



Your local supply, on tap

Investing for your community

Our Strategic
Direction
Statement

Spring 2013

Your local water company

At Affinity Water, we are driven by our passion to provide the best possible service to our customers, using our expertise and knowledge to the benefit of both the environment and our communities.

We take great pride in our service to you and our team of over 1,000 people are committed to providing an outstanding water service to your community.

In 2012, we consulted customers and stakeholders on our plans to achieve our vision of being the leading community-focused water company. In developing our plans, we have listened to what our customers and stakeholders have told us about their expectations of us and priorities for their water service.

This document, our Strategic Direction Statement, sets out our strategy to meet the water service needs of our customers of today and over the next 25 years. We will face many uncertainties over the next 25 years and our plans must respond to this. We have a number of significant challenges that we will need to continually revisit, including climate variability and population growth. We will review and, as necessary, update this document to ensure that our strategy reflects the world in which we operate and continues to deliver value to our customers.

During 2013, we will be consulting on our draft Water Resources Management Plan, which details how we will ensure that we have sufficient water to meet demand over the next 25 years. This is a key component in developing our future plans and we would like to understand your views on our approach. Details of how to share your views are on page 10.

In December 2013, we will be submitting our business plan to our regulator, Ofwat. In this plan we will propose the level of customers' bills for the period 2015 to 2020. In developing our plan, we are engaging with our customers to understand the level of water service they wish to receive and are willing to pay for. We will place these views at the heart of our investment decisions and future plans.

Thank you for taking the time to read our Strategic Direction Statement.

Richard Bienfait
Chief Executive Officer




Affinity Water

Your local supply, on tap

Our service to you

We supply high quality drinking water to 3.5 million people within the southeast of England, we:

- Supply 900 million litres of water a day to 1.4 million properties and businesses
- Operate over 100 water treatment works to ensure that our water is of the highest quality
- Distribute our water through a network of water mains which is 16,500km in length
- Provide a wide variety of ways for you to contact us about your water service, including over the phone, online and using social media
- Charge, on average, £175 a year for your water service compared to an industry average of £186
- Collect sewerage charges for companies providing sewerage services (except in our southeast region, where customers receive separate bills from their wastewater company)



Our Vision

To be the leading community-focused water company

We believe that by improving our understanding of our customers' expectations, both as individuals and as members of communities, we can provide a resilient and sustainable water service which represents what you value. We want to be the leading water company in your eyes, those of our people and the communities we serve.

To achieve this vision, we will manage and operate our assets and our service at a community level.

Our concept is simple - local water supplied locally

We will provide a water service which meets your needs and expectations. We will explain our plans for the future, including our investment plans, in terms of the level of service that your community will receive, so that you can consider the benefit and cost of changes in the water service we offer.

We view the supply area of our business as eight water resource zones. We consider each zone provides a unique service to each community. We have named each zone after a local river in that area of supply; these are illustrated on page 9. Our plans will respect and take full account of the local environmental conditions within these communities. We will measure our performance at both a company and water resource zone, and therefore community level; we will report this performance to customers annually.

We will continue to engage with our communities and challenge our performance, searching out innovation, to provide a sustainable and resilient water service to you and future generations.



Meeting your expectations

We will provide the water service which you and your community value, now and in the future.

Feedback we received in 2012 from our 'Investing for your Community – a consultation', told us that our customers have four key expectations of us in providing their water service:

- *Make sure you, our customers, have enough water*
- *Supply high quality water you can trust*
- *Minimise disruption to you and your community*
- *Provide a value for money service*

Over the next 25 years and beyond, we believe that you will continue to have the same four key expectations of our service. However, we know that the future will provide new challenges and this means we may need to do more or do things differently to provide the level of service you currently receive.

Our customers told us that they also expect us to work hard to safeguard the environment. We are responding to this challenge by ensuring that we undertake our work to meet your expectations in a sustainable and environmentally sound way; we will report our performance so you can judge our progress.

A sustainable approach

We will take a sustainable approach to meeting these expectations, to make sure that we provide our water service in a way that supports the well-being of the communities we serve, both today and in the future.

We will measure our performance against your expectations and publish a performance report annually so that you can see if we are achieving what you expect. We want to provide you with assurance that we are meeting your expectations. **During summer 2013, we will consult with customers on our performance measures to ensure that they enable you to assess our progress in meeting your expectations.** Later in the year, we aim to set performance targets for the period 2015 to 2020.

