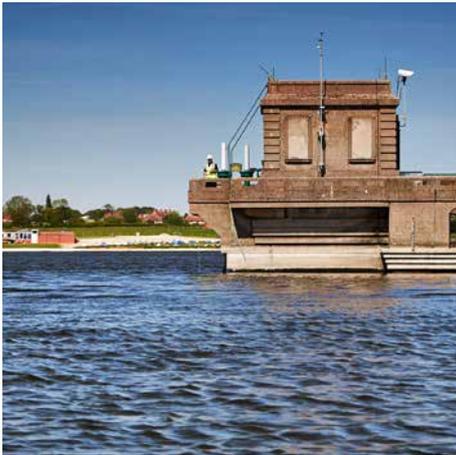




South Staffs Water

incorporating



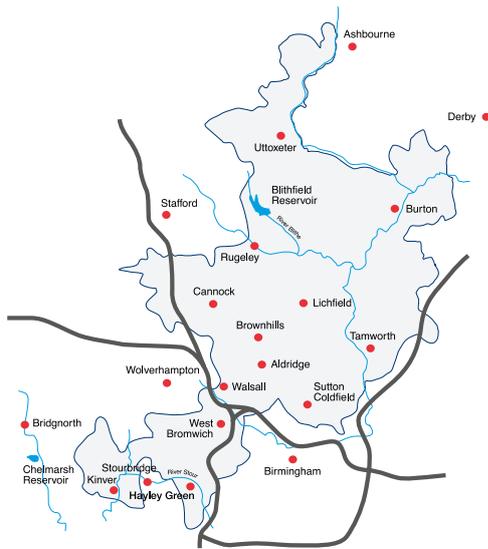
Performance Report

2015/16



South Staffs Water

South Staffs Water provides a secure and reliable supply of high quality drinking water supported by a first-rate customer experience to approximately 1.6 million people in its two areas of supply.



South Staffs region



Cambridge region

About this report

We aim to be transparent and honest with our customers in everything we do; from how we spend the money from their bill, through to the quality and reliability of their water supply and the impact of our activities on the environment. We provide an essential public service and realise it is vital that our customers trust us to do this well. Sharing how we have performed against our targets is one way to help build this trust.

