AMP7 on track delivery

Annex 01

Severn Trent
29 January 2021

WONDERFUL ON TAP

SEVERN TRENT

Contents

Executive summary

AMP7 delivery is supporting the Green Recovery

The Covid-19 pandemic has made 2020 a challenging year for all of us, requiring significant changes to our lives and causing significant economic and social damage to the UK. At the beginning of the pandemic, we took bold steps to reimagine the way we work: making our operations Covid-safe, supporting our customers, colleagues and supply chain, and helping fund our region's response to Covid-19.

The invitation from the Government, Ofwat, EA, DWI and CCW to water companies to support the "country's green economic recovery from the COVID pandemic and deliver a new and more resilient future" is the next step in our sector's support for the UK at this difficult time. It is also a huge opportunity for the water sector to improve services, enhance the environment and help boost economic growth.

We welcome Ofwat's letter of 25 November in which it set out key entry criteria for companies wishing to be part of the Green Recovery, helping to minimise the risks that Ofwat and the Government are taking through this call for participation. We agree that, before accessing additional totex allowances, companies should demonstrate that their performance commitments and investment programmes are on track – in other words, that they are trusted delivery partners for this critical work.

In addition, we believe that trusted delivery partners are those companies who have demonstrated socially responsible behaviours throughout the Covid-19 pandemic, proving their agility and embodying Ofwat's emphasis on public value. Incorporating this consideration into Green Recovery decisions sends a powerful regulatory signal to all water companies that a commitment to public value is expected.

In this paper, we demonstrate that Severn Trent's AMP7 performance to date amply justifies our inclusion in the Green Recovery, for the following reasons:

1. **We are meeting or exceeding the service delivery targets for approx. 80% of our measures, with a forecast net ODI payment of at least £40m this year.**
    a. We are meeting the two targets and performing very strongly in areas that are traditionally very high profile for customers, namely leakage and pollution.
    b. We are delivering first-class environmental performance, exceeding targets for our key bespoke environmental measures such as biodiversity, where we forecast the improvement of over 2,000 hectares of land this year alone.
    c. We expect to have EPA 4* status confirmed again this year, after being one of only three companies to be awarded EPA 4* three times in the last AMP and one of only two companies last year.
    d. We are in positive reward territory on an aggregate basis on water, waste and the environment.
    e. On most measures we are delivering our best ever performance, for example pollutions, leakage, water quality complaints and CRI.

2. **We are ahead of our investment programme this AMP, measured from several perspectives.**

    a. We are currently tracking ahead of our Final Determination, with year one totex projected to be £1,120m compared to our FD allowance of £1,082m.
    b. We have accelerated our investment plans across a number of areas relative to the FD, generating higher spend. In bioresources, we have accelerated our programme to improve cake quality, increasing the renewable energy we generate by 20GWh per year. In our environmental plan, we have accelerated our WFD programme by including 148 'amber' schemes and will have spent £13m this year on feasibility and design work.
    c. We are delivering our EA and DWI regulatory commitments ahead of the agreed schedule, with delivery of 13 projects this year against a target of one.
    d. We increased our market-announced capital delivery plan at half year and expect to outturn at the higher end of our guided range, whilst at the same time in-sourcing our design capability.

3. **We have demonstrated our commitment to social responsibility by supporting our communities in an exemplary way throughout the pandemic.**

    a. On top of our day-to-day support for vulnerable customers, we have promised to develop tailored support programmes for all customers who need it.
    b. We have guaranteed the jobs of colleagues and supported our supply chain with immediate payments for small and medium-sized suppliers.
    c. We are supporting hundreds of local charities and offering 500 training opportunities as part of the Government's Kickstart scheme.
    d. We have donated more than £2m to charities during the pandemic and contributed £3.5m to the Severn Trent Trust Fund.

In summary, Severn Trent is on track against its current performance commitments and investment programmes, making us well placed to take on additional responsibilities as a trusted delivery partner for the Green Recovery scheme. We look forward to this opportunity to transform the water sector, enhance the environment and boost economic growth in our region.

This paper is structured as follows:

- **Section 1** sets out our service and environmental performance this AMP.
- **Section 2** discusses our capital performance and highlights key areas.
- **Section 3** outlines the actions we have taken to support our community during the Covid-19 pandemic.

Section 1: On track against PCs and ODIs

This AMP we have made strong progress in delivering across all service metrics, building on the extra investment we made at the end of the last AMP and increased spend this year. This is reflected in our first half results when we confirmed that not only are we on track to deliver c~80% of our performance commitments, but we also expect to deliver at least £40m in ODI reward at the end of the year, spread across water, waste and environmental measures.

