

**WSX59 – Our
strategic direction
statement –
Water – a new
direction**

Business plan
2025-2030



Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.



Water - a new direction

Wessex Water's
**Strategic Direction
Statement**



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Water - a new direction

Wessex Water's Strategic Direction Statement

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Our ambition stretches beyond water, to performing a wider role in society as a company that: is trusted to take care of the natural world we all depend on; sets the benchmark on environmental performance; and plays our part in rising to pan-sector challenges of unprecedented scale and urgency - the climate and nature emergencies, the need for carbon neutrality, rising public expectations of the environment, higher living costs and long term resilience.



Foreword

The challenges facing society today are extreme. There is a compelling need to plan for the long term – to mitigate and adapt to a changing climate, and to reverse the degradation of the natural world. This is to protect the planet itself, and all the people and life it sustains.

This Strategic Direction Statement is Wessex Water's long term plan. It sets out our vision and ambitions through to 2050 transparently, to give all of our stakeholders trust and confidence that we intend to rise to unprecedented challenges, now and in the future. At its heart are eight outcomes that our customers and stakeholders have told us are their priorities. We set out clearly how we aim to deliver these stretching outcomes over the coming 25 years.

The outcomes span our sphere of existing activity, and go well beyond it. We commit to:

- Continuing to lead the water industry on the delivery of core services for customers, communities and the environment, despite the steeply rising challenges involved in doing so.
- Raising the bar on what is considered leading performance, looking outside of the water industry for benchmarks and committing to even higher levels of service.
- Rising to changing societal expectations on the health of the water environment, including a commitment to completely eliminate the discharge of untreated sewage from storm overflows.
- Playing our part in addressing wider societal and environmental challenges, which will take us into a new realm of environmental stewardship and leadership.

Collectively, these pledges will ensure that, through our performance, we will continually demonstrate to our communities that we are worthy of their trust.

Leading from the front

Wessex Water has always been a water industry leader, as well as a responsible business firmly rooted in our region. We top the table on environmental performance and have done so for a decade. We provide the best customer experience and attract the fewest complaints. Here, we are committing to continue that leadership for decades to come, and to further our ongoing commitment to the communities we serve, through an ambitious plan that goes well beyond business as usual.

We will start to deliver these ambitions immediately, and are calling on others to play their part in helping us reach our collective goals. We all have to act now, because the climate and nature emergencies can no longer be considered problems for tomorrow. Change is very much with us already, and is demanding a response.

Smart investment for affordability

In crafting our Strategic Direction Statement, we have been acutely aware of the need to keep our plan affordable. We have a fundamental belief that our services must always be

affordable for all customers – a belief that will be tested as cost of living rises put a squeeze on household budgets, and as social disparities exposed by the pandemic endure.

We will tailor the financial support we provide according to customer need. One of our long term outcomes is affordable bills, and we are targeting zero water poverty at the level of households spending no more than 5% of their disposable income on water. As significant investors in our region, we will also use our investment programmes to create jobs and economic growth that will benefit the communities we serve.

We must also be smarter in our investments. We need to use markets to reveal efficiencies to keep costs down. By collaborating and delivering in partnership with others, we can achieve the best possible outcomes for the best possible price. We also need to stack benefits, including by making nature-based and catchment-based solutions the default where they are feasible, to deliver wider outcomes with the lowest possible carbon footprint.

Delivery dynamics

Within Wessex Water, we will do everything within our power to deliver the outcomes set out in this plan. We have identified some essential internal enablers that sit alongside these outcomes: a skilled, diverse and inclusive workforce that is safe and engaged; and access to appropriate finance to secure long-term resilience. Our track record on delivery for customers and the environment shows we can be trusted to play our part.

But this plan won't be deliverable unless others play their part too. In particular, we call on regulators, Government, industry and other stakeholders to work together to develop a new regulatory framework based on long term outcomes. This must provide for a price control that incentivises best value, resilient solutions which factor in carbon, biodiversity and wider sustainability alongside price and service. It must be a framework that is fit for the future rather than based on the past; that will enable us to nurture natural assets to deliver core services; and to work with others to meet the significant challenges we all face.

Our PR24 business plan will be the first staging post in the delivery of these 2050 outcomes. We need to continue investing so we can meet the stretching long-term targets we have co-created with our customers and stakeholders. In so doing, we will also play our part in delivering national policy ambitions, including on net zero and environmental enhancement as set out in the 25 Year Environment Plan.



Colin Skellett – Group Chief Executive

Executive summary

Wessex Water plays an integral role in the life of south west England. We recognise our privileged status as a provider of essential services - and the responsibilities that come with that. We are aware that the water industry in the UK faces real challenges if it is to secure public trust and to demonstrate its critical role as a custodian of the environment in the face of climate change. Though we are proud of our sustained industry-leading performance for customers, our communities and the environment, we believe we should be an exemplar to the industry of the future, trusted to leave the environment in a better condition for future generations, while keeping our services affordable and satisfying for customers. We are acutely aware of the escalating cost of living and need for affordable bills and extra pressure on customers in vulnerable circumstances.

Our ambition is also a necessity. As an essential services business rooted in our region, we have a responsibility to do what we can, in partnership with others, to address shared societal challenges of unprecedented scale and urgency - the climate and nature emergencies, the need for carbon neutrality, rising public expectations of the environment, higher living costs and long term resilience. As a particular priority, we intend to completely eliminate the discharge of untreated sewage from storm overflows, starting

with those that harm the environment and spill most frequently. Our ambition is also in keeping with our purpose: *'To support our customers' health and wellbeing, and enhance the environment and the diverse communities we serve.'*

Ambitious long term outcomes

This Strategic Direction Statement (SDS) sets out exactly how we intend to stretch ourselves over the coming 25 years. It describes our long term vision and ambition around the role we will play in delivering the outcomes that customers, communities and stakeholders expect of us, through to 2050. That relationship is crucial. This is a shared vision which we have co-created with stakeholders and which reflects their preferences.

Delivery will also need to be a shared endeavour: we invite everyone to play their part, and we look forward to working in close partnerships with others to reach collective goals.

The wheel on page five summarises our 25-year plan. In the top half are eight outcomes which we have identified with stakeholders and which comprise the heart of our SDS. Each outcome has an ambitious associated aim, as follows:



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

Outcome	Aim	Measurement
Safe and reliable water supply	100% quality compliance, always Zero interruptions of longer than three hours	Drinking Water Inspectorate's Compliance Risk Index score Average interruption longer than three hours per property in mm:ss per year, from planned or unplanned events
An effective sewerage system	Halve the impact of sewer flooding	Impact metric; score of incident type multiplied by the number of occasions
Affordable bills	Zero water poverty	Percentage of customers paying greater than 5% of their disposable income on water bills
Excellent customer experience	Be a top 10 customer service provider in the UK	Be in the top 10 companies in the UK Customer Service Index
Sustainable abstraction	Never harm the health of the water environment through our abstraction	100% compliance with our abstraction licences
Excellent river and coastal water quality	To restore the quality of our rivers and coastal waters	Number of pollution incidents Total tonnes of phosphorus and nitrogen removed from rivers and coastal waters
Net zero carbon	Be a net zero carbon business by 2040	Total ktCO ₂ e per year
Increased biodiversity	Double our contribution to the region's biodiversity	Number of biodiversity units created per year

These outcomes and aims are highly ambitious, and will see us transition from being a pace-setter in water to performing a far wider role in society, including as a highly trusted, responsible custodian of the natural world and a leader in environmental performance and stewardship. But our vision is credible: we have a track record of customer service and environmental excellence; and we are committed to embedding these targets - which flow from our purpose - into all our business plans.

Enablers of change

However, we will need to secure some changes to enable our transformation and deliver these stretching outcomes.

