

Looking ahead to the new financial year

WITH the new financial year on the horizon, we are looking ahead to a number of opportunities and challenges over the coming 12 months.

This year marks the second in our five-year investment cycle, which runs until 2020. Our £1.8 billion programme of capital improvements across the region is well under way.

While this progresses, we are also looking to the future and how we work with our economic regulator Ofwat on planning for the next investment period for 2020-2025.

Ofwat has published its proposals which will form the basis of its calculations when determining how much water companies can charge their customers during that period.

Called Water 2020, Ofwat's proposals include a number of changes to the price review process.

Among these are moving from using the Retail Price Index to the Consumer Price Index and proposals to enhance the role of customer engagement ahead of the next price review.

We welcome the continued focus on outcomes for customers and the recognition that meeting the challenge of increased resilience requires a long-term focus.

Another key change in the industry is to the legislation governing the abstraction of water for public supply, agriculture or business use.

The current abstraction regime has been in place for

more than 50 years and is not suitable to meet the current public, business or environmental demands.

Under the current system, an abstractor is granted a license for a maximum amount of water over a certain period of time – regardless of demand for water.

This means some abstractors may not use their full license and there is a danger of over-abstraction.

We welcome the proposals and look forward to working with Defra, the Environment Agency and other abstractors on developing the new system.

We will stay in touch with you on these and other key pieces of work over the coming year, through this newsletter and other updates.



Five-year Business Plan 2015 to 2020



December 2013

This year marks the second in our five-year investment cycle

£15 million to meet water scarcity challenge

WE HAVE set aside £15 million to research and develop a new approach to meet the challenges of growing water scarcity.

Increasing populations, strict environmental protections as well as the risks posed by climate change and urbanisation are leading to increasing pressure on water resources and an increased risk of flooding.

It is a holistic and integrated way of protecting water sources and the environment whilst mitigating the risk of flooding.

It involves working collaboratively across the entire water cycle with customers, stakeholders and water users such as businesses and farmers.

The new approach looks to move investment away from

building new structural assets to identifying innovative, non-infrastructure solutions.

These solutions can include catchment management programmes, better management of water during floods and drought and improving water efficiency for homes and businesses.

While we are using all of these currently, we want to bring

them together to benefit the catchment as a whole.

Over the next 25 years, we see the water environment evolving beyond the historical legal and regulatory boundaries.

To do this we have identified the Rother and Medway catchments to progress this over the next five years.

For more information see our **webpage**.

A focus on **Affordability...**

PAYING bills can be a challenge for some of our customers - that is why we are working hard to keep bills affordable and offer increased assistance to those who need it most.

Over the coming year, the predicted average bill is expected to be around £1.12 per day, or £411 a year - a fall of two per cent (about £7) on the estimated average bill for 2015/16.

We consider this value for money but appreciate that some people may struggle to pay.

We have a number of schemes available for customers who are in financial difficulty or have medical conditions which mean they need to use lots of water.

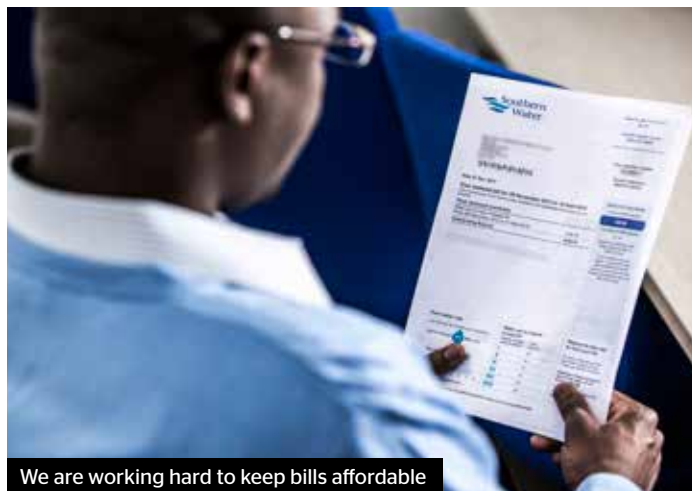
- Our Essentials tariff provides discounts for customers based on a bill to household income ratio

- New Start allows customers to make regular payments, which we match to reduce their debt more quickly

- WaterSure offers a reduction in bills for customers who need to use large amounts of water due to medical conditions

- Water Direct lets customers pay their water bill directly from their benefits

By the end of this financial year, we predict that we will have signed up almost 23,000 customers to our social tariff and



We are working hard to keep bills affordable

given discounts totalling more than £4 million.

