

Directors' report and business review

4. Operational performance



Helen Charlton,
customer advisor.

NWL uses a range of indicators to monitor performance. In addition to the financial indicators shown on page 19, NWL also uses non-financial indicators throughout the business. Performance against these indicators is reviewed by the management

team each month. The definition, purpose and source of the main KPIs are shown on pages 44 and 45.

NWL performance against non-financial KPIs (unaudited) is shown in each section.

Customer satisfaction

	North (N) South (S)	Target 2008/09	Performance 2008/09
Overall service (%) ¹	N/S	90	88
Value for money (%) ¹	N/S	85	84

Note:

1. Satisfaction measured on a net basis (see appendix to the directors' report and business review).

NWL carries out regular quarterly tracking surveys of domestic customers and, during the year, customer satisfaction levels remained very high, with 90% of customers satisfied or very satisfied with the service NWL provides and 87% feeling it provides value for money.

CCWater has carried out its third annual survey for domestic customers on a number of key themes, including value for money. This year's survey again concluded that, of all water companies' customers, ours are the most satisfied with the fairness of charges and value for money.

Domestic customers

	North (N) South (S)	Target 2008/09	Performance 2008/09
Properties at risk of low pressure	N S	274 126	271 40
Properties subject to unplanned interruption of six hours or more	N S	3,000 2,000	8,278 ¹ 3,353 ²
Properties subject to hosepipe bans at any time during the year	N/S	0	0
Properties subject to sewer flooding incidents (other causes)	N	150	286
Properties at risk of sewer flooding incidents (once in ten years)	N	61	189
Properties at risk of sewer flooding incidents (twice in ten years)	N	41	370
Billing contacts responded to (within five working days) (%)	N S	99.2 99.2	99.2 99.6
Written complaints responded to (within ten working days) (%)	N S	99.8 99.8	99.9 99.7
Bills based on meter readings (%)	N S	99.95 99.95	99.90 99.95
All telephone lines busy (%)	N S	0.25 0.25	0.07 0.06
Abandoned telephone calls (%)	N S	2.50 2.50	3.43 1.95

Notes:

1. Performance affected by a major burst in Northumberland.
2. Performance affected by a major burst in Suffolk.

Understanding and meeting the needs of customers is at the heart of our strategy and NWL is committed to providing a high standard of customer service that meets those needs and those of our regulators. The introduction of our 'right first time every time' philosophy during 2008/09 was part of the re-launch of our customer care charter and a campaign to reinforce a strong customer service ethos across the business.

Ensuring we receive payment for the services we provide remains a priority and our ongoing focus on debt recovery inevitably generates contact from customers in arrears. In the current economic climate we expect the level of our debt recovery activity to increase.

During the year, CCWater introduced a new quality assessment process for complaint handling. We work very closely with CCWater and welcome

feedback on our performance which helps to identify areas for further improvement to our high standards.

In a further reflection of focus on customer service excellence, one of a number of awards for NWL this year was the North East Contact Centre of the Year 2008.

Business customers

The economic situation has had a significant impact on some business sectors which are important in our operating regions and NWL has been working closely with major customers in those sectors to mitigate the impact where possible. It has also taken the opportunity to work with potential new businesses in its regions and with the regional economic agencies to both secure existing and encourage new business.

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Leisure customers

NWL is one of the founding members of Kielder Water & Forest Park Charitable Trust. This will replace the existing Kielder Partnership and seek to promote sustainable development, recreation, access and leisure, education, infrastructure and a range of other charitable purposes at Kielder and in the surrounding area. The Trust is seeking registration as a charity and will be chaired by John Cuthbert, Managing Director.

The development of Kielder Water & Forest Park is supported by the Northumberland Strategic Partnership, Government Office Northeast and One NorthEast. This year has seen the completion of a 27 mile lakeside multi-user track and water access points as well as the opening of an award winning observatory and a range of mountain biking tracks. The



new website at www.visitkielder.com provides further details of all facilities.

Kielder Water & Forest Park's award winning observatory.

NWL continues to develop its leisure facilities at all strategic sites, investing in fishing facilities, holiday accommodation and supporting 'Access for All'.

Biogas holding vessels at Bran Sands, on Teesside.