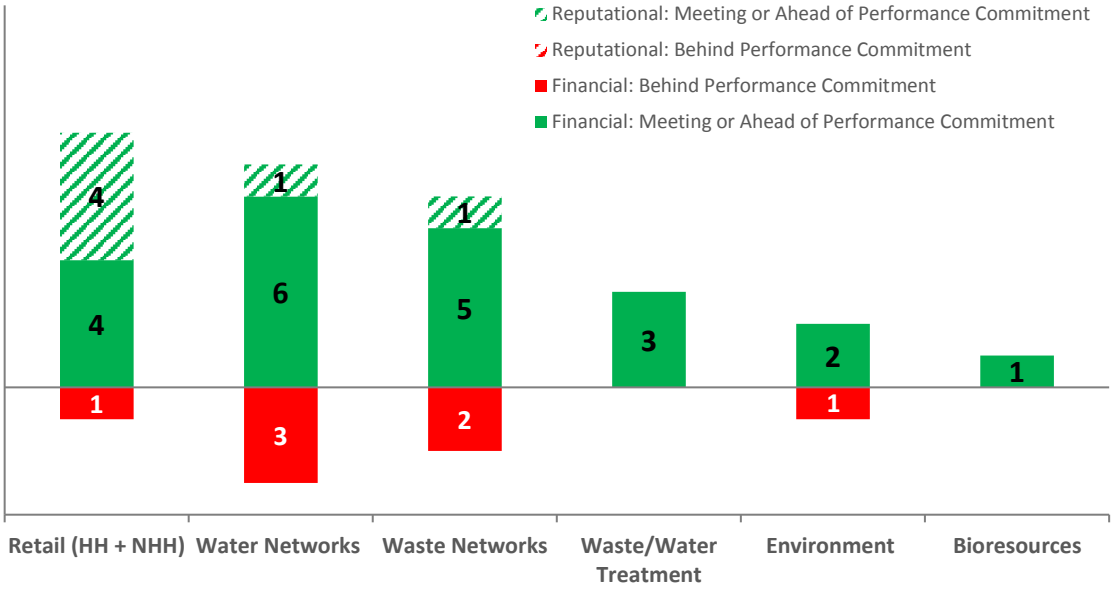
We are particularly proud of this achievement, given that throughout AMP6 our ODI performance was weighted towards our wastewater service. Performance in water services was more variable, including underperformance in key measures such as drinking water complaints. This AMP, we have made improvements across our water service, leading to greater balance in performance between the two services. This balance is evident in the two primary ways we look at PC and ODI performance:

1. The proportion of our PC and ODI performance that is 'green' (favourable to the regulatory target or, for absolute measures such as CRI, within the penalty dead band).
2. The net ODI rewards (which we note is also consistent with the overall lens Ofwat is applying in table 1D).

Forecast PC and ODI performance

As can be seen below, we are currently forecasting around c~80% of measures as green, and we expect to deliver at least this level of performance in each year of AMP7.

Figure 1: Forecast performance commitment position for 2020/21



Forecast net ODI rewards

The second key lens is the forecast ODI outturn position for those financial incentives. Our latest forecast assumes an outturn of at least £40m (net of tax). Given the risk of adverse operating conditions in the remainder of winter, there is still some uncertainty associated with this outturn. We expect our forecast range to tighten, and uncertainty risks to reduce, as we get closer to the end of the reporting year.

At a delivery level, fundamental to our performance is our OOAR model (Outcomes, Outputs, Activities and Resources) which has been revised for AMP7 to align with the revised performance commitments. To support a single line of sight throughout the business, we have developed an interactive digital dashboard for each performance commitment, allowing teams to drill into performance data by geographical region, time period and root cause/lead metrics.

Below we explore our year-to-date position and full-year forecast for a subset of our key waste measures (pollutions and biodiversity) as well as providing a breakdown of the full-year forecast that underpins our half-year results statements. All data provided in this section is collected in line with our audited processes; however, it has not been taken through the final three lines of assurance in our year-end audit process. As such, it should not be considered as final.

Waste measures

In this section we set out our performance across key waste measures – notably pollution incidents, waste infrastructure measures (sewer flooding and blockages) – and biodiversity. Our performance is summarised using the Ofwat information table below.

Table 1: Performance against key waste measures

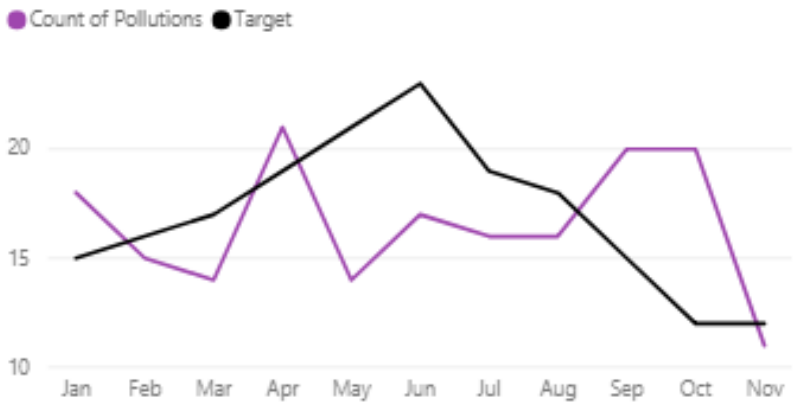
	Unit	*Performance level - actual H1, 2020-21*	*PCL for 2020-21*	*PCL on track to be met? (Yes/No)*
Pollution incidents (9 months)	Nr/10,000km	16.67 (154 incidents)	24.51 (232 incidents)	Yes
Internal sewer flooding	Nr/10,000 connections	1.04 (435 incidents)	1.68 (696 incidents)	Amber
External sewer flooding	Nr	1,695	3,633	Yes
Public sewer flooding	Nr	462	2,005	Yes
Blockages	Nr	16,891	43,000	Yes
Biodiversity (combined)	Hectares	48.2	345.1	Yes
Green Communities	£m	-	0.12	No

Pollution incidents

Our regulatory target for 2020/21 is 24.51 incidents per 10,000km of wastewater network; the equivalent of 232 pollution incidents. Earlier this year, as outlined within our Pollution Incident Reduction Plan (PIRP), we set ourselves the ambition to go further and reduce the total number of pollution incidents by 50% by 2025. Our strong start to this year means that we are also on track to deliver this internal 'stretch' goal.

As shown in the graph below, our monthly internal stretch targets are based on historic seasonality, allowing for a higher number of incidents per month during the warmer spring and summer months, and a much tighter target during the autumn and early winter period.

