



Severn Trent Annual Performance Report 2020

WONDERFUL ON TAP

SEVERN
TRENT

Contents

Introduction	3
Our Board, governance and compliance	8
• Statements from non-financial assurers	20
• Risk and Compliance Statement	23
Regulatory statements	26
• Disclosures required by RAG 3	27
• Ring Fencing Certificate (Conditions K and P)	30
Annual performance summary	31
Regulatory accounts for the year ended 31 March 2020	66
• Independent Auditor’s report	67
• Ofwat data tables Section 1 Regulatory financial reporting	70
• Notes to the regulatory accounts	83
• Ofwat data tables Section 2 Price Review and other segmental reporting	86
Additional regulatory information	97
• Ofwat data tables Section 3 Performance summary	98
• Ofwat data tables Section 4 Additional regulatory information	104
• Supplementary disclosures	140
Appendix A - Assurance Summary 2019/20	143

Welcome to the Severn Trent Water Annual Performance Report 2020

Taking care of one of life’s essentials

WONDERFUL ON TAP



This report provides our customers and other stakeholders with clear and transparent information on all aspects of our performance in 2019/20, including the progress we have made to deliver our customer outcomes.

About us

We're one of the largest of the 11 regulated water and sewerage companies in England and Wales. We provide high quality services to around 4.5 million households and businesses in the Midlands. Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from Shropshire to the East Midlands.

Our Purpose and Values

We believe that if we are united by a clear social purpose we will deliver better outcomes for all our stakeholders - our customers, our colleagues, our investors, the society we live in and the environment we depend on. So at Severn Trent, we are first and foremost driven by our purpose *"Taking care of one of life's essentials"* and we're guided by our values:

- Having courage
- Embracing curiosity
- Showing care
- Taking pride

Litres of drinking water
supplied each day

1.9 billion

Litres of waste water
treated per day

3.2 billion

Number of households and
businesses served

4.5 million

Average number of
employees

6,390

Ownership

Severn Trent Water Limited is the principal subsidiary of Severn Trent Plc. The full ownership structure of the Company within the Severn Trent Group can be found on the Severn Trent Plc website at [severntrent.com](https://www.severntrent.com).

Serving our communities

Every five years we work with our customers to develop new business plans which we agree with our economic regulator, Ofwat. Our plans include commitments to improve our performance. These commitments are in the areas of service that are most important to our customers.

Our business plan for 2015-2020 agreed with Ofwat in 2014 includes 10 outcomes with 45 associated performance commitments, of which 33 have financial incentives.

These performance commitments are in the areas of service which are most important to our customers. In addition, on 1 July 2018, we acquired 11 performance commitments included in the Dee Valley Water plan relating to our customers in Chester who transferred from Hafren Dyfrdwy (previously Dee Valley Water) from 1 July 2018.

What your bills paid for

Our average household bill for water and sewerage during the year was £356 per year, or just 98 pence per day. We're proud to say this is this was the lowest combined bill across England for the tenth consecutive year.

About this report

Clear and transparent reporting

Providing accurate, clear and understandable information which can be trusted by our stakeholders is important to us. Our Annual Performance Report ('APR') ensures our customers and stakeholders can clearly see how we've performed.

It provides:

- A clear and assured account of our financial performance for each price control, based on Ofwat's regulatory accounts framework, to enable customers and stakeholders to consistently assess our relative and absolute performance.
- A clear, detailed and assured account of our performance across our 56 performance commitments in the year. This includes 11 performance commitments in respect of our customers in Chester who transferred from Hafren Dyfrdwy on 1 July 2018.
- In areas where we've not performed as well, the actions we've taken to put things right.

This report is our fifth and final APR for the period 2015-2020 and covers the period 1 April 2019 to 31 March 2020.

To enhance the transparency of our reporting we have extended the scope of the 2019/20 APR to include reporting requirements which have previously been published separately. We believe that this will support our customers and other stakeholders to access and use the information which is relevant to them. We have included the following additional sections:

- An overview of our Company performance and direction.
- A section which explains our Board structure and vision and outlines how we meet our statutory duties and obligations. This section includes our Board's annual Risk and Compliance statement.
- Our annual Assurance summary is included as an Appendix A.

Changes to performance commitments during AMP6

Following the boundary alignment on 1 July 2018 the performance commitments for the Company have been agreed with Ofwat to ensure the interests of our customers in both companies are fairly represented. Our customer challenge group were consulted during this process.

To make sure customers in Chester remain protected by the targets originally agreed with Ofwat, we've provided an update for each of the 11 performance commitments originally agreed by Dee Valley Water. The targets reflect performance levels agreed with Ofwat as appropriate for customers in the Chester region.

For customers in the remaining Severn Trent region we've provided an update on the 45 performance commitments agreed by Severn Trent Water. The targets reflect performance levels agreed with Ofwat for customers in England.

In addition to the changes following the boundary alignment, in December 2018, we agreed to accept more challenging targets and incentive rates for some of our waste water performance commitments in exchange for Ofwat raising the waste water financial ODI cap. In this document we explain our performance against our revised performance commitments and incentive levels.

The remainder of our 2019/20 APR is set out in the following sections:

Our Board, governance and compliance	Sets out our Board structure, vision and how we have met our regulatory duties and obligations, including Ofwat's 2019 Board leadership principles, to our customers during the year. This section also includes statements from our non-financial assurers and our Board's Risk and Compliance statement.
Regulatory statements	Contains the Regulatory statements approved by our Board.
Annual performance summary	Commentary on our operational performance in 2019/20.
Regulatory accounts	Regulatory accounting data and disclosures including Ofwat's data tables section 1 and section 2, and our Independent Auditor's report.
Additional regulatory information	Ofwat's data tables section 3 and section 4 and supplementary disclosures.
Appendix A Assurance summary	A summary of the assurance undertaken to support our regulatory reporting during the year and the findings of that assurance.

Additional regulatory publications

In addition to the APR, we are publishing the following documents:

- A customer summary which summarises our performance in a way that meets our customers' needs. We'll publish this later in the summer so that we can include comparative performance data.
- A methodology statement which explains the systems and processes used to populate the data tables in the Regulatory accounts.

Severn Trent Water Limited has also published its Annual Report and Accounts ('ARA') for the year ended 31 March 2020 which is available on our website stwater.co.uk. Where disclosures in the ARA fulfil the requirements of the APR we have included a cross reference to the relevant section for further information.



Our Board, governance and compliance

Providing robust governance, risk management and compliance led by our Board

Although the majority of the financial year was unaffected by COVID-19, the ongoing impact is significant. As for all organisations, the pandemic has caused a significant shift in the way we operate and brings numerous and serious risks. Our Board receives weekly updates on the provision of core services, how we are supporting colleagues and the community, and the mitigation of the risks to our business. Following the year end, our Board has considered any potential impact to our compliance and compliance processes, and, where applicable, this is noted in our risk and compliance statement.

1. About this section

This section sets out our Board structure, its vision and how we meet our statutory duties and obligations to our customers. In doing this we have considered Ofwat's objectives set out in its January 2019 publication 'Board leadership, transparency and governance - principles' and its Information Notice IN20/03 - 'Expectations for monopoly company annual performance reporting 2019-20'.

Throughout this section we reference a number of different documents where you can find more detailed information on our Group-wide policies, which are available on the Severn Trent Plc website. These include:

- Our Group company structure
- Detailed information about the Severn Trent Plc Board, Severn Trent Water Limited Board and their respective Articles of Association and Matters Reserved to those Boards
- Our Code of Conduct, Doing the Right Thing
- Charter of Expectations

- Group Conflicts of Interest policy
- Remuneration policy
- Our Assurance summary, which can also be found in Appendix A.

Our Board's annual Risk and Compliance Statement as set out under licence condition J (levels of service) is included at the the end of this section.

Our Board's annual statement focusing on how the Company has set its aspirations and performed for all those it serves is located in at the end of this section.

2. Board leadership, transparency and governance

Our Board is fully committed to Ofwat's principles for Board leadership, transparency and governance with its emphasis on the importance of strong Board leadership and the special responsibilities attached to regulated monopoly companies providing an essential public service. As such, our disclosures have been revised to fully articulate how we apply the principles and provide direction to additional published information where relevant.

Our purpose, values and culture

At Severn Trent we embrace continuous improvement, learn from industry best practice, and listen to feedback to make sure that we improve year-on-year. Our Board leads this approach by setting the right behaviours, values and culture for our business. Our well-established governance framework builds on our Purpose and Values to ensure there is confidence in our reporting.

Our Board is responsible for establishing Severn Trent Water's purpose, vision and strategy,

and satisfying itself that its culture is aligned. Our Purpose and Values set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. This year we undertook a consultative project involving people from across our organisation - from the front line of our operations to our Board - to re-articulate our Purpose and Values in a way that would be meaningful and inspiring for everyone. Our new purpose - 'Taking care of one of life's essentials' - reflects 'why' we do what we do. Our strategy provides us with 'what' we do. But the 'how' we deliver our purpose and strategy is what differentiates us and that is driven by our culture, values and behaviours.

Our four new values are 'how' we go about delivering our purpose. They're the principles that guide our behaviour. They're what makes us Severn Trent.

This understanding and recognition of our social purpose has never been more important - our purpose connects us with our customers and communities, inspires our people and reinforces that in the long term we all share the same interests. We believe that transforming our services and driving growth will lead to mutual benefit for all. The interests of our stakeholders are often interlinked, with many of our employees also being our customers.

Our Purpose and Values have been created to be relevant across the whole of the Severn Trent Group. They are not solely for Severn Trent Water. They apply across our other regulated water business, Hafren Dyfrdwy, and our non-regulatory businesses. Our recent employee engagement survey shows strong engagement levels across the Group. Our Purpose and

Values strongly resonate with our employees as demonstrated by our recent employee engagement score of 8.1/10 - placing us in the top 5% of Global Utilities.

Our Board continually monitors, assesses and reinforces our values and culture to satisfy itself that the behaviours throughout the business are aligned with the Company’s purpose. Where misalignment is identified by our Board, appropriate corrective action is taken. Additional detail can be found in our Annual Report and Accounts (‘ARA’).

Focus on culture

To support the creation of long-term value for the mutual benefit of our shareholders, employees, customers and communities, the Board recognises the importance of building and promoting a culture of integrity and openness, where inclusion and diversity are valued. At the heart of Severn Trent’s culture is a closely held set of values. Our Code of Conduct, Doing the Right Thing, was relaunched this year. It sets out clear guidance on the standards of behaviour that we expect from everyone who works for us including our supply chain, contractors and sub-contractors. The Board and Executive Committee also recognise the importance of their roles in setting the tone for the Company’s culture and that is why they complete a Doing the Right Thing e-learning course every year together with all employees.

The Board also has oversight of a number of accompanying policies. These policies, together with Doing the Right Thing, explain how to identify and deal with suspected wrongdoing, fraud or malpractice; how to ensure that the highest standards of safety are maintained; and how to apply good ethics and

sound judgment. Doing the Right Thing details the values we work by, to help guide our people where there are no hard rules in place. Our values apply to how we report information just as much as any other service we provide for our customers.

Our Board monitors and assesses the culture of Severn Trent Water by regularly meeting with the Executive Committee, all levels of management and employees and reviewing the outcomes of employee surveys. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity. During the year, the Board has focused on deepening its understanding of the Group’s culture even further, through a dedicated Company Purpose and Culture session in January 2020. The session was centred on the results of our employee survey, ‘QUEST’, and other relevant data. The Board considered the positive and more challenging aspects revealed by the survey and discussed the Company’s approach to addressing areas of employee focus. Members of the Board also regularly attend the Severn Trent Company Forum, to listen directly to what employees have to say and for our employees to observe first-

hand matters that the Board is reviewing and considering. We do not see corporate governance as something we do because we have to. We choose to see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and ultimately, how we build trust.

Additionally, our Board routinely interacts with employees as part of their site visit programme. These direct interactions with employees, specifically in relation to culture, allow our Board to understand first-hand the key issues identified by our workforce, and provide an opportunity to feedback specific personal insights.