Bran Sands turns anaerobic

This autumn, work will be completed on a green energy scheme at one of our largest treatment works at Bran Sands, on Teesside, which will help generate energy to run the plant.

The thermal hydrolysis advanced anaerobic digestion will enable us to use waste sludge to generate methane to fuel gas engines and produce c.4.7MW of green electricity. This will reduce the site demand for grid electricity by half.

Raw sludge is placed in stainless steel vessels, injected with steam and held under pressure at high temperatures to break the sludge down. The pressure and temperature is reduced and the sludge is then passed to the next step to be digested by billions of tiny methane producing bacteria. This methane will be used to fuel the gas engines and reduce our carbon footprint. We plan to build a similar plant on Tyneside and, together with the Teesside plant, this will increase our use of renewable energy to over 20%.

The sludge cake that remains after this process is odourless, harmless and can be used as a fertiliser for agricultural land.



Water

As shown in the table below, the quality of drinking water supplied by NWL remained excellent in 2008/09.

	North (N) South (S)	Target 2008/09	Performance 2008/09
DWI Mean Zonal Compliance (%)	N	99.90	99.92
	S	99.98	99.99
DWI Operational Performance Index (%)	N	99.65	99.67
	S	99.98	99.98
Distribution Maintenance Index (%)	N	99.70	99.52
	S	99.80	99.96

During the year, projects to improve water treatment processes were completed at a number of sites. At Lartington, in County Durham, a new sludge treatment process was installed. Sludge from this facility is now recycled, increasing the recycled volumes of sludge from water treatment works to above 50%. Work to increase the output from Layer water treatment works in Essex, by 20%, was completed successfully, improving the resilience of supplies throughout the region.

One of NWL's key priorities is to continue to reduce the amount of water lost from its networks and the leakage targets agreed with Ofwat have been met despite increases arising from the colder than average winter. The leakage in our southern operating area remains amongst the lowest in the country as it has been for many years. NWL aims to set best practice standards to manage leakage and is playing a leading role in a review of leakage methodologies with the EA and Ofwat.

A large diameter mains cleaning programme, which began in February 2007 and will be complete by 2011, will improve tap water quality to 500,000 customers in south east Northumberland, north Tyneside and the north of Newcastle. This work is progressing well and will make a significant contribution to the planned reduction in customer complaints.

Water resources

Our plan to increase the capacity of Abberton reservoir near Colchester by 58% reached a key milestone,

in April 2009, with the granting of planning permission for the reservoir raising, pipelines and pumping stations. This successful conclusion was the culmination of years of extensive work with environmental scientists, lawyers and planners to produce the environmental statement and supporting documentation submitted to the planning authorities. The EA is continuing to prepare the application to vary its licences at Denver and Blackdyke, in Norfolk, which, together with the enhanced transfer facilities and the enlarged reservoir, will secure water supplies for customers in one of the driest areas in the UK.

Our long running water efficiency promotions and good relationship with our customers continue to produce a positive response. This will become even more important in future following the introduction by Ofwat of water efficiency targets for companies.

Metering also has an important role to play in managing the demand for water. For several years we have been installing water meters on change of occupier in properties in the Essex area. This is in addition to the optional metering scheme available to all customers. Around 43% of domestic households in Essex, 56% in Suffolk and over 20% of Northumbrian are now metered.

Although supplies are plentiful in the north east, we believe it is still important to manage the demand for water so that it does not exceed levels that can be supplied in a sustainable way.



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Environment

(Northern operating area only)	Target 2008/09	Performance 2008/09
Sewage treatment works (%)	99.7	100
Bathing waters Mandatory Standard (%)	100	100
Pollution incidents	96	94

All 33 bathing waters in NWL's area passed the EU Mandatory Standard and 20 of these also met the more demanding Guideline Standard, despite poor weather in the summer of 2008. We are working with the EA to identify the impact of other stakeholders, including local authorities, highway authorities, farmers and land holders, on the quality of bathing waters.