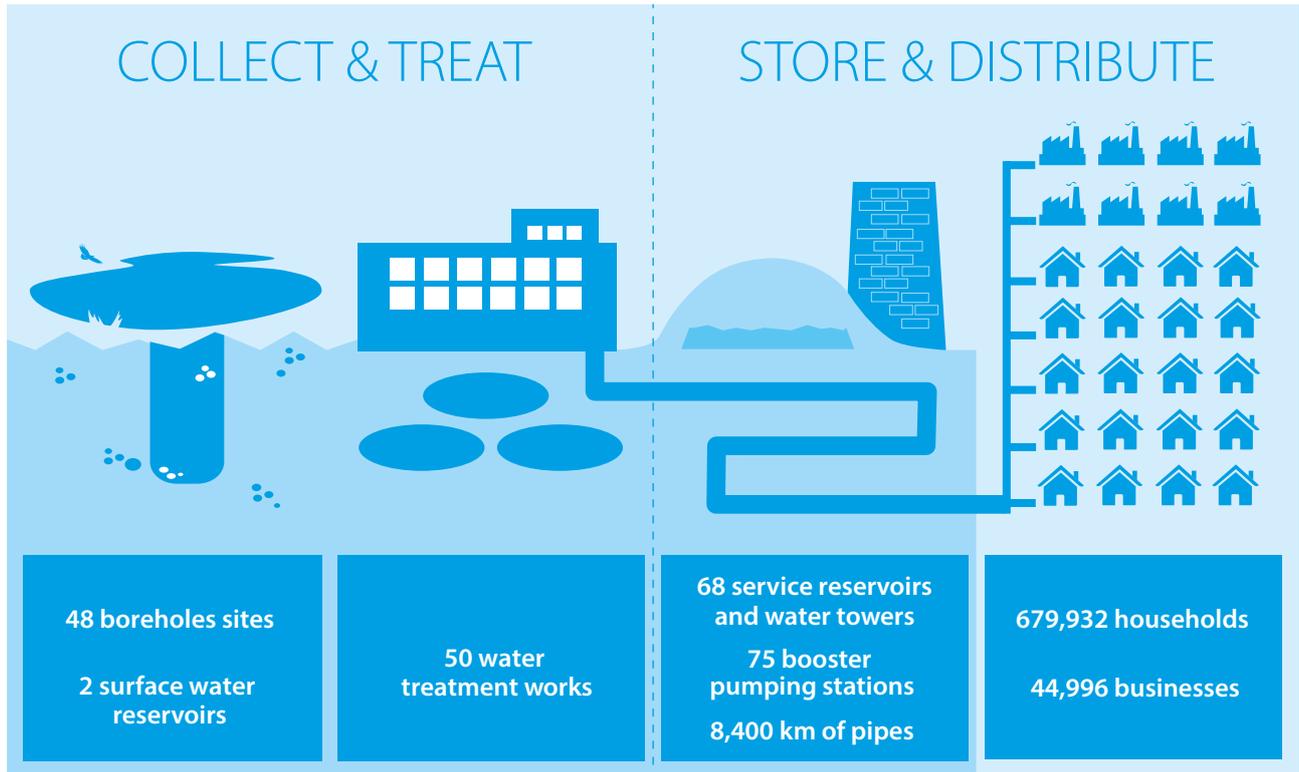
The water industry is regulated by the Water Services Regulation Authority, known as Ofwat. Each five years we submit our plans for financing, investment, service levels and customer priorities for the subsequent five year period, with the current cycle running from 2015 to 2020.

In this period, for the first time, we are measuring our performance using five major outcomes and 15 associated Outcome Delivery Incentive (ODI) targets, which were set with our customers by asking what was important to them. Some of these performance targets are financially incentivised over the five year period and may result in a penalty or reward, which could impact on our price review for the next cycle.

We have set demanding targets to ensure we provide high levels of customer service and low charges. This year we have successfully delivered on many of our commitments, meeting 10 of the targets. How this is measured and our performance is outlined in this report.

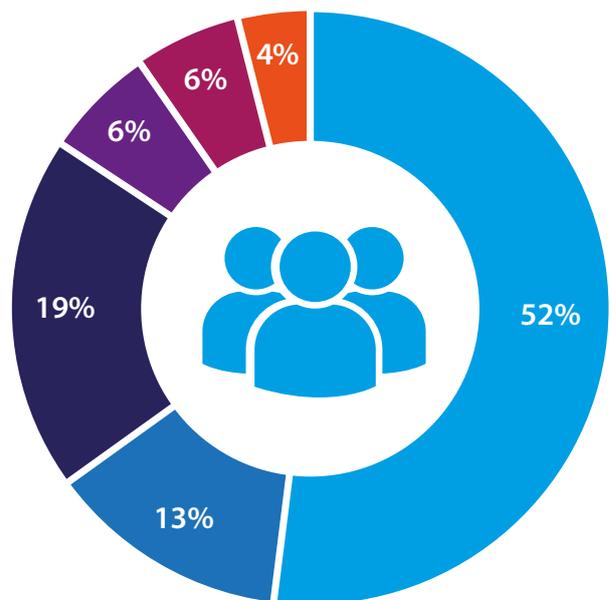
We recognise that customers need to have confidence in their water company. That is why we have extensive assurance and governance processes covering our whole range of operations, data collection and reporting. As well as reporting to several industry regulators, we also report to an independent customer panel who have the authority to challenge our activities, behaviour and governance processes in the interests of customers.