Figure 2: Pollution incidents monthly profile (internal target and actual)



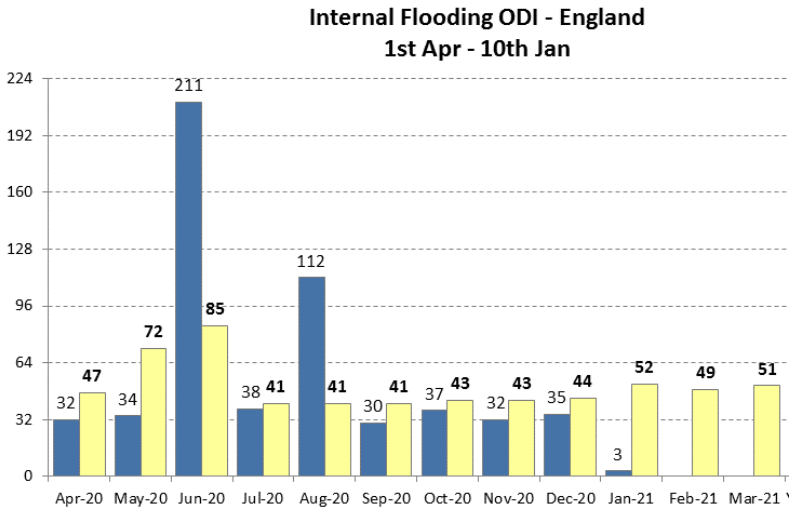
We have outperformed our monthly internal targets in six of the first eight months of the year. Despite the higher number of incidents than expected during the early autumn, we remain on track to outperform both our regulatory and internal 'stretch' target. We are currently expecting to outturn between 200 and 220 incidents (5-13% outperformance compared with our regulatory target). This is a critical first step on our journey to deliver on our ambition to reduce the total number of pollution incidents by 50% by 2025.

Sewer flooding and blockages (waste infrastructure)

This was a key area of focus for us during AMP6, which led to us agreeing with Ofwat to tighten our targets mid-way through AMP6. For AMP7, the targets are stretched further, and we have broadened our scope to be the first company to focus on flooding of public open spaces. Our current position is that for each measure except one we expect to outturn in line with targets or ahead, as discussed below:

- **Internal sewer flooding** – **AMBER**. Our latest forecasts show that, subject to the winter weather continuing as per December, we should just hit our target. If the weather is unfavourable then we may miss this the target, and for this reason we are categorising the measure as amber. This has been quite a challenging measure this year, due to the impact of significant summer storms in June. Our underlying run rate is very strong, and we've been improving our monitoring of the sewer network through increased telemetry and sewer sensors. We have also initiated new programmes (such as our cellars programme) where they can be delivered in a Covid-secure way. Below, we summarise our outturn performance (dark blue) versus our internal targets, demonstrating the impact of the summer storms on our otherwise excellent performance.

Figure 3: Internal sewer flooding performance



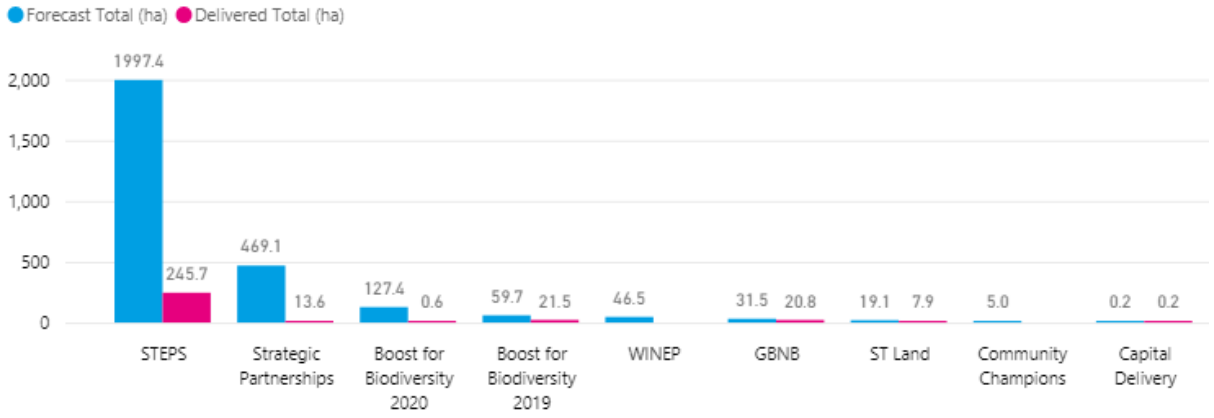
- **External sewer flooding – GREEN**. We expect to meet the regulatory target.
- **Blockages – GREEN.** We have stepped up our offering to customers who experience blocked drains by focussing on improving monitoring of the sewer network, finding new ways to prevent repeat issues, and using data to better target our interventions. We expect to outperform the regulatory target.
- **Public sewer flooding – GREEN.** We have made a great start in reducing sewer flooding in public open spaces and expect to meet the regulatory target.

Biodiversity (water and waste)

In Spring 2020 we launched our Great Big Nature Boost, which aims to improve the biodiversity of over 5,000 hectares of land within our region by 2027, compared to our PR14 target of 409 hectares. This step change in performance is critical to our environmental ambitions, including delivering our ambition to be net-zero carbon as part of our Triple Carbon Pledge.

Delivering this ambition requires a rapid start to our programme, which will be delivered through multiple channels. The graph below shows the forecast and actual delivery to date through each of these channels for the 2020/21 reporting year. Many of the initiatives will come to fruition during the final quarter of a reporting year, hence the variance between year-to-date and forecast.