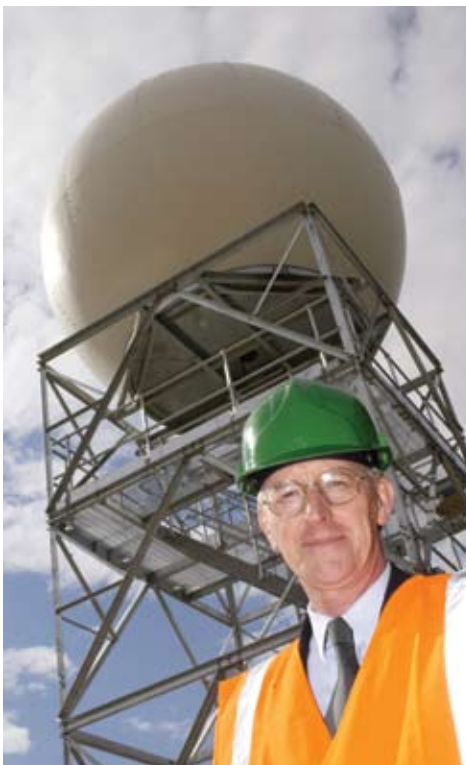
All 158 (2008: 157) consented sewage treatment works met their required standards during the year. Improved operating practices based upon timely interventions from our enhanced performance monitoring system, together with focused capital maintenance investment, contributed to this performance. Significant investment was made at strategic

works in Darlington, Sunderland and Browney (County Durham).

NWL continues to benefit from its ongoing investment in real time monitoring devices in the sewer network which provide information on flow levels. Further improvements linking this data with rainfall information allow operational teams to focus on significant overflows from the network which can cause pollution. The downward trend of pollution incidents over the last five years has been maintained. Last year, there were 94 incidents attributed to our assets, mainly from foul sewers and combined storm overflows (25 less than the previous year).

Intense rainfall during localised summer storms caused extensive flooding

The Right Honourable Hilary Benn MP, Secretary of State for Environment, Food and Rural Affairs on his recent visit to view the radar.



Understanding the weather

We are committed to reducing the risk of flooding for our customers but the lack of reliable weather data in the north east has meant that predicting storms and the subsequent impact of rainfall on our sewerage network has been problematic.

We need access to information to make accurate network performance predictions and understand how our 16,000km long sewerage network copes in different weather conditions, including the severe localised storms we have seen in recent years.

We have joined forces with the Meteorological Office and the Environment Agency to install a £1 million rain radar at High Moorsley, near Durham City, which will record the location and intensity of rainfall. The central location of the radar will provide excellent coverage of the major urban areas, including those most vulnerable to flooding. The coverage we currently receive is in 5km grids but will reduce to 1km grids.

The radar will help us to focus flood alleviation work in the risk areas and help the Meteorological Office and the Environment Agency give more accurate and timely flood warnings. The rain radar is a perfect complement to the NWL sponsored network of 85 school weather stations as part of the Northumbrian Water GLOBE project. This unique project forms part of the international GLOBE programme, a network linking weatherstations in schools in 110 countries, the data from which can be used by us locally but which can also be accessed by scientists internationally including those at NASA.



David Chapman, NWL's
Climate Change Manager.

during the year with 829 properties flooded internally, well above the long term average and second only to 2005/06 with 1,160 properties. Investment to reduce the risk of sewer flooding has been increased. During the year, 20 schemes were completed to alleviate flooding risk for 114 properties and we improved 102 combined sewer overflows. This will further improve rivers and water courses, enhance their visual appearance and reduce pollution incidents.

Climate change

The water industry is one of the largest users of energy in the UK and we aim to play a full part in support of Government's plans to reduce emissions. We have been working over recent years to reduce our carbon footprint while preparing ourselves for the future challenges of a change in climate and the weather events we may face as a consequence. We will shortly commence commissioning of an advanced anaerobic digestion plant at Bran Sands which, when operational, will provide 50% (c.4.7 MW) of the energy requirements of the site. A similar investment for our site at Howdon, on Tyneside, has been included in our Final Business Plan submission.