How we collect, treat, store and distribute water



How we use the money billed from customers

- Water production, treatment and pumping. Network repairs and operations
- Customer services, meter reading, billing and payment collection
- Capital investment in assets
- Financing costs
- Investor returns
- Tax





Excellent water quality

We know that the quality of the water our customers receive at their homes or businesses really matters. 97% told us that activities to maintain water quality are important to them.

Water quality compliance

Water quality in the UK is regulated by the Drinking Water Inspectorate (DWI). Each year we take tens of thousands of compliance samples from across our network of pumping stations, reservoirs, pipes and customer taps. We have strong procedures in place to ensure that any sample irregularities are dealt with quickly and effectively.

Customer perceptions of water

Through phone calls, letters and emails, our customers provide us with vital information on the quality of their water. We are committed to improving how they perceive its appearance, taste and smell.

19,945
compliance samples taken



Our targets

For the period 2015 to 2020 we have two regulatory targets on water quality.

The first covers the compliance aspect of water quality and we are committed to the delivery of 99.97% compliance (measured as Mean Zone Compliance or MZC) until 2017 and 100% compliance beyond 2017.

The second, Acceptability of Water to Customers, covers how our customers perceive the appearance, taste and smell of their water and is measured by contacts made. We are committed to year on year improvements, from a target of 1.63 to contacts per thousand people in 2015 decreasing to 1.23 beyond 2017.

2015/16 performance

99.88%
water quality
compliance

Contacts from less than

2 out of every
1,000
people

regarding Acceptability
of Water

In 2015/16, our regulatory compliance and level of customer contacts for water quality have both missed our target level of performance.

Our water quality remains at a very high standard. We did not meet the required compliance standards for 26 out of 19,945 (0.1%) samples taken in the year. The cause of each of these was thoroughly investigated and all corrective actions we can take to resolve any issues have been put in place. We have also engaged with the DWI on any issues throughout the year.

We have already put in place several new initiatives to ensure our water quality standards remain high and improve.

For example, we have implemented an extensive programme of water mains cleansing to reduce the incidence of discolouration.

We are also improving our staff training and contact handling to ensure that any issues are dealt with quickly and decisively.

Investing in water quality

We invest heavily in our water treatment works to ensure we consistently deliver a high quality water supply to homes and businesses.

Starting in 2015, we began a multi-million pound improvement programme at one of our two large

capacity water treatment works. This project will be one of the largest ultraviolet clean water disinfection plants in the UK, helping to address some of the performance issues experienced in 2015/16 and ensuring that our water supply is of the highest quality in the future.





Secure and reliable supplies

A safe, reliable supply of drinking water is something that we generally take for granted when we turn on our taps. We have a responsibility to ensure it stays that way for generations to come.

Supply resilience

Interruptions to the supply of water to homes and businesses are rare and the vast majority of customers will not have experienced one at all.

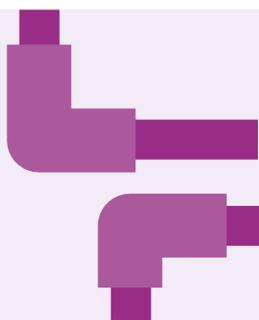
We work extremely hard to ensure that the pipe network that provides water to customers is robust and able to withstand extreme events. We have not imposed restrictions such as a hosepipe ban since 1976. If we are maintaining or upgrading our network, we may need to temporarily interrupt supply so that we can carry out the necessary work. We may also need to do this in the case of an unplanned event, such as a burst water pipe. We always strive to ensure that jobs on the network are completed quickly and that supply interruptions to homes and businesses are kept to an absolute minimum. We will always provide advance warning of an interruption if we can.

Planning for the future

It is vitally important that we ensure our supply network will continue to operate reliably for future generations. For over 160 years we have continually upgraded and enhanced our supply network to meet the demands of population growth and to adapt to ever changing environmental and quality concerns.