Next year we hope to increase the total discounts to almost £6.5 million and sign up an additional 38,000 customers.

Ofwat estimates that 24 per cent of households are spending more than three per cent of their disposable income on their water and sewerage bills with a further 11 per cent spending five per cent or more.

In 2015 we visited more than 14,000 households to help customers apply for our affordability tariffs and offered a service to check their benefits entitlement.

So far, we have helped customers claim an additional £3 million in support and are helping more than 130,000 people, about five per cent of our customer base, through our affordability schemes.

Our approach has been praised by Ofwat as an example of best practice within the industry. We plan to build on this experience and the support from Ofwat to visit more customers in the coming year.

We will visit at least 10,000 more customers to provide debt and affordability advice and aim to increase the amount of customers on our social tariff by 40 per cent.

Case Study

WORD of mouth can have a very big impact on how successful our work in the field can be.

One customer in Kent was referred to our affordability team by a friend who had already benefited from their support.

She owed us more than £3,500 and her personal circumstances meant she struggled with finances and the additional worry had been affecting her mental health.

But after explaining the circumstances to Stuart Bailey, our Field Engagement Manager, she was accepted onto our social tariff with a discount of 20 per cent and also onto our NewStart payment scheme.

Under NewStart, customers make regular, affordable payments towards their outstanding balance and, if they maintain these throughout the year, we match the contribution to help reduce the debt.

The chain of help continued when the customer then referred her neighbour to us - who will now also be receiving financial support from us.

This prompted us to set up a drop-in session with the local Citizens Advice centre to potentially help dozens of families in the area.

Debt: A problem that affects us all..

THE benefits of helping customers pay their bills will be felt by other customers as well as water companies too.

Customer debt adds roughly £21 to each domestic bill per year. Across the country, water companies have more than £2 billion outstanding from unpaid bills.

A major challenge is communicating with disengaged customers - those who are not paying their bill and are not responding to our efforts to contact them.

We estimate that debt from these individuals - approximately

five per cent of all customers - is roughly £90 million.

We have been working in partnership with local authorities, charities and advice groups to talk to customers and explore how they can make their bills more affordable.

For example, we are working with Brighton and Hove City Council's housing team to target customers who would benefit most from our support tariffs. We will be closely following the government's plans to reform this area, which are currently under development.



> Debt Advice

More information about the support we offer can be found on our [website](#).

We also offer free debt advice either by emailing debtadvice@southernwater.co.uk or calling **0800 027 0363**.

We also work with the debt charity **StepChange** which can help anyone with debt issues - including help applying for our schemes. Help can also be found at the **Citizens Advice Bureau** and **Money Advice Service**.

Water trading to improve supply resilience

CHANGES to the legislation governing the way water is allocated for public supply, agriculture or business use were discussed at a meeting in parliament.

Our Water Strategy Manager, Meyrick Gough, spoke to parliamentarians, industry colleagues and interest groups

at a meeting of the All Party Parliamentary Group on Water in March.

Meyrick discussed the new proposals for reforming the abstraction regime and what it means for the water-stressed South East.

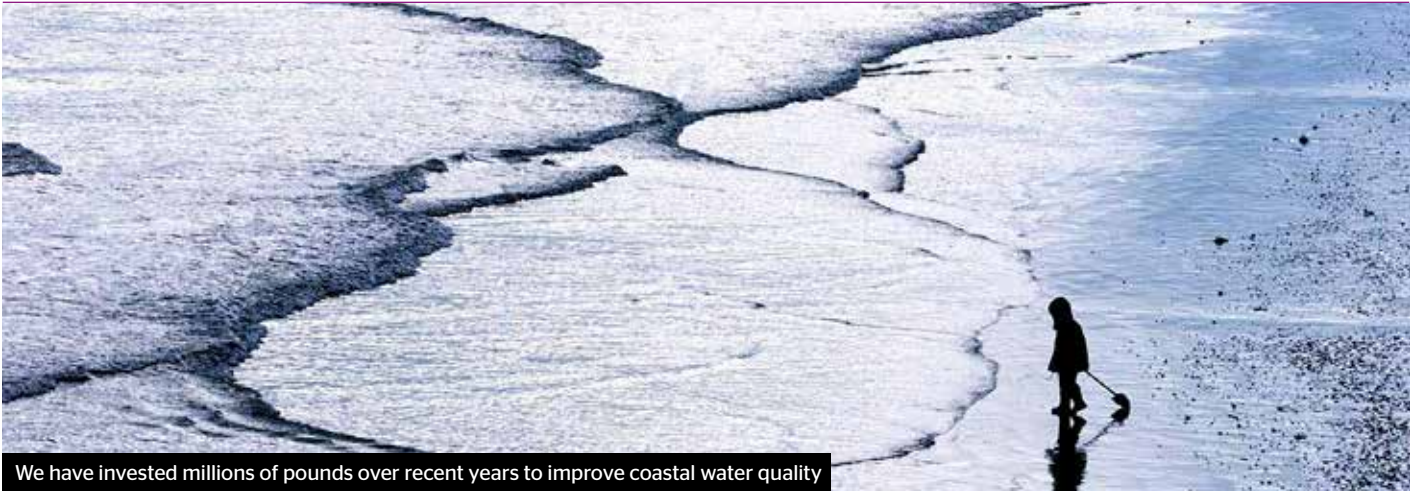
The proposals allow for greater flexibility and increased

