

Chair's welcome

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A view on the water industry

In setting the context for this report, I would like to start by highlighting one of the key issues facing the water industry today. It owns and uses major assets and infrastructure that require continual investment overseen through the regulatory process, to keep them fit for the future.

While there is much that can be achieved in the short term to improve productivity and service through innovation and technology, inevitably long-term investment is required for the benefit of future generations. Investing for the future at a time of rising cost of living creates real tension. Its impact on the communities we serve is something of which we are acutely aware. So it is important that, while we continue to invest, we also support those most in need and I'm pleased that our teams at Affinity Water have embraced partnership working across sectors to raise awareness of our support services amongst hard-to-reach groups.

In addition, water is a national issue and not one that is ultimately seen as a company by company or region by region problem. Water companies must be a part of creating a national infrastructure. As we move into the next price review planning period for PR24 and develop water resources management plans, it is correct that the emphasis should be on coordinating resources, through the mechanisms Ofwat has set up. To this effect, Affinity Water has been working very closely with other water companies across regions for a number of years, such as Water Resources South East, Water Resources East and Water Resources West. In January 2022, Water Resources South East published the first ever regional water resources plan consultation, which highlighted the action we must take collectively to ensure a long-term sustainable supply of water that is resilient to the effects of climate change and meets the demands of a growing population. The plan includes a number of options to address future challenges and highlights the need for new infrastructure, such as reservoirs and increasing our ability to move water around the country more efficiently. We are already taking steps on this and



Chair's welcome continued



will be launching a new conditioning facility at our treatment works in Sundon by 2025. This will allow us to take more water from a reservoir operated by Anglian Water and reduce our reliance on chalk groundwater in the Chilterns. We are targeting to reduce abstraction from groundwater by 27 million litres a day (ML/d) in this regulatory period, AMP7, taking our total abstraction reduction to almost 100 ML/d since the 1990s.

This is an incredibly important step. It means Affinity Water and other water companies are looking beyond being a steward of the pipes and pumps in their respective regions to become custodians of the wider national infrastructure that is critical to safeguard public supplies and the broader environment under threat by demographic and climate change. In our case, we want to help protect

our globally rare chalk streams. New infrastructure and reducing leakage is critical to that goal. However, these things in isolation will not get us to where we need to be. Using water wisely is something that we are all responsible for, and we need to support and encourage customers to play their part too. To earn the right to be an ambassador for change, we need to demonstrate to our customers we are meeting our performance commitments. Our region has the highest per capita consumption in the country and the most-limited natural sources of water, so we need to be a catalyst to change behaviour in how society understands and uses water.

To reduce the water taken out of the chalk streams, we need to plan adaptively and over the long term. How, for instance, do we create the inter-regional networks and other

infrastructure that will allow this, if consumers choose not to reduce their consumption, and with the population growing? Asking people to use less water is critical, but the marginal cost of water is low, so mechanisms such as meters and tariffs will only take us so far, particularly in relatively wealthy communities. It becomes a moral responsibility, asking people to use less water as part of a broader societal picture – although dealing with matters like leakage is part of winning the hearts and minds. It requires organisations, customers and government to work together if we are to achieve our long-term objective of 110 litres per person per day. Legislation will be required on water fittings, water consumption in new housing and the volume of water used by white goods.

Company performance

Over the year, we have made very clear progress towards our targets and, although we have not achieved them all, there is a clear trajectory towards delivering them over our Business Plan 2020 – 2025 period, giving us a firm foundation for PR24.

While fulfilling our environmental responsibilities is the 'day job', it is worth noting that we have made good progress on our work to manage our chalk streams, and we are close to finalising a practical plan to become a net zero business.

On the social responsibility side, the health, safety and wellbeing of our people is a top priority. We have made tangible progress in wellbeing with a particular focus on mental health. With the cost of living crisis we are exploring ways we can further support

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our people. In the last year we have focused on the culture of safety in the business, building on the policies, procedures and working practices that underpin safety. Progress has been made in our approach to diversity and inclusion with actions and plans set to evolve this over time. Plus, as I mentioned, there is an emerging sense of how Affinity Water has a role as a community business and that starts with how we take care of our own people as well as the wider population in our region.

The Board

The Board has had to make some very difficult decisions over the past year to ensure we had the right leadership in place to take us to PR24 and beyond. With the appointment of a new interim Chief Executive and senior management team, I am confident this has been the right decision to get us to where we need to be on performance, for PR24 and the longer term.

As for day-to-day matters, this Board has always been good at getting out and seeing the business and meeting people. For the past two years this has not been so easy, and we have not done as much as we would like to have done. But in the coming year, we are very much looking forward to getting around the business and our communities much more, both as a Board and as individuals. Furthermore, the non-executive directors have been engaged in the planning and customer engagement process for PR24 and in the development of our Strategic Direction Statement and our longer-term investment plans and will continue to do so over the next year and beyond.

Our people

Our employees are delivering a critical public service, and they do it with a sense of commitment to the community that is quite outstanding. Whether responding to an emergency on a cold Saturday night to get people's water back on, or dealing diligently with billing issues, there is a sense of

purpose throughout the organisation. Our people are tremendously loyal to the company, but also to the community. They are a credit to the company and I thank them for that.

Outlook

One of our key priorities is increased clarity on the investment we will need to make, not just in the next five years, but in the next 25 years. That's part of the regulatory process, and also a major part of our planning in the next 12 months. As for performance, I'm pleased with the improvements we've seen recently, and I expect the Executive Team to continue on this trajectory.

Ian Tyler
Company Chair

12 July 2022

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