We want to ensure that our network is robust enough to supply water for the next 160 years too. Our investment programme delivers millions of pounds worth of maintenance and upgrades every year. This investment is necessary to make sure that we have a well performing network of pumping stations, reservoirs and pipes that all of our customers can continue to rely on for this vital service into the future.

8,400km
total length
of pipes



£33m of investment
in our **assets**

Our targets

For the period 2015 to 2020 we have three regulatory targets for ensuring secure and reliable supplies.

The first, supply interruptions, measures the average time that any customer we supply has their water supply interrupted (where that interruption is 3 hours or more in duration). Our target for this period is a supply interruption of no more than 10 minutes per customer per year, on average.

The second and third targets measure the health of the assets (infrastructure and non-infrastructure) we operate. These include pumping stations, reservoirs and pipes. We have a target to achieve 'stable' asset health in each year over the 2015-2020 period.

2015/16 performance

**4 minutes
14 seconds**

average supply
interruption
per
customer



stable

asset health for **pipes,
pumping stations &
reservoirs**

Any interruption to supply is an inconvenience, whether a few minutes or on occasion for some hours, so ensuring our supply capability is maintained is important. We take this responsibility very seriously, doing everything possible to minimise this happening and working to ensure our supply capability is well maintained.

This year we are seeing the benefit of numerous years of well-targeted investment in the network and in operator training. Performance for 2015/16 has significantly outperformed our target at an average of 4 minutes 14 seconds of interruption per year for each property we supply.

We are also continuing to invest in the long term health of the assets that we use to collect, treat, store and distribute water to our customers' homes and businesses. Our investment programme is planned many years ahead so that we can ensure the assets remain fit for purpose and perform reliably now and for the next generation of customers. Our asset health measures allow us to track how future proof our assets are and we are pleased to report that our assets for 2015/16 are in a stable position.

Building for the future

When complete, the North West Cambridge development will be the largest water recycling system in the UK.

South Staffs Water is working in partnership with the University of Cambridge to install an innovative dual water supply system on the 150 hectare site, which will include 3000 homes, 2000 post-graduate student rooms, a supermarket, hotel and primary school, as well as other community facilities.

Rainfall will be harvested from across the site and stored in a series of specially designed lakes, where it will then be

naturally filtered through reed beds. The water will then be re-filtered, sterilised by ultraviolet light and dosed with chlorine, before being used for toilet flushing, clothes washing and outdoor use. A second supply is also being installed to deliver high quality water for drinking, cooking and bathing.

When the water recycling technologies are combined with water efficient fittings, such as aerated showerheads and taps, the average potable water consumption on the site should be around 80 litres per person per day - almost half of the UK average.





An excellent customer experience to customers and the community

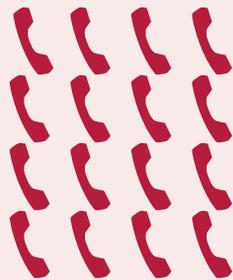
Providing a reliable, high quality water supply should be a given, but so too should be the level of service our customers receive.

Having been ranked first in the water industry's customer service league table for the three years to 2013/2014, we remain committed to improving our customer service and exceeding customers' expectations. With the introduction of new customer satisfaction measures, we will continue to target a high position in the customer service league table.

We understand that our impact stretches beyond just those customers billed by the company into the wider community and recognise the importance of our work in this area.

1,471

average number of customer calls each day



30 community projects or initiatives supported



Our targets

We have three regulatory targets in this area for the period 2015 to 2020.

Our first is to achieve a top 25% ranking against the other 18 water companies in England and Wales in an industry wide customer service league table called the Service Incentive Mechanism (SIM).

We will also measure how satisfied our customers are with our overall service, through a series of independent surveys carried out through the year. Our target is 98% customer satisfaction.

Finally we will measure how we engage with the communities we serve through the number of working days that our employees spend on any initiatives or projects within the community, with a target of 400 days per year.