Figure 4: Biodiversity breakdown by scheme



We are currently expecting to outturn at over 2,000 hectares of land improved this year, more than the whole five-year target added together in order to deliver on our net zero ambitions. This is being delivered through the following schemes:

- **STEPS** – Severn Trent Environmental Protection Scheme has been running for a number of years and provides grants to farmers and landowners to undertake targeted interventions. Historically, the programme has focussed on catchment management, but has been expanded to cover biodiversity for AMP7.
- **Strategic partnerships** – working with agencies including the RSPB to improve the biodiversity of areas of woodland such as Sherwood Forest.
- **Boost for Biodiversity (2019 and 2020)** – a grant scheme similar to STEPS but focussed solely on land management interventions that would not qualify for a STEPS grant.
- **Great Big Nature Boost** – funding standalone biodiversity schemes that are smaller in scale and do not include strategic partners.
- **Severn Trent land** – biodiversity activities on our treatment works.
- **Community Champions** – staff volunteering days to work on improving biodiversity through community projects.
- **Capital Delivery** – building biodiversity enhancement into scheme design.

Green communities

We introduced a new metric for AMP7 focussed on the delivery of natural capital within our region. The metrics uses the B£ST tool to quantify the value of natural capital designed into our programme of work through, for example, the use of sustainable urban drainage solutions (SuDS). The first year of our wider capital programme is focussed on delivery of standard solutions, with significant work being undertaken in the design and feasibility stage for other projects.

Our intention was to deliver the 2020/21 target through a partnership programme with Stoke City Council. Unfortunately, we have been unable to agree the finer details of the programme in time to ensure that construction and delivery will be completed by the end of the reporting year. However, we are confident our forward programme will deliver **at least** the cumulative full AMP commitment of £0.60m by 2024/25.

Water measures

In this section we set out our performance across key water measures – notably leakage, mains repairs, water quality complaints and supply interruptions. Our performance is summarised in the following Ofwat information table.

Table 2: Performance against key water measures

	Unit	*Performance level - actual H1, 2020-21*	*PCL for 2020-21*	*PCL on track to be met? (Yes/No)*
Leakage	Ml/day	416.7	-	Yes
Leakage speed of response	Days	5.8	5.3	Yes
Mains repairs	Nr/1,000km	45.8 (2142)	112.0 (5782)	Yes
Per capita consumption	l/p/d	135.1	-	No
Water meters	Nr	24,097	41,131	Yes
Persistent low pressure	Days	36,704	19,471	Yes
Water supply interruptions	hh:mm:ss	00:08:27	00:06:30	No
Water quality contacts (9 months)	Nr	7,489	9,800	Yes

Leakage and related water infrastructure measures

A number of our water infrastructure measures are intrinsically linked – from speed of response to fixing leaks, to installation of new meters to help reveal those leaks. Given the critical nature of leakage to customers and the environment, in this section we have summarised our performance across these measures.

In the first half of this year we started very strongly, building on our strong finish in AMP6, and have continued to deliver at pace in AMP7. We currently expect to meet nearly all our key targets including leakage, speed of response, mains repairs and meter installation. The only metric for which we are behind our regulatory target relates to PCC, which is not unsurprising given that, in the Water UK/Ofwat-commissioned work by Frontier Economics, almost every company in the UK (and across Europe) has reported a material increase in PCC, reflecting the renewed focus on hygiene and shift to home working throughout the Covid-19 pandemic.

Our position can be summarised as follows:

- **Leakage – GREEN**. We expect to outperform the regulatory target.
- **Leakage speed of response – GREEN**. We expect to meet the regulatory target for the first time.
- **Mains repair – GREEN**. We expect to maintain broadly stable performance on mains repairs and meet the regulatory target.
- **PCC – RED**. We expect to miss the regulatory target due to the exceptional un-precedented increase in household water use in response to Covid-19. We also understand that there are calls for this year to be greyed out in future years to address the impact the 3-year average has on this measure.

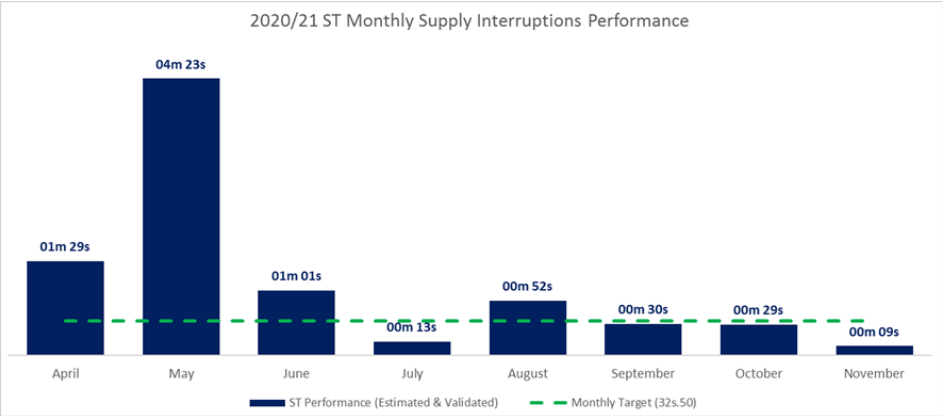
- **Water meters – GREEN**. We expect to outperform the regulatory target and deliver more than the targeted number of water meters, giving us ever-better data on water consumption so that we can target both PCC and supply-pipe leakage more effectively.
- **Supply interruptions – RED**. We expect to miss this regulatory target, as our performance in the first six months has been affected by increased pressure on our network during the first quarter, when an increase in household water use driven by the warm weather in early summer led to a small number of supply interruption events alongside a contractor cutting through our pipes.
- **Persistent low pressure – GREEN**. We expect to outperform the regulatory target, removing a chronic source of concern for many customers.