For more information on the development of our performance measures please see **page 19**



Actively engaging with your community

Following the publication of 'Investing for your Community – a consultation', in October 2012, we have carried out a significant programme of engagement specifically to confirm the core expectations for your water service.

To maximise the opportunity to hear opinions and preferences, we:

- *Created a questionnaire for customers which was available online and by post*
- *Held focus groups with customers from each community and special interest groups*
- *Conducted a survey using an online panel of our customers, representative of our customer base*
- *Publicised and held drop-in sessions in the communities we serve*
- *Presented findings to our Customer Challenge Group for challenge on behalf of our customers*

We have considered all of the feedback that we received in developing this Strategic Direction Statement.

For more information on our Customer Challenge Group please see **page 18**

Our sustainable approach

In meeting your expectations, we will make choices that enable us to deliver a resilient and sustainable water service to this generation of customers, whilst safeguarding our service for future generations.

We serve communities within the southeast of England – one of the fastest-growing, most economically active and environmentally-pressured regions in the UK. This means that our water supply is under significant pressure.

In developing our plans, we ensure that the service we provide is resilient by making choices which consider wider social, economic and environmental issues within the communities we serve. This will help future generations to access a high quality, efficient water service that is affordable – and that our operations have as little impact on the environment as possible.

We will continue to collaborate with the communities we serve, their representatives, our regulators and the Government to ensure that we are meeting your expectations both now and in the future.

Meeting your expectations sustainably

We recognise that water is not only essential for public health, it is essential for economic growth and development. Our choices will seek to maintain our local environment, sustain our local communities and support our local economies.

Maintaining our local environment

The world in which we live and work is rapidly changing. Population growth, climate variability and increased demand for water will all place more pressure on the water environment. Our operations, in particular the abstraction of raw water from our sources, can have an impact on the water environment. We will work with the communities we serve, our regulators and the Government, to balance the level of abstraction required to meet your community's demand for water, whilst minimising potential damage and harm to the local environment from where we source it.

Sustaining our local communities

Water is essential for life. It is important that the water service we provide is resilient so that future generations continue, to have the access to high quality water that our customers have today. We expect the population we supply with water to grow by at least 15 per cent by 2040. We will invest in our network and assets to support this growth and protect our service for future generations. We will prioritise the health and well-being of our communities in everything we do.

Supporting our local economies

Our future plans will seek to ensure the availability of water, to support the growth and development of commerce and employment within our communities. We will invest to support our local economies. Our people are essential to improving the service you receive. We will continue to employ and invest in local people, who understand local issues. We will continue to invest in our infrastructure and assets to ensure they are resilient and can support economic growth. We have already invested over £400 million in our local infrastructure in the last five years. We will support local organisations to help maintain the economic sustainability of the communities we serve.

For more information on our Water Resources Management Plan please see **page 10**

The communities we serve



Community	Population	Households	Average water available for supply (million litres per day)	Leakage (million litres per day)	Average amount of water used by each person (litres per day)
1 Misbourne	320,000	130,000	137	21	174
2 Colne	420,000	160,000	180	30	168
3 Lee	690,000	260,000	172	31	158
4 Pinn	920,000	330,000	241	38	173
5 Stort	280,000	110,000	71	16	167
6 Wey	520,000	190,000	202	23	168
7 Dour	160,000	70,000	52	7	134
8 Brett	160,000	70,000	39	4	115
Total	3,470,000	1,320,000	1,094	170	

Figures are for 2011/12. Figures have been rounded.

Making sure our customers have enough water

We will ensure that you and your community have the water you require both now and in the future.

If we do not act now, the natural environment from which we abstract your water will come under more stress from an increasing population, continued housing growth and climate variability. To ensure that we have enough water for future generations whilst minimising the effect of our operations on the environment, we will implement a balanced programme of investment targeted at both securing supply and reducing demand.

Supply

We will balance the amount of water we abstract from our local sources to meet your need for water with the effect on the local water environment. Unmanaged increases in abstraction from sources in your community could harm the water catchments and the habitats they support.

We will manage abstraction to safeguard our local water environment

With the support of the Environment Agency, we aim to reduce abstraction from some of our local groundwater sources and we are looking to reduce the effect of our abstraction on water catchments. This will reduce the amount of water currently available for supply and create many challenges that we must address to secure the supply of water for future generations. We must balance the benefit to the water environment with your need for water and the price you pay.