Firstly, we have identified six enablers that we need to ensure are embedded in our business over the long term, centred around strong financing and governance, and empowered people. These are shown in the bottom half of the wheel on page five and are as follows:

Empowering our people:

- **Culture, inclusion, and diversity:** we will have an inclusive workforce that reflects the cultures and diversity of the region we serve.
- **Individual safety, wellbeing and engagement:** our colleagues will be safe at work, proud to work for us and fully engaged in their roles.
- **Skills, knowledge, and opportunity:** our colleagues will have all the skills and knowledge they need to confidently carry out their roles.

Financing the future:

- **Market-led outcomes:** we will harness the power of markets to drive the most efficient solutions.
- **Resilient financial stewardship:** we will demonstrate long-term financial stability.
- **Well managed, open, ethical and transparent:** we will prove that we are honest and ethical in the way we conduct our business.

Secondly, our vision depends on our regulators and policy makers evolving their approaches alongside us, to keep in step with the increasingly complex and urgent societal challenges we all face. Specifically, we need both economic and environmental regulatory reform - backed by government support and direction - to enable us to deliver more for less, in the public interest.

Water regulation has served us well over the past three decades, targeting point source and site specific actions to drive service improvement. But now there are diminishing returns on such interventions; multiple challenges that warrant a holistic approach; and a need to consider impacts beyond the purely financial. Regulation should be an enabler - not a constraint - on ambition. To realise that, we need change.

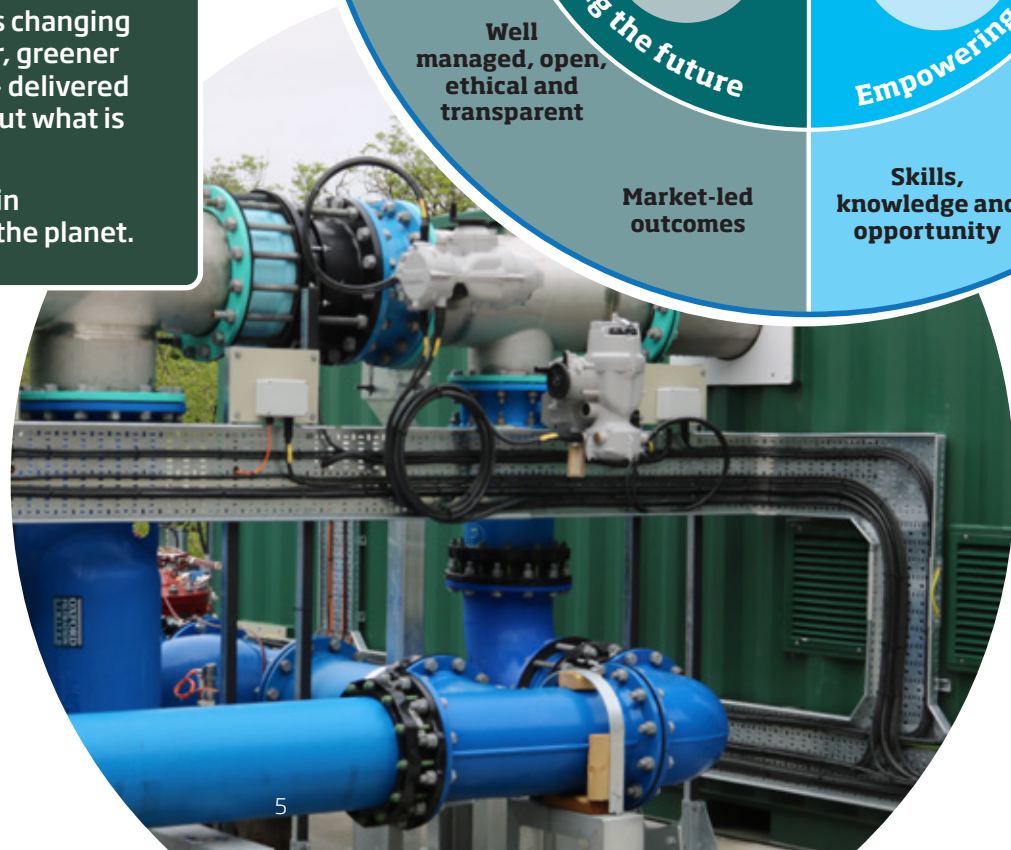
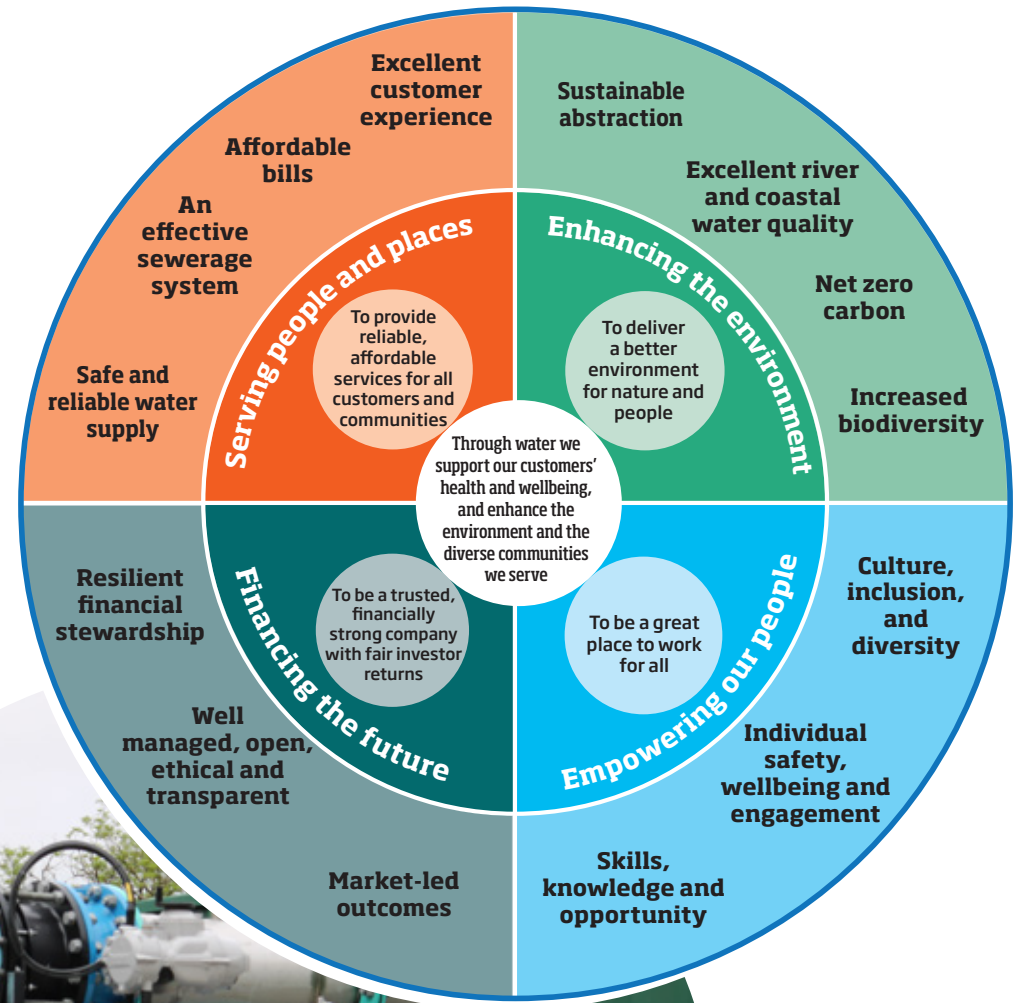


We have a track record of customer service and environmental excellence; and we are committed to embedding these targets

We need regulators to fund us to deliver the outcomes that customers and communities want to see. Regulators must also make sure that funding is efficient, by encouraging us to collaborate and deliver in partnership with others to achieve the best possible outcomes for the best possible price. While we are absolutely committed to stretching ourselves as far as we can in pursuit of societal goals, it would be foolhardy for us to think we can achieve everything efficiently, alone.