Supply interruptions

Delivering a continual supply of water is part of our day job. On this comparative measure we have a challenging regulatory target of 6m30s. During the early part of 2020, when lockdown coincided with warm weather, we saw an unprecedented level of demand for water. This resulted in some of our customers experiencing supply interruptions as we sought to abstract, treat and distribute more water than ever before. Unfortunately, this did lead to some communities being without water as the more extreme ends of our network suffered and we were unable to pump sufficient water into the network to meet the record demand we experienced this year.

In the figure below we provide an update on our performance against our monthly target underpinning the ODI.

Figure 5: Supply interruptions performance against monthly target



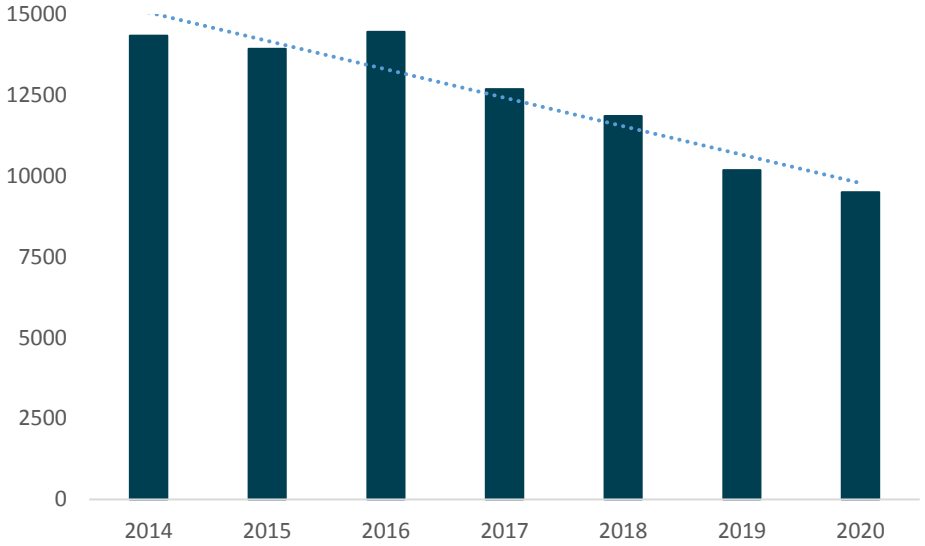
The graph above demonstrates that, excluding the impact of the hot weather and contractor issue early in the reporting year, we are performing well – with an underlying run rate per month that would otherwise have delivered an outturn position in line with the regulatory target. Our focus is on both improving the underlying performance and on making our service more resilient to shocks, such as peak demand (through expanded behavioural change programmes) and major bursts.

Drinking water quality complaints

Our target is 9,800 complaints for the calendar year 2020. Our current forecast, based on data to the end of October, is to outturn between 9,000 and 9,600 complaints. As demonstrated by the graph

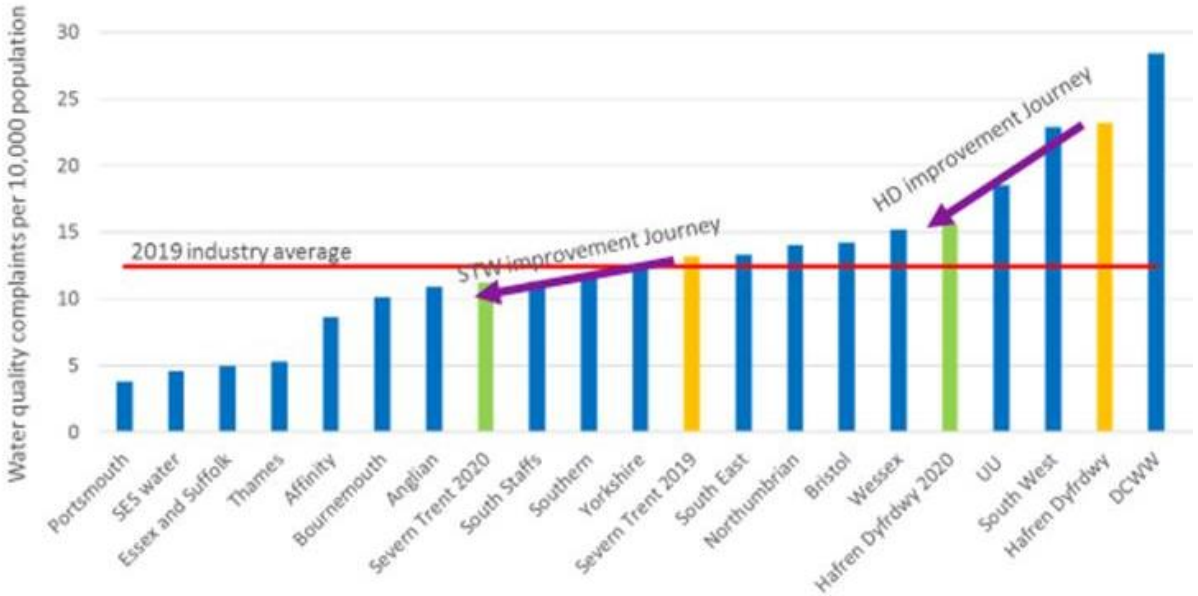
below, we have made steady progress since the start of AMP6 and have continued this trend into AMP7.

Figure 6: Drinking water quality complaints – long term trend



We also note that our improvement has taken us to better than the industry average last year and importantly, to the best of the western companies, who experience more challenging water chemistry (for example, manganese), as illustrated below.