Detailed below are some of our projects to reduce our impact on climate change:

- limiting tertiary UV disinfection outside the bathing water season at five major works reduces energy consumption and carbon emissions with no detrimental effect on the marine environment;
- introducing anaerobic digestion, as part of our sludge strategy, will generate power at three smaller sites initially, and at two larger sites (Bran Sands will be complete in 2009 and Howdon is planned for the next five year investment period) increasing our total renewable energy to over 20%;
- generating our own renewable energy with hydroelectric plants at Kielder, Derwent, Lartington and Wear Valley reservoirs and biogas combined heat and power at Stressholme, Hexham and Aycliffe;

- contributing to the project in the North Pennines, which has 27% of England's peat-forming blanket bog which locks in carbon, preventing it being released into the atmosphere;
- encouraging customers, through our 'Water is precious' campaign, to use water wisely and recognise that if they waste water, they also waste energy (a water carbon footprint calculator is now available for customers on our websites to emphasise this link); and
- introducing a new work management system which will improve customer service and efficient working, and will also significantly reduce mileage in our vehicles.

Through these projects we have reduced the amount of energy used by almost 9% over the last five years. We are continuing to develop our understanding of the potential impacts of a changing climate. The UK Climate Projections will be published later this year and we will be revisiting our assessment in light of the new science that emerges.

Our work to date includes:

- publishing our Water Resource Management Plan and our strategic direction statement 'Looking to the future' which include an assessment of climate change on water resource needs for the next 25 years;
- undertaking an assessment of the main threats to service provisions and continuity from flooding, in response to the floods seen elsewhere in 2007 and the subsequent 'Pitt Review: Lessons learned from the 2007 floods' (Pitt Review);
- aiming by 2013 to have completed, with relevant agencies, a major study on Tyneside to explore sustainable drainage options that take into account regional development and the impact of climate change (building on similar work carried out in Hartlepool as part of the Defra 'Making space for water' scheme); and
- working with experts to understand the potential impact on our assets and sharing information with the North East Climate Change Adaptation Study and Action Plan published on 1 May 2008.

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Quality

NWL has maintained its certification to the international quality standard ISO 9001:2000 and to the international environmental standard ISO 14001:2004 across all areas of the business, including operational sites and office based teams.

The company also achieved companywide certification to the international occupational health and safety management standard OHSAS 18001 in 2007.

Employees

Throughout the Group we have 3,147 employees, as set out below:

Group business unit	Average number of employees	%
Northumbrian Water Limited	2,966	94
Water and waste water contracts	156	5
Other	25	1
Total employees	3,147	100

NWG's key asset is its employees and one of the strengths of NWL is employee loyalty; employee turnover is relatively low at 6.4%, well below the UK water industry average of 10.4%. NWG ensures its terms and conditions both attract and retain the best employees in the areas it serves. NWL employees also have access to a scheme which provides a wide range of benefits including childcare vouchers and discounted store vouchers.

Currently 62% of employees participate in the scheme, up from 27% last year.

NWG places great emphasis on health and safety and employees are actively encouraged to be involved in identifying and eliminating hazards in the workplace. This has resulted in a significant reduction in accidents over recent years.

	North (N) South (S)	Target 2008/09	Performance 2008/09
Employee turnover (rolling %) ¹	N/S	Industry average 10.4	6.4
Lost time reportable accidents (per 1,000 employees)	N/S	5	6
Sickness absence (%)	N/S	2.85	2.94

Notes:

1. No target set, data for information.

The active involvement and engagement of everyone across the business is an important part of delivering performance and NWL continues to formally seek the views of employees through an annual employee attitude survey. This year's survey was completed by 57% who gave their views on their working life, training, communications, managers and the company. The results were reported back to all employees at workshops and employees participated in the development of action plans with their managers. Overall, employee satisfaction levels remain very high with over 77% of respondents stating they

are proud to work for the company and 71% telling us that NWL is a great organisation to work for.

Training and development

NWL introduced an extensive People Plan in 2007 in which it set out a programme to support and develop employees.

Everyone who joins NWL receives a personalised induction plan outlining their familiarisation and training programme for the first weeks of their employment. In addition they are invited to an induction day where they meet senior managers and are

introduced to the company and our approach to key areas including health and safety, terms and conditions, pensions and 'Just an hour'.

We are committed to the continuous development of occupational skills and signed the Government's 'Skills Pledge', committing to 90% of employees achieving the National Vocational Framework (NVQ) Level 2 standard by December 2009 and 95% as soon as possible thereafter.