We recommend a new approach to environmental regulation, **Outcome-Based Environmental Regulation (OBER)**. **Essentially, this involves regulators setting outcomes-based targets at catchment a level, and enabling us to choose solutions that deliver the biggest environmental benefits at the lowest costs.** This would incentivise innovative approaches and unleash the potential of nature-based solutions and catchment markets in the delivery of ambitious long term environmental outcomes, whilst ensuring value for money for our communities and customers.

Act together and act now
 Our SDS envisages water companies and regulators changing together, as allies in common pursuit of the cleaner, greener future envisaged in the 25 Year Environment Plan - delivered at pace, and affordably for customers. It sketches out what is possible, if we all act together and act now.
 The task is urgent, and we each must play our part in delivering long term common goals for people and the planet.



Wessex Water today

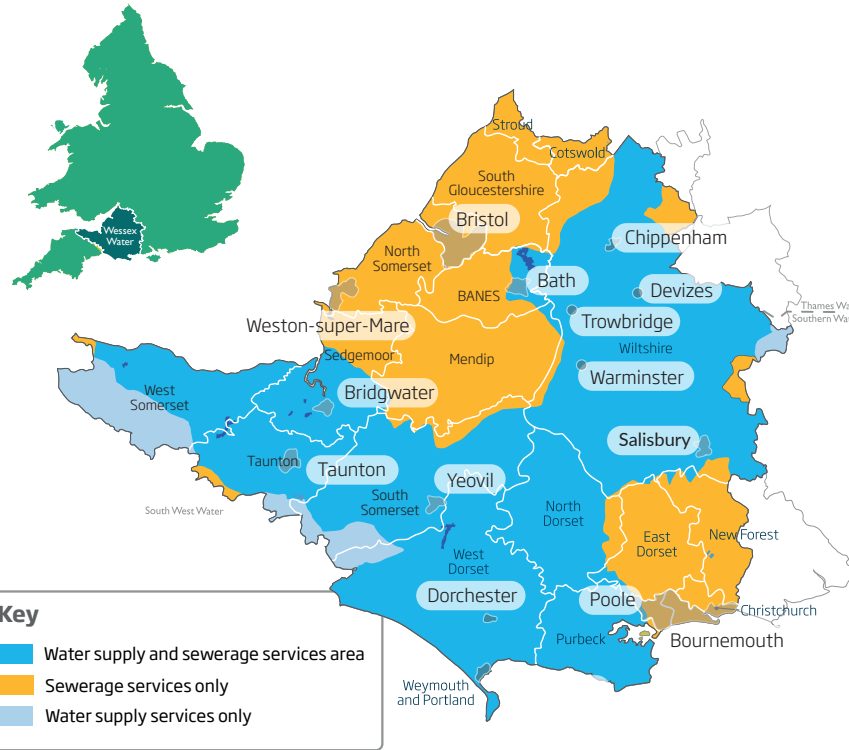
We are an integral part of the region we serve in south west England. We depend on its resources and people. We strive to treat it well, and make a positive contribution to the lives of our communities and the health of our catchments. We are proud of our performance and the role we play in our area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

Our purpose

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

Our role in our region

- We serve 2.8 million customers across the south west of England with water and/or sewerage services.
- The region's landscape is varied, ranging from the Mendip Hills and the Somerset Levels to the cliffs of Dorset and Wiltshire's Salisbury Plain.
- Our two coastlines are home to a number of popular holiday resorts such as Bournemouth, Poole and Weymouth on the south coast and Weston-Super-Mare and Minehead on the north coast.
- Our area covers 48 designated bathing waters, seven Areas of Outstanding Natural Beauty and three designated UNESCO World Heritage Sites.
- Approximately 75% of the water we supply to our customers comes from boreholes and springs and we look after many important chalk streams, ensuring flows support the flora and fauna that live there.



Water (2015 - 2020)

We treat and supply

280

million litres of water a day

We spent **£240m** Spent safeguarding drinking water quality

We spent **£405m** Providing reliable services

Maintained and renewed **7,300 miles** of water mains

We spent **£80m** Tackling leakage

Sewerage (2015 - 2020)

We take away and treat

480

million litres of sewage a day

We spent **£277m** Spent minimising sewage flooding

We spent **£732m** Protecting rivers, lakes and estuaries

We look after **21,600 miles** of sewers

We spent **£155m** Improving water quality

We spent **£50m** Spent reducing carbon footprint

Our industry leading performance

We consistently rank as the best water and sewerage company in the country. The table on the next page provides an at-a-glance summary of our performance compared to our peers across 15 key metrics that are essential for customers and the environment. We are the best performing company on one-third of all the metrics, and in the top three places on more than two-thirds. We strive to improve our delivery across all the metrics, even those where we are already leading the field.

Some of our performance highlights:

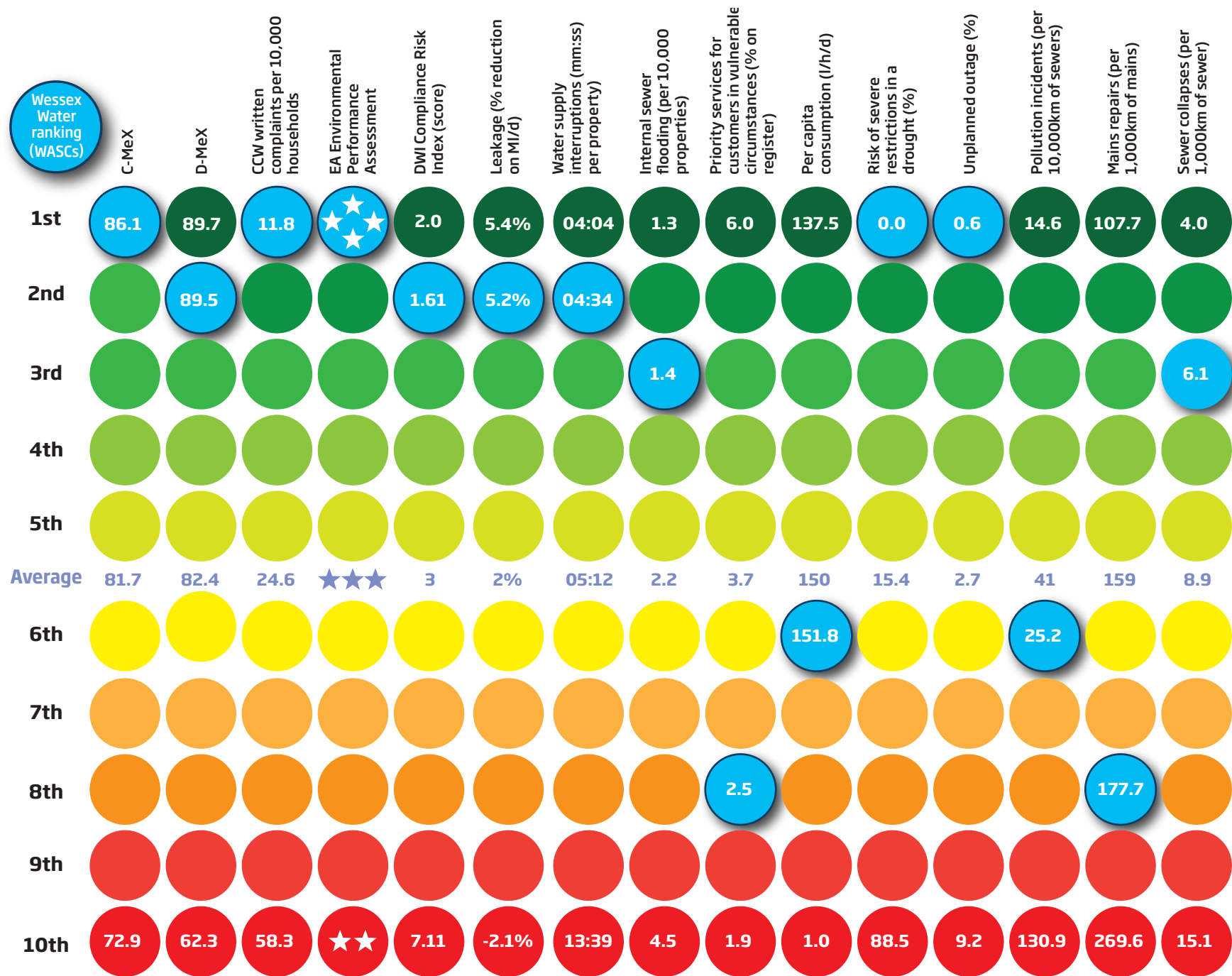
For the environment - The Environment Agency awarded Wessex Water the best possible 4* rating in its all-round metric, the Environmental Performance Assessment (EPA), last year. We have achieved this top grade in seven of the past ten years, with 3* ratings achieved in the remaining three years. This makes us the industry-leading water and sewerage company on EPA performance across the decade.