Figure 7: Comparative drinking water quality complaints performance



Retail - CMEX

In relation to CMEX, our performance in the first half of this year has been positive. Our customer experience performance is improving over time, having moved from bottom quartile in SIM to median in CMEX. We are currently in median position (within the dead-band) at year-to-date, with a strong performance in Retail Service and Experience. We have more to do to drive consistency in our water and waste customer service and are using our success in Retail and Developer Services to shape our plans.

We are leading the sector in our digital offer and continue to develop further. Customers now contact us via Social Media (Facebook, Twitter, Instagram), What's App and Webchat in a 24/7 environment, delivering consistent accessibility. Our digital channels now cover the breadth of our business. We now offer this for customers across metering, developer service and more in addition to retail. This is particularly relevant given that customer appetite for digital accelerated significantly during the Covid-19 pandemic. We will continue to learn through extensive benchmarking and closely monitoring customer experience. Our immediate plans are to expand our digital journeys further in operations to 'check my area', 'incident capability' and 'report a problem'.

For retail service delivery, our ethos is to erode service failure and shift to a proactive approach rather than wait for customers to find issues. For example, identifying and contacting customers experiencing gradual bill increase rather than only customers who experienced a single dramatic increase. In water and waste our focus remains on consistency. We will resolve customer issues quickly and keep customers meaningfully informed. Especially on complex jobs that can get passed between teams.

For Experience, we will continue to amplify topics that work best – such as 'The Great Big Nature Boost', vulnerable customer support and '£1 a day' - as well as testing some new ones, e.g., our social impact in the community. We are using proactive communications to mitigate against negative experiences by pre-empting when customers need more information. For example, we are now focus on two areas to drive better experience – roadworks and water quality.

Table 3: Performance against CMEX and sub-measures

Item	*Unit*	*Value*
Customer satisfaction score for the customer service survey	Number	78.62
Customer satisfaction score for the customer experience survey	Number	86.61
CMEX score	Number	82.62

Section 2: Ahead of our investment programme

We are very proud of the strong start we have made to AMP7, we have successfully managed the challenges of the pandemic and quickly adapted to the new Covid-safe working practices. Our agility has ensured the fast-track capital programme has continued successfully through the lockdowns, even accelerating parts of our AMP7 programme, such as the THP plants to generate more green energy. One of the reasons our investment programme is in such a strong position is because we made several important changes to how we operate. For example, changes were introduced to enable us to reduce our reliance on 'on-site' work whilst maintaining high degree of quality control, including:

- driving higher volumes of off-site fabrication, supported by remote quality inspection regimes for prefabricated materials in Ireland and Europe;
- successful role out of market leading IT and technology to support our design team, programme management and contract management to allow effective remote working.
- the creation of our in-house design team has meant we have all the skills available to keep our programme on track;
- the adoption of digitisation (using MMC – modern methods of construction principles), minimising the need for on-site presence; and
- changes to on-site procedures based on the Construction Leadership Council's Site Operating Procedure recommendations (co-chaired by the Construction Minister, formerly Nadhim Zahawi MP and now Kwasi Kwarteng MP).

We took a strategic decision to approach the market early to secure our contracts for AMP7 and as a result had already secured our AMP7 supply chain before the AMP started. This meant we could secure key resource and plan our programme engaging the market earlier than others.

This hard work has allowed us to continue delivering our c~800 live projects in 2020 with minimal disruption.

Alongside these operational changes in response to Covid-19, we have also introduced several structural changes, notably integrating our Capital Design and Delivery teams. This has simplified our organisation and ways of working, improving collaboration and efficiency.

The result is that when our levels of spend are compared against our Final Determination (FD), we are slightly ahead of plan, spending [redacted] more than the FD, as illustrated in the table below.

Table 4: Outturn spend against the Final Determination

17/18 Prices	Final Determination 2020/21 (£m)	Forecast Outturn 2020/21 (£m)	Variance (£m)
Total totex[1]	1082	redacted	
Total capex – base and enhancement	487		
Enhancement capex	109		
Enhancement opex	18		
WINEP capex	46		

[1]*Total totex aligns with definition for 4C.5 in RAG 4.09.*

In the sections below we discuss in more detail our capital performance, covering (i) performance against our regulatory commitments and (ii) accelerated spend – focusing on bioresources, metering and the WFD programme.

Delivery against other regulatory commitments

A critical source of insight when assessing whether investment plans are on track is the extent to which we are on track against the delivery of EA and DWI commitments. These commitments cover both water and waste controls and relate to areas such as the NEP/WFD or DWI directives. The timelines have been agreed with the EA and DWI.

In the table below we have summarised the agreed delivery dates for EA and DWI commitments alongside our forecast position.

Table 5: Performance against delivery dates for EA and DWI commitments

Regulatory Commitment	Cumulative number of projects delivering regulatory commitments									
	Yr 1 target	Yr 1 f/cast	Yr 2 target	Yr 2 f/cast	Yr 3 target	Yr 3 f/cast	Yr 4 target	Yr 4 f/cast	Yr 5 target	Yr 5 f/cast
DWI Design	1	9	12	13	13	13	14	14	14	14
DWI Completion	0	0	0	2	0	5	11	15	18	18
Water EA/WFD	0	0	1	1	1	1	1	1	18	18
Waste EA/WFD (Base Plan)	0	4	12	18	15	33	21	77	106	106
Waste EA/WFD (Real Options)	0	0	0	1	0	11	0	28	53	53
TOTAL	1	13	25	35	29	63	47	135	209	209

The table above shows that our performance is ahead of schedule. For every regulatory commitment we are ahead of our target (green cells).

In the sections below, we consider in more detail some of our accelerated programmes.

Accelerated spend

Bioresources

A key factor driving our strong start against the FD is our accelerated work on the bioresources control. For AMP7, we have reviewed and accelerated our bioresources investment programme to ensure the majority of our biosolids are treated to an enhanced cake standard.