trading in areas if they meet certain conditions.

We are working with stakeholders and customers to pilot water trading in two areas, Medway in Kent and Rother and Western Streams in Sussex, to explore how it can improve the resilience of water supplies.



Meyrick Gough



We have invested millions of pounds over recent years to improve coastal water quality

Going above and beyond for bathing water quality

OUR industry-leading Bathing Water Enhancement Programme begins in earnest this year.

The innovative project, in which we are going beyond our statutory duty, will bring a further seven bathing waters in our region up to excellent standard by 2020.

It is the first stage in our commitment to collaborate with local authorities, environmental groups and landowners to ensure all 83 bathing waters in our area are rated excellent by 2040.

We have invested millions of pounds over recent years to upgrade our wastewater network and improve coastal water quality - which has never been better.

However, bathing water is also affected by many other sources of pollution which are outside of water companies' control.

These can include misconnections of private wastewater pipes into the surface water system, contaminated rainwater running off urban and rural land into watercourses and the sea, wastewater from privately-owned treatment works, boats and animals on the beach such as dogs and seabirds.

Over the coming year, we will be investigating all these potential sources of pollution at 21 shortlisted bathing waters and have met with the relevant local authorities to start the discussion.

In Hampshire, the bathing waters being investigated are: Hill Head and Stokes Bay

On the Isle of Wight, the bathing waters being investigated are: Cowes and Shanklin.

Once the investigations are complete we will be able

to identify which of the 21 can feasibly be brought to excellent standard by 2020 and which of the communities they serve would benefit the most from improvements.

These two elements underpin the complex set of selection criteria that we will use to determine which seven are progressed for solutions during 2017-2018.

The 2019 bathing water season, from May 15 to September 30, will be used to measure and establish the success of the work.

Meanwhile, we will produce action plans detailing the work required to resolve the sources of pollution we have identified at the 14 bathing waters not selected, to support independent intervention which local authorities, landowners and other agencies may choose to carry out alongside our work elsewhere.

> Customer Engagement

OUR plans were formulated following our customer engagement for our 2015-2020 Business Plan in which we surveyed more than 27,000 people.

In it, our customers made clear that they wanted us to go above and beyond our statutory duties, which require us to keep bathing waters meeting basic standards, and that they were willing to pay for the extra benefit.

We have secured up to £31.5 million to deliver the programme, however we do expect third parties to pay for or enforce any required repairs or improvements to sites or equipment for which they are responsible that are identified during the course of the programme.

The programme's success depends on multi-agency support from all those organisations with shared responsibility for coastal water quality such as ourselves, local authorities, landowners, farmers and the Environment Agency.

Retrofit programme for local schools launched

WE HAVE launched a new retrofit programme to help schools save water, energy and money across the region.

As well as visiting primary schools to fit the latest water-saving devices to taps, toilets and showers for free, we are also helping teachers engage pupils in saving water by becoming 'Water Heroes'.

Education packs and lesson plans filled with challenges have been designed to help children work out how small changes can make big savings.

Our team visited Lower Halstow primary school in Sittingbourne, Kent at the beginning of March to assess its

water use and fit a host of water efficient products.

Pupils also took part in water-saving education activities using our 'Be a Water Hero' education pack.

Further school visits across the region are planned for the rest of 2016.

Last year we carried out a trial scheme at Elm Grove School in Brighton and it has since reported clocking up more than £5,000 of savings.