For customers - We are consistently top of Ofwat's customer experience ranking (C-MeX) for water and sewerage customers. 87% of reviewers give us a five-star TrustPilot rating and for the 11th year in a row, we had the fewest complaints per 10,000 customers of any water and sewerage company. We are consistently awarded the Customer Service Excellence award by the Cabinet Office and hold the Institute of Customer Service's highest accolade, the Service Mark with Distinction.

*We are consistently
top of Ofwat's
customer experience
ranking (C-MeX) for
water and sewerage
customers*



Performance 2020-21



Why do we need a Strategic Direction Statement?

Our vision and ambition

Water and wastewater services will always be needed. For that reason alone, it's vital for us, as an essential service provider, to regularly set out our long-term vision, so all of our stakeholders have a clear understanding of our ambition and can hold us to account.

Our new SDS, an update of a version from five years ago, does just that: it describes our long-term vision and ambition around the role we will play in delivering the outcomes that customers, communities, and stakeholders expect of us, through to 2050. But it also goes beyond that basic function to perform a number of additional roles. We have seized the opportunity of drawing up a new 25-year vision to make the case for doing things differently, as a necessary response to the challenges we face as a country.

Our case for change

Our ambition now stretches beyond water, to performing a wider role in society as a company that: is trusted to take care of the natural world we all depend on; sets the benchmark on environmental performance; and plays our part in rising to pan-sector challenges of unprecedented scale and urgency – the climate and nature emergencies, the need for carbon neutrality, rising public expectations of the environment, higher living costs and long-term resilience. We need to meet these ambitions if we are to provide resilient and sustainable services and prove our legitimacy to those we serve in a fast changing environment and society. But we are also keen to play our part in delivering national policy ambitions, including on net zero and environmental enhancement as set out in the 25 Year Environment Plan.

Our vision also depends on our regulators and policy makers evolving their approaches in line with these increasingly complex and urgent challenges. Specifically, we need both economic and environmental regulatory reform – working together and backed by government support and direction – to enable us to deliver more for less, in the public interest.

Regulation has delivered many benefits over the 35 years since it was created, evolving with the times along the way. That journey must now continue, to truly replace a focus on outputs with a focus on outcomes (see box); to make nature-based and catchment-based solutions the norm; to prioritise long-term best value over lowest short-term cost; and to weigh broader environmental outcomes including on carbon and biodiversity against water-centric goals.

Our SDS envisages water companies and regulators changing together, as allies in common pursuit of the cleaner, greener future envisaged in the 25 Year Environment Plan – and delivered efficiently, so no one pays any more than they need to for the future we all want to see.

The bigger picture

This SDS should not be viewed in isolation. It builds on our recently refreshed and co-created purpose and gives that practical application. It provides broader context for our existing long-term planning frameworks, our Water Resources Management Plan and our Drainage and Wastewater Management Plans, both of which will provide detailed accounts of how we will improve delivery and the resilience of our assets in the face of long term challenges and change.

Our SDS is also the anchor for our PR24 business plan, and makes the case for incentives and mechanisms at the next price review to reflect the reform we need to see, to enable us to start delivering more for less for customers, communities and the environment.

Given its long-term nature and because it acts as a hub connecting all our plans, it is right that our SDS is a shared vision which we co-created in conjunction with more than 1,600 customers, businesses, employees and other stakeholders through an extensive programme of dialogue and engagement. It reflects the preferences of all of those groups.

Delivery will also need to be a shared endeavour, and we invite everyone to play their part in helping us reach our collective goals.

Long-term outcomes v short-term outputs

In the water sector, outputs are specific, focused targets, usually to be delivered in a relatively short time frame – for example, x% reduction in leakage within five years. Outcomes, on the other hand, focus on the results ultimately desired, rather than the precise means of getting there, and tend to be longer term in nature – for example, enduring sustainable abstraction.

We believe regulation should focus firmly on long-term outcomes. This would enable water companies to select the tools and delivery routes most suited to their circumstances, while still being held accountable for delivering the end results policy makers and regulators, on behalf of customers and citizens, want to see. It would also free companies up to develop longer term adaptive plans that can flex with local needs and preferences as these change over time.