The investment in improved cake quality will also allow us to increase the amount of renewable energy we produce by an additional 20GWh per year. This strategy is a key enabler for our Triple Carbon Pledge and allows us to maximise the income from renewable energy incentives. At the same time, it also helps de-risk aspects of our service, notably protecting our route to farmland that we are reliant on for satisfactory disposal.

Overall, we have brought forward [redacted], which will be captured by a timing adjustment through the RoRE financial flows calculation.

WINEP programme

There are two lenses through which our performance against our WINEP programme can be assessed: the first relates to whether we are on track against our delivery plan and underpinning requirements; and the second relates to the status of our 'amber' schemes.

Performance against targets and delivery plan

We are currently tracking ahead of our delivery plan for the WINEP programme. A key factor supporting this strong position is that we were able to re-invest approximately £11.6m of AMP6 efficiency savings into early feasibility work on our AMP7 WINEP obligations. Over one-third of our sewage works improvement obligations have already passed through Gate 2 of our approval process – which means that the most cost-effective option has been identified, and detailed design on the preferred solution has commenced. We have also been able to take seven low-cost WFD phosphate removal 'amber' projects (at Clive, Colton, East Bridgford, Ripple, Welland, Huntley and Kempley STWs) right through to completion, nearly five years ahead of schedule.

Overall, we are currently forecasting [redacted] of investment in year one of AMP7 against WINEPv3 water quality obligations. In conjunction with the early start made at the end of AMP6, this represents about 10% of the total cost of delivering the overall WINEP water quality programme (inclusive of the obligations covered by our WFD real option mechanism, and hence not included in our FD). Given that the vast majority of the obligations are in the final year of AMP7, we are well ahead of where we need to be to ensure delivery of our obligations.

In relation to year two, we have 15 WFD and UWWTD improvement obligations, spread across 12 sites, where delivery is required. We are on track to deliver these projects on schedule, with eight already under construction and four more due to start early in 2021. The total forecast cost of delivering these WINEP obligations is [redacted], with [redacted] of this investment forecast in the current financial year. As at the beginning of December 2020, [redacted] had already been spent.

'Amber' schemes

Our FD at PR19 included a true-up mechanism for uncertain 'amber' schemes on the WINEP. We were one of only two companies who took on this risk ourselves, rather than asking customers to pay upfront for these schemes.

We have 148 WFD sewage treatment 'amber' obligations in WINEPv3, spread across 132 sites. Rather than waiting for confirmation these would become green, we sought to get an early start and have already spent [redacted] on feasibility and design, with a further [redacted] forecast by end of year one. 33 of these projects (25%) have already passed Gate 2 approval. Importantly, on 18 December 2020, the EA confirmed that these will be moving to 'green' status.

As part of the development of these 'amber' schemes, we have carried out a review of our obligations at sites where it might be possible to deliver our obligations using water-surface wetland solutions. These natural solutions are effective, aesthetically pleasing, and improve biodiversity. They have low power and maintenance requirements and do not require chemical coagulants for phosphorous removal. However, they require careful design and introduce more compliance risk than a conventional chemical dosing scheme, because of the need for close management of the natural processes and their seasonal variations. Of the 61 sites reviewed, we have identified 12 where it may be technically feasible to use a wetland solution, but in all but two of the sites the costs are higher than the traditional solution. We will continue to investigate the options and, where technically feasible and affordable, we will promote the use of free-surface wetlands, which will drive much

greater environmental benefits than the traditional solutions. We will also contribute our learning to the Defra WINEP reform review to enable learning about the barriers to deploying these types of solutions.

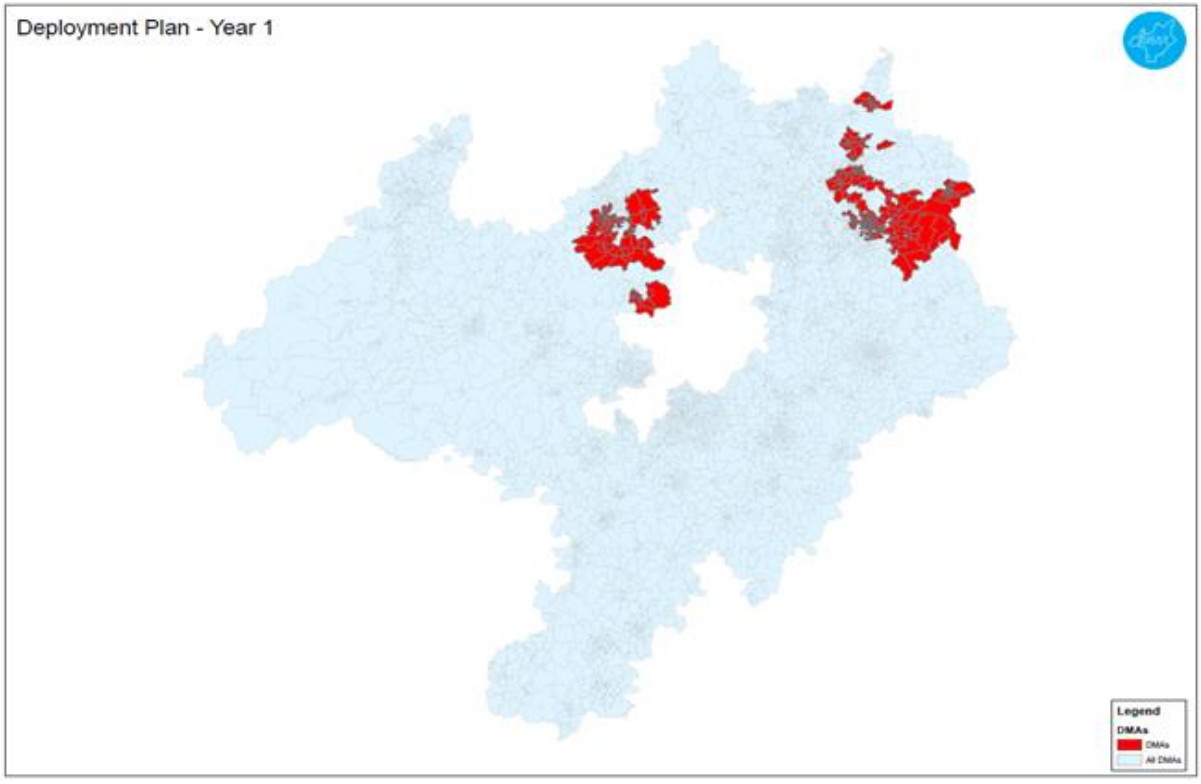
These schemes are a significant increase to our wastewater quality programme and deliver some of the tightest permit compliance limits in the country, especially for phosphorous removal, which is a key contributor to eutrophication of inland rivers. The programme will cost over [redacted] of capital to design, construct and commission the works over the next three years and will be a real boost for our supply chain.

