	0	2.593	2.593		8C.4
Energy generated by bioreources that is unused	SE Column Headings	SE Column Headings	0	0	0	0						8C.5
Energy bought from grid or third party and used in bioreources control	SE Column Headings	SE Column Headings	11545	32034	0	43579	0.431	0	0	0.431		8C.6

Income from renewable energy subsidies	Unit	DPs	Value	
Income claimed from Renewable Energy Certificates (ROCs)	£m	3	0.000	8C.7
Income claimed from Renewable Heat Incentives (RHIs)	£m	3	0.000	8C.8
Income claimed from [other renewable energy subsidy (1)]	£m	3	0.000	8C.9
Income claimed from [other renewable energy subsidy (2)]	£m	3	0.000	8C.10
Income claimed from [other renewable energy subsidy (3)]	£m	3	0.000	8C.11
Total income claimed from renewable energy subsidies	£m	3	0.000	8C.12
% of total number of renewable energy subsidies due to expire in the next 2 financial years	%	0	0%	8C.13
This year's value of renewable energy subsidies due to expire in the next 2 financial years	£m	3	0.000	8C.14

Note: Companies to input specific subsidy which is being referenced in lines 8C.8 - 8C.10.

Bioreources liquors treated by network plus	Unit	DPs	Value	
BOD load of liquor or partially treated liquor returned from bioreources to network plus	kg/d	0	8756	8C.15
Ammonia load of liquor or partially treated liquor returned from bioreources to network plus	kg Amm-N/d	0	3804	8C.16
Recharge to Bioreources by network plus for costs of handling and treating bioreources liquors	£m	3	1.923	8C.17

## Pro forma 8D

## Wessex Water

### Bioresources sludge treatment and disposal data for the 12 months ended 31st March 2021

Line description	Units	DPs	By incumbent	By 3rd party sludge service providers	RAG 4 reference
<b>Sludge treatment process</b>					
% Sludge - untreated	%	1	0.0	0.0	8D.1
% Sludge treatment process - raw sludge liming	%	1	7.0	0.0	8D.2
% Sludge treatment process - conventional AD	%	1	26.4	100.0	8D.3
% Sludge treatment process - advanced AD	%	1	66.6	0.0	8D.4
% Sludge treatment process - incineration of raw sludge	%	1	0.0	0.0	8D.5
% Sludge treatment process - other (specify)	%	1	0.0	0.0	8D.6
% Sludge treatment process - Total	%	1	100.0	100.0	8D.7
<b>(Un-incinerated) sludge disposal and recycling route</b>					
% Sludge disposal route - landfill, raw	%	1	0.0	0.0	8D.8
% Sludge disposal route - landfill, partly treated	%	1	0.0	0.0	8D.9
% Sludge disposal route - land restoration/ reclamation	%	1	0.0	0.0	8D.10
% Sludge disposal route - sludge recycled to farmland	%	1	100.0	100.0	8D.11
% Sludge disposal route - other (specify)	%	1	0.0	0.0	8D.12
% Sludge disposal route - Total	%	1	100.0	100.0	8D.13

## Section 9: Additional regulatory information – innovation competition

Pro forma 9A

Wessex Water

Innovation competition								RAG 4 reference
Line description	Units	DPs	Current year					
<b>Allowed</b>								
Allowed innovation competition fund price control revenue	£m	3	1.730					9A.1
<b>Revenue collected for the purposes of the innovation competition</b>								
Price control revenue collected from customers	£m	3	1.730					9A.2
Non-price control revenue (e.g. royalties)	£m	3	0.000					9A.3
Revenue collected from customers and transferred into the innovation competition fund	£m	3	0.000					9A.4
Line description	Bids accepted and awarded funding for innovation competition	Forecast expenditure on innovation projects funded through the innovation competition	Actual expenditure on innovation projects funded through the innovation competition in year	Difference between actual and forecast expenditure	Cumulative spend on innovation projects	Allowed future expenditure on innovation projects funded through the innovation competition	Expenditure on innovation projects funded by shareholders	
	nr	£m	£m	£m	£m	£m	£m	
	DPs	0	3	3	3	3	3	
Innovation project 1	0	0.000	0.000	0	0.000	0.000	0.000	9A.5
Innovation project 2	0	0.000	0.000	0	0.000	0.000	0.000	9A.6
Innovation project 3	0	0.000	0.000	0	0.000	0.000	0.000	9A.7
Innovation project 4	0	0.000	0.000	0	0.000	0.000	0.000	9A.8
Innovation project 5	0	0.000	0.000	0	0.000	0.000	0.000	9A.9
Innovation project 6	0	0.000	0.000	0	0.000	0.000	0.000	9A.10
Innovation project 7	0	0.000	0.000	0	0.000	0.000	0.000	9A.11
Innovation project 8	0	0.000	0.000	0	0.000	0.000	0.000	9A.12
Innovation project 9	0	0.000	0.000	0	0.000	0.000	0.000	9A.13
Innovation project 10	0	0.000	0.000	0	0.000	0.000	0.000	9A.14
Innovation project 11	0	0.000	0.000	0	0.000	0.000	0.000	9A.15
Innovation project 12	0	0.000	0.000	0	0.000	0.000	0.000	9A.16
Innovation project 13	0	0.000	0.000	0	0.000	0.000	0.000	9A.17
Innovation project 14	0	0.000	0.000	0	0.000	0.000	0.000	9A.18
Innovation project 15	0	0.000	0.000	0	0.000	0.000	0.000	9A.19
<b>Total</b>	<b>0</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	9A.20
<b>Administration</b>								
Administration charge for innovation partner	£m	3	0.000					9A.21