An ambitious NVQ programme is being rolled out in our customer and operational areas. Funding has been secured from the Learning and Skills Council's 'Train to Gain' fund and also through Business Link. In December 2008, NWL was the first water and sewerage company in the UK to have all its 138 water treatment production operators meet the requirements of the 'Competent Operator Framework' and achieve a nationally recognised qualification, the NVQ Level 2 in Operating Process Plant.

Since the re-introduction of our apprenticeship scheme in September 2007 we have recruited 18 apprentices for the maintenance area across the

business. In 2009, we plan to recruit nine new apprentices, including the first apprentice for our information services team. Candidates undertake a four year development programme and have excellent career prospects when they complete their apprenticeships being guaranteed employment on successful completion of their training.

Our Graduate Development Programme was re-launched in 2008, to provide potential leaders for the future. Candidates undertake a two year programme with three to six month placements in different parts of the business. In addition to a line manager they are also given a senior management mentor. Employment is guaranteed on successful completion of the programme. We recruited four graduates in 2008 and plan to recruit an additional four to start in 2009.

One of the objectives of the People Plan is to develop leadership skills in current and potential managers. NWL continues to implement its Management Development Framework which is structured to cover the training needs of those who show the potential for management right through to development at director level. As part

John Cuthbert and Kriss Akabusi present Kenny Allport his award at the southern skills awards.

Investing in our people

As a business we rely on our people and are committed to giving them the best training possible. We encourage them to gain qualifications even if they lack self confidence when it comes to formal study.

National Vocational Qualifications (NVQs) measure and recognise competence at work and are designed around the skills and knowledge people use in their jobs. We are making great progress towards our published skills pledge target of 90% of our workforce to be qualified to a minimum of level 2 NVQ by the end of 2009.

In 2006, when the programme began, this figure was only 60% but since then NVQs have been achieved in a wide range of areas including customer service, business administration, engineering maintenance, team leading and assessing.

We were the first water and sewerage company in the country to have all of our 138 treatment works operators gain the new NVQ in Operating Process Plant. This has been developed specifically to meet the national occupational standards set by the water, electricity, gas and waste management industries to achieve competent operator status. This qualification incorporates the best possible working practices and means we are setting the standard of best practice in our field.

Everyone who achieves a qualification is invited to annual skills awards ceremonies to celebrate their success and applaud their dedication and hard work.



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of this framework we are working in partnership with Newcastle Business School to provide qualifications from a Diploma to a Masters degree in leadership and management.

Employees' academic achievements were celebrated this year at our third annual skills awards. Attended by senior managers from around the business, and with guest speaker Kriss Akabusi, the events were again motivational and memorable.

Health and safety

Our emphasis on the importance of health and safety within NWL has resulted in major improvements to our safety record in recent years. This year we experienced six lost time reportable accidents per 1,000 employees, which is a 57% reduction over the previous five years. This has been accompanied by a further reduction in days lost through accidents.

We have established a medium term plan for taking health and safety forward in the business to 2014. We aim to further reduce the number of accidents by 10% each year and to reinforce the safety culture in the business.

NWL proactively supports and encourages employees to strive for high standards of health and wellbeing

by providing a wide range of services, support and resources relating to occupational health, with the Group's medical advisor providing comprehensive occupational health services, general health promotion and stress management. NWL employees also have on and offsite access to specialist advice and treatment to support recovery from musculoskeletal disorders (MSD).

We continue to promote healthy eating, hydration and discourage smoking in our workforce and offer excellent health screening and medical insurance schemes. Around 1,700 employees have been through our health screening and fitness standards programmes, both of which now include lifestyle advice elements. In the first year we have reduced sickness absence due to MSD by just over 9%.

NWL's current level of sickness absence is 2.94% which is the lowest ever achieved and well below the norm for the sector.

Research and development

We run a programme of research and development linked to our core business operations. This includes the development of technical solutions for water and waste water management, collaborative research within the sector and through partnerships with academic and research organisations.

NWL's Management Development Framework model.

During the year, the Group invested £1.8 million (2008: £1.8 million) in research and development.