Group composition and responsibilities

Severn Trent Water is the principal operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company. Severn Trent Plc also publishes its own ARA and a history of dividend payments by Severn Trent Plc going back to 1990 is available on the Severn Trent Plc website. Severn Trent Plc’s dividend policy is disclosed in its ARA to ensure clarity about how our investors are rewarded based

Whistleblowing: Our Whistleblowing Policy ‘Speak Up’ sets out the ethical standards expected of everyone that works for, and with, us and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through their line manager, senior management and through our confidential and independent whistleblowing helpline, ‘Safecall’. All investigations are carried out independently with findings being reported directly to both the Audit and Corporate Sustainability Committees. The Board as a whole monitors and reviews the effectiveness of the Group’s whistleblowing arrangements annually, to ensure that it has sufficient oversight of whistleblowing to support its work on culture, risk and stakeholder engagement and all significant whistleblowing matters are reported directly to the Board. The Board has reviewed these arrangements again this year and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

on our performance through the Group’s activities. We believe we are prudent in how we manage financial risk and even-handed in the way we share the returns from our outperformance with customers and shareholders; we pay our taxes in full and on time and we pay dividends and Executive salaries that are reasonable and sustainable and linked to the delivery of outcomes to customers. Further information can be found in our Severn Trent Plc ARA. The ownership structure of Severn Trent Water Limited within the Severn Trent Group can be found on the Severn Trent Plc website.

Board Membership

- J B Coghlan
- A J Duff (retired on 31 March 2020)
- C M Hodgson (appointed on 1 April 2020)
- J Bowling
- O R Garfield
- K Beeston
- S Nebhrajani (appointed on 1 May 2020)
- D Reiniche
- A Strank
- P Remnant

A standalone regulated company and our Board structure

The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top. Our Board’s role is to ensure the long-term success of Severn Trent Water. Responsibility to all our stakeholders for the approval and delivery of the Company’s strategy and for creating and overseeing the framework to support its delivery sits with our Board.

Maintaining the highest standards of governance is integral to the effective delivery of our strategy and requires that our Board takes decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve. The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. Details of the experience of our Board can be found in the ARA on the Severn Trent Plc website. Our Board’s collective experience enables it to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between our Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of the Company in full consideration of the impact on all stakeholders.

Six members of our Board and Board Committees are independent Non-Executive Directors and there is a clear division of responsibilities between the roles of Chair and CEO. To allow these responsibilities to be discharged effectively, our Chair and CEO maintain regular dialogue outside the Boardroom, to ensure an effective flow of information. The requirements of our Board are clearly documented in the Severn Trent Water Articles of Association, Schedule of Matters Reserved to the Board and Charter of Expectations.

Management of Conflicts of Interest

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies, including Severn Trent Water. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months with any conflicts being recorded in the Conflicts of Interest Register. The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Effectiveness evaluation. The Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on other Group companies. Modifications were made to the Audit Committee meeting structure during the year to remove a potential conflict of interest in relation to Directors of both Severn Trent Water Limited and Hafren Dyfrdwy Cyfyngedig.

To facilitate effective governance, the Boards of Severn Trent Plc and Severn Trent Water Limited are run concurrently as Severn Trent Water Limited comprises a substantial majority of the Group’s business activities. As such, it is less likely that Directors will face decisions that will conflict with

the obligations of the particular company on whose Board they sit. Nevertheless, this matter is subject to review at every meeting of each Board and in the event the position changes, robust mitigation will be implemented.

Board appointments and induction

Any new appointments to our Board result from a formal, rigorous and transparent procedure, responsibility for which are overseen by the Plc Nominations Committee (although decisions on appointments are a matter reserved to our Board). All Plc Nominations Committee members are also Directors of Severn Trent Water. Further information can be found in the Severn Trent Plc ARA. We have an established induction programme in place which is tailored to meet the requirements of individual Directors and includes the following elements/details:

- One-to-one meetings with the Chair and each of the existing Non-Executive Directors.
- One-to-one meetings with the CEO, CFO and the Company Secretary along with other members of the Executive Committee and the company’s advisors.
- New Directors receive a briefing on the key duties of being a Director of a regulated water and waste water company.
- Ofwat pre-appointment process.
- Our business and how we are regulated, including performance.
- Our non-regulated business, including performance.
- Strategy.
- Key operations and processes including an immersive, practical journey through the water and waste cycles.

- Key stakeholder relationships.
- Customer delivery.
- Capital delivery and commercial.
- How the business is financed and financial performance.
- Our people and how we work, including our Purpose and Values, Doing the Right Thing, health, safety and wellbeing, talent and succession, Trade Unions and an overview of our Remuneration policy.
- Risk and audit, including the risk profile and our approach to risk.
- Governance matters and company policies.

This year Christine Hodgson was appointed as an Independent Non-Executive Director on 1 January 2020 and Chair on 1 April 2020. Christine brings extensive board and governance experience to the Company as well as a deep understanding of business, finance and technology leadership. She is a committed advocate of the need for companies to serve all of their stakeholders effectively and deliver their social purpose. Sharmila Nebhrajani joined the Board as an Independent Non-Executive Director on 1 May 2020. When recruiting for our new Chair and Non-Executive Director the recruitment processes were in line with our Board Diversity Policy to include candidates from diverse backgrounds and those with non-listed company experience.

We continually enhance our Board’s induction process, building in feedback from new appointees and the Board Effectiveness evaluation. A deep dive on Christine Hodgson’s induction can be found in the Severn Trent Plc ARA.

The Board remains focused on promoting broader diversity, and creating an inclusive culture in line with the recommendations of the Parker and McGregor-Smith reviews. A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality.

The Board Diversity Policy (the ‘Policy’) was reviewed in April 2020, with recommended updates approved by the Board. As part of Board discussions, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths throughout the organisation, including on the Board itself. The objectives and targets of the Policy, and an update against each of them, are set out below. A copy of the Policy is available on the Severn Trent Plc website.

Board Diversity Policy - Objectives and progress against targets

When recruiting for our new Chair and Non-Executive Director the Committee ensured that the recruitment processes were in line with our Board Diversity Policy to include candidates from diverse backgrounds and those with non-listed company experience. We were pleased to appoint Sharmila Nebhrajani on 1 May 2020 as Non-Executive Director of the Company. Sharmila went through a rigorous recruitment process and we are delighted to welcome Sharmila to the Board and look forward to her contribution over her tenure with the Company.

Policy objectives	Implementation	Progress against objectives
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company.	Annual review of the Board’s composition with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considers the composition of the Board and the contribution, commitment and independence of individual Directors.	A formal review was undertaken in March in regards the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the Board Effectiveness evaluation. No concerns were raised in relation to the composition of the Board. Regular updates in respect of succession planning fully consider the Board’s Diversity Policy and its aims to increase the ethnic diversity of the Board in line with the recommendations of the Parker and McGregor-Smith reviews.
Ensure consideration is given to candidates for Non-Executive Director Board appointments from a wide pool.	The Board recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.	Two Board appointments were made during the year: (1) the Non-Executive Chair and (2) a Non-Executive Director. The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, 2018 Code and additional relevant guidance. We were pleased to appoint a female Chair and a female Non- Executive Director from a BAME background. The Company ensured that Korn Ferry presented a diverse potential candidate list.
Ensure Board appointment ‘long lists’ include diverse candidates, including diversity of social and ethnic backgrounds and cognitive and personal strengths.	The Board recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.	Two Board appointments were made during the year: (1) the Non-Executive Chair and (2) a Non-Executive Director. The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, 2018 Code and additional relevant guidance, with a selection of diverse candidates being included in the long lists. We were pleased to appoint a female Chair and a female Non-Executive Director from a BAME background.
Ensure the Board only engage executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice.	The Company only engages with executive search firms that have signed up to the voluntary code of conduct on gender and BAME diversity and best practice.	We continue only to engage with executive search firms that have signed up to the voluntary code of conduct on gender and BAME diversity and best practice.
Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board.	Regular Board consideration of the importance and benefits of greater diversity including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Company’s talent pipeline and on the Board itself.	In March, consideration was given to diversity and inclusion within the Company. The Board committed to building on existing graduate, apprentice and leadership programmes to embed inclusivity in our succession planning and talent development work. This included discussion on strengthening our talent pipeline, with an enhanced focus on ensuring appropriate representation from minority ethnic candidates, as well as other relevant diverse cohorts. This was also an area of specific focus within the Board Succession Planning discussions that took place during the year. The diversity of our Executive pipeline is disclosed on page 102.

Policy Targets	Progress against target
33% female share of Board Directors by 2020.	56% female representation on our Board as at 1 May 2020.
Minimum of one Board Director from an ethnic minority background by 2021.	In line with the Principles of the Parker Review, the Board has been actively looking to appoint a Non- Executive Director from a BAME background for a few years. The calibre of the candidates identified in this year’s search was outstanding and it was after careful deliberation that the Board approved the appointment of Sharmila Nebhrajani to the Board.

Board effectiveness

The effectiveness of our Board is reviewed at least annually, and the 2019/20 evaluation was conducted internally by the Chair with support from the Company Secretary through a series of one-to-one meetings in January and February 2020. The evaluation concluded that our Board, its Plc Committee Chairs and Committees were effective and that all Directors were considered to have demonstrated considerable commitment and time to their roles, well in excess of that required by the Charter of Expectations notwithstanding any other positions held by them outside of Severn Trent Water.

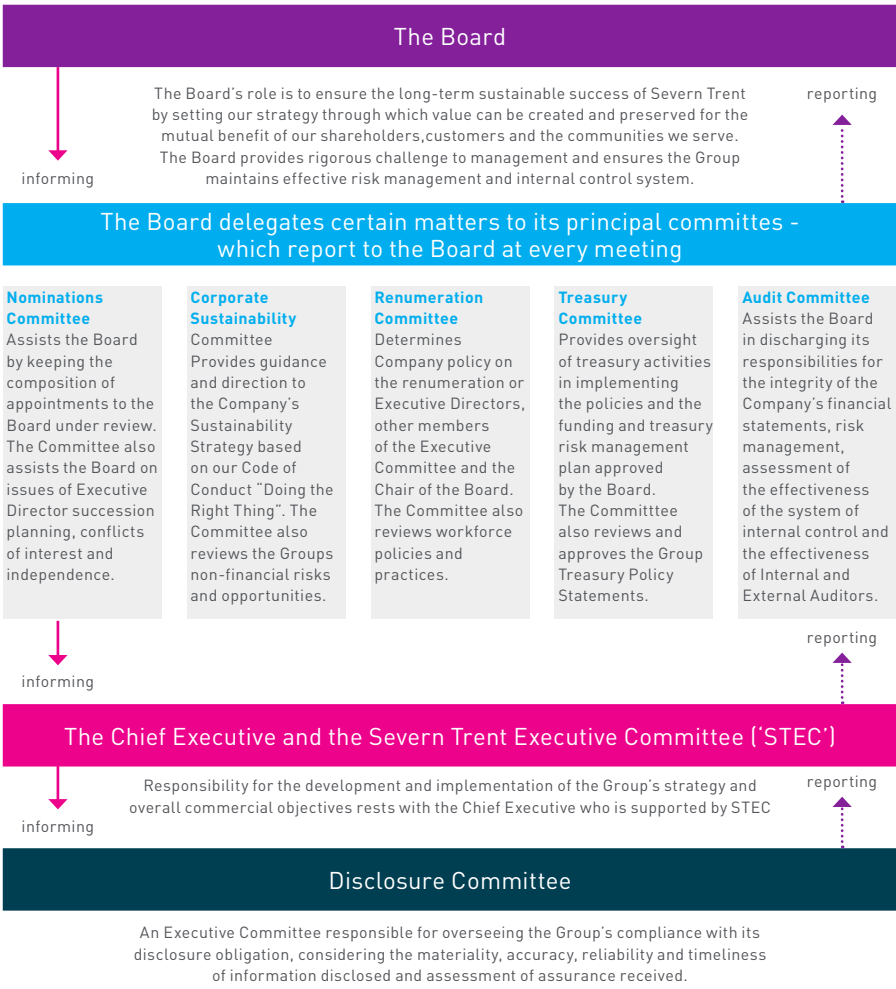
Board and Committee membership and meeting attendance

Details of Board and Board Committee membership, the number of meetings held, and attendance can be found in our ARA.

