

How we manage our dependencies and impacts

Delivering our purpose requires us to sustainably source, use and positively impact on resources from each of the six capitals.

Natural capital

Every stage of the water cycle, as shown on pages 18 to 19, relies on renewable and non-renewable environmental resources including water, land, air, minerals and forests as well as biodiversity and ecosystem health.

Water bodies

We abstract raw water for treatment and supply, and depend on water bodies to receive treated wastewater. We make long-term plans and investments to maintain resilient water resources, as well as managing periods of extreme wet or dry weather in the near term. Our catchment management programmes help us to manage the flow of water. In dry weather, our integrated supply zone allows us to move water around the region, and we encourage customers to use water efficiently. We improve final effluent quality, minimise pollution incidents, and are investing to reduce the use of storm overflows.

Land

A lot of our catchment land is managed by tenant farmers or in partnership, and we ensure it is well managed to improve water quality and help protect habitat health and biodiversity. We also depend on land for attenuating flows to support flood management. To reduce the use of storm overflows, we must find alternative ways to cope with heavy rainfall, while avoiding flooding. Enlarging sewers or building storage tanks is carbon intensive and subject to space constraints, so we are innovating with sustainable drainage and nature-based solutions where practical.

Natural materials

Many of our treatment and construction materials derive from natural sources, such as chemicals, wood and metals. By-products from wastewater treatment can also be used naturally. We generate renewable energy from bioresources and manage 'sludge' waste in a sustainable way, with almost all going to beneficial use such as fertiliser for land.

Financial capital

In order to protect affordability and share the cost of significant long-term infrastructure projects fairly between generations, we use debt and equity finance as well as revenue and direct procurement for customers (DPC).

Risk management

We maintain a robust capital structure, with a responsible mix of equity and debt that maintains gearing within our target range, which is one of the lowest in the sector. We have clear and transparent hedging policies covering credit, liquidity, interest rate, inflation and currency risk, and these are aligned with the regulatory model.

Cash flow management

We monitor our performance against key credit ratios to help us maintain strong and stable investment-grade credit ratings, giving us efficient access to debt markets across the economic cycle. We aim to avoid a concentration of refinancing in any one year, our debt portfolio has a very long average life, and we monitor liquidity forecasts to maintain resources to cover the next 15–24 months of projected cash flow needs.

Strong governance

Our medium-term note programme enables efficient debt issuance under pre-agreed contractual terms, our sustainable finance framework allows us to raise debt based on our strong ESG credentials, and the board delegates authority to the Chief Financial Officer so we can respond quickly to attractive financing opportunities. This helps us consistently raise efficient financing.

Engagement

We provide regular updates to equity and debt investors and establish a two-way dialogue about matters of interest to them. We maintain relationships with a range of banks and access to a broad and diverse range of markets.

Manufactured capital

We have a large number of assets that are essential in enabling us to provide our services to customers and protect public health, including buildings, fleet, equipment and infrastructure.

Long-term planning and investment

The significant investment we have made in our assets since privatisation has provided substantial benefits to customers, including reduced supply interruptions, reduced sewer flooding incidents, and improved water quality. Planning for the long term helps us to understand where and when we need to invest, and we continually monitor the condition, performance and health of our assets, as well as assessing any need for new infrastructure. Our AMP8 final determination represents the biggest investment in over 100 years, and we expect to continue with a substantial investment programme for the foreseeable future, with several long-term investment drivers, as set out on page 08.

Efficient capital delivery

We manage our assets in a holistic way that seeks to minimise whole-life costs, and we embrace new technology and innovation. This helps us deliver efficient expenditure without compromising on quality of service or long-term resilience, saving future operating costs and minimising future customer bills. We also follow best practice approaches to be efficient and effective, such as ISO 5001 - Asset Management, and monitor it as part of our capital programme delivery incentive (CPDi) metric.

Managing our impact

Our assets and infrastructure projects can affect people who live nearby. We consult with these communities in the planning stage and work hard to minimise any negative impact, such as odours from our wastewater treatment works.

AMP8 focus

- Reducing spills from overflows by >60 per cent in the decade to 2030
- Addressing nutrient imbalance and reducing phosphorus levels
- Significantly reducing operational greenhouse gas emissions
- Encouraging a reduction in consumption

AMP8 focus

- Continue to raise financial capital to fund our significant infrastructure investment programme at an efficient cost
- Maintain gearing within our target range of 55 to 65 per cent
- Retain our current strong investment-grade credit ratings

AMP8 focus

- Upgrading treatment works to meet new, more stringent, requirements
- Reducing leakage, sewer collapses, and unplanned outages
- Replacing lead pipes and cleaning/re-lining water aqueducts
- Protecting sites at risk from coastal and river erosion

Intellectual capital

The knowledge and systems we have built, including our understanding of the region and the people who live here, are essential to effectively running and maintaining our assets to ensure a long-term resilient service.