2015/16 performance

3rd place
on SIM

98% customer satisfaction

We have ranked 3rd place (out of 18 water companies) on SIM - the water industry's customer service league table*.

We have hit our target for customer satisfaction with 98% of customers telling us through an independent survey that they are satisfied with our overall level of service.

Customer contact and research provides important insight of what customers require from us which we continually review to further improve our service and customer satisfaction. This information played a key role in the development of our new website this year.

256.5 days
of community engagement activity

Our customer engagement activity has realised huge benefits for the communities in our regions. However, a slow start to the year resulted in us falling short of our overall target of 400 days. In 2016/17 we will be actively identifying and promoting many more opportunities for participation to our employees.

Supporting a garden community

Volunteers helped transform a derelict house and garden into a thriving community centre.

As well as reconnecting water to the house, the team laid a new disabled friendly path and provided expert advice on their approach to wildlife gardening. They also helped paint the property and supplied some spare furniture and items for use in the kitchen.

The Caldmore community garden is an important space for all communities of Walsall. As well as growing their own veg, fruit and flowers, the organisation run activities and events to bring together the diverse cultures of the area. The house is regularly used for community events and educational activities for all ages.



Sedgley Beacon

Staff teamed up with The Wildlife Trust for Birmingham and the Black Country at this local landmark.

The project involved the creation of a new wildflower meadow on top of the covered over reservoir. Schoolchildren, South Staffs Water employees and local

volunteers planted new hedgerows and renovated existing ones, sowed more wildflowers and cleared the site of litter.

The Wildlife Trust is keen to attract as many local volunteers as possible to help out with work to improve the site, so that more people and wildlife are able to enjoy it.



* SIM performance updated following Ofwat report Sept 2016.



Operations that are environmentally sustainable

Our core activity of water supply is vitally important and we are committed to doing this in a way which helps protect the environment for future generations.

Customers have told us that minimising the impact that our operations have on the environment is important to them and that we should be working to reduce leakage and encouraging people to be water efficient.

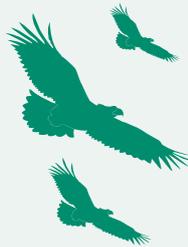
But there is more to environmental sustainability than water.

Our operations mean that we have control over large areas of land, such as reservoirs, where we can implement programmes to protect habitats of local plants and wildlife.

We also use a lot of electricity to pump water to our customers, so we can benefit the environment by exploring green energy sources that reduce our carbon emissions as well as our future energy costs.

1,076

acres designated as a Site of Special Scientific Interest (SSSI) at **Blithfield Reservoir**



26,437
water efficiency devices provided
free of charge
to customers



Our targets

For the period 2015 to 2020 we have five regulatory targets designed to measure how environmentally sustainable our activities are.

The first two relate to the volume of leakage within each region. Our targets for the period are 70.5 million litres per day in the South Staffs region and 13.5 million litres per day in the Cambridge region.

Our third target is water efficiency. This is a measure that tells us how much water our customers are using on average. The UK average is 150 litres per person per day* which we are already below. Our target is to reduce usage from around 131 litres per person per day in 2015/16 to 128 by 2020.

Our fourth target tracks biodiversity activity, by measuring the amount of land area on which we have implemented initiatives that improve or enhance biodiversity. Our target is 76 hectares of managed land for biodiversity in 2015/16 rising to 116 hectares by 2020.

Our final fifth target measures carbon emissions with the aim of 509 tonnes saving in 2015/16 rising to 5,210 tonnes by 2020.

2015/16 performance

129.59

litres of water
per day used by each
person we supply

76.2 hectares
of land with a
biodiversity initiative

**178 tonnes of
carbon** saved

**leakage target
outperformed
in both regions**

In order to not waste the water we take out of the environment, we continue to work hard at finding and fixing leaking pipes. We have outperformed our leakage targets in both regions for 2015/16.