It is important to us that we do not limit your supply, so we will seek to find new sources of supply where possible. We plan to increase the flexibility of our network so that we can transfer water around your communities more effectively. We will also continue to work with neighbouring water companies and the Environment Agency to make the best use of water resources in the southeast of England.

Our customers have told us these priorities are important to them

- We maintain a sustainable level of abstraction
- We reduce the level of leakage from our network
- We provide more information on the efficient use of water



Our Water Resources Management Plan

Every five years we publish our Water Resources Management Plan which shows how we plan to supply enough water to meet demand over the following 25 years.

We have produced a draft of our next Water Resources Management Plan and we will publish this draft plan and our Environment Statement in May 2013 for consultation. These plans are crucial in making sure that our customers have enough water. The documents are available at: www.affinitywater.co.uk/futureplans

We would welcome your views on our draft Water Resources Management Plan and ask that you send them to the Department for Environment, Food and Rural Affairs (DEFRA) at water.resources@defra.gsi.gov.uk

If you would prefer to use the reply facility on our website, we will automatically forward a copy to DEFRA upon receipt.

Leakage

Our customers have told us it is important that we reduce leakage from our network. Currently we aim to balance the cost of detecting and repairing leaks with the value of the water we save from these activities.

We understand however, that to meet your expectations, we will need to reduce further the level of leakage from our network. We will use an approach which seeks to maintain an acceptable balance between the benefit and cost of further leakage reduction activity, which takes into account our customers' views.

Demand

Water is a finite resource and we all must use it more efficiently in our day-to-day lives. We are seeking new sources of supply but this can be expensive for customers and increase stress on the water environment. Reducing the amount of water we all use will reduce the stress on the local environment from which we source your water.

Currently, people in our supply area use an average of 162 litres of water a day. This is one of the highest rates of water use in England and Wales.

To help reduce demand we will encourage customers to pay for the water they use through metered charges. We have found that this reduces the level of individual consumption by, at least, 10 per cent. We believe universal metering is the most effective way to reduce demand, as well as helping to identify and reduce leakage levels. Engaging with the communities we serve has shown support for metering to be included in our future plans.

Each person we supply uses, on average, 162 litres of water a day - one of the highest rates of water use in England and Wales

We continue to work with communities through our education programme for schools and our Water Saving Squad, (which offers face-to-face advice and water saving products), in order to reduce consumption. We will also increase the information we offer to customers about using water wisely.

Implementing our collaborative approach to demand reduction will reduce pressure on the water environment, and may also enable you to lower your water bill by reducing your consumption. Over the next 25 years we will seek to help our customers to reduce their usage by, on average, 25 litres per person per day.

Supplying high quality water you can trust

We will continue to provide you with high quality water that you can trust.

We abstract water from a variety of sources which are local to you, including chalk boreholes and rivers. On average, we move water 10 kilometres from where we abstract it, to where we treat it, and then to your tap.



Maintaining the high quality of your water

We will continue to use a wide range of treatment processes to ensure that the water we supply is of the highest quality. We will comply with the requirements of the Drinking Water Directive, monitoring and testing our supplies at our water treatment works, reservoirs and customers' taps. In 2012, we carried out over 215,000 water quality tests of which 99.95% met the compliance standards.

We continue to regularly review and update our Drinking Water Safety Plans to ensure that we identify and mitigate any water quality risks from the point of abstraction to your tap. These plans help us to provide a high level of trust in the quality of your supply.

We will expand our catchment management activity, working with local land owners and communities to maintain and improve the quality of our ground water sources and rivers. Effective catchment management will help reduce the need for costly treatment processes. This collaborative approach to protecting our water environment will help us to continue to supply high quality water to you.

On average, we move our water 10 kilometres from where we source it, to where we treat it, and then to your tap

Changes in manufacturing and agricultural practices can introduce chemicals into the natural environment which may affect the quality of untreated water. We work with other water companies and our regulators to conduct research and develop new treatment processes, where necessary, to ensure that these chemicals are removed by our water treatment process.

Taste and appearance

Each of our water sources has its own characteristic taste dependent on the minerals that are present. This is why you might have noticed differing tastes to your drinking water if you have moved around the country. Although some people are more sensitive to taste and odour, unpleasant tastes and odours in our drinking water are very rare. We will monitor and, where necessary, invest to ensure that the water we provide does not contain any unusual tastes or odours.

Very occasionally, your water could appear discoloured due to a build up of deposits in our mains. We will continue to monitor our network to identify any areas where this could be a risk. We will invest in our pipes and treatment works to remove or reduce these deposits to maintain the aesthetic quality of your water.