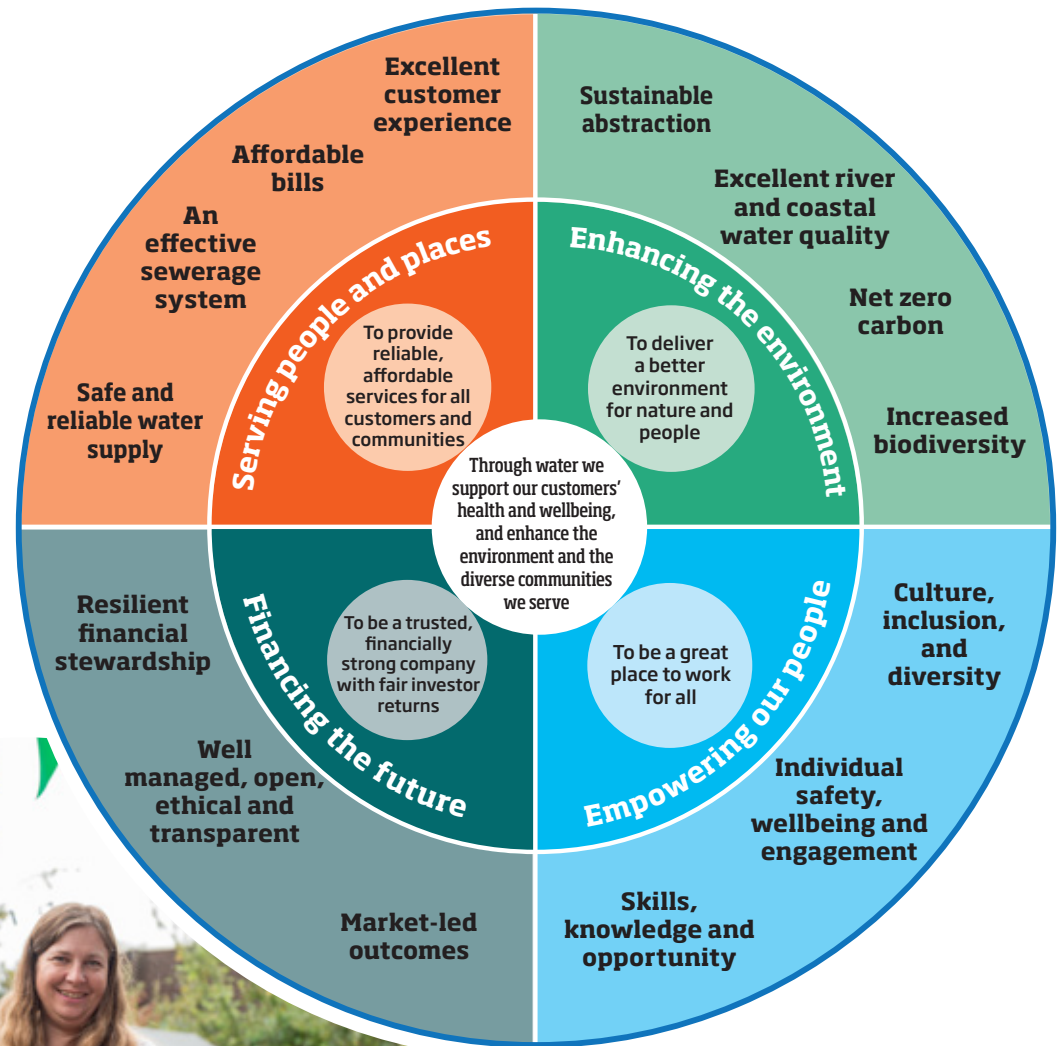
Wessex Water 2050

Wessex Water has strong foundations, grounded in its record for operational, customer, financial and environmental performance. But in light of the challenges ahead, they are not sufficient. We recognise we must earn the right to be considered by a public, sceptical of the industry as a whole, as a leader in environmental stewardship as well as customer service and efficiency through delivery of our strategic vision for 2050.

At the heart of our SDS are eight outcomes, all co-created with stakeholders, all focused on long-term ambition. They cover customer, community and environmental outcomes and are shown in the top half of this wheel that summarises our 25-year plan. We will need to work in partnership with our communities to deliver these aims and we will need to embed resilience along the way.

We have also identified some internal enablers that we will need to secure to effectively deliver our eight outcomes, centred around strong financing and governance, and empowered people. These are shown in the bottom half of the wheel.

The following pages detail each outcome in turn, and the targets we will achieve to deliver each by 2050. In the next section, there is more detail on our business enablers. And finally, we further explain the new regulatory approach we would like to see, Outcome-Based Environmental Regulation.





Outcome: Safe and reliable water supply

Aim: 100% quality compliance, always

Aim: Zero interruptions of longer than three hours



Providing wholesome, safe, and reliable water is basic requirement of any water company. We appreciate that, and already reliably supply excellent quality water.

For the past three years, we have achieved 99.98% compliance, with the few failures that do occur often attributable to customers' internal plumbing and activities. There have been no water restrictions in our supply area since 1976, and decades of commitment, innovation and investment have enabled us to halve the duration of supply interruptions in the last five years.

We appreciate the enormous value our customers attach to having absolute confidence that every single drop, without exception, is of the highest quality and available whenever they want it. For that reason, it is important to us to make a long-term commitment to our customers that, for the next 25 years and beyond, their water will be 100% compliant with the demanding standards set down by the Water Quality Regulations, and are setting ourselves an ambitious target for the duration of any supply interruption, however caused, to be at most three hours.

To achieve this, we will:

- Work in catchments with partners to protect and enhance raw water quality.
- Boost the resilience of our systems - including making sure water treatment solutions can adapt to changing quality in our raw water sources and managing climate change impacts and extreme weather events on water quantity and quality.
- Invest to ensure infrastructure is available now and in the future to treat water to the highest standards.
- Operate our network to ensure water quality is maintained from source to tap.
- Help to remove any health risks posed by items such as lead pipework in customers' homes.
- Develop more predictive capabilities to pre-empt problems.
- Embrace technologies which will increase our visibility of network operations and identify issues promptly when they arise.
- Find new innovations in pipe repair methods and technology.

- Reduce the carbon impact of repair activities while ensuring any supply interruptions stay inside the three-hour window.
- Champion the case for an increase in funding for network maintenance to ensure its long-term resilience.
- Go even further for our customers who are in vulnerable circumstances, providing excellent support as a priority when a supply interruption does occur.

Who we will work with:

- Our customers and stakeholder groups to ensure that homes and public buildings continue the provision of safe water.
- Catchment partners to improve raw water quality.
- Supply chain to explore innovations in technology, the improved operation of our networks and in minimising mains repairs to reduce the carbon impact.
- Other utility suppliers and third-party contractors to reduce the incidence of accidental bursts that impact on our network and customers.



Measurement

- Drinking Water Inspectorate's Compliance Risk Index score
- Average interruption longer than three hours per property in mm:ss per year, from planned or unplanned events



Outcome: An effective sewerage system

Aim: Halve the impact of sewer flooding

The experience of sewer flooding can be devastating for customers, but it is already very rare thanks to long-term investment and maintenance. We are an industry leader in this area, having cut the number of internal incidents in homes and businesses by 25% between 2015 and 2020.

Now we are committing to go further by halving the impact of both internal and external sewer flooding. Our definition of impact will align with emerging sector best practice and focus on the severity of flooding events, the intrusiveness for customers and the impact on the environment. We will reduce the level of harm they cause by working on both frequency and impact.

We intend to achieve this by operating a world-leading sewerage system. Our approach will focus on the long term performance of our networks and we will:

- Develop a 25-year Drainage and Wastewater Management Plan in collaboration with our stakeholders and customers. This will establish our strategy for meeting our target.
- Future-proof our networks and create extra sewerage capacity to help deal with population growth, climate change and extreme weather events.
- Make the case for planning authorities and government to review the 'right to connect' that developers have. This permits the discharge of rainwater from new sites to the sewerage network.
- Improve our use of technology and Artificial Intelligence tools to better understand our networks. This will allow us to prevent issues arising in the first place and reduce response times, mitigating the impact if sewer flooding occurs.

- Continue to work with our customers and communities to prevent items that block the sewerage system – like wipes and fats – being flushed down toilets and sinks.

Who we will work with:

- Local authorities to understand growth strategies, co-ordinate investment, investigate shared synergies and deliver partnership projects.
- Supply chain to explore innovations in technology and improve the operation of our networks.
- Customers and communities to prevent sewer misuse.

Measurement

- Impact metric; score of incident type multiplied by the number of occasions





Outcome: Affordable bills



Aim: Zero water poverty

Water should always be affordable for all customers, whatever their circumstances. We commit to ending water poverty by ensuring no one spends more than 5% of their disposable income on our water and sewerage services. This ambition will be especially stretching as living costs rise and disposable income dwindles for many.

We have a proud tradition in this area. We were the first water company to introduce social tariffs back in 2007 and since then, we have helped more than 53,000 households in financial difficulty to make their bills more affordable and get back on track if they were in debt. We are absolutely committed to continue to help our customers in this way, including by delivering an efficient service for all and going the extra mile to help those in extreme financial difficulty.

We will:

- Lead the industry in our tariff offerings, and ensure that those who need our support can continue to access it, either through working in partnership with relevant organisations or through direct contact with customers.
- Offer personalised support packages, tailored to meet individual financial circumstances, by providing a range of options which can be mixed and matched.
- Work with CCW and the industry to implement plans for a single national social tariff.
- Promote water and energy efficiency advice to help reduce usage and lower customers' bills.
- Be responsive to demographic changes, periods of recession, inflation and other external impacts – the hardships caused by the Covid pandemic are a prime example.

Who we will work with:

- Debt advice agencies and the more than 200 other organisations who help us support individuals and communities across our region.

A list of who we work with can be seen here: partnerhub.wessexwater.co.uk/work-with-us

Measurement

- Percentage of customers paying greater than 5% of their disposable income on water bills





Outcome: Excellent customer experience



Aim: Be a top 10 customer service provider in the UK

Our customers are at the very heart of our business and we are proud to be consistently rated as one of the top water and sewerage companies for service, efficiency, standards and environmental performance. For example, we are top of Ofwat's customer experience ranking for water and sewerage companies, delivering industry leading customer service and operational performance. We have also consistently registered the fewest complaints per 10,000 customers of any water and sewerage company.