## **Assurance reports**

### **Technical assurance report**

Ofwat requires company boards to certify that they have correctly reported their performance.

#### **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.

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 28 June 2021:

1. The performance commitment data in tables 3A to 3I inclusive have been completed appropriately.
2. The capex expenditure data in tables 4D, 4E, 4F, 4G, 4J, 4K, 4N, 4O has been compiled appropriately. The capex and opex expenditure data in table 4L and 4M has been compiled appropriately.
3. The technical data in tables 4Q, 4R, 5A, 6A, 6B, 6C, 6D, 7B, 7C, 7D, 7E, 8A, 8C, 8D, 9A has been compiled appropriately.
4. Errors and omissions were corrected as a result of our audits.
5. We made minor recommendations for continuing improvement of the annual reporting process.

**Dr Andrew Heather**  
Mott MacDonald Ltd  
28 June 2021

### **Scope – audit tests**

Thirteen test procedures were applied to each of the measures (to the extent that they were applicable)

1. The method statement is aligned with the Ofwat reporting definition and explains the reporting process so that someone else, with reasonable experience of that part of the business, would be able to carry out the process.
2. Data collection (data entry) is part of a quality-controlled process.
3. Corporate systems are used to gather and store data, with managed change control to protect data integrity.
4. Data reporting is robust and can be replicated.
5. Reported performance has been correctly calculated according to the FD19, RAGs or other definition.
6. Results can be explained in the context of historical data and forecast performance.
7. What are the numbers that are going to be entered into the Ofwat table?
8. The calculations have been checked if required.
9. The table has been signed off by the owner and compiler.
10. The commentary discloses material assumptions, fully explains the results and has been signed off by the owner and compiler.
11. Where Ofwat defines additional requirements, these have been met.
12. Confidence grades have been assigned in line with the Ofwat guidelines.
13. The impact of COVID-19 is supported by robust evidence.

### **Of your 46 FD19 performance commitments, we agreed:**

- 9 Met or exceeded targets, without outperformance payment
- 12 Exceeded targets, earning an outperformance payment
- 5 Missed targets, without underperformance payment
- 12 Missed targets, incurring an underperformance payment
- 6 Had no target to deliver this year
- 2 Are reported by Ofwat (C-MeX and D-MeX)



## Key recommendations from this year's (APR21) audits

Performance commitments	Recommendation
3E.C1 Priority services for customers in vulnerable circumstances – PSR reach and actual contacts	We <b>recommend</b> that you clarify in your method statement how Pelican and Wessex Water interact to produce the report for this performance commitment.
3A.W3 Customer reported leaks fixed within a day	Currently no alignment between the definition, the reported performance and committed performance level. As a result, based on the revised definition, Wessex Water would fail to meet the PCL in each year of the AMP, triggering the maximum underperformance penalty of £1.8m every year. You made Ofwat aware of the error in May 2020. Ofwat replied in February 2021 rejecting your claim to revert back to your business plan definition. We recognise that you wish to report performance based on the business plan definition and we <b>recommend</b> you continue your dialogue with Ofwat on this matter in the hope of resolving the issue before publication.
3F.R4 Mains repairs	This performance commitment relies heavily on the correct allocation of job codes. We <b>recommend</b> that you implement a new procedure to verify mains repairs records, and the categorisation of job codes.
Additional tables	Recommendation
4M All enhancement expenditure – wastewater network+	There was some uncertainty about whether to report cumulative expenditure at beneficial use date or at financial close. We spoke to Ofwat who had assumed companies would use beneficial use date, although that results in a slightly lower value being reported, and you have followed that approach.
EPA SDBI and abstractions indicators	Compliance with abstraction licences is currently being shadow reported under the Environment Agency's Environmental Performance Assessment (EPA), we <b>recommend</b> that you continue the ongoing communication with the EA and that Wessex Water raised a number of queries, some of which relate to 2020 breaches.