We will work with your community to understand if there are areas where the taste and appearance of your water might be an issue, so that we can consider the costs and benefits of responding to these concerns.

Water hardness

Feedback has shown that some customers would like their water to be less hard. Hardness occurs naturally and is characterised by the presence of higher levels of calcium and magnesium in the water; these minerals can cause scale to build up in hot water systems, kettles and domestic appliances.

We will engage with you and your community to understand your willingness to pay for softened water

To reduce the hardness of the water we supply we could introduce softening treatment prior to distribution. However, this is a costly and energy intensive process that would increase customers' bills. We will engage with your community through our willingness to pay work to understand the extent to which our customers would value softer water, given the potential cost and environmental implications.

Our customers have told us this priority is important to them

- We maintain the high quality of your water including the taste and appearance

For more information about understanding your willingness to pay please see **page 18**

Minimising disruption to you and your community

We will continue to provide a reliable water service by managing the condition and performance of our assets, so that they are resilient to future challenges.

Looking at our assets at a community level will allow us to understand better the balance between the service we provide to communities, the risks of assets failing and the cost of maintaining these assets. This will improve the predictability of our service and help us minimise disruption to customers.

An uninterrupted service

We will invest to gain greater control of our network by installing proven technology. This will reduce the need for you to tell us when our assets fail, so that our community teams can respond quickly and effectively.

We will continue to replace lengths of our network most prone to bursting and to improve our response when a pipe does burst. There is a balance to be struck between the quantity of pipes we replace, the number of bursts we experience on our network and the level of bill you pay.

We will also increase the flexibility of our network to enable us to transfer water between communities and from neighbouring water companies more effectively. This will help us to maintain your supply, even if we have a significant incident, such as a mains burst.



Pressure

We aim to make sure that your water pressure is no less than 15m head (1.5 bar), at the boundary of your property. Dependent upon the condition and length of the pipes from your property boundary to your tap, this should be sufficient to fill a one litre bottle in around 7 seconds.

We will continue to invest in our assets to minimise disruption to your water service

We use monitoring equipment throughout our mains network to check water pressure. We recognise that the variability of mains pressure can cause concerns for customers. We will install proven technology to improve our ability to monitor and control the pressure of the water throughout our network. This will improve the consistency of the pressure within your community.

Improving communication

On the rare occasions when your water supply will be interrupted due to planned maintenance, we will give you written notice beforehand. If we have an unplanned, emergency incident, we will try to inform those customers affected how long it will take to restore their water supply. We will make greater use of digital technology and social media to help communicate with communities during periods of interruptions.

Our community teams will display signs if they are excavating in the road, informing the local community of the nature of the work being carried out and the expected completion time of the work.

We offer a wide range of ways for you to interact and contact us. We understand that you want to be able to use digital technology to do things for yourself at a time that suits you.

We are committed to continuously updating our digital technology as well as maintaining our local, UK based contact centres. You will be able to access the information you need quickly for yourself using ever-improving technology, or if you prefer by contacting us over the telephone.

Our customers have told us these priorities are important to them

- We provide an uninterrupted service
- We maintain the pressure of your water supply
- We improve our communication of actual or possible disruption

Providing a value for money service

In developing our plans we will engage with your community, to get the right balance between the service we provide and the price we charge you.

By getting this balance right, we aim to demonstrate to you that the service you receive represents value for money.

Value for money

You have told us that you find it difficult to assess whether the water service you receive represents 'value for money'.