Our Governance Framework

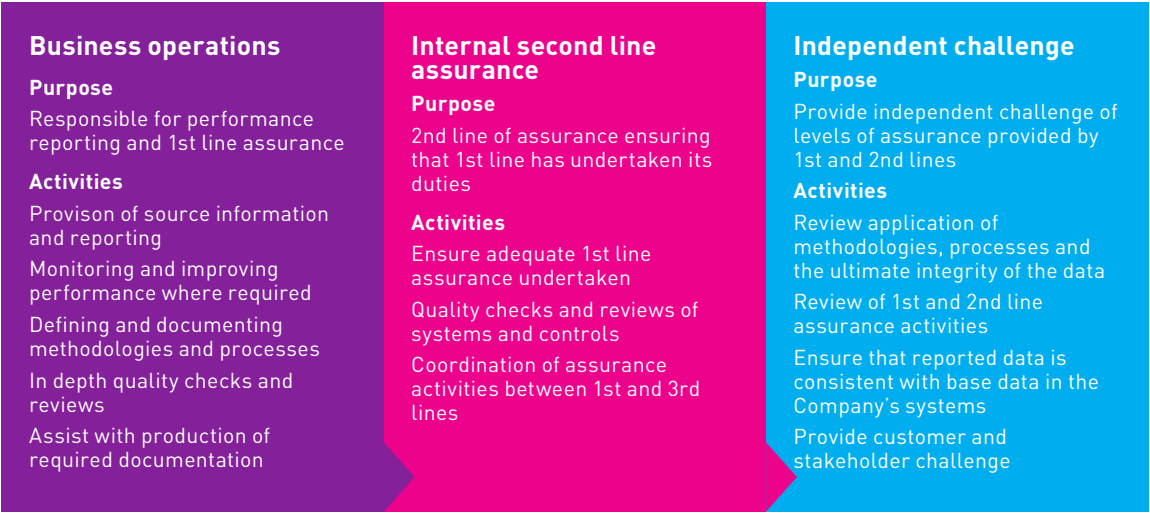
The Board is supported by the Severn Trent Plc Governance Framework, which is set out below. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities,



focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Board regularly reviews the Terms of Reference of each Committee. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

The Seven Trent Plc Executive Disclosure Committee oversees the Group’s reporting obligations under the Companies Act 2006, the 2018 UK Corporate Governance Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules and the Company’s annual and continuing regulatory reporting requirements, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received.



Our Assurance Framework

To support our Governance Framework, we have a well-established and robust assurance and performance reporting framework. Our assurance plan for this financial year, 2019/20, continues the high standard processes we have developed and implemented in previous years for reporting our performance commitments in our ARA and Annual Performance Report (‘APR’).

To ensure we’re applying an effective programme of assurance we operate a three lines of assurance model. We target this model using a risk-based approach so areas that we know are of prime importance to customers, or may have a significant financial value or operational impact, receive the full three lines of assurance while other areas may be targeted with first or second line only. This approach ensures our assurance is proportionate and aligns to what our customers value most. The diagram below details the three lines and the typical activities for each.

We use a combination of assurance providers for third line activity. The majority of our assurance is provided by:

- Jacobs - typically review non-financial operational performance processes and data. Also responsible for cost allocation activities and financial reporting processes.
- Deloitte - our financial auditors who mainly examine our statutory accounts.
- Internal Audit - used for financial data, process and other ad-hoc assurance.

We use this model for our regulatory returns so that we, customers, and wider stakeholders have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes. These processes are outlined below and further detail on the outcome of the assurance is set out in our assurance summary in Appendix A.

Overall accountability for the preparation and production of the APR (which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives (‘ODIs’)) rests with the Chief Financial Officer. The outcome of the assurance undertaken is reviewed by the Severn Trent Plc Audit Committee (the ‘Audit Committee’) on behalf of the Board.

Internal Audit and internal controls

Internal Audit is an independent assurance function available to the Board, the Audit Committee and all levels of management. The Internal Audit function is supported by three main co-sourcing partners, PricewaterhouseCoopers, Ernst & Young and BDO. These arrangements are reviewed annually and it is considered that this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source specialists continue to bring expertise to support the team and delivery of the audit plan where relevant.

The role of Internal Audit is to provide assurance that the Group’s risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. Each year, Internal Audit develops an annual risk-based audit plan for approval by the Audit Committee; this is supported by regular reporting that enables it to monitor delivery of the audit plan. The Audit Committee’s role is to challenge the plan, specifically whether the key risk areas identified as part of our ERM process are being audited with

appropriate frequency and depth. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit Committee on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified during the review of internal control systems, management puts in place robust actions to address these on a timely basis. Action closure is reported to and monitored by the Audit Committee and its review established that management places a strong focus on closing audit actions and ensuring timely completion.

An internal control system can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. To ensure continued efficiency, a review of the effectiveness of Internal Audit was carried out in January 2019. The review, performed by BDO, concluded that the Internal Audit function is fit for purpose, is operating efficiently and effectively, and in line with good practice. This year the Audit Committee also reviewed the quality and effectiveness of Internal Audit and approved the approach and Internal Audit plan for 2020/21 at it’s meeting in April 2020.

The effectiveness of the controls over financial reporting is also monitored by the Audit Committee, which receives regular reports of the testing conducted by the External Auditor. Internal Audit reports are presented to and considered by the Committee, to ensure that the Committee is satisfied that management have resolved or are in the process of resolving any outstanding issues or actions through to completion.

3. Monitoring performance and compliance

Performance

Our performance commitments matter to our customers, our wider stakeholders and to us. Our Board is fully engaged in monitoring and assessing the quality of our performance and providing challenge through our established governance arrangements which will continue into 2020-2025 to ensure delivery of our PR19 performance commitments. Performance is reported to and reviewed monthly by the Executive Committee and at every Board, and through the Plc Disclosure Committee and Audit Committee at least twice at mid-year and year-end points in the reporting cycle.

Compliance

As a regulated company we are subject to statutory and regulatory duties and obligations, primarily set out through the Water Industry Act 1991 and our Instrument of Appointment (the ‘Licence’). We will continue to use our established processes, controls and governance routes to continue to meet these obligations. Our AMP7 specific obligations were developed and defined through our PR19 Business Plan 2020-2025 and further information relating to the activities already underway can be found in Appendix A.

The Licence also requires us to perform duties imposed under other statutory and regulatory obligations as necessary to fully discharge our duties as a water and sewerage undertaker. Our approach to achieving compliance with our statutory and regulatory obligations is based on our established and robust governance and systems of internal controls. We set ourselves high standards, though it is important to understand that such systems cannot provide absolute guarantees.

We introduced our compliance framework ‘licence to operate’ in 2015, at the start of the PR14 business plan period. It provides a robust process to set high levels of compliance backed up with rigorous risk-based assurance. We continue to refresh, build and develop on this process every year and now cover nearly 1,600 duties and obligations in the framework. Our Group Compliance and Assurance team overseas the framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Each duty and obligation is assigned to a responsible manager, a senior leader and Director. The senior leaders are responsible for the development, implementation and testing of controls to ensure compliance in areas such as policy and standards, procedures, training, management information as well as completing regular reviews of these controls. An annual process of self-certification takes place to inform this compliance statement, which is called licence to operate and is set out in our Assurance summary in Appendix A. This year end we added an additional self-assessment disclosure to consider any impact on compliance as a result of COVID-19.

In order to comply with the requirements of the Regulatory Accounting Guidelines 5.07 (‘RAG5’), we operate a compliance framework with established processes including; risk assessment and associated controls, guidance and policy documents, maintaining a transaction register, and cost allocation assurance; and includes middle and senior management sign-off against the requirements

of RAG5 via our licence to operate framework. Our RAG5 compliance framework was reviewed by Ernst & Young this year to determine if it was sufficiently robust taking into consideration Ofwat guidance, Ministry of Justice (‘MoJ’) and HMRC principles and the Competition Act 1998. Ernst & Young concluded that the compliance framework is comprehensive in relation to Ofwat’s requirements. Our RAG5 training has been expanded this year to include a broader audience through face-to-face training and an eLearning module. We have an established Steering Committee responsible for overseeing RAG5 compliance who report directly to the Executive Disclosure Committee. In addition, we have established a RAG5 working group reporting directly to the Steering Committee, ensuring that any improvement actions are undertaken at an operational level.

As part of the licence to operate framework, our Board has reviewed and considered any potential departures from our statutory and regulatory obligations. Material departures are set out at the end of this section on page 24.

4. Risk management

Risk is all about uncertainty. We recognise that uncertainty can manifest itself as both negative and positive impacts. Our goal is to identify risk, minimise the threats and maximise the opportunities for the benefit of our customers, shareholders, employees, supply partners and the environment.

Our Board has overall accountability for ensuring that risk is effectively managed across the Company. The Board’s mandate includes defining risk appetite and monitoring risk exposure to ensure significant risks are aligned with the overall strategy of the Company. On behalf of the Board, the Audit Committee

assesses the effectiveness of the Group’s Enterprise Risk Management (‘ERM’) process and internal controls to identify, assess, mitigate and manage risk. The Executive Committee reviews strategic objectives and assesses the level of risk taken in achieving these objectives. This ‘top down’ risk process helps to ensure the ‘bottom up’ ERM process, described below, is aligned to current strategy and objectives. The management of risk is embedded in our everyday business activities. Across the Company, we manage risks within the overall Governance Framework which includes clear accountabilities, delegated authority limits and reward policies. These are designed to provide employees with a holistic view of effective risk management.

Our approach to risk reflects our status as a regulated utility providing essential services and operating as part of the Critical National Infrastructure for the UK. The nature of these businesses is such that there are some significant inherent risks. We have a strong control framework in place to enable us to understand and manage these risks in accordance with our risk tolerance and appetite.

Our Enterprise Risk Management process

We use an established ERM process to assess and manage our significant risks. The process is controlled by the Central ERM team and underpinned by a standardised methodology to ensure consistency. ERM champions and co-ordinators operate throughout the business, with support and challenge from the ERM team, continually identifying and assessing risks in their business units and reporting on a quarterly basis. Criteria are used to consider the likelihood of occurrence and potential financial and reputational impacts. The potential causes and subsequent

impact of the risks are documented to enable mitigating controls to be assessed. This assessment allows us to put in place effective strategies to remediate defective controls or implement additional controls. Business unit information is combined to form a consolidated view of risk. Our significant risks are reported to the Executive Committee for review and challenge and reported to the Audit Committee and Board on a six-monthly basis. The report provides an assessment of the effectiveness of controls over each risk and an action plan to improve controls where necessary. To further enhance our ERM information, we report ‘risk flightpaths’. These demonstrate the level of risk the Company faces and the timeline for the key risk mitigation steps to manage the risk to the target position. The flightpaths help to facilitate a more thorough review of the target risk positions, consider risk appetite and assess whether actions are on target with the correct prioritisation in place. In addition, individual risks, emerging risks and overall risk landscape were also discussed by the Board during the year.

Changing risk landscape

Emerging risks are reviewed frequently as part of our horizon scanning process. We monitor closely changes in the global risk landscape as climate change and the environment continue to be key areas of risk focus. Building resilience to climate related risks is of key importance to the water sector and we constantly review how our business risks reflect and work towards this. By the nature of what we do several of our Principal Risks have a sustainability focus, and we monitor our social and environmental impacts with the same rigour as our broader performance. This year we have introduced a Group Strategic Risk Forum to help provide a strategic lens and review of our existing and

emerging risks. The findings of the Forum will help guide emerging risk discussions and ensure existing risks are continually peer reviewed.

Risk appetite

The Board keeps the relationship between our strategic ambitions and the management of risk under continual review. The ERM process establishes target risk positions for each of our significant risks. The Board formally discusses the progress towards this position and the mitigating actions being undertaken every six months.

Our principal risks

The Directors have carried out a robust assessment of the principal risks facing the Company including those that would threaten its business model, future performance, solvency of liquidity. These have been categorised across:

- Customer perception.
- Legal, regulatory and environment.
- Operations, assets and people.
- Financial risks.

The principal risks, what they mean for us and what we are doing to manage them are set out on pages 61-73 of our STW ARA.

5. Customer expectations and stakeholder engagement

We understand that businesses are more successful and sustainable when they balance the needs of their stakeholders. Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success.