Any primary school supplied by us is able to apply for a visit from our water efficiency team - for more information, or to book a visit, contact: waterefficiencyteam@southernwater.co.uk.



Be a water hero

Council leader shocked by menace of wet wipes and cooking oils

NEARLY 500 tons of wet wipes, sanitary products and other items were flushed down Portsmouth's toilets last year.

The figure was described as "shocking" by Cllr Donna Jones, Leader of Portsmouth City Council, when she and colleagues visited our Budds Farm Wastewater Treatment Works in Havant in January.

Cllr Jones was joined on the tour by fellow councillor Robert New, the council's Head of Environmental Health Richard Lee and its Director of Transport, Environment and Business Support Alan Cufley.

Our largest wastewater treatment works, Budds

Farm treats wastewater from Portsmouth and the surrounding area - serving 410,000 people and treating almost 110 million litres of wastewater every day.

Our *Keep It Clear* campaign raises awareness of the risks of flushing items such as wet wipes and sanitary products down toilets and encourages customers to only flush the three P's - pee poo and paper.

Cllr Jones said: "I had a fascinating tour of Southern Water's Budds Farm treatment works.

"But I was shocked to hear that more than 459 tons of wet wipes, sanitary products and



Cllr Donna Jones visits Budds Farm Wastewater Treatment Works

other items were flushed down Portsmouth's toilets last year.

"I heard how these items can cause problems at the site but also how they, along with cooking fat and oils poured down sinks, can cause blockages in people's homes too.

"I'd encourage everyone to think about what they are

putting down the toilet and to follow Southern Water's advice of only flushing the three Ps - everything else should go in the bin."

To find out more about Southern Water's Keep It Clear campaign - visit www.southernwater.co.uk/keep-it-clear

Hampshire drought drop-ins a success

A SERIES of briefings and drop-ins have helped communicate our plans to protect water supplies for 680,000 customers across Hampshire during drought.

Sessions were held with Cllr Roy Perry, leader of Hampshire County Council, several of the county's MPs, wildlife groups and landowners.

A drop-in held at Southampton Airport in January focused on the new pipeline being built to facilitate a new bulk supply of up to 15 million litres of water a day from Portsmouth Water.

One of the attendees was Eastleigh Borough Councillor Bruce Tennent.

Cllr Tennent said: "I was pleased that Southern Water organised the drop-in session.

"It gave local councillors and other stakeholders the chance to meet the project team, talk through the plans and better understand why and how the work was happening.

"The company is working hard to inform local communities about the project.

"While the work will cause short-term disruption to traffic, it will protect our environmental resources and ensure continuity of water supply in times of drought."

The work is needed to meet the requirements of the Habitats Directive, which limits the amount of water we can take from the River Itchen during times of drought.

Full details were communicated in the previous edition of this newsletter and can be found on our **website**.

MP has a smashing time at wastewater treatment works

ROYSTON Smith, MP for Southampton Itchen, swung into action to help demolish one of the city's wastewater treatment works.

Royston visited Woolston Wastewater Treatment Works, in Victoria Road, where we are building a new £63 million facility to serve more than 60,000 people in the area.

He was joined by City councillors David Fuller and Alex Houghton.

The new treatment works is being built on the same site as the old one. A temporary facility has been installed to treat the wastewater flows while the demolition and construction work is under way.

The project will continue over the next three years.

Royston said: "It was a fascinating visit and I was impressed with the pace of works. I know how relieved Woolston residents will be that Southern Water has prioritised this site for redevelopment and I look forward to the new facilities opening in 2019."

Julie Anne Stokes, our project manager for the scheme, said: "It was great to show Royston the progress we are making on site and to have his contribution to the demolition work which is making way for a new state-of-the-art facility."

The work is being carried out by Southern Water partner 4Delivery.

To find out more, visit www.southernwater.co.uk/woolston.



Royston Smith MP

> Considerate Constructors

Industry experts have assessed the Woolston construction site as being at the forefront of industry best practice.

The Considerate Constructor Scheme, an independent organisation which aims to improve the image of the construction industry, awarded the site 42 out of a possible 50 with all sections of the checklist being assessed as "excellent" or "exceptional."

The inspector's report said: "The appearance of the site is excellent and the degree of interaction between the contractor and the local community has been maintained an excellent level.

"The degree of commitment to protecting and enhancing the environment is commendable."



Southern Water's Damon Elliott with Cllr Bruce Tennent