## Follow-up from last year (APR20)

APR20 Audit name	APR20 recommendation	APR21 comment
4E: wastewater volume collected (At APR 21 this moved to Table 7C.)	We <b>recommend</b> you review the reasons and evidence for the step change in infiltration, in case there is specific learning for future investment programmes.	The overall volume has decreased this year, attributed to less wet weather. We <b>suggest</b> infiltration/sewerage network performance as an area to investigate further for inclusion in PR24 business plans.
3A7.C3: Number of children and students engaged	We <b>recommend</b> engaging with Ofwat on the detail of this definition or to re-base the target, based on the 30-person cap.	Covid-19 restrictions prevented all face-to-face work. You have reported on-line engagement activity for 2020-21. The FD19 definition remains in place unchanged.
3A7.W3: Customer reported leaks fixed within a day	We <b>suggest</b> continuing engagement with Ofwat on the detail of this PC's definition.	Ongoing discussion with Ofwat. Currently reported as meeting target, in line with your original definition rather than Ofwat's. More detail on page 9.
AMP7 performance commitments and other published data	We <b>recommend</b> seeking opportunities to simplify data gathering and reporting.	Much progress has been made. Where we've noticed opportunities for further improvement recommendations have been fed back through audit reports.
Leakage (AMP7 methodology)	We <b>recommend</b> investigating the reasons for the increasing water balance discrepancy before March 2021.	The discrepancy has been reduced significantly. However, there are still some improvements to be made, to fully align with the leakage methodological thresholds.
GSS	We <b>recommend</b> a minor update to the method statement, to clarify the exact content of the GSS.	We <b>recommend</b> minor amendments to the method statement for GSS payments arising from operations, to improve clarity.

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

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 2021 ("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; 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 revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited the Outcome performance table (tables 3A to 3I) and the additional regulatory information in tables 4A to 4R, 5A to 5B, 6A to 6D, 7A to 7E, 8A to 8D and 9A.

In our opinion, 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 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12, appendix 2), set out on pages 9 - 10.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, 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 Standard 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(s), 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 have not been prepared under the basis of International Financial Reporting Standards (IFRSs) as adopted by the EU. 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 19 to 27 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 in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We gained an understanding of the process undertaken by management to perform the going concern assessment, including their assessment of risks and evaluation of the ongoing impact of COVID-19 on the Company, including discussion with management to ensure all key factors were taken into account.
- We obtained management's forecast cash flows and covenant calculations covering the period from the date of signing to 31 July 2022 and we agreed these to the Board and regulatory approved budgets and forecasts.
- We tested the mathematical accuracy of the cash flows, as well as the calculation of the forecast covenants.
- We considered the Company's access to available sources of liquidity and agreed available facilities to underlying agreements and the extent of drawings thereunder to external confirmations.
- We performed the covenant testing and considered any indicator of breach.
- We challenged management by reperforming and building our own point of estimate, in respect of the assumptions used in the going concern assessment and reverse stress test reflecting their principal risks and uncertainties, including the risk of a further lockdown later in FY21 and the impact this would have on liquidity and on compliance with financial covenants.
- We understood and challenged the Board's controllable mitigation plans and the forecast impact on the ability of the business to operate within its financial covenants. We obtained supporting documentation to evaluate the plausibility and achievability of management's mitigation plans considering actions delivered to date.
- We compared forecast future cashflows to historical data, ensuring variations are in line with our expectations, such as historical performance, and understanding of the business and considered the reliability of past forecasts.
- We considered the results of other audit procedures and other knowledge obtained in the audit and whether it was consistent with or contradicted management's assumptions.
- We performed our own sensitivity analysis on management's forecast cashflows and considered the reverse stress test management model to understand how severe conditions would have to be to breach liquidity and/or covenant headroom, and whether the scenario has no more than a remote possibility of occurring.
- Inquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern
- We assessed the appropriateness of disclosures within the Annual Report and Accounts.