We recognise the importance of our commitment to delivering outcomes that reflect our customers’ views and needs. In serving our customers we want to provide both value and a great experience; our customer ODIs provide a transparent mechanism by which we can demonstrate to our customers whether the performance they have received from us is subject to reward or penalty. We believe our customer ODIs provide strong incentives for us to innovate and become more efficient, protecting our customers against instances of under-delivery and, where merited, rewarding us for outperformance.

We have expanded our communication channels with customers and use a number of platforms to engage, with our website and social media and now WhatsApp providing additional means for customers to receive information and engage with us.

We carried out extensive customer engagement to help shape our 2020-2025 business plan, which received fast-track status from Ofwat. Our Customer Challenge Group, the Water Forum, has continued to play a vital role in challenging our customer engagement and reflecting the views of our customers, and we continue to discuss and consult with the 15,000 strong online customer community TapChat. Throughout the year we work with the Water Forum to demonstrate how we are delivering on our customer ODIs and how we are assuring them. As in prior years, we brief the Water Forum to provide oversight of our year-end performance including our customer ODI results and the assurance over them prior to publication.

From an external stakeholder perspective, we have continued to share our operational performance with the Consumer Council for Water on a quarterly basis and consult with external stakeholders on our assurance plans to ensure we receive appropriate levels of customer challenge and scrutiny as well as shaping our assurance plans to meet customer expectations.

This year we have also set up an independent customer panel to oversee which local projects our Community Fund donates 1% of profits to each year.

Delivering for customers and stakeholders - Board engagement

Our Board recognises the importance of considering all stakeholders in its decision making, as set out in section 172 of the Companies Act, and the positive impact this has in promoting the success of the Company as a whole. Our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and success of the Company in the long term. The table below sets out details of key stakeholder engagement undertaken by the Board during the year.

Board Engagement and Activities	
Customers 	<ul style="list-style-type: none">• Board members attend our Customer Challenge Groups.• Customer Delivery performance is discussed at every Board meeting.• Customer perceptions of value for money and trust reported at every Corporate Sustainability Committee meeting.• Extensive customer engagement in shaping our Business Plan.
Communities 	<ul style="list-style-type: none">• We created our Community Fund for the benefit of good causes in our region. The Board receives regular updates on the work and priorities of the Fund.• Our Board undertook a number of site visits centred on community and the environment, including the Wonderful Water Tour.• Employees who live and work in our communities meet the Board at the Employee Forum, and site visits.• Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.• Environmental matters are regularly considered by the Board.
Employees 	<ul style="list-style-type: none">• The Chair, Non-Executive and Executive Directors attend the Employee Forum and feedback at Board meetings.• Company purpose and culture, talent development and people strategy are discussed at Board meetings.• Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.• Board considers QUEST survey results and steps taken to address feedback.• Directors meet employees at site visits, both during and outside of the Board meeting calendar.• The Board retains oversight of health, safety and wellbeing.• The Corporate Sustainability Committee oversees diversity and inclusion across the Group.• Adoption of living wage.
Suppliers/ Contractors 	<ul style="list-style-type: none">• Commercial performance is discussed at every Board meeting, including an update on relationships with suppliers.• Members of the Board visited the site of our largest capital project, the Birmingham Resilience Programme, to observe progress first-hand, meet the teams and suppliers / contractors involved.• Our Chair met with key suppliers as part of her induction.• Supplier representatives attend the Capital Markets Day and the Employee Forum alongside Executive Directors and Non-Executive Directors.• Our Corporate Sustainability Committee regularly monitors progress on sustainability in our supply chain.• Adoption of living wage throughout supply chain.
Regulators/ Government 	<ul style="list-style-type: none">• To deepen Board level understanding of our Regulators, our Chair and Non-Executive Directors formally met with Ofwat five times during the year.• Regulatory matters are regularly considered by the Board, including PR19 plans, Water Resources Management Plan and Scheme of Wholesale Charges.• Regulatory stakeholders attend Board meetings and dinners, including from Ofwat, the Drinking Water Inspectorate ('DWI'), the Environment Agency ('EA') and the Consumer Council for Water ('CCW').• Regulatory consultation updates are considered by the Board.• Non-Executive Directors also attend Ofwat events.

Statement from non-financial assurer - Jacobs

2019-20 Assurance Statement



Independent Technical Assurance Statement – SVE

To the Severn Trent Water Limited Board

Jacobs has been appointed by Severn Trent Water (SVE) to provide independent technical assurance of the data that feeds into their regulatory submissions. For the Annual Performance Report 2020 (APR20) submission we were asked to review the 2019-20 Legacy Severn Trent Water and some Legacy Dee Valley Water Performance Commitments, AMP7 Shadow Common Performance Commitments and non-financial section 4 data on a risk-based approach.

Through a series of meetings and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR20 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and the ST Plc Audit Committee.

On the basis of our audit work, we are satisfied that the information we reviewed within and which supports the APR20 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is also good evidence of engagement from the teams involved in producing the performance data and of governance and programme management. We note that the Board has included issues we noted during our review in its declared departures from compliance in its statement.

Yours sincerely

Alexandra Martin
Senior Associate Director

Statement from non-financial assurer - Black & Veatch



BLACK & VEATCH

BLACK & VEATCH LIMITED
60 HIGH STREET
REDHILL, SURREY, RH1 1SH, UK
+44-1737-774155

To: The Board of Directors,
Severn Trent Water Limited,
Severn Trent Centre,
2 St John's Street,
Coventry,
CV1 2LZ

4 May 2020

Annual Performance Review 2020 Independent Technical Assurance Statement

Black & Veatch Ltd has been appointed to provide independent technical assurance of information reported in the Annual Performance Report for 2020 (APR20). Our assurance covered only the Chester area of the company and provides third-line assurance for a limited number of annual Output Delivery Incentive measures where former Dee Valley Water systems were involved in data reporting.

To provide this assurance we met the members of company staff responsible for collecting and analysing the relevant data and calculating the reported measures. We checked that appropriate procedures were in place and were followed. We followed the audit trail from reported figures to base data in company systems and confirmed by means of sample checks that these were consistent. We considered the material accuracy of the statements made by the company in its report and checked for material deviations from established procedure. We have provided the company with detailed findings under separate cover.

In some cases, the figures we audited were normalised to provide a per-capita or per-property measure for reporting in the APR20. The population and property data used in these calculations were audited by others and not checked by Black & Veatch.

From our assurance work we are satisfied that for the topics we covered, the information reported in and supporting the APR20 was compiled using appropriate data and methodologies and provides a realistic representation of actual company performance. We identified no material weaknesses or deviations from established procedure.

In our opinion, the company's framework of three lines of assurance provides a good level of confidence that assurance is robust and governance in place. The reporting process and the information for reporting are scrutinized and approved by the Audit Committee and performance is reviewed by the Board.

Stephen Bentley,
Independent Technical Assuror
Black & Veatch

BUILDING A WORLD OF DIFFERENCE®

Setting aspirations and performing for all those we serve

At Severn Trent Water we are first and foremost driven by our purpose ‘taking care of one of life’s essentials’. United by a clear social purpose we will deliver better outcomes for all our stakeholders – our customers, our colleagues, our investors, the society we live in and the environment we rely on to deliver our services.

Our social purpose aligns with our company strategy, which considers short and long-term goals. These are focused on driving long-term sustainable performance for the benefit of all those we serve. We continue, as a Board, to oversee the delivery of our strategy through:

- Our five-year business plan: delivering the outcomes and social purpose our customers want.
- A focus on our climate change commitments to create long-term sustainable value.
- Sharing our longer-term ambitions that go beyond our business plan for 2020-2025 including our 30 year drought plan, and our long-term leakage reduction targets.
- Fostering the engagement of employees to deliver our plans.
- Sharing our commitments on our triple carbon pledge.
- A focus on our wider stakeholder commitments including diversity and equality opportunities in our workforce and supply chain.
- A focus on supporting our local communities through our social tariffs, social dividend, and other charitable contributions.

We have undertaken a number of engagement activities this year to develop our understanding of the Company’s culture and to ensure we understand what matters most to our people. This helps us develop and promote the Company’s purpose:

- Participated in a dedicated company purpose and culture session held in January 2020.
- Employee engagement survey (QUEST) results reviewed and steps taken to address feedback.
- Reviewed feedback from the Chair, Non-Executive and Executive Directors who attended quarterly Employee Forum meetings.
- Met with employees at site visits both during and outside of the Board meeting calendar.
- Company purpose and culture, talent development and people strategy discussed at Board meetings.
- Participated in a strategy day specifically to consider our carbon and energy strategy and the legitimacy of our sector.
- Monitored and assessed the culture of the Group through regular meetings with the Executive Committee and management.

Through the employee engagement methods above, our Purpose and Values have been put together by our people, for our people. Our business culture of integrity and openness is key to ensuring we remain a trusted company. Our Code of Conduct, Doing the Right Thing, which has been relaunched this year, sets out the cultural norms and behaviour expected of everyone at Severn Trent. Everyone who works for and with us is required to comply with this. The Board also recognises the importance of its role in setting the tone for the Company’s culture and that is why we complete a Doing the Right Thing e-learning course every year alongside all employees.

Each and every person in the Company plays a key part in delivering our business plan. The company Purpose and Values are translated and embedded into company objectives through each management level. These are focused on improving performance for all those we serve, in line with our overall strategic objectives. This is also reflected in our employee bonus scheme, whereby 51% of measures are non-financial and customer focused targets.

Risk and Compliance Statement

Having taken into consideration the information above, our Board approves the Annual Performance Report (‘APR’), the associated APR data tables, and the noted departures.

The Board confirms that:

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects except where indicated on page 24.
- We have taken appropriate steps to understand and meet customer expectations.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to identify, manage, mitigate and review our risks.
- We meet the Ofwat objectives on board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives.
- We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business.

COVID-19 impacts have been considered when making our declaration

Signed for and on behalf of the Board



Liv Garfield
Chief Executive
Severn Trent Water Limited



Christine Hodgson
Chair
Severn Trent Water Limited



John Coghlan
Chair - Audit Committee
Severn Trent Plc

10 July 2020

Departures from the statement

Description of duty/ obligation	Purpose of duty/ obligations	Disclosure	Customer Impact	Action Taken
Reservoirs Act 1975 Section 11	Recording of Water Levels: For every [high-risk reservoir] the undertakers shall keep a record in the prescribed form of water levels and depth of water, including the flow of water over the waste weir or overflow	We have identified that there have been 4% of instances during the year where water levels have not been fully recorded in line with 1(a) of section 11 legislative requirement between April 2019 and December 2019. While this is not a material engineering issue and poses no risk to reservoir safety, we want to be open and transparent around issues identified with reservoir processes and the corrective action taken as we recognise this is an area of importance to our customers and stakeholders.	There is no direct customer impact. Reservoir safety has been maintained throughout. The independent Reservoir Review Panel has appraised the situation in 2019 and fully endorsed the fact that there was no compromise to reservoir safety.	We have carried out internal second line assurance and confirmed that overall there are no material issues to regulatory compliance. Actions have been noted for further improvement and are being monitored through to completion. In the interim, in January 2020, a section 11 tracker has been distributed to team managers on a weekly basis to provide oversight of tasks required to be completed. In the last three months of the financial year, no breaches have been identified. Our long-term technology solution was instigated through a project to automate SAP tasks which can be tracked instantly. This more substantial fix was completed in May.
Non-financial Cost Assessment Tables (RAG 4): 4R.2- Number of S101A schemes completed in the reporting year	Additional regulatory information which forms part of the Annual Performance Report	During the APR assurance audit for this obligation, we identified that one of the three schemes claimed for as having been delivered last year, was in fact delivered this year.	We have claimed for a completed scheme early. Overall, there is no final AMP financial impact.	The reporting on this commitment will be restated with commentary to support. Economic modelling and financial modelling have been reviewed and no impact identified. The associated PDT has been updated to ensure number of milestones and number of schemes are monitored in conjunction with one another to prevent issue reoccurring.
Non-financial Cost Assessment Tables (RAG 4): Number of combined, settled and emergency sewer overflows	Additional regulatory information which forms part of the Annual Performance Report	During a review of our sewer overflows, we identified a variance in the number of overflow assets and the number of permits/consents that we have, which impacts our asset data returns for annual reporting.	There is no impact on the ODI reward/penalty position.	We are submitting permit applications this AMP for overflows that have been flagged to the EA.