We are also working with customers to help them reduce water use in their homes and businesses. Raising awareness of water efficiency as well as offering free water saving devices and continuing our metering programme with free upgrades is all part of our work to encourage people to think differently about the water they use. School visits and attendance at local events also supports water efficiency education with free water saving advice.

In 2016 we installed 104 kW of solar panels which are expected to reduce carbon emissions by 55 tonnes each year in the future. We are undertaking a comprehensive energy review and planning further initiatives to help us meet our targets for next year and beyond.

A new South Staffs Water fund - PEBBLE - has been created to actively encourage and enhance biodiversity in areas of supply in both regions. Applications are being invited from organisations keen to enhance biodiversity with projects that are designed to improve, restore or create new habitats and are of benefit to the environment or the local community.

Fowlmere nature reserve

In partnership with the RSPB, we have helped fund initiatives at Fowlmere Nature Reserve near Cambridge.

In one example, silt was removed from 500m of the river Shep at Fowlmere Nature Reserve to expose the gravel bottom. This encourages specialist

invertebrates of chalk rivers such as mayflies and shrimps which are food for fish, including brown trout and bullhead. It also allows the trout access to the gravel, enabling them to build it into heaps (called redds) in which they lay their eggs in December and January.



Solar panels at Seedy Mill

Solar panels with a total capacity of 98.5 kW have been installed on the large roof area of the buildings at our Seedy Mill treatment works in Lichfield, Staffordshire.

We have also installed smaller capacity units at two further sites in Cambridge.





Fair customer bills and fair investor returns

We understand that household finances can be tight for many people and as a vital public service, water needs to be available to everyone at a price they can afford. Customers have told us that having low and stable bills is important.

It is also important that we continue to attract investment into our business. It is this investment, along with revenue from customer bills, that funds our day to day operations supplying high quality water to homes and businesses. The investment also funds our long term maintenance and enhancement programmes, which will ensure our network is capable of supplying water for the next generation and beyond.

486

customers supported
via South Staffordshire
Charitable Trust



2,130

customers
surveyed



Our targets

For the period 2015 to 2020 we have two regulatory targets that will help us measure whether our customer bills are fair and how we help those customers who are struggling financially.

Through satisfaction surveys, we will measure how our customers feel about the value for money we offer and how affordable customers feel our bills are. We have a target to achieve 90% satisfaction in this area.

We have a wide range of support options in place for customers that are struggling or in debt. We have a target to support 19,600 customers in this situation in 2015/16, rising to 30,000 by 2020.

2015/16 performance

93%

satisfaction score
for value for money
and affordability

19,621

customers
helped with debt
support options

We have met all of our regulatory targets in this outcome.

Our surveys of customers ask them directly how they feel about our value for money and affordability of our service.

The score was high at 93% for households. Of all of the water companies in England and Wales we had the 3rd lowest average household water bill in 2015/16.

We have continued to offer debt support to customers who need it. In 2015/16, 19,621 customers were helped using a variety of debt support options available. For 2016/17 we have added to our options with Assure, our social tariff.

Charges from one year to the next continue to be stable. In 2015/16 and again in 2016/17 the maximum increase on a customer bill from the previous year was 1.5%.

Our financial outlook as a company is stable. Mitsubishi Corporation acquired 25% of our parent company in 2015/16 and we continue to maintain a strong credit rating with a Standard & Poor's rating of BBB+.

Introducing a social tariff

Consultation with customers showed strong support for the introduction of a cross subsidy tariff to support customers in need of additional help with their water bill.

The Assure tariff is available subject to an income and expenditure eligibility criteria, and provides a significant discount on bills. We aim to help 7,000 customers this year through our new social tariff.



Five year targets

At our last price review we committed to produce a simple scorecard each year showing our performance. This is intended to supplement the information we have provided on each outcome in this report. This will be updated on an annual basis.