Water and waste water contracts

Revenue for the Group’s water and waste water contracts was £39.8 million for the year to 31 March 2009 (2008: £35.5 million) and profit on ordinary activities before interest was £9.1 million (2008: £8.4 million). The increase is principally due to a credit in respect of gas indexation (£2.4 million) on tariffs at Caledonian Environmental Services offset slightly by increased power and sludge disposal costs. All contracts are performing well, in line with expectations.

The Group is a member of two consortiums delivering long term private finance initiative contracts with Scottish Water for waste water treatment. At Levenmouth, the Group has a 75% shareholding in both project and operating companies and the benefit of a 40 year contract. Funding was provided through a 37 year fixed interest rate corporate bond with the principal amortising from 2008.

In Ayrshire, the Group has a 75% shareholding in the project company and a 100% shareholding in the company that operates the three effluent treatment plants that make up this 30 year contract. Finance was provided through a 27 year loan on a fixed interest basis with the principal amortising from 2003.

In Ireland, the Group is part of a contractual consortium that designed and built a waste water treatment plant for Cork City Council. Under the consortium agreement, the Group has responsibility for a 20 year contract for the operation and maintenance of the plant.

AquaGib Limited, two thirds owned by the Group in a joint venture with the Government of Gibraltar, operates Gibraltar’s dual drinking water and sea water distribution systems under its 30 year contract with the Government of Gibraltar. The project to install

two new reverse osmosis plants to replace ageing and relatively inefficient distillation plants, a £3.4 million investment, has been completed.

Other Agrer

Revenue for the year to 31 March 2009 was £7.2 million (2008: £6.9 million). During the year, the level of new projects has been lower than the previous year but the order book at the end of the period, as Agrer enters its 50th year, is reasonable. Several contracts have been extended and the most significant new contracts are: technical assistance to the management and development of natural resources in Chad (€0.9 million – two years); a study for the privatisation of the coffee sector in Burundi (€0.6 million – ten months); and the study of the agricultural development of the Guiers Lake area in Senegal (€0.4 million – one year).

Corporate responsibility

NWL supports the communities we serve in a number of different ways. As well as providing financial support and facilities, we encourage employees to volunteer their time, skills and expertise. These activities generally support projects that make the areas we serve better places in which to live, work or invest. The programme focuses on key themes throughout these communities but, increasingly, we are developing initiatives designed to tackle lasting and sustainable change in specific areas.

In April 2009, NWL received the Queen’s Award for Enterprise, in the category of Sustainable Development and the citation read:

“Northumbrian Water Limited receives the Award for its ongoing and impressive commitment to sustainability.

“It has actively striven to promote best practice within its sector and is committed to ongoing review and continuous improvement.

“With a commendable and ever improving environmental performance in place, it is, however, Northumbrian’s



FTSE4Good

2008 UTILITY INDUSTRY ACHIEVEMENT AWARDS

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extremely impressive social and economic initiatives which elevate it to the status of sector leaders.

"A diverse suite of programmes have been implemented, encompassing local procurement, strong apprenticeship programmes, individual up skilling and the continuous leverage of their spending power, employment and wider economic presence to ensure maximum benefit for local communities.

"Northumbrian's driving commitment to sustainability governance provides an example and benchmark across sectors, demonstrating that strong leadership and ambition can make a tangible difference to communities both local and more widely."

NWL was also named 'Utility Company of the Year' at the Utility Week Awards in December 2008. Steve Hobson, the Editor said:

"Last year for the first time we asked our panel of eminent judges to nominate and vote for the utility they felt deserved the accolade 'Utility Company of the Year'. The aim was to open this top category to companies that deserve such recognition but often don't enter awards for various reasons.

"Northumbrian Water was a worthy winner for the way it builds its business around customers and the community, principles that usually do not make headlines but show that a successful utility really does put customers at the heart of its business."

In addition to the awards outlined above we were:

- members of the FTSE4GoodIndex again;
- ranked by Business in the Community (BITC) as one of the top 100 'Companies for corporate responsibility' and as a Platinum ranked company. It also awarded the company its Big Tick award for its impact on society and for being a healthy workplace;
- leading water company in Britain's Most Admired Companies survey;
- North East Call Centre of the Year in the 2008 contact centre awards;

- the employee engagement winner at the North East of England Chartered Institute of Personnel Development HR&D awards; and
- the category winner of Culture for Success Large Employer Award for employee development, customer service, business growth and the contribution we have made to the community.