Regulatory Statements

Regulatory statements

The following section contains the statements required by the terms of our licence conditions and the statutory requirements set out in the Water Industry Act 1991 and where required is endorsed and signed by the Board. See also our Board’s Risk and Compliance statement on page [24].

1. Disclosures required by RAG 3

a. Link between Directors’ pay and standards of performance

- Our remuneration policy is aligned to our purpose, vision, and strategy thereby incentivising great customer services and the creation of long-term value for all our stakeholders.
- All directors of Severn Trent Water Limited are also Directors of Severn Trent Plc and further details of their remuneration and how their performance measures are linked to our business strategy can be found in the Severn Trent Plc ARA. The policy is summarised as follows:

i) Non-Executive Directors

The Chair and Non-Executive Directors do not participate in the Company’s incentive arrangements (i.e. annual bonus or share schemes) and were paid no remuneration other than their respective Directors’ fees. Details can be found in the Severn Trent Plc ARA.

ii) Executive Directors

Through the annual bonus and long term incentive plan (LTIP), Executive Directors receive remuneration linked to the achievement of performance measures. The 2019/20 bonus was based upon four main components:

- Group PBIT.
- Customer, Asset Health and Environmental ODIs.
- Health and Safety.
- Customer experience.

Half of the annual bonus is delivered as cash, and the balance is deferred into shares for a further three years. At the request of the Executive Directors the full bonus for 2019/20 will be paid in shares, 50% of which will be deferred for three years. The LTIP outcomes are measured over a three year period, and are based on a single performance measure, Return on Regulatory Equity (‘RoRE’). LTIP awards with a performance period beginning after 1 April 2018, are subject to an additional stretch target of upper quartile RoRE.

In determining the outcome of the incentive schemes, standards of performance are assessed by the Severn Trent Plc Remuneration Committee to ascertain whether targets have been achieved. In addition, the Committee also considers relevant reports from Ofwat in assessing the achievement of standards of performance.

We operate a unified remuneration structure at the Severn Trent Group level across the two regulated businesses (Severn Trent Water and Hafren Dyfrdwy).

b. Disclosure of information to auditor

The Companies Act requires Directors to make a statement in the Company’s ARA regarding the provision of information to the auditor. RAG 3 requires an equivalent statement to also be made in the APR. This statement is set out below.

So far as each of the Directors are aware, there is no relevant audit information of which the Company’s auditor is unaware; and each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

c. Governance and dividend policy

As a subsidiary of a FTSE100 listed Company, Severn Trent Water has chosen to apply the principles of the April 2018 version of the UK Corporate Governance Code (the ‘Code’) to its governance arrangements where appropriate and reasonably practicable. These are the same principles that apply to listed companies. Details of how the Company has applied the Code during the year are set out in the Company’s ARA, which is available on the Company’s website (stwater.co.uk).

The Company’s dividend policy is to declare dividends which are consistent with the Company’s regulatory obligations and at a level which is decided each year after consideration of a number of factors, including customer service, regulatory uncertainty, ODI rewards or penalties, actual and potential efficiencies, future cash flow requirements and balance sheet considerations.

The amount declared is expected to vary each year as the impact of factors changes. The ordinary dividend declared and paid by the Company in 2019/20 amounted to [£244.0] million (2019: £225.1 million), being [22.5] pence per share (2018: 22.5 pence per share).

d. Long-term viability statement

The Directors’ full assessment of financial viability can be found in the Severn Trent Water Limited ARA on pages 64-68.

The Directors have assessed the viability of the Company over a seven year period to March 2027, taking into account the Company’s current position and principal risks. Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to [31 March 2027].

e. Statement of Directors’ responsibilities (Condition F)

The Directors are responsible for the preparation of the APR and for its fair presentation in accordance with the basis of preparation and accounting policies.

Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under

the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the Directors to:

- i) Confirm that, in their opinion, the Company has sufficient financial and management resources for the next twelve months;
- ii) Confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company;
- iii) Report to the Water Services Regulation Authority changes in the Company’s activities which may be material in relation to the Company’s ability to finance its regulated activities;
- iv) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm’s length; and
- v) Keep proper accounting records which comply with Condition F and the Regulatory Accounting Guidelines.

f. Tax strategy for the appointed business

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to ‘tax’ include taxes that we incur (corporation tax, business rates, employer’s NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC’s behalf (PAYE and employee’s NIC).

Our approach to tax

Our approach to tax is overseen by the Severn Trent Plc Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, recognising the interests of all our stakeholders;
- We will not undertake aggressive tax planning or any planning that is not aligned with the economic and commercial activities of our business;
- We will make use of widely claimed incentives offered by Government to encourage investment; and
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship.

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible.

Tax governance

Responsibility for tax governance sits with the Chief Financial Officer, with oversight from the Board and the Severn Trent Plc Audit Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with Group risk management procedures, tax risks are recorded and monitored throughout the year. If a material

uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC’s framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by, the Severn Trent Plc Audit Committee, who also receives tax status updates as part of the interim and year-end financial reporting programmes.

Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC is kept up to date with business developments, including any commercial transactions with potentially significant tax implications. Where queries or misunderstandings arise, then these are managed on the basis of full disclosure and we will work with HMRC to bring any items to resolution. We were also pleased to have our low risk category rating renewed for a further three years by HMRC.

Tax transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing information on our tax affairs in a clear and straightforward way that enhances our stakeholders’ understanding and provides confidence that we are paying our fair share of tax. In 2019/20 we were pleased to receive the Fair Tax Mark accreditation.

Non-UK operations

All of the Company’s and its subsidiaries’ revenues and profits are generated in the UK and are subject to UK tax.

Scope

This Tax Strategy covers the period ended 31 March 2020 and applies to Severn Trent Water Limited and its UK subsidiary undertakings. It is published in compliance with the requirement at Paragraph 16(2) of Schedule 19 of Finance Act 2016 for large businesses to publish their tax strategy.

g. Claims arising from loss or damage relating to sewer flooding

Our practice in dealing with claims arising out of loss or damage alleged to have been caused by sewer flooding can be found on our Code of Practice on our website.

2. Ring Fencing Certificate
(Conditions K and P)

Licence conditions K (disposals of land) and P (ring fencing) require the Company, at all times, to ensure that if a special administrator were appointed to manage the regulated activities, that administrator would have sufficient control over the regulated business and assets to be able to do so. In addition to the statement set out above under licence condition F and the Regulatory Accounting Guidelines, the Company is required to confirm that it is in compliance with these conditions and make suitable sufficiency statements to that effect. This statement is set out here. The Ring Fencing Certificate is subject to third party assurance which has been provided by Deloitte.

In accordance with the requirements of the Water Services Regulation Authority, our Board confirmed that, as at 31 March 2020:

- i) In the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee’s obligations under the Appointment); and
- ii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions.
- iii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it rights and resources other than financial resources, which are sufficient to enable it to carry out those functions.

In reaching this conclusion, the Board has considered:

- financial resources and facilities;
- management resources;
- systems of planning and internal control;
- rights and resources other than financial resources;
- contracting; and
- the expected impact of COVID-19.

There are no contracts that the company is dependent on in order to carry out its Regulated Activity.

The Board has considered the company’s prospects and the potential impacts of the principal risks and uncertainties that would impact the above factors. Details of matters considered and the conclusions reached are set out in the viability statement in the company’s annual report and accounts {website}.

Management provide the Board with evidence that each of the factors set out above have been addressed in assessing whether the company has sufficient resources to enable it to carry out its Regulated Activity for the next 12 months. The Board, through its Audit Committee, scrutinises and challenges the evidence provided to ensure itself that the process is robust. The Board is satisfied that in the current year a robust process has been followed. Further information relating to our internal controls is detailed in our Board governance and compliance section and our assurance summary.



Liv Garfield
Chief Executive
Severn Trent Water Limited



Christine Hodgson
Chair
Severn Trent Water Limited



John Coghlan
Chair - Audit Committee
Severn Trent Plc

For and on behalf of the Board
10 July 2020

Annual performance summary

Performance Commentary

We’ve summarised our 56 performance commitments into eight areas to make it easier for customers and stakeholders to understand our overall performance so they can hold us to account. Each area is unpacked in this section.

An overview of our performance including the total outcome delivery incentive (ODI) value for all measures within the Group:

2019/20

Service now - Waste -£14.020m	Asset health £9.519m	Resilience -£0.176m	Environment £36.607m
Service now - Water -£2.663m	Service now - Retail SIM	Serving our community £0.249	Responsible, efficient investment

AMP6

Service now - Waste (£136.6m)	Asset health £5.4m	Resilience (£0.18m)	Environment £47.5m
Service now - Water -£48.8m	Service now - Retail SIM	Serving our community £1.0m	Responsible, efficient investment

2019/20 was a pivotal year for us as we completed a number of major commitments to our customers for AMP6 and used the benefit of being fast-tracked to get a head start on our commitments for AMP7. It was a year where our environment and resilience programmes came to the fore as we finalised our multi-year capital programmes.

During the year we invested around £800m, bringing the total to over £3bn across the AMP, as we completed construction of some of the largest capital investment programmes we’ve ever had. And our provisional EPA assessment for 2019 from the Environment Agency is that we are on course to restore our industry leading 4 star EPA status.

We’re committed to taking care of one of life’s essentials, and that includes protecting it for future generations. The standout items included completion of the construction phase of our Birmingham Resilience Programme ensuring water for England’s second largest city, innovative solutions at our Rugby and Finham waste water treatment works which will secure capacity for those catchments in to the future at a fraction of the cost of traditional solutions and completion of a further 13 partnership schemes working with local authorities and flood management agencies to reduce the risk of multiple types of flooding for our communities.

It’s also been a big year for the environment as we completed the Water Industry National Environment Programme (WINEP) improving the quality of over 1,600km of river. But we sought to go beyond just our statutory commitments, and identified a number of additional schemes we could complete, including early delivery of AMP7 schemes, combining schemes to deliver multiple benefits and committing to more stretching discharge permits where we can.

We’ve continued to focus on the wider environment too, improving the biodiversity of over 200 hectares of land and river in sites of special scientific interest and getting a great start to our Great

Big Nature Boost as we build our ambition to improve 5,000 hectares of land in our region by 2027. We also reported the lowest number of category three pollution incidents in a decade.

We have made some significant improvements in measures that are most important to our customers. This includes a 62% year on year reduction in supply interruptions, beating our stretching target of 8 minutes and a 4% improvement in leakage bringing the AMP improvement to 10%. Our water quality improvement programme continues to deliver with a further 14% decrease in drinking water quality complaints. Despite this we narrowly missed our target and didn’t meet the level of overall water quality we wanted (MZC).

Our waste water service has traditionally been a strong area for us during AMP6. We recognised this when we locked in those benefits for our customers and agreed to set more stretching targets on sewer flooding and pollution incidents from 2019 through to 2024/25. We were confident that we could continue to meet these targets for our customers but the extreme weather conditions we have experienced during 2019/20 have led to us missing both the internal and external sewer flooding commitments.

Operating conditions for the year

The last 12 months have been some of the wettest on record for our region which has resulted in the waste water service being put under real pressure.

The summer of 2019 was the second wettest since 1910 leading to saturated ground conditions as we entered the wetter autumn period. Rainfall during October led to flooding across the Midlands up to the border with Wales. The River Wye saw record levels and it was reported that at the end of October the entire stretch of the River Severn was covered by flood warnings throughout our Shropshire, Worcester and Gloucester counties.

During November and December the rainfall continued leading to the River Avon topping its banks and flooding agricultural land throughout Gloucestershire and Worcester. In other parts of our region we experienced the wettest autumn on record, with Nottinghamshire especially impacted.

As we entered 2020, a stronger than normal jet stream which was tracking further south than normal resulted in a succession of Atlantic storm systems to hit the UK. Named storms Ciara, Denis and Jorge brought record breaking rainfall to the country with most of our regions seeing more than 250% the monthly average. On the whole the Met Office reported that February was the fifth wettest since 1862. The storms hit our region in quick succession leading to both the Rivers Wye and Severn being at their highest ever recorded levels and further flooding across the Midlands.