Metering and water resilience

Our PR19 determination included a programme to deliver 325,000 water meters across our region, targeted in areas where it will deliver the greatest benefit on supply pipe leakage and per capita consumption.

In the first year of this AMP, we had a target to install 41,000 meters. We have already installed over 24,000 in the first six months and are targeting a roll-out of 76,000 by the end of the year. This acceleration has been focussed on areas that face some of the greatest supply-demand risks – Nottinghamshire and North Staffordshire, as illustrated below.

Figure 8: Metering acceleration in areas of supply-demand risk



We have reviewed the benefits of the metering programme, alongside our commitment to reduce leakage by at least 15% and the increasing challenge to reduce per capita consumption and have decided to accelerate our metering programme for AMP7.

Section 3: Supporting our community through Covid-19

A key element of being a trusted delivery partner is the knowledge that an organisation can move quickly and effectively to do the right thing in a time of crisis. For us, part of being 'on-track' is assessing our performance for our community and wider society throughout the Covid-19 pandemic, demonstrating our understanding of our social responsibility and enhancing our sector's overall reputation.

Throughout the pandemic, we have sought to support our customers, colleagues and supply chain through targeted activities. We have also helped wider society and hundreds of charities. Our senior leadership has led by example, donating a significant proportion of their salaries for three months to charities supporting the Covid-19 response in our region.

The following is a summary of our approach.

Supporting customers

Severn Trent offers the lowest water bills in England and, in addition, discounts of up to 90% for customers who are struggling to pay. In response to the pandemic, we have gone further and promised to develop personally tailored payment plans for every customer still struggling. To access this support, we simply ask customers to speak to us confidentially at the earliest opportunity, and we will develop a plan that is fair and suits their circumstances.

Supporting colleagues

We employ 6,900 people across 120 locations in the Midlands. As the Covid-19 restrictions began, we guaranteed that no-one would be made redundant as a result of the pandemic, in order to support and reassure colleagues. We also guaranteed that no-one would be furloughed, instead, identifying Covid-safe ways of working so that we did not place unnecessary strain on public finances. We have also continued to recruit as normal. Between April and the end of September, we recruited into 768 positions, of which just over 40% were filled by external candidates.

Supporting our supply chain

We believe it is also our responsibility to support our supply chain, especially the scores of smaller and medium-sized companies we work with, who are more likely be experiencing difficulties due to Covid-19. At the beginning of the pandemic, we promised all our SME suppliers that we would process their invoices immediately upon receipt, rather than keeping to our usual payment terms. Between April and the end of September 2020, our shortened payment terms provided £159 million of cashflow needed to help 705 of our SME partners through the pandemic. Suppliers have told us that this support has not only made a practical difference – in many cases, allowing smaller companies to stay afloat – but has also had immense psychological value, encouraging them to continue in business through these difficult times.

Supporting wider society

Many companies support their customers, colleagues and suppliers – but leading companies understand their wider purpose in society and are committed playing an active role in delivering that commitment. During the pandemic, we took this role seriously, undertaking a number of initiatives:

First, we have embraced the Government's Kickstart scheme for long-term unemployed 16-24 year-olds. The scheme aims to provide meaningful work placements and training opportunities to help 'at-risk' young people find a way into permanent employment.

We have set an ambition to host 500 young people for six-month job placements between January and December 2021. We will provide the placements throughout our entire company and region, from administration to operations, and from Gloucester to Scunthorpe. We will add extra value by allocating every trainee a mentor and, working with our new Academy, we are creating an employability skills package to support each individual in developing the skills they need to be successful in employment.

Second, we have set aside £1 million to support local charities and community groups whose income has often been hit by the pandemic, but whose services have never been more important. We are supporting some larger charities like Age UK, but are particularly targeting smaller, local charities such as foodbanks, Scout groups and 'friendship cafes'. We have provided charitable support in every part of our region.

Third, we have adapted our way of doing things and switched our (extensive) schools programme to a virtual format. We know that teachers very much appreciate the activities, games and stories we provide to help inspire the next generation.

Fourth, we donated £1m to charities in the summer through our water consumption challenge. This was built on the back of exceptional demand during lockdown and so we enlisted charities to help us change customer behaviours whilst providing them with £1m in extra funding.

The pandemic has created unprecedented challenges for the whole of society, and we are enormously proud of the way our entire team has responded. We believe it reflects the sort of company we seek to be.