

Chair's statement

Our Chair reflects on the last 12 months and looks ahead to 2023/24.



8

“Despite everything we’ve had to navigate this year, we’ve continued to provide high-quality water throughout and I’m delighted to see that early results show we’re one of the top ranked companies in terms of water quality,”

Dave Shemmans
Chair

Q. How has your first full year as Chair at SES gone?

A. It’s undoubtedly been another very demanding year for the Company but one which I’m really proud of, especially the way everyone has worked together to overcome a number of significant challenges.

Firstly, we experienced record temperatures in the summer, leading to a drought across the region, but did not lead to us putting in any temporary use bans. This was not the case in many areas of the South East and is testament to the resilience we have built up in the business. It was a combined effort from both the hard work our team did to keep the taps flowing and fix leaks, as well as our customers’ support to reduce the water they used.

Then we experienced quite exceptional winter conditions with freezing temperatures quickly followed by a thaw. This tested the resilience of our pipes but also showed the effectiveness of our smart network as we were able to provide an uninterrupted supply to our customers throughout the period. Again, this is something other water companies in the region struggled with.

It has been well documented that our shareholders have engaged financial advisors to undertake a strategic review of the Group business. External advisors have been appointed to look at the entire East Surrey Holdings portfolio, including SES Water. Whilst the strategic review is ongoing, our focus remains on delivering for our customers, our communities and our people.

Alongside managing our business on a day-to-day basis, we are also setting out an ambitious plan for the future. We must ensure that we always provide an affordable, reliable, and sustainable supply of high-quality water for all our customers. Making sure we have an ambitious Business Plan for the future is vital. The work we are undertaking for both PR24 and our Long-Term Delivery Strategy sets out our ambition for the next 25 years and is inspired by a renewed sense of purpose to further deliver for our customers.

Despite everything we’ve had to navigate this year, we’ve continued to provide high-quality water throughout and I’m delighted to see that early results show we’re one of the top ranked companies in terms of water quality.

Of course, there is still more we can do to reduce our overall leakage, but we’re one of the leading companies for our leakage performance and that is in no small part due to the investment we have made in our smart network – helping us to find and fix leaks in near real time.

So overall a good first year as Chair and I do always like a challenge!

Q. What are some of the highlights and challenges the Company has achieved in the past 12 months?

A. I think the avoidance of any temporary use bans throughout the summer was a standout achievement for the Company, certainly from an operational standpoint. I'm sure our customers were pleased we did not have to put in place a restriction on their water use.

I've also been really impressed by the work the team has been doing this year on our Long-Term Delivery Strategy, which has been championed by Ofwat. The Strategy is not just looking out over the next five years, but much further ahead and takes into account how we will navigate key areas such as climate change and population growth. By looking far enough ahead, we can plan our investments carefully and make sure we are as well prepared as possible.

It was great to see us win the Utility Week Innovation Award for our smart network and well-deserved recognition from the industry for the diligence of our team working to fix leaks as quickly as possible. The award win also shows our ability as a smaller water company to be agile and move with speed to deploy industry leading technology. But we know there is always more to do, and I know the team will keep pushing forward with this technology to help drive down leakage even further.

In terms of challenges, I think the main one is being resilient enough to prepare for, and withstand, more frequently occurring adverse weather patterns. These extremes have directly led to some of the challenges the industry has seen. So, it's more about how well positioned you are entering a challenging weather period, not necessarily what you do in the period itself. If you haven't got a resilient system, then all you can do is respond to drought conditions, rather than proactively prepare for them.

And finally, I'd like to see us reach even more of the local community through our education programme. Our fantastic Flow Zone education centre at Bough Beech Reservoir already attracts thousands of pupils and adults each year and it's never been more important to educate the next generation about the importance of saving water. If we truly want to get on top of water consumption, then children have a huge role to play in taking these messages back to their parents and family.

In addition, the current economic climate has proved to be a challenge for our business in the last year. High levels of inflation have put pressure on our supply chain costs (such as the cost of chemicals used in our water treatment processes). Combined with significant levels of activity to continue to provide our customers with high-quality water each and every day, our operating costs for the year have increased from prior year. In addition, higher inflation has substantially increased our financing costs with respect to the large index-linked bond we hold. Further detail on these financial challenges is provided in the Financial review on pages 56 to 60, and a key focus for the upcoming year is ensuring we implement resilient financing and we are as efficient as possible with our operational and capital expenditure while still delivering our performance commitments for our customers.

Q. What would you like to see more of at SES Water?

A. I'd like to see more innovative technology being deployed, as I think we've done some great trials and we're now showing the benefits of these in how we run the operation. In particular, I'd like to see us roll out more smart meter technology into the next AMP cycle. Smart meters will provide us with the ability to better understand how our customers are using water and how much water is being leaked from the network. When we have them installed, I'd like to see us challenging ourselves to think how else we can effectively use the data they provide. How can we use smart meter data to not only show us when there's an issue but also use it to get ahead of potential issues before they happen? I think that's a really exciting place to get to.

Q. What other areas do we need to focus on in the next 12 months?

A. I'm proud of how the Company has provided financial support for customers struggling to pay their bills, which is even more important given the cost of living pressures in the past 12 months. It's important we keep up this support in the year ahead and make sure our customers know we are here to help them. We have some really supportive schemes in place under our 'Here For You' programme and we've heard directly from some of our customers that these have helped make a difference to them.

Our support for customers doesn't just stop at financial aid. We've successfully implemented our first, but not last, data share agreement, which means we are now exchanging Priority Service Register customer data with UK Power Networks. We have also been training our employees on how to better understand the needs of customers with conditions such as dementia and autism, so we can all better deliver a more inclusive service.

It's also important we keep up the right level of support for our employees, who we have helped through wellbeing and financial support packages across the year. I'm also very aware of how busy workloads are right across the business, particularly for those who are in operational roles and those involved with delivering PR24 development and planning for the next five years. While this is a significant piece of work, we of course also need to maintain focus on delivering great-quality water for our customers.

I'd also like to see us continue the momentum and great strides we've made with our environmental commitments. We're leading the way with Biodiversity Benchmark Awards at two of our sites and I'd like to see this continue. When I visit the treatment works sites, I can see the benefits of this biodiversity, not just the obvious ones for the environment but also for our employees' wellbeing. Having nature on their doorstep is something they enjoy and can positively affect mental health.



Dave Shemmans

Chair

14 July 2023