We recognise that it is our role to ensure our service is as resilient as possible to all shocks including extreme weather. We continue to look for new ways to protect our customers and new measures we are delivering in AMP7 including our Green Communities and Collaborative Flood Resilience will go some way to reducing the impact of future flooding.

Our achievements in AMP6, and our ambitions for AMP7

Invested over £300m to protect the future water supply to Birmingham through our flagship Birmingham Resilience Programme

In AMP6 we installed around 150,000 meters in customers' properties. We've big ambitions for AMP7 and will install at least 325,000 meters to better understand leakage on properties and household use.

Educated 811,575 customers about water efficiency and safe sewer use. We also launched our two interactive education buses to visit schools to provide a more immersive experience - in future we're aiming for at least 500,000 commitments to change behaviour.

Supported 248,934 customers who are struggling to pay their bills and 66% of customers rating our service as value for money.

Improved the biodiversity of 233 hectares of land in Sites of Specific Scientific Interest. By 2027 we're aiming to improve another 5,000 hectares.

Improved customers' levels of service by reducing leakage by 10% and supply interruptions by 26%. In AMP7 we'll reduce leakage by 15% and supply interruptions by 30%.

Reduced the likelihood of internal sewer flooding by 20% and external sewer flooding by 48%. In AMP7 we'll add flooding of public spaces to our list of metrics and continue to reduce all types of flooding.

On track for EPA 4* status for the third year this AMP.

Our drinking water quality programme has reduced complaints by 29% but despite this we missed our target each year. We'll continue to reduce complaints in future.

Worked with local authorities and water management agencies to protect 26 communities from the risk of flooding from sewers, rivers and rainfall.

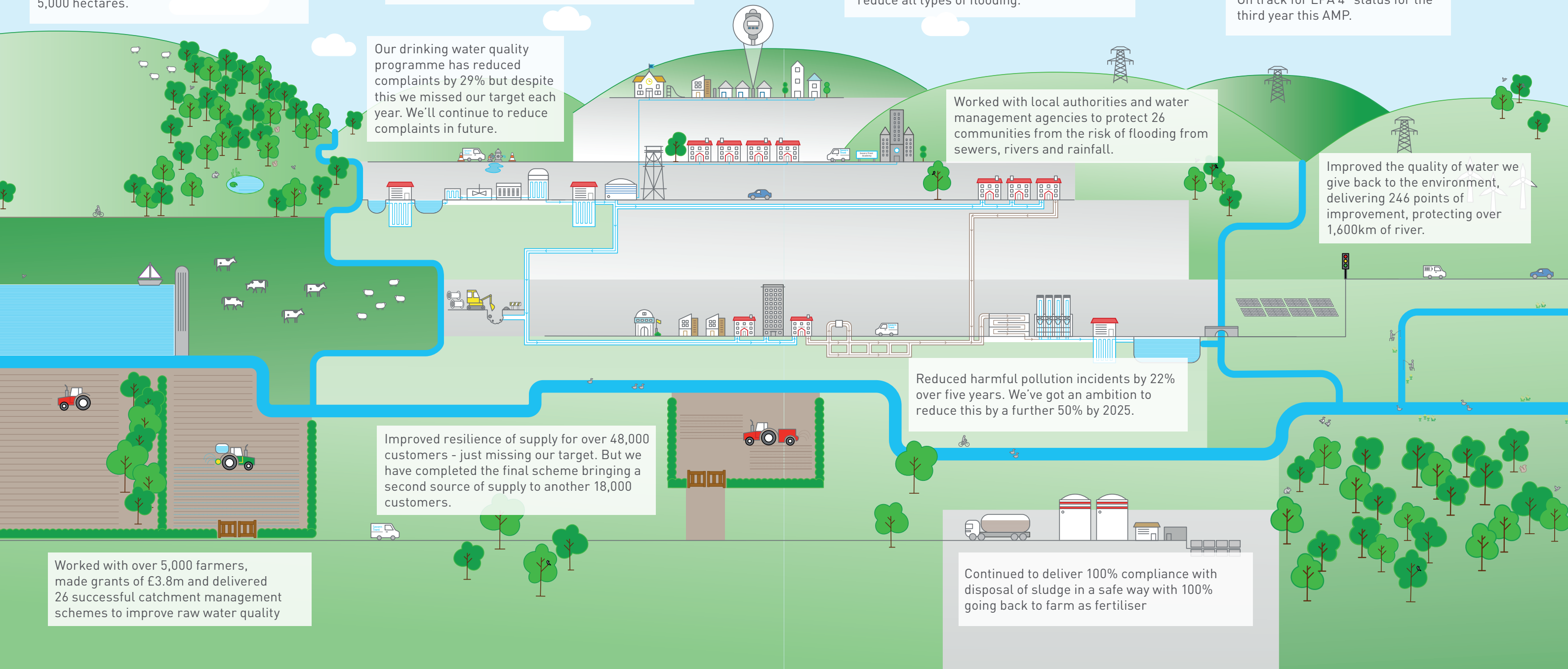
Improved the quality of water we give back to the environment, delivering 246 points of improvement, protecting over 1,600km of river.

Reduced harmful pollution incidents by 22% over five years. We've got an ambition to reduce this by a further 50% by 2025.

Improved resilience of supply for over 48,000 customers - just missing our target. But we have completed the final scheme bringing a second source of supply to another 18,000 customers.

Worked with over 5,000 farmers, made grants of £3.8m and delivered 26 successful catchment management schemes to improve raw water quality

Continued to deliver 100% compliance with disposal of sludge in a safe way with 100% going back to farm as fertiliser



Clear and transparent reporting

It’s important that our customers, stakeholders and regulators can trust the information we report; they need to be confident that they can trust us to act responsibly and always in our customers’ best interests. This is particularly important where we have identified

issues with data previously reported and need to restate our position. Where this impacts on ODI outperformance previously claimed we need to be clear and transparent about the changes we have made.

There are four specific areas we wish to highlight this year as detailed in the table below:

Code	Measure	Explanation	Adjustment (£m)	Reported ODI (£m)
WB2	Leakage	During the report year we have notified Ofwat of an inconsistency between the licence separation of July 2018 and the targets set at PR19.	N/A	N/A
		The July 2018 targets were apportioned between Severn Trent and Hafren Dyfrdwy at a high level, but more detailed analysis for PR19 identified 2.3 ML/day was inadvertently allocated to Severn Trent, making Hafren Dyfrdwy’s targets too stretching.		
		Following the conclusion of the PR19 programme, Ofwat has agreed to reset the 2019/20 targets by reallocating 2.3 ML/day from Severn Trent to Hafren Dyfrdwy.		
		In line with principals established for leakage reporting in AMP6, we have based our incentive payment on the change in underlying real loses. As the real loses deteriorated by 1.9 ML/day we have used this as the volume on which to base the calculation.	(£2.116m)	(£0.236m)
		Further detail can be found on page 41.		
WB5	Resilient supplies	We confirmed in APR19 that the target of 78.0% did not accurately reflect the scope of the agreed AMP6 programme. To overcome this we have based the incentive on the population change from the schemes we have completed. We have missed the regulatory completion date of 31 March for the final scheme in Stroud, resulting in a penalty equal to 0.1%.	(£0.352m)	(£0.176m)
		Further detail can be found on page 53.		
WE1	Carbon emissions (water service)	We confirmed at APR19 that we had agreed with the Water Forum to use the carbon market to offset under-delivery on this measure. We agreed that we would not claim outperformance payments if our final position was favourable to target. This year we have out-turned 1 ktCO2e ahead of target which would generate a payment of £14,630 which we are not claiming.	(£0.015)	Nil
SA1	Internal sewer flooding	Further details can be found on page 45.	£0.300m	(£11.519m)
SA2	External sewer flooding	During 2019/20 we experienced severe weather across our region, resulting in a significant increase in the number of sewer flooding incidents. To ensure our assurance processes accounted for these extreme rainfall events we incorporated new evidence in to the assurance process. We explained these proposals to Ofwat and ensured a detailed, third line assurance process was undertaken by Jacobs consulting. In total this process led to 7 internal and 52 external sewer flooding incidents being removed from the reported number (less than 1% of the total).	£0.154m	(£0.4118m)
		Further detail can be found on page 45.		

Setting the baseline for AMP7 reporting

On 1 April 2020 we entered in to a new five-year asset management plan and a number of our regulatory commitments have changed. Some measures are brand new and have never been reported before, others are an evolution of existing measures as the industry works to standardise definitions. For a few measures we agreed with Ofwat that our 2019/20 performance would set the baseline that our targets for AMP7 would be determined from.

To ensure a robust starting position, we have sought independent, third line assurance from our partners Jacobs Consulting. They have undertaken a full review of our data sources, reporting process and the actual performance data to confirm the reported outturn position is robust.

Leakage

There are two key changes on how we report leakage:

- 1. Alignment with the consistent definition for the industry.
- 2. Move to a three-year rolling average.

We can confirm that by 1 April 2020 we substantially moved towards the consistency definition for leakage. This has been an evolution over the past three years as we updated our systems and methodologies in line with the guidance. Each year we have reported our progress to Ofwat as part of the shadow reporting commitments.

As requested, this year we are restating our historic levels of leakage for 2017/18 and 2018/19 in line with the AMP7 reporting methodology. This ensures that the baseline for AMP7 is set on a like-for-like basis as the future targets.

	2017/18	2018/19	2019/20	Three-year average
PR19 forecasts	439.2	425.6	421.6	N/A
APR Actuals Reported	439.2	424.3	404.5	N/A
Shadow reported value each year	399.3	416.6	387.0	N/A
Updated for final AMP7 definition	440.0	445.3	387.0	424.1

Differences between our PR16 forecasts (Table App2 line B30) can be explained by our company wide leakage drive which has led us to beat our 2019/20 target by 15 ML/day. Further details can be found on page 41. As demonstrated above the 2019/20 baseline from which AMP7 targets will be calculated is 424.1 ML/day. Therefore our regulatory targets, in line with the annual percentage improvements stated in our PR19 Final Determination, are outlined below:

2019/20	Was the AMP6 2019/20 target met?	Targets				
		2020/21	2021/22	2022/23	2023/24	2024/25
401 ML/day 70.4 l/p/d	Yes - SVE Core	1.4%	2.9%	5.7%	10.5%	14.3%
	Yes - Chester	418.2	411.8	399.9	379.6	363.5

Per capita consumption (PCC)

Per capita consumption is a new regulatory commitment for AMP7, but we been measuring it for a number of years. For AMP7 we have ensured:

- 1. Alignment with the consistent definition for the industry
- 2. Move to a three-year rolling average

We can confirm that by 1 April 2020 we have substantially moved towards the consistency definition for per capita consumption. This

has been an evolution over the past three years as we updated our systems and methodologies in line with the guidance. Each year we have reported our progress to Ofwat as part of the shadow reporting commitments.

As requested, this year we are restating our shadow reported values for 2017/18 and 2018/19 in line with the AMP7 reporting methodology. This ensures that the baseline for AMP7 is set on a like-for-like basis as the future targets.