Over many years, we have donated at least 1% of our pre-tax profits (through cash, employee time and expertise, or use of our facilities) to projects which benefit the communities we serve. We reported this publicly as part of BITC's Per Cent Club standard and, although this ended in October 2007, NWG has maintained this commitment.

The Group made charitable donations totalling £134,415 during the year.

Community support

Employees and volunteering

Currently 22% of employees participate in the 'Just an hour' volunteering scheme and last year gave over 6,500 hours to the community. Over 500 different organisations were given financial and in-kind support during the year. The 'Care for safety' scheme, which encourages employees to reduce accidents and associated lost time, has triggered payments totalling £52,655 for our nominated charities (Great North Air Ambulance Service, Mencap's Dilston College, RNLI, St Teresa's Hospice and East Anglia's Children's Hospices). Since it began over £250,000 has been raised for charity.

Education

Further to the launch of the 'Northumbrian Water GLOBE' programme, which saw us link up with the international environmental education initiative set up by Al Gore in 1996, we donated 85 fully automated weather stations and associated training to schools throughout the northern region, to collect weather data in areas where Meteorological Office coverage is poor. This data is now helping to increase understanding of the impact of climate change, and is a valuable curriculum tool.



'Just an hour' employees at Percy Hedley School, Newcastle, (l-r) Ash Harrison, Andy Armstrong, Jayne Simpson, Dave Allen, Fay Pickup and Andrew Blenkharn.

The 'Northumbrian Water Schools Awards', now in their third year in the northern region, are designed to recognise and celebrate the achievements being made by our schools. They cover both community and curriculum based projects and honour whole schools, classes and individuals.

In our southern operating area, we support 'Cash for Schools' along with the Essex Chronicle. This recognises excellence, with a focus on environmental projects from primary and secondary schools, within the newspaper's distribution area.

A wide range of educational materials are available on our websites for children and teachers.

Partnerships

Water for health

NWL is at the forefront in the water industry in communicating the health benefits of drinking tap water. To date, over £244,000 has been provided for mains-fed water coolers in schools and around 600 have been supplied in nearly 300 schools. We also continue to promote bottle-free water coolers as a sustainable alternative to bottle-fed coolers.

We also support the Water UK and Unison led 'Water@work' initiative to encourage employers to ensure

that employees have adequate access to drinking water.

Environmental

Key partnerships have been developed with NWL to help the conservation of biodiversity on our sites. Our contribution to the partnerships includes funding project officers and current partnerships include:

- Northumberland Wildlife Trust (Kielder and Bakethin);
- Durham Wildlife Trust;
- Essex Wildlife Trust (Hanningfield);
- Broads Authority (Lound and Trinity Broads); and
- Davy Down Trust.

Sustainable communities

We have a continuing commitment to support projects and organisations within the areas in which we work and contribute to the long term sustainability not only of our business, but also of the environment, society and communities we serve. Corporate responsibility is integral to how we do business and as part of this commitment we are working in different ways within our communities to promote lasting change.

We are working with partners to create models of sustainable change and also methods of evaluating their success, which can be replicated in other communities. The focus has been on health, education, economy and affordable housing as well as creating new ways to support areas helped by our chosen charity WaterAid.

Health

Healthworks has been open for nearly two years now after we reached an agreement with County Durham Primary Care Trust (PCT) granting them a 99 year lease on a redundant building at our Easington waterworks. We worked in partnership with the PCT, the District of Easington Council, the Neighbourhood Management Pathfinder and other stakeholders to develop services for the local community in an area where census records show one of the worst health records in the country.

Our commitment has gone beyond providing the building. There is a natural synergy between our own

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Tony Blair with 'Just an hour' employees at the launch of The Tony Blair Sports Foundation, (l-r) Mike Ciaraldi, Sharon Stewart, Simon May, Jane Morland, Jane Davison, Sharon Martin, Karen Scott and Leanne Clough.