## Assurance reports

### Our key observations:

- We have observed that the Company is experiencing a minimal level of disruption from the impact of the pandemic from both a revenue and profitability perspective.
- In January 2021, the Company received £300 million from the bonds issued by the company's subsidiary, amounting to circa £310 million. The bond issuance provides the Company with sufficient funds to repay the subsidiary's bond, guaranteed by the Company which is due on September 2021 of circa £300 million.
- The Company has £225 million of revolving bank facility available throughout the going concern period, and under management's base case scenario, there is significant liquidity headroom greater than £100 million throughout the period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### **Other information**

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

### **Responsibilities of the Directors for the Annual Performance Report**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the Annual Performance Report in accordance with the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12, 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 as a whole 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 the Regulatory Accounting Statements.

## Assurance reports

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation, tax legislation etc.; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are
- International financial reporting standards (IFRS) as adopted by EU
- Tax legislation (Governed by HM Revenue and Customs)
- General Data Protection Regulation
- The UK Bribery Act
- Anti-Money Laundering Legislation
- Health & Safety Legislation
- Wates Principles
- Ofwat regulations
- The Water Act 2003
- Environment Act 1995

We understood how Wessex Water Services Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We evaluated the entity level control environment through discussions with management and company in-house legal counsel, inspections and observations in the control environment to understand procedures implemented by management to reduce the opportunities for fraudulent transactions. We performed procedures, including reading minutes of the board meetings and making enquiries with the management for any correspondence of non-compliance with the tax authorities, and noted no significant issues. We performed journal entry testing to ensure that there are no unusual legal or penalty expenses incurred during the year and to ensure that the management is in compliance with the applicable framework.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by inquiring with management and those charged with governance and performing a walkthrough of the financial statement closing process. We understood the programmes and controls

## Assurance reports

that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. We determined revenue recognition to be a fraud risk due to management override of controls, therefore we tested manual journal entries posted to revenue, focusing on journals around the year end, and also performed year end cut off procedures. Further, we performed overall analytical procedures to assess the fairness of the overall financial performance and the position as at and for the year ended. In relation to management override we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.

Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved making enquiries of key management and legal counsel, reviewing key policies, inspecting legal registers and correspondence with regulators and reading key management meeting minutes.

The Company operates in the water sector which is highly regulated. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of an expert where appropriate.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's 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 2021 on which we reported on 7 July 2021, 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 20 May 2021. 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**

**7 July 2021**

## Appendix A: Change log

The table below details the changes made to the data tables in comparison to the original version of the document published in July 2021.

Table	Row	Column name	Original data	Revised data
1F	1F.3	Actual returns and notional regulatory equity	3.559	9.268
1F	1F.3	Actual returns and notional regulatory equity	3.559	9.268
2N	2N.7	Average amount per customer	0.000	150.943
2N	2N.8	Average amount per customer	0.000	130.352
2N	2N.9	Average amount per customer	0.000	186.097
2N	2N.12	Revenue	1.944	3.887
3A	3A.10	Performance level actual / Current reporting year	1,344	453
3A	3A.10	Outperformance or underperformance payment	-0.092	-0.096
3H	3H.1	Water resources	-0.01	-0.02
4C	4C.10	Water resources	-5.904	-0.805
4C	4C.10	Water network plus	13.327	0.439
4C	4C.10	Wastewater network plus	-24.586	-0.454
4C	4C.10	Water resources	-5.904	-0.805
4C	4C.10	Water network plus	13.327	0.439
4C	4C.10	Wastewater network plus	-24.586	-0.454
4C	4C.11	Water resources	-4.614	-0.629
4C	4C.11	Water network plus	17.055	0.562
4C	4C.11	Wastewater network plus	-17.318	-0.320
4C	4C.11	Bioresources	4.577	-0.097
4C	4C.11	Water resources	-4.614	-0.629
4C	4C.11	Water network plus	17.055	0.562
4C	4C.11	Wastewater network plus	-17.318	-0.320
4C	4C.11	Bioresources	4.577	-0.097
4C	4C.22	Water resources	-5.173	-0.498
4C	4C.22	Water network plus	16.142	0.828
4C	4C.22	Wastewater network plus	-17.571	-0.555
4C	4C.22	Bioresources	4.514	0.000
4C	4C.22	Water resources	-5.173	-0.498
4C	4C.22	Water network plus	16.142	0.828
4C	4C.22	Wastewater network plus	-17.571	-0.555
4C	4C.22	Bioresources	4.514	0.000
4H	4H.5	AMP to date	3.01	2.93
4H	4H.15	Interest cover (cash)	4.31	3.82
4H	4H.16	Adjusted interest cover (cash)	2.30	1.81
4H	4H.6	Dividend yield	-5.01%	5.01%
4H	4H.13	Dividend cover	-1.42%	1.42%