Outcome	ODI name	Unit of measurement	Year					Target achieved	
			2015/16		2016/17	2017/18	2018/19		2019/20
			Target	Actual	Target	Target	Target		Target
1 Excellent water quality	Mean Zone Compliance	%	99.970	99.884	99.970	100.00	100.00	100.00	✘
	Acceptability of water to customers	Contacts per thousand population	1.63	1.96	1.43	1.23	1.23	1.23	✘
2 Secure and reliable supplies	Interruptions to supply	Minutes and seconds per property	10:00	04:14	10:00	10:00	10:00	10:00	✓
	Asset health infrastructure	Category	Stable	Stable	Stable	Stable	Stable	Stable	✓
	Asset health non-infrastructure	Category	Stable	Stable	Stable	Stable	Stable	Stable	✓
3 Excellent customer experience	Service Incentive Mechanism	Score	89.0	86.3	90.0	90.0	90.0	90.0	✘
	Customer satisfaction	%	98	98	98	98	98	98	✓
	Community engagement	Days	400	256.5	400	400	400	400	✘
4 Environment	Leakage South Staffs region	Mega-litres per day	70.5	69.88	70.5	70.5	70.5	70.5	✓
	Leakage Cambridge region	Mega-litres per day	13.5	13.24	13.5	13.5	13.5	13.5	✓
	Water efficiency	Litres per person per day	130.79	129.59	130.15	129.52	128.91	128.31	✓
	Biodiversity	Hectares of land	76	76.2	91	106	116	116	✓
	Carbon emissions	Tonnes of carbon saved	509	178	1320	2428	3742	5210	✘
5 Fair customer bills	Value for money and affordability satisfaction	%	90	93	90	90	90	90	✓
	Support for customers in debt	Number of customers	19600	19621	22200	24800	27400	30000	✓

Further information

South Staffs Water www.south-staffs-water.co.uk

Cambridge Water www.cambridge-water.co.uk

The Water Services Regulation Authority (Ofwat) www.ofwat.gov.uk

Ofwat is the economic regulator of water and sewerage companies in England and Wales. It exercises its powers in a way that it judges will protect the interests of consumers, promote value and safeguard future water and sewerage services by allowing efficient companies to carry out their functions properly, and finance them.

The Drinking Water Inspectorate (DWI) www.dwi.gov.uk

Drinking water quality in England and Wales is regulated by the government through the Drinking Water Inspectorate (DWI). Its main job is to check that the water companies in England and Wales supply water that is safe to drink and meets the standards set in the Water Quality Regulations.

Environment Agency

www.gov.uk/government/organisations/environment-agency

It is the Environment Agency's job to look after the environment and make it a better place. Specifically, it seeks to maintain and improve the quality of 'raw' water in England and Wales, and is responsible for issuing water companies with abstraction licenses. The Environment Agency is concerned with the quality of fresh surface and underground water, marine and estuarial waters, and strives to prevent and reduce the threat of water contamination.

Consumer Council for Water www.ccwater.org.uk

The Consumer Council for Water (CCWater) represents water and sewerage consumers in England and Wales. They provide a strong national and regional voice for consumers through close working relationships with the water industry and other key stakeholders in England and Wales. Their job is to make sure that the collective voice of consumers is heard in national water debate and that consumers remain at the heart of the water industry.

The Department for Environment, Food and Rural Affairs (Defra)

www.gov.uk/government/organisations/department-for-environment-food-rural-affairs

The Department for Environment, Food and Rural Affairs (Defra) works for the essentials of life - food, air, land, water, people, animals and plants. It pursues sustainable development - weaving together economic, social and environmental concerns.

Natural England www.gov.uk/government/organisations/natural-england

Natural England is the government's adviser on the natural environment, providing practical scientific advice on how to look after England's landscapes and wildlife.

Public Health England

www.gov.uk/government/organisations/public-health-england

Public Health England works to protect and improve the nation's health and wellbeing, and reduce health inequalities. They support and advice in safeguarding public health and work closely when an incident is reported to protect and inform the public, especially vulnerable groups