	2017/18	2018/19	2019/20	Three-year average
PR19 forecasts	134.6	134.3	133.3	N/A
Shadow reported value each year	142.69	134.51	129.29	N/A
Updated for final AMP7 definition	129.42	128.5	129.29	129.07

As demonstrated above the 2019/20 baseline from which AMP7 targets will be calculated is 129.07 l/p/d. Therefore our regulatory targets, in line with the annual percentage improvements stated in our PR19 Final Determination, are outlined below:

2019/20 Outturn	2020/21	2021/22	Targets		
			2022/23	2023/24	2024/25
129.07	0.7%	1.4%	2.1%	2.8%	3.5%
	128.17	127.26	126.36	125.46	124.55

Service Now - Water

Taking care of one of life’s essentials means we look after every litre of water all the way to the customer’s tap. We want our product to arrive in the best condition, and as little of it as possible to be lost along the way. It means our customers get water of great quality all the time and don’t see any wastage through leakage.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
WA1	Drinking water quality complaints	Number	11,856 (9954)	10,181 (9,922)	(£0.233m)
WA2	Mean zonal compliance	Percentage	99.94% (100%)	99.94% (100%)	(£1.707)
WB4	Number of minutes customers go without supply	Minutes	19.06 (9.4)	7.3 (8)	£0.766m
WB2	Leakage	ML/day	419.5 (423.5)	401 (416.3)	(£0.236m)
WB3	Speed of response to visible leaks	Percentage	32% (95%)	37% (100%)	(£1.300m)

Drinking water quality

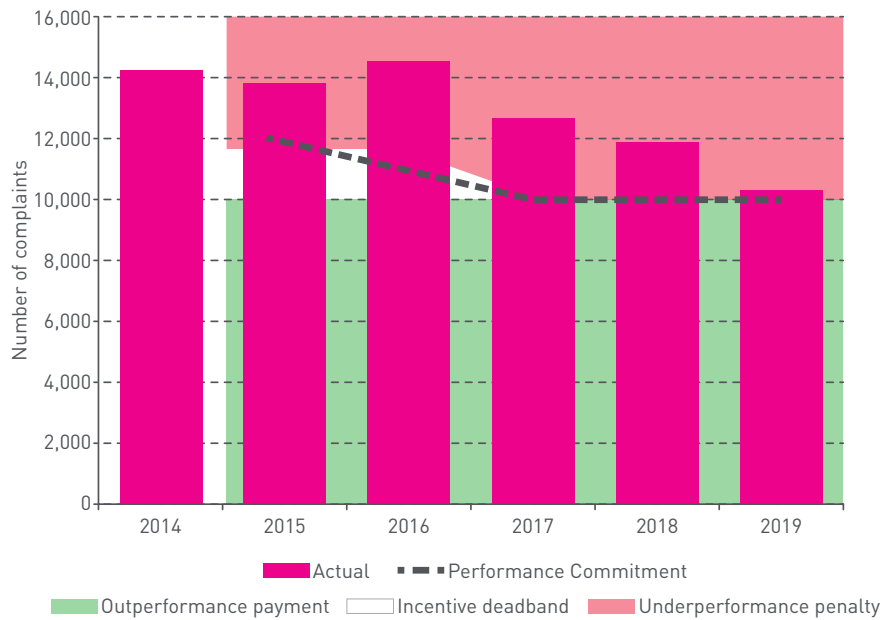
Drivers of performance

We’ve delivered a 14% year on year improvement in the number of drinking water quality complaints received. This meets the commitment we gave to the Drinking Water Inspectorate (DWI) and achieved our best ever performance this AMP and missed our target by just 259 incidents (less than 3%). Since the start of the AMP this is a 29% improvement.

We carried out our largest ever mains flushing programme in 2019 completing 941 DMAs which is more than the previous five years combined. Alongside this our ‘Green is Clean’ campaign targeting illegal access to our network which can cause turbulent flows and discolouration. We continue to caution and prosecute any illegal connections we identify.

2019 saw a 10% reduction in total failures, however our overall mean zonal compliance (MZC) score remained the same as 2018. Although our improvement plans reduced overall failures, increases in lead and iron failures had a greater impact on the measure. Midway through 2019 we increased

WA1 - Drinking water quality complaints



phosphate dosing levels to mitigate the lead failure rate and our mains cleaning plans are targeting areas at risk of iron failures.

Steps to improve

We know that our approach is working as we continue to make improvements in drinking water quality. But we know we still need to do more to meet the commitments we made to our customers and to drive further improvements in the future.

We’ve seen marked improvements in zones where we’ve increased our proactive flushing and cleaning programmes. We’ll continue to target this activity in the areas where it will have the greatest impact. These areas might be slightly different to normal as the impacts of the reduced commercial activity in some zones reduces the natural conditioning process.

This year has been a transition as we adopt the new measure of water quality, the Compliance Risk Index (CRI). The increased focus we placed in our improvement plans at our assets have helped to deliver our best water treatment works coliforms performance for 3 years which has contributed to oan outturn position for 2019 of 3.9. We expect this to place us around average in the industry.

Future outlook

The taste, appearance and smell of water is really important to our customers. That’s why we’ve committed to continue to report this measure for the next five years. We are committed to continue to improve our performance and meet the targets we’ve agreed with customers in future.

Supply interruptions

We continue to see improvements in supply interruptions through our five point approach and are delighted to outturn better than our target for 2019/20 which was significantly ahead of the AMP6 UQ targets set at PR14.

Drivers of performance

Our strategy continues to be one of calming the network especially around our trunk main assets where a failure would lead to a significant number of our customers being off-supply for a period of time.

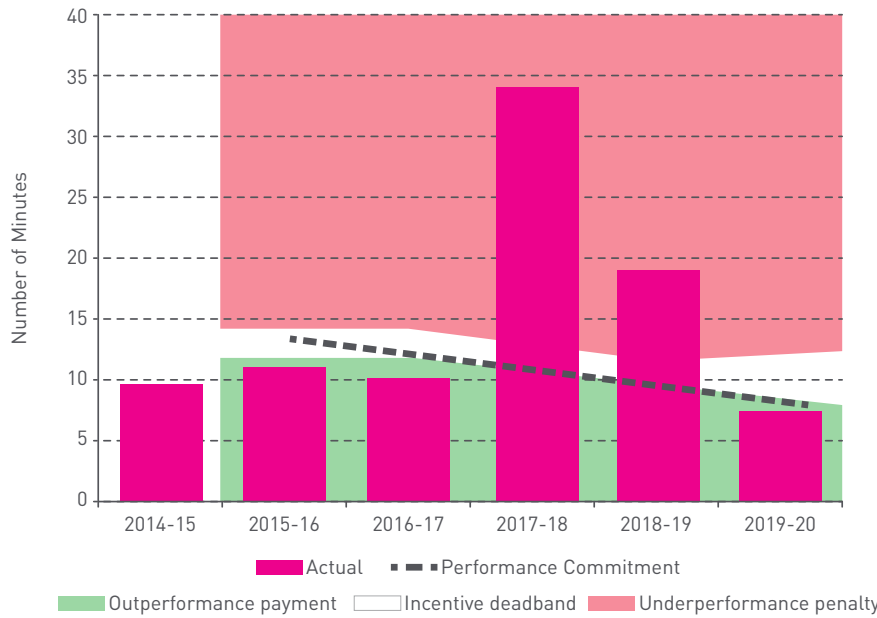
Steps to improve

We’re aiming to minimise the risk of a supply interruption event, combined with an improved ability to respond, to enable us to deliver the level of service our customers expect.

Prevent

This year our prevent strategy has focused on two main developments. Firstly, the deployment of more

WB4 - Minutes customers go without supply



high speed loggers across high-risk parts of our network provides us with lots more data to understand what is happening in real time. Even small variances in the volumes of water are now more noticeable allowing investigations to occur and problems to be stopped before they impact on customers.

Secondly we have continued to focus on the impact of pressure transients. These shockwaves travel along the pipes and can cause fractures in weaker parts of the network.

We can reduce the severity of these pressure transients by being smarter with how we ramp up/ down the pumping pressure.

We also continue to design our proactive work to ensure customers are not taken off supply for more than three hours. We aim to reduce this to zero in AMP7.

Restore

The quicker we can get our staff onsite the better chance we have of restoring supply for our customers. Over the last 12 months we have

more than halved the response time to get our technicians on site to just 30 minutes. This time saving really helps us undertake rezoning quickly before the capacity of the network reduces to a point it impacts on customers. It also ensures we can raise repair work faster, getting the right team with the right equipment on site faster to perform the repairs.

We have also undertaken a review of our strategic valve operations so we can be sure we can operate them in an emergency to rezone customers and restore supplies.

During the year we brought our network response team in house, strategically placed them across our region and scheduled the rotas to offer a 24/7 service.

Having the ability to move large volumes of water directly to the site of an interruption event and to fill the tankers and bowzers from multiple locations means we can restore customers’ supply to the tap faster than ever before.

These temporary restorations are a great way to minimise the impact on our customers while our teams carry out a full repair to the network.

Repair

Ultimately, returning service to normal relies and an efficient, fast and robust repair being done. We’ve used this year to review and reinforce the quality we need from these jobs to reduce the risk that our customers experience the same problem twice.

We’ve brought new expertise in house through the creation of our Strategic Network Team. They bring greater flexibility and allow us to repair issues on our trunk mains more efficiently than previous external contractors.

We have seen positive impacts from our pre-formed contingency plans which have enabled us to enact the repairs, as well as the wider incident response, in a more streamlined manner than ever before.

Customer communications

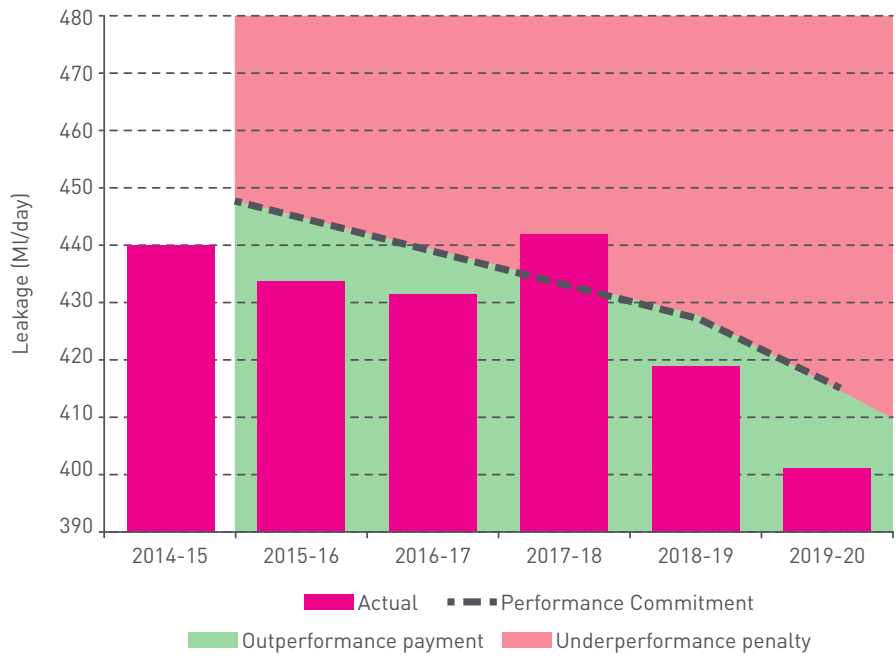
We understand that the loss of supply can be difficult for our customers, especially those who may find it more difficult to get water from an alternative supply. During all incidents it’s really important that we provide customers with clear and accurate information.

Through the use of our website, social media channels and our automated text messaging system we aim to provide our customers with the information they need.

Future outlook

We recognise the challenge of some of the stretching targets that we have agreed with our customers for AMP7. We’re confident that we’ve got the right plan to deliver this.

WB2 - Leakage



Our major focus for AMP7 will be identifying new and innovative ways to reduce the likelihood of large bursts events and, if they do occur, having the right plans in place to reduce the impact on customers.

Leakage

Leakage reduction is a key measure for our customers and the industry as a whole. We’ve always aimed to deliver a sustainable, economic level of leakage balancing off the costs of reducing leakage further with those of finding the savings elsewhere (eg reduced usage) or creating additional water sources.

It’s becoming clear that the availability of water in the future is a big concern for customers. We showed our commitment to the national issue with our proposal to investigate options for a north-south transfer scheme that will be spade-ready by 2025.

We’ve also committed to reduce leakage by 15% over the next five years, and stated our ambition to aim for a 50% reduction by 2045.

But we know to do this we need to find new, more innovative and cheaper ways to prevent leaks occurring and to find and fix them when we do.

The World Water Innovation Fund - an international collaboration of like-minded companies across the globe - is one way we are pooling resources and ideas to develop and accelerate new technologies. In February we launched the UK’s first fibre optical trial by installing cables in 750m of live network to test the capabilities to ‘listen’ for leaks. This was the first step to develop a ‘lift and shift’ process that can be installed allowing us to monitor sections of pipe around the clock to spot potential leaks faster and more efficiently. .

Transparent reporting

When we split the English and Welsh operating licenses in July 2018 the leakage targets were set using a high-level allocation. A more detailed, bottom-up approach was used for the final proposals submitted as part of PR19 which ultimately set the targets for 2024-25. These two approaches do not reconcile for 2019/20.