Innovation

We use a variety of methods to drive innovation. We scout ideas from other industries and from across the world, and we invite companies to bring new solutions to us through our Innovation Lab programmes. Our core values encourage colleagues to voice new ideas and we encourage innovation across the business, including our CEO Challenge programme, through which graduates develop novel ways to tackle challenges that we face. These initiatives can lead to the development of products and software that give us a competitive advantage.

Catchment Systems Thinking

Our innovative approach encourages us to think differently and goes beyond our catchment land to look at the wider environment, pulling together a deeper understanding of the catchment. This includes incorporating natural capital decision-making to consider what is best for the environment, customers and communities by integrating risks and driving multiple natural capital benefits, and developing better ways of working through co-governance, collaboration and partnerships.

Dynamic Network Management (DNM)

DNM is one example of how our culture of innovation has helped us to improve our services. We developed the technology to improve management of our sewer network and it helped us significantly reduce sewer flooding incidents. We then developed and applied DNM further to maximise the benefits it offers across the entire water cycle, which is in line with our Catchment Systems Thinking approach.

Social capital

It is important that we maintain positive and constructive relationships with a wide variety of stakeholders, including community bodies, regulators, environmental interest groups, and political and governmental bodies.

Proactive engagement

We actively engage with all our stakeholders, as set out on page 25, and conducted extensive customer and community research in the development of our plans for AMP8. Our supplier relationship management process ensures regular discussions to help identify issues and opportunities for a smooth and productive relationship, and we engage them on sustainable and ethical issues through our United Supply Chain approach.

Performance improvement

Part of ensuring strong and trusted relationships involves managing the quality of our service and the impact of our activities. This means delivering an improving service for customers, supporting those in vulnerable circumstances, protecting and enhancing the environment, and working with communities to minimise disruption and deliver on their priorities.

Collaboration

We seek to work alongside others to understand their priorities, exchanging information, building partnerships and working together wherever we can. We have strategic partnerships, for example with the RSPB and Love Windermere partnership, and collaborate with organisations and community groups on shared challenges such as leakage, flooding and water efficiency.

Transparent disclosures

Engagement helps us assess the issues that are most important to stakeholders, which feed into our materiality assessment as set out on pages 29 to 30. This helps to shape our plans and the disclosures in this report.

Human capital

Colleagues are essential in delivering our purpose and a skilled, engaged and motivated team is fundamental to great service and colleague retention, which helps ensure efficient training and better performance.

Providing opportunities

We offer opportunities for jobs and skills development across the North West, with our plans for AMP8 supporting 30,000 jobs both directly and through our supply chain. We have award-winning graduate and apprenticeship programmes, helping to develop talent and experience in the younger generations, and we support programmes such as 10,000 Black Interns.

Looking after colleagues

We are an accredited Living Wage Foundation employer, providing competitive salaries and benefits, healthcare schemes, an attractive pension offering, share incentive plan, and colleagues at all levels have the same bonus measures as executive directors, so everyone benefits from the success of the company. We measure engagement through an annual survey, consistently outperforming benchmarks. We provide comprehensive training and development opportunities, offer hybrid working where practical, and are committed to protecting the health, safety and wellbeing of our colleagues and those in our supply chain.

Inclusivity

We want our workforce to represent the local communities that we serve, with everyone feeling welcome, valued and included. We promote equity, diversity and inclusion, recruiting from the communities across the North West and supporting our colleagues with equal opportunities. Networks, representing groups of colleagues that may face specific challenges, are overseen by an executive sponsor and support colleagues through their career progression.

AMP8 focus

- Building and maintaining strategic partnerships, working with others to maximise improvements
- Continuing to innovate and utilise new ideas to improve services
- Working with the supply chain to build new blue/green nature-based solution capabilities

AMP8 focus

- Innovative county-based approach to planning and delivery
- Using a wider range of suppliers, matched to the specifics of each job, including more small local suppliers
- Doubling our sector-leading affordability support, helping one in six households across the North West

AMP8 focus

- Support 30,000 jobs, including creating 7,000 new jobs, directly and indirectly through our supply chain
- Continue prioritising the recruitment, development and retention of skilled and engaged colleagues
- Further improve equity, diversity and inclusion