Now we plan to go beyond being an industry leader and will measure ourselves against the very top customer service providers in the UK. We've got an excellent foundation to build from, but being amongst the best of the best will require us to continue to improve our offering.

We will:

- Seize every opportunity to positively engage with our customers, be it a communication alongside a bill, working with a local community project or conducting roadworks.
- Upskill and empower our workforce to do whatever it takes to deliver the best outcomes for customers when they contact us.
- Embrace new technologies and digital developments to provide an effortless service, however a customer should choose to get in touch - but remain true to our longstanding 'warm voice at the end of the phone' philosophy.
- Keep up with changing expectations.
- Ensure all customers, whatever their situation, can access and use our services when they need them.
- Play our part in the community and contribute to the wellbeing of our customers - be that by providing access to our sites for recreation; through our role as a large employer; and/or through our education team's engagement work in schools and across the region.

Who we will work with:

- Customers and stakeholders to understand their needs and how we can enhance our service.
- Organisations who support customers in vulnerable circumstances - financial or personal - such as Step Change, Citizens Advice, the Alzheimer's Society and Mind.
- Schools and colleges to reach the next generation of customers.
- Charities and the third sector to have an active role in the communities we serve.



Measurement

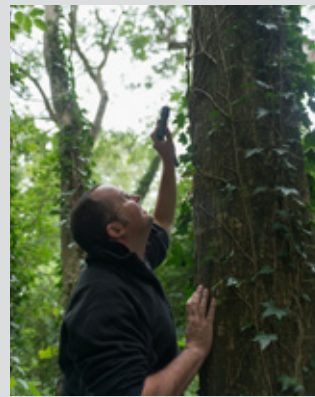
- Be in the top 10 companies in the UK Customer Service Index

Case study: The Wessex Water Foundation

We wholeheartedly believe we can achieve more with others than we can alone. That sentiment runs through this Strategic Direction Statement, in our desire to deliver all eight of our long-term outcomes in partnerships and collaborations. We have already seen the benefits this approach can bring, not least through the work of the Wessex Water Foundation.

We launched the Foundation - a dedicated funding source for community projects across our region - in 2020, in partnership with the Somerset, Wiltshire, Dorset and Quartet Community Foundations. Collaborating with these trusted organisations has allowed us to reach local communities far more easily than we would otherwise have been able to do, which has meant getting funding to those who really need it more efficiently.

The Wessex Water Foundation has distributed grants to over 140 projects, helping those affected by issues as diverse as homelessness, hunger and poor mental health. We've funded community fridges, counselling services, gardening projects, nature camps, outdoor spaces for inner-city children and much more besides. In 2020/21 alone, we donated £610,000 to such projects.





Outcome: Sustainable abstraction



Aim: Never harm the health of the water environment through our abstraction

Around 75% of the water we supply our customers comes from boreholes and springs that tap into the limestone aquifers of Wiltshire and Dorset. The amount of water we can abstract is governed by licences issued by the Environment Agency.

For decades we have balanced the need to supply water to our customers with the need to maintain a healthy water environment. In the last decade alone, we have invested more than £230 million to reduce the amount of water we take by 25 million litres per day, to preserve the unique ecology and fragile habitat of local chalk streams.

But balancing the needs of our customers with the needs of the environment is becoming increasingly difficult. Not only is the population of our region forecast to grow by 13% by 2050, but climate change is expected to result in drier summers and more extreme weather events. Acknowledging this challenging backdrop, we pledge to ensure our abstraction remains sustainable now and in the future, as we continue to provide for the needs of our communities.

Our Water Resources Management Plan will set out the detail. We have a variety of options available, including:

- Long-term and regular assessments of water resources to ensure we are abstracting in an environmentally sustainable way, considering the need for any new water resources.
- Continuing to support waterbodies where appropriate by pumping water into streams and rivers.
- Partnerships with our neighbouring water companies to share strategic water resources across regional boundaries.
- Working with customers, retailers, and businesses to reduce their water consumption at home and in the workplace, with water efficiency, metering and water recycling services.
- Continuing our work with partners at a catchment level to help safeguard ecosystem resilience.
- Investing in our network to maintain our infrastructure and continue to reduce leakage.

Who we will work with:

- Chalk streams support projects, county Wildlife Trusts, Natural England and local rivers and fishery trusts.
- The Environment Agency to continue to review levels of sustainable abstraction.
- Customers, businesses, and communities to reduce water consumption
- Neighbouring water companies to deliver shared solutions.

Measurement

- 100% compliance with our abstraction licences



Case study: Long-term water supply planning

The impact of climate change on future water supplies is uncertain which makes planning ahead more challenging.

The latest forecasts suggest we'll experience much lower levels of summer rainfall in the future. The region's population is also set to grow by around 13% by 2050, which will put further pressure on water supplies. And to keep our water environment healthy in the face of these pressures, we will need to abstract less, leaving more water in the environment for nature. We need to be able to adapt to this changing world which means having highly flexible arrangements to ensure we can meet the future demands of our customers and communities.

Our water resource management plans, produced every five years, set out how we'll balance water supply with demand to ensure adequate supplies at least 25 years into the future. We are currently considering hundreds of different options to address any future supply deficits, some of which will be progressed in our future plans.

Working with our neighbours

But we cannot meet the twin challenges of climate change and population growth alone. That's why we have been working closely with neighbouring water companies to plan for the future. This collaboration was formalised in 2017 with the creation of the West Country Water Resources Group (WCWRG) (www.wcwr.org). The aim is for a coordinated approach to planning water resources across the south west of England that transcends water company boundaries.

We are achieving this by developing a collaborative water resources management plan that covers the whole of the south west region.

Together we are exploring ways to share strategic water resources between companies to ensure supply today and for the next 25 years and beyond. They include things like effluent re-use for potable water supply, demand management and the development of new reservoirs.

By creating long-term plans that are highly adaptable, and by working in partnership with our neighbours, we can ensure the taps keep running, whatever the future may hold.





Outcome: Excellent river and coastal water quality



Aim: To restore the quality of our rivers and coastal waters

We have always been passionate about protecting and enhancing the water environment. We consistently lead the water industry in the Environment Agency's Environmental Performance Assessment and have a track record of delivering outstanding environmental investigations to target exactly where our investment should be. We were the first mover in catchment management and through EnTrade, we have pioneered catchment markets, collaborating with landowners to reduce nutrient load at source for a fraction of the price of traditional treatment solutions (see case study).

With the passage of the Environment Act, it has now become clear that as well as taking this long term approach to water quality improvement, water companies must also reduce short sharp shocks to rivers in the form of sewage pollutions from storm overflows (see case study).

We plan to reinvigorate our commitment to healthy water quality in light of rising customer and public expectations on amenity, ecology and wildlife protection. We will do this in two ways: by reducing the impact of our own operations on rivers, and by supporting others to do the same. We will build in adaptability, so we can keep pace with changing obligations and expectations in this space whilst continuing to deliver a plan that provides excellent value for customers and communities.

We will:

- Eliminate the discharge of untreated sewage from storm overflows, prioritising those that discharge most frequently and those that have any environmental impact.
- Eliminate pollutions from our network.
- Embrace new technologies to monitor our entire network so that we can work more proactively to prevent potential overflows and pollutions before they happen.
- Continue to ensure our water recycling centres treat sewage to the required standards before discharging to the environment.
- Extend our catchment management programme to further develop partnerships with farmers and landowners to reduce the environmental impact of their activities.
- Champion nature-based solutions such as wetlands alongside our on-site assets to ensure that treatment solutions restore the environment rather than being to its detriment.

Who we will work with:

- Farmers and landowners through our catchment management activities.
- A range of organisations, including the Environment Agency, local authorities, NGOs, housing developers and local industry, to pool funding to restore waterbodies in a sustainable way.