'Water for health' campaign and the 'Healthy Living' agenda, so we devised new ways for NWL to work at a strategic level with the partners of the Healthworks to ensure the sustainability of the building and its facilities for the community. We contributed research, marketing and communications support to improve awareness of the centre and helped with events to promote healthy living, targeted at primary and secondary schools and day centres.

We sit on the steering group for Healthworks which achieved almost 10,000 visitors in its first year alone and now provides more than 30 health and community support services. It acts as a community focal point where service providers and community groups can come together to address issues that affect the quality of life in the local community. Facilities range from a juice bar to a gym and information kiosks, some of which can be used in a privacy setting with many more planned. Healthworks has been so successful that the plans for phase two have been brought forward and will include a GP walk-in surgery thus securing the future of Healthworks for the community.

As part of the support, we developed the 'Oceans of Fun' activity which is

supported by sponsorship of 'Everyday Swim' an innovative swimming programme run by the Amateur Swimming Association to promote physical exercise and an arts programme run by Creative Partnerships to use arts-based activities to change children's attitudes to eating and drinking, supported by research from Durham University. Our contribution to the work of Healthworks is a unique approach to tackling the poor long term health of the residents in Easington.

Sporting partnerships

NWL prides itself on being immersed in the community and working with a wide and diverse range of sporting partners is a natural extension of our 'Water for Health' campaign, which encourages people to lead a healthy lifestyle. Working with our sporting partners we support a diverse range of sports to get people active as well as educating them on healthy eating and good hydration. Through our partnerships we reach over 55,000 children and adults annually. We provide:

- links and networks to enable sporting partners to get together to share ideas and resources;
- financial support of over £50,000 per annum which then levered over £80,000 from other sources;

- approximately 200 employee volunteer hours per annum;
- advice and marketing support on programme development;
- bottled tap water, sports bottles or mains-fed bottle-free coolers to reinforce the importance of drinking tap water to re-hydrate during sporting activities; and
- help with fundraising and raising the profile to attract additional investment.

We can generate wider support for projects by adding our name and commitment to them and by encouraging others to get involved thus generating additional funding sources for projects. Our involvement acts as a key catalyst to raise confidence that projects present real opportunities for the private sector.

Education

NWL is lead sponsor for Castle View Enterprise Academy, a new and exciting independent school for 11-16 year olds serving the areas of Castletown, Town End Farm and Hylton Castle in Sunderland. The area contains some of the most deprived wards in the region and 61%-80% of the school catchment population is categorised as being 'struggling families'.

Castle View Enterprise Academy will offer a new approach to education and is one of three academies being created in Sunderland with the City Council as co-sponsor. It is a unique model under the 'Building Schools for the Future' programme. Our aim as lead sponsor is to create a centre of excellence with a clear focus on raising standards of academic performance and enabling every student to achieve their personal best in all areas of academy life within a safe, secure and stable environment. The project is now in its third year and we have committed time and resources to support the Principal of the Academy. The Managing Director chairs the Trust Board and employees have helped in the design, build and

management arrangements. The Academy will open in September 2009 and the company will use its business networks to complement the specialism which is business and enterprise.

Economy

North East Enterprise Bond

Our investment in the bond is a five year interest free loan, which helped fund the purchase and running of a number of 'Launch Pads' – mobile vehicles that tour the region to help trigger and encourage enterprise start-ups to make real, long term change. Working with creative enterprise promoters such as Big Ideas, People into Enterprise and Newcastle Education Business Partnership, the bond serves as a catalyst to encourage people to set up their own business or social enterprise.

NEL Growth Fund

Our investment in the fund is to provide start up capital in eligible high growth businesses based in the north east of England. The fund is managed by NEL Capital the specialist venture capital division of NEL Fund Managers.

WaterAid

NWL has continued to raise funds and awareness for the work of WaterAid which brings sustainable water and sanitation solutions as well as hygiene education to the poorest parts of Africa and Asia. The employee fundraising committee has raised more than £3 million, since 1997, with the help of the company and last year focused its fundraising support on specific projects in Malawi and Burkina Faso.

Community Foundations

Community Foundations covering our areas of supply hold endowment funds totalling nearly £1 million contributed by NWL over the last 17 years. These are long term investments with the income from the funds used to support community initiatives. Recipients are chosen by committees of our own employees (64 groups this year).