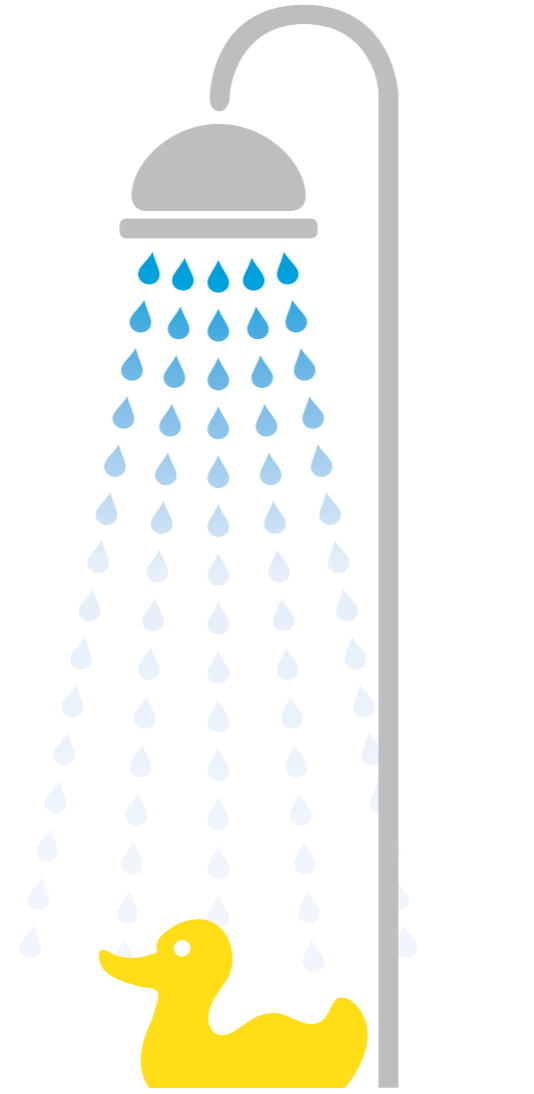
Our community-based approach breaks down the separate management of assets and customer services. Instead we are focused on how we can manage our network, treatment and service as a whole, specific to each community. This will allow us over time to improve the resilience and sustainability of the service you pay for.

You will be able to see the level of service which your community receives for the price you pay. We believe this will allow you to assess whether our service represents value for money to you.

We will consult you and others in your community about the level of water service you receive today, and the level you are willing to pay for today, to safeguard supplies for tomorrow.

We will provide you with the information you need to assess if your service represents value for money

To ensure that our water service is resilient now and for generations to come we must continue to invest in our assets to maintain their performance. We believe it is essential that we do not transfer all of the cost of protecting our assets to future generations.



Our customers have told us these priorities are important to them

- Knowing what your money is being spent on
- Better information to allow you to judge whether your service represents value for money
- Explanation of potential bill increases in terms of services



Where each pound of your bill is spent:

Our bond holders	Interest paid on debt financing
Local and Central Government	Corporation tax, business rates, abstraction charges, national insurance, Climate Change Levy and streetworks permits
Our shareholders	Dividends
Our people	Wages, salaries and pensions
Our suppliers for operating services	Operational cost of suppliers' services
Our suppliers for assets	Investment in our assets

Breakdown figures are based on our annual accounts for 2011/2012. Figures have been rounded.

A fair charge

The communities we serve have told us that they support metered charges. Meters allow us to charge you on the basis of the amount of water you use, which we believe is a fair approach. Our future plans will seek higher levels of metering to open the way for tariffs that will create incentives, promote awareness and encourage lower water use.



What next?

In December 2013, we will be submitting our Business Plan to our regulator, Ofwat, for review. In this plan we will propose the level of customers' bills for the period 2015 to 2020.

Before we do this we will be engaging with you and your communities to understand the level of water service you are willing to pay for. We will place your views at the heart of our investment decisions and future business plans.

Understanding your willingness to pay

During 2013, we will be undertaking a programme of work to understand our customers' willingness to pay for future investment, to maintain or change levels of service and to test the acceptability of overall bill levels.

Through actively engaging with customers to understand their willingness to pay, we will be able to tailor our investment and business plans to provide the sustainable and resilient water service which you and your communities truly value.

Challenging our future plans

Our Customer Challenge Group is an independent group of customer representatives, with an independent chair, who are advising, challenging and supporting us in the development of our plans to ensure that they reflect your priorities and expectations.

Our customers' views will be at the heart of our decisions and plans for the future

Members of the group include representatives of both household and non-household customers, community groups and regulators. We will be working closely with the Customer Challenge Group to assure our plans. The group will independently report on our plans for 2015-2020 to Ofwat.



www.affinitywater.co.uk/futureplans

Measuring our performance

In 2013, we will be developing a suite of performance measures which will allow you and your community to assess our performance easily. We will be engaging with customers and the communities we serve to develop these measures, to ensure that they match your expectations for your water service.

Once we have developed these measures, we will publish annual performance reports to enable our customers, stakeholders and regulators to assess whether we are meeting your expectations.

During the remainder of 2013, we will continue to engage with our customers and stakeholders on our plans for the next 5 years. It is important to us to understand your views on our future plans. For more information on how to be involved please visit: www.affinitywater.co.uk/futureplans



Affinity Water Limited
Registered Office:
Tamblin Way
Hatfield
Hertfordshire
AL10 9EZ

t 01707 268111
f 01707 277333

www.affinitywater.co.uk


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