Measurement

- Number of pollution incidents
- Total tonnes of phosphorus and nitrogen removed from rivers and coastal waters



Case study: Storm overflows

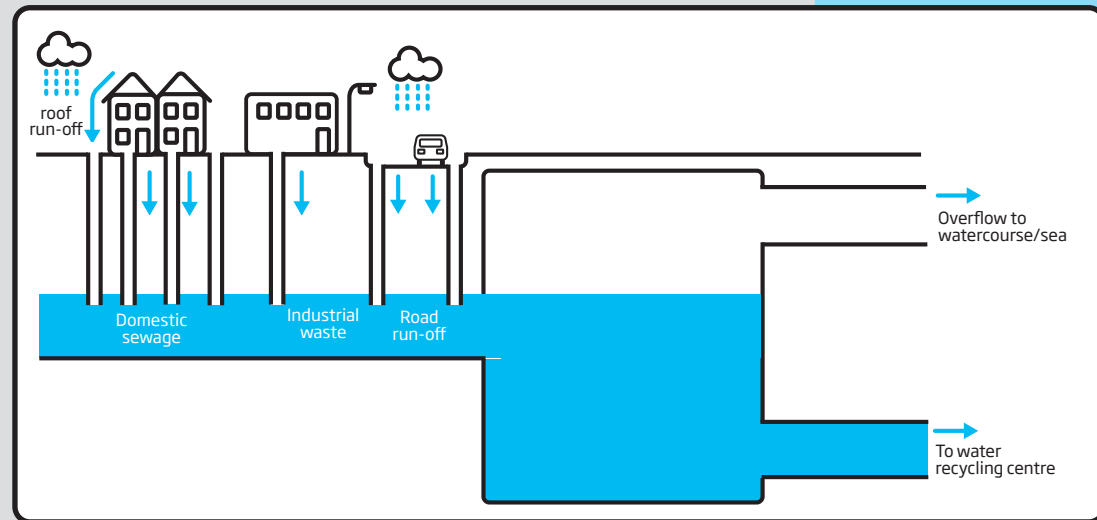
Storm overflows are part of an older type of sewer system (pre-1960s), when most properties were built with drains that carried both surface water (run-off from roof gutters, patios, driveways, and some highways) and foul water from homes and industry. This is called a combined sewer system. The combined sewage is then transported to a water recycling centre for treatment and safe return to the environment.

During a storm, heavy or prolonged rainfall can rapidly increase the flow in a combined sewer and cause it to become overwhelmed as the capacity of the pipe is exceeded. Storm overflows are designed to release excess storm water into rivers or the sea when this happens, to protect properties from flooding and to prevent sewage from backing up and overflowing into streets and homes.

This arrangement is a legacy from the past and is no longer fit for purpose. This is especially because the sewerage network and the frequency of discharges from storm overflows is under increasing pressure from activities and events such as:

- housing developers still having the right to connect to the combined drainage system,
- 'urban creep' where more impermeable surfaces lead to more surface water entering the sewerage system,
- climate change causing more frequent extreme weather events
- sewer misuse - activities such as flushing wet wipes and fat down the drain account for more than 75% of the pollutions in our area. We clear around 13,000 blocked sewers each year.

By 2025 we'll have spent over £330m on upgrading our storm overflows, and by 2023 they will all be fitted with a monitoring device that shows the level in the overflow 24 hours a day.



Following an open data challenge to the industry, we are rolling out a world-leading artificial intelligence system that will allow us to monitor the levels in the overflows using the data from these monitoring devices combined with rainfall data. We'll be able to target our discharge alerts on genuine network issues, rather than when the overflows are designed to operate in heavy rain. These alerts will give early warnings of blockages, enabling us to proactively intervene and minimise the likelihood of any incidents occurring. This will reduce the impact on the environment, further improve our network operation, and ensure we deliver value for money.

Over time, we want to eliminate the discharge of untreated sewage from these overflows altogether.



Case study: Catchment management

The way agricultural land is managed can have a significant impact on water supply sources. We work closely with farmers to manage our catchment areas in innovative ways and protect water sources from pollutants including nitrogen and pesticides.

Together with landowners, we are providing natural solutions to safeguard water quality in catchment areas as an alternative to building expensive new treatments plants, which harm the environment during construction and add to our carbon footprint.

Through effective catchment management, we have reduced levels of harmful chemicals in Poole Harbour in Dorset, for example. Working in partnership with more than 100 landowners, we have prevented over 250 tonnes of nitrogen entering the water environment.

This was achieved by using natural methods such as planting non-cash crops during the winter period to reduce the amount of nitrogen leaching from the soil into watercourses. This technique also helps to prevent soil erosion and boosts biodiversity.

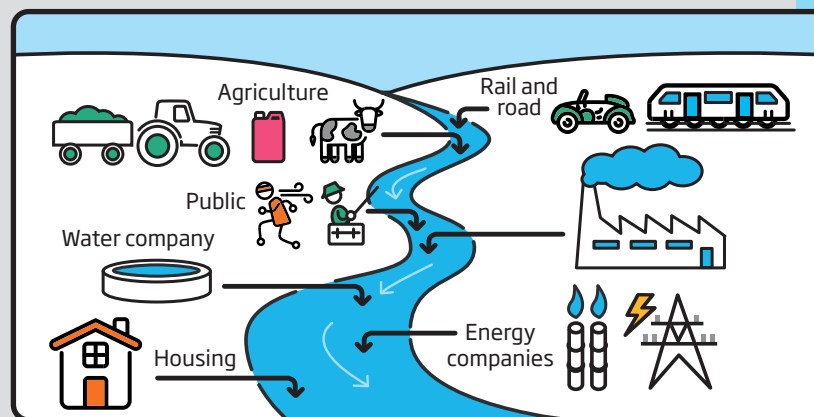
We invited farmers to bid for funding totalling £500,000 for this through our innovative EnTrade environmental trading platform. This provided them with a very significant and valuable new income stream.

We are constantly exploring new ways of developing these markets. Recently we ran a test and trial of the new Environment Land Management auction scheme, launched by the Department for Environment, Food and Rural Affairs (Defra), which rewards farmers who deliver “public goods” such as improved air, water and soil quality.

Together with Defra and the Environment Agency, we will be spending nearly £300,000 over a four-year period and working with 17 landowners on measures to reduce not only

nitrogen (36.5 tonnes), but also carbon, through sequestration (464 tonnes). The project will also see the creation of 20 hectares of new habitat around Poole Harbour.

As well as providing an economic boost to the farming community, effective catchment management also means greater value for Wessex Water customers and wider environmental benefits. Our innovative, outcome-based approach to land management will help shape the way we manage other catchment areas in the future.





Outcome: Net zero carbon

Aim: Be a net zero carbon business by 2040



Along with the wider UK water industry, we have already pledged to be an early mover in mitigating the climate emergency by achieving net zero carbon emissions from our operations as early as 2030. Our detailed roadmap is [here](#). In addition, we are targeting net zero embodied carbon associated with the materials, products and services we use by 2040 - ten years ahead of the national goal.

This requires a step change in how we deliver our outcomes and how we, the water industry and the wider economy work. Energy intensive assets such as large treatment works have helped us achieve the high water and wastewater quality standards we have today. But as we look to make further improvements, we must ensure we harness a wider asset base, including nature-based and partnership solutions. These will help us deliver our carbon ambitions and the national net zero strategy, as well as wider benefits for customers, society and the environment.