We approached Ofwat during the report year to discuss alignment of the 2019/20 targets. Our analysis suggested that 2.3 ML/day of the target had been allocated to Severn Trent Water that should have been assigned to Hafren Dyfrdwy.

Aligning the 2019/20 targets	
Original 2019/20 target	418.6 ML/day
Revision	(2.3 ML/day)
Revised 2019/20 target	416.3 ML/day

This is a small proportion of the target for Severn Trent (c0.5%) but has a much more significant impact for Hafren Dyfrdwy (c43%).

As such, we have agreed with Ofwat to align the 2019/20 targets with the information submitted as part of PR19. We have re-allocated 2.3 ML/day from Severn Trent to Hafren Dyfrdwy.

Calculating the incentive payment

We have previously agreed to calculate our incentive payments based on the change in underlying real loses. This is the component of the water balance that closes resembles the actual changes in the level of leakage across our asset base.

This is the last year we will have to calculate our incentive payments this way as the industry is adopting a revised consistent definition for AMP7. Over 2019/20 we made huge improvements on leakage beating our target by over 4%, but a small increase in real loses of just 1.9 ML/day which results in a £0.236m penalty.

Leakage movement over the last 12 months	
2018/19 outturn	419.5 ML/day
Unaccounted for water change	+1.9 ML/day
Data improvements	-20.3 ML/day
Methodology changes	0.0 ML/day
2019/20 outturn	401 ML/day
2019/20 revised target	416.3 ML/day

Drivers of performance

Last year we reported our detailed approach to ensure we delivered our leakage commitments following the impacts of the freeze/thaw and hot weather conditions of 2018. We deliberately continued many of these activities as we began 2018/19 to ensure we continued to build the momentum and stay on the right trajectory as we enter in to AMP7.

The main focus this year has been the roll out of our new water network operating model which is designed to drive greater ownership of the network by local teams, how work is categorised and enhancing our planning and scheduling activity.

We’ve also focused on finding more ways to calm our network through pressure management. This is particularly key around our distribution pumps which can create shocks in the pipe network resulting in bursts at any weak points. Reducing the overall pressure and finding ways to mitigate the impact as pump speeds are changed is really important if we’re to reduce leakage even further.

These changes have delivered a 15% increase in field team productivity and provide a greater focus on those proactive tasks that build resilience and result in a calmer network.

We’ve continued the roll out of our new telemetry and have installed a further 15,500 acoustic loggers giving us more eyes and ears on the network. Alongside our leakage technicians, this new data helps us find and locate leaks faster and more accurately than ever before.

Improving our performance

We continue to invest in understanding more about our network through the installation of pressure loggers at strategic points across our network. This will then allow us to look at more dynamic pressure modelling.

When we receive intelligence of a possible burst, through changes in inlet pressure for example, we can run the dynamic pressure modelling to target the area of interest. This gives our teams in the field a smaller area to investigate and means we can find the bursts faster, isolate the issue and minimise the amount of water lost.

We’re only just at the start of understanding the full opportunity from this additional data, and the new operating model we have deployed. But we’re confident that these put us on the right track to deliver for our customers.

We’re retaining leakage as a measure in future. All companies are adopting a standard approach and methodology for calculating leakage, so our future reported values may look slightly different.

We’re committed to see further reductions and will reduce leakage by at least 15% over the next five years, and have an ambition to halve it by 2045.

Speed of Response to Visible Leaks

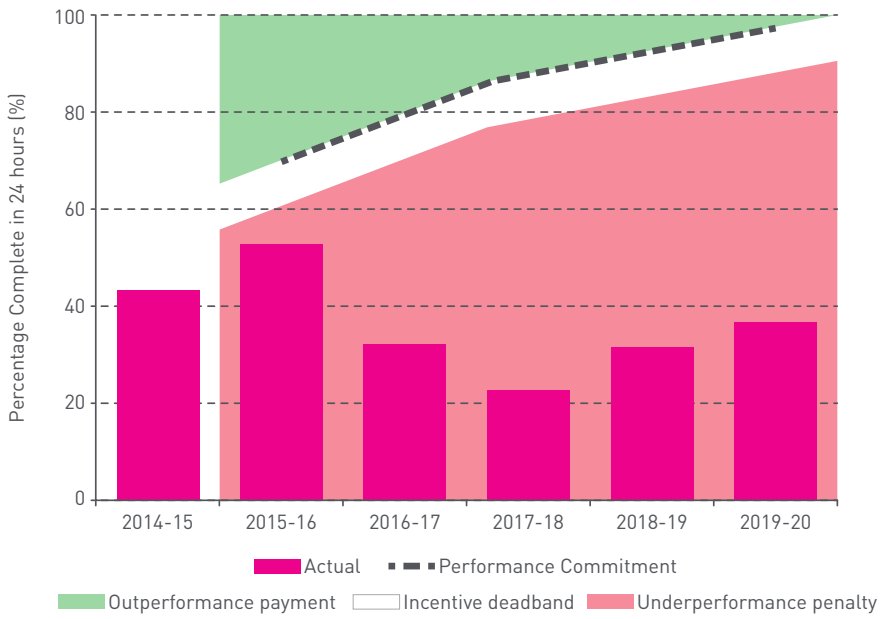
We’ve previously reported that this measure is not delivering for our customers in the way it is intended to; it is in customers’ best interests that we pay a penalty of £1.3m for our performance despite a small improvement on previous years.

The current measure does not differentiate between a small trickling leak and those that are more significant and likely to lead to interruptions to supply or disruption to traffic.

As part of our plans for 2020-25 we have redesigned this measure to ensure it focuses on those leaks with the greatest impact due to their significance. The new measure focuses on the end-to-end lifespan of the visible leaks that are most disruptive to our customers, ensuring our resources are prioritising the most significant leaks.

But we know that it is more than just the leak that can cause customer dissatisfaction and disruption. That’s why we’ve ensured that reinstatement is covered by the definition. We also expect this to help with our C-MeX scores where roadworks are known to be a key driver of dissatisfaction.

WB3 - Speed of response to repair visible leaks



Service Now - Waste

We know that an escape of sewage from our waste water network is one of the worst service failures that can occur. Whether it’s into a customer’s property, or impacting on the environment, it is clearly a priority for us to make improvements. We’ve got big ambitions to reduce pollutions by 50% over the next five years, and are expanding our coverage to include sewer flooding in public spaces giving us the widest flooding remit in the industry.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
SA1	Internal sewer flooding incidents	Number	725 (868)	926 (657)	(£11.519m)
SA2	External sewer flooding incidents	Number	3,766 (6,455)	5120 (3732)	(£4.118m)
SC2	The number of category 3 pollution incidents	Incidents	328 (369)	288 (318)	£1.617m
SC6	Serious pollution incidents	Incidents	7 (2)	4 (0)	N/A
SC8	The number of category 4 pollution incidents	Incidents	217 (176)	240 (174)	N/A

The last 12 months have been some of the wettest on record in our region, with persistent, heavy rainfall falling throughout the Midlands over a number of months. The saturated ground led to increased levels of run-off entering our sewerage system, reducing its capacity for sewage.

This performance has resulted in an under-performance penalty of £15.637m on measures relating to internal and external sewer flooding.

Our assurance processes for sewer flooding include a robust approach to reviewing severe weather exclusion. Prior to 2019/20 our experience of extreme weather events has been limited to intense summer storms where high levels of rainfall in localised regions overload the sewers. Generally these events are short in nature, and are extreme due to the rate of run-off which enters the sewerage system.

This year has been very different where the type of extreme event has been more prolonged. MetOffice rainfall records show that the Severn Trent river basin area experienced the wettest June - October period on record

(going back to 1910) and that this prolonged wet weather continued into December. In some respects the persistent nature of rainfall has put a different pressure on our sewerage system. The saturated ground has led to rainfall events having the run-off impact of a severe summer storm.

Through the industry-wide work to align the AMP7 definition we were aware that other companies had used different approaches to their extreme weather exclusions in the past. We have, therefore, engaged with those who have experience of this type of severe event in the past. We have also engaged with external experts to help us adapt our assurance processes for this year.

We sought to ensure that we follow the same process of assessing severe weather as we have done so far in AMP6, with some refinements to take account of the dual impact of the multiple rainfall and significantly wet ground conditions.

We commissioned Atkins to examine which internal and external sewer flooding incidents should be classified as being due to severe weather. Their approach is based on Ofwat’s guidelines, and

also reflects the marked change in our exposure to severe weather during 2019/20, as set out in the previous section. Consistent with this, Atkins therefore examined three methods:

- The first assessed whether the incident was in an “Exceptionally High” to “Notably High” zone as identified within the Water situation reports published by the Environment Agency. Presence within this Zone indicated the area had been subject to multiple prolonged wet weather conditions outside average conditions.
- The second focused on the intensity of the storms (defined in terms of storms with a return period greater than 1 in 20 years). This was based on the Flood Estimation Handbook (FEH13), consistent with best practice and Ofwat’s guidance. As part of their work, Atkins specifically examined how the ‘duration’ of storm included in the analysis impacted the number of ‘severe’ incidents. Whilst the standard approach is to focus on durations of up to 18 hours, Atkins have adopted a 96 hour duration cut-off.

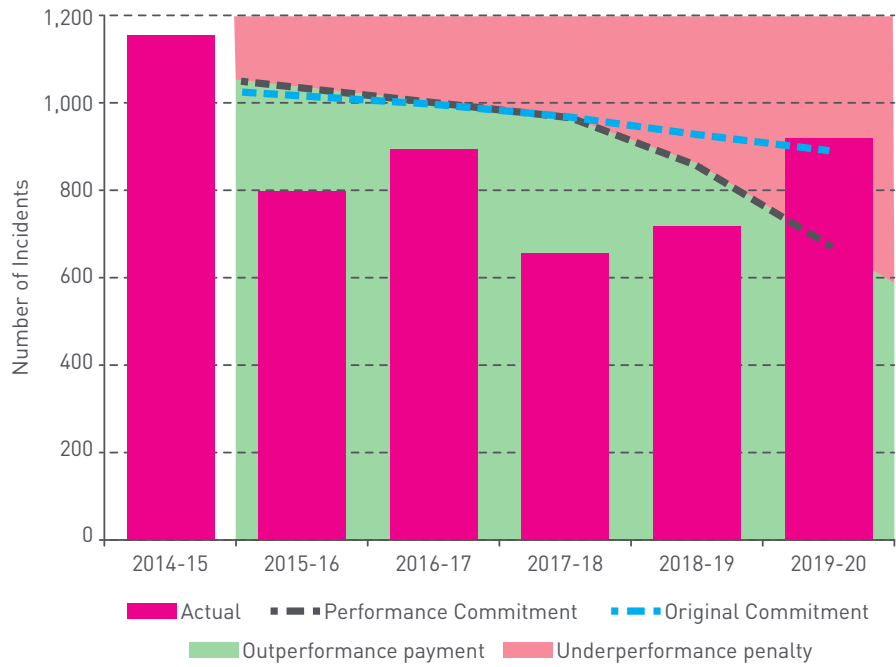
- The third method picked up the combined probability of both the storm being ‘intense’ alongside the extent of rainfall in the period immediately preceding the event being unusually high (assessed over the preceding 30 days - referred to as API30 rarity). API30 is an industry standard approach of calculating ground saturation and rainfall runoff. Here, the approach identified incidents where the combined probability of the storm return period and the API30 rarity would be greater than 1 in 20 years. This is particularly important, given the marked change in the nature of severe weather events we have observed in 2019/20 (i.e. the first method would fail to reflect the impact of several severe events occurring in close proximity to each other). Ultimately we did not exclude any incidents relating to rarity events from our reported values.

Subsequently we reviewed the proposed amendments with our independent, third line assurance partners, Jacobs Consulting. We agreed that the speed with which our waste water network drains downs means shorter rainfall periods were more representative of the impact on flooding and 48 hours was agreed as the cut-off limit.

As such we have excluded a small number of incidents from our reported numbers, in line with the definition.

	No. exclusions	£m
Internals	7	£0.300m
Externals	52	£0.154m

SA1 Number of internal sewer flooding events