We will:

- Optimise our processes to reduce the greenhouse gases they produce and the electricity they consume.
- Move our transport fleet to low carbon technology.
- Increase our use and generation of renewable energy.
- Adopt innovative low carbon technologies to treat our sewage sludge.
- Increase our use of nature-based and sustainable options, valuing carbon alongside the wider financial, environmental and societal value created by our solutions.
- Develop a whole-life 'total carbon' approach and build this into our decision-making processes. This will enable our transition to a carbon neutral business and will require us to challenge assumptions about the best ways to deliver outcomes for customers, our communities, and the water environment.

Who we will work with:

- Farmers and landowners to implement low carbon options through nature-based solutions.
- Customers to help reduce consumption.
- Ofwat to allow outcomes metrics to be impact focussed.
- Environment Agency to allow outcomes-based solutions to the WINEP.
- Supply chain to offer low carbon options.

For further information see our net zero roadmap at: www.wessexwater.co.uk/environment

Measurement

- Total ktCO₂e per year





Outcome: Increased biodiversity



Aim: Double our contribution to the region's biodiversity

The biodiversity crisis is as concerning as the climate emergency and the two are intrinsically linked. Biodiversity in the UK is well below the global average with only 53% of our biodiversity left, placing us in the bottom 10% of the world.

In the last few decades, human activity has continually shaped and reshaped our rural and urban environment. Two thirds of the UK is still used for agriculture and another 8% has been built on - leaving little room for nature.

The natural environment is essential for our wellbeing as well as being a vital component of our business. As far back as 1998, we became the first water company to publish a Biodiversity Action Plan (BAP) that targeted efforts to conserve and enhance wildlife across our region.

Over the next 25 years, we will further enhance our region's biodiversity, doubling our contribution.

We will:

- Choose nature-based solutions such as wetlands where we can, instead of grey infrastructure solutions.
- Embed our conservation, access and recreation work into our day-to-day management of our land and sites, considering the natural capital created through our actions alongside societal and financial values.
- Continue to invest in specific projects to boost wildlife and public access to our land.
- Understand the natural capital and biodiversity value of our land by developing our natural capital accounting capabilities.
- Create further areas of habitat through our catchment management work.
- Improve the Sites of Special Scientific Interest (SSSIs) in our care, including by supporting our agricultural tenants to achieve favourable conditions on SSSIs within their tenancies.

Who we will work with:

- Conservation organisations in our Partnership Programme including county Wildlife Trusts, which build biodiversity and create more sustainable and resilient river catchments.
- Farmers, landowners, communities and local groups to deliver improvements in partnership.
- Regulators to ensure the mechanisms are in place to deliver.

For further information on our Biodiversity Action Plan visit:

www.wessexwater.co.uk/environment/biodiversity-action-plan

Measurement

- Number of biodiversity units created per year



Our enablers

Empowering our people

Whether at work or among the communities in which they live, our people are key to the successful delivery of our outcomes for customers and the environment. We will treasure and champion them.

Enabler: Culture, inclusion, and diversity

We are passionate about embracing new ways of doing things. Diverse talent, experience and skills among our people are essential to capture new viewpoints and ideas, and to innovate. We are committed to fostering a culture where everyone belongs and thrives, inclusive of every gender, ethnicity, race, age, ability, sexual orientation and social background. We intend our workforce to better reflect the region we serve.

Enabler: Individual safety, wellbeing, and engagement

We want people to be safe, proud and fulfilled in their jobs; to enjoy working for Wessex Water; and to be advocates for the role we play in our communities.

Enabler: Skills, knowledge, and opportunity

We are investing in our people and will ensure they are empowered to deliver outstanding customer and environmental service in line with our outcome ambitions. We will continue to develop and support our teams over the long-term and ensure we have the right mix of people and skills for the future.

Financing the future

Delivering our business plans and achieving our eight strategic outcomes will be dependent on resilient infrastructure, good governance, and sound financial stewardship. We will demonstrate our long term financial stability and exemplary governance. We will always be transparent, accountable and efficient.

Through our work and operations, we will also drive economic growth across our region and support our supply chain at home and in their activities overseas for the benefit of UK plc.

Enabler: Market-led outcomes

We will strive to be the most efficient water company in the industry, in the interests of all our customers and communities, especially by delivering more for less for the environment. We will look holistically at our outcomes delivery, harnessing the power of markets to drive the most efficient solutions. We will champion greater use of real competition. We will also use our voice to encourage the regulatory landscape towards outcomes-based approaches, where efficiency can be maximised through flexibility, and multi-benefit nature-based solutions weighed on an equal footing with traditional, carbon-intensive solutions.

Enabler: Resilient financial stewardship

We will ensure our regulatory gearing remains below 70%, to demonstrate our long-term financial stability.

As a regulated company delivering essential public services, we will also provide fair returns to investors and be well-regarded and trusted by financial stakeholders and rating agencies.

Enabler: Well managed, open, ethical and transparent

We will prove that we are honest and ethical in the way we conduct our business, using an Environmental, Social and Governance score and by implementing a sustainable financing framework. This will also demonstrate our commitment to delivering for wider society and the environment as well as our customers and investors, and exhibit our long-term commitment to valuations beyond the purely financial.

Outcome-Based Environmental Regulation (OBER)

Our SDS captures the outcomes we want to deliver as Wessex Water on behalf of, and in partnership with, our customers, communities and stakeholders. Successful delivery would see us propelled to a position of environmental leadership and cement our reputation as a trustworthy steward of the natural world. But successful delivery would also make a major contribution to national goals including to leave the environment in a better state for future generations, transition to a net zero carbon economy, build resilience to climate impacts, protect vulnerable consumers and secure healthy rivers for everyone to enjoy.

All of this must be done in the most efficient way possible, particularly in light of current constraints on the public purse and soaring living costs. Efficient delivery is in everyone's interest.

Change for good

Water regulation has served its purpose well over the past three decades, targeting point source and site specific actions to drive service improvement. But now there are diminishing returns on such interventions; multiple challenges that warrant a holistic approach; and a need to consider impacts beyond the purely financial. The current system is fragmented, prescriptive, and output rather than outcome focused. We can no longer afford the perverse outcomes that this produces, such as increasing carbon pollution as assets are built, simply because we have experience of building and regulating those types of assets. Nor can our customers and wider society afford to pay more than necessary to secure the future we all want. Both our SDS ambitions and Government policy goals could be jeopardised without change.

We hope water companies and regulators can change together, as allies in common pursuit of the cleaner, greener future envisaged in the 25 Year Environment Plan – delivered at pace and affordably for customers. Our recommendation is for the introduction of a new approach to environmental regulation, Outcome-Based Environmental Regulation (OBER). Essentially, this involves regulators setting outcomes-based targets at catchment

scale, and enabling companies to choose solutions that deliver the biggest environmental benefits at the lowest costs.

Two key – but readily implementable – changes would be needed to current regulatory arrangements to make this work:

- We would need to collaborate with regulators to agree long term, outcome-based, catchment level targets – for example, on water quality, biodiversity and carbon.
- Price controls would need to incentivise the most effective delivery mechanism for those targets, by creating a level playing field for all delivery options irrespective of their cashflow profile. This would drive us to integrate the delivery of our various targets for holistic best value; free us up to innovate and identify the best solutions through market mechanisms; and in the process unlock the potential of nature and catchment based solutions to deliver wider public value.

Wider benefits

The concept of OBER is a fundamental one that could help the Government realise its environmental ambitions across multiple sectors, through addressing inefficiency and allowing flexibility. We believe the private sector far beyond water will need to play a major role in delivering public policy objectives on the environment. The water sector is keen to go first, to test this out and learn lessons for wider application in a safe, controlled and regulated sandbox environment. <https://www.wessexwater.co.uk/corporate/news/latest-news/ober-offers-greater-green-improvements-at-lower-costs>

Act together and act now

Our SDS sketches out what is possible, if we all act together and act now. The task is urgent, and we each must play our part in delivering our long term common goals for people and planet. PR24 must mark the start of a new outcomes-based approach that delivers more for less, for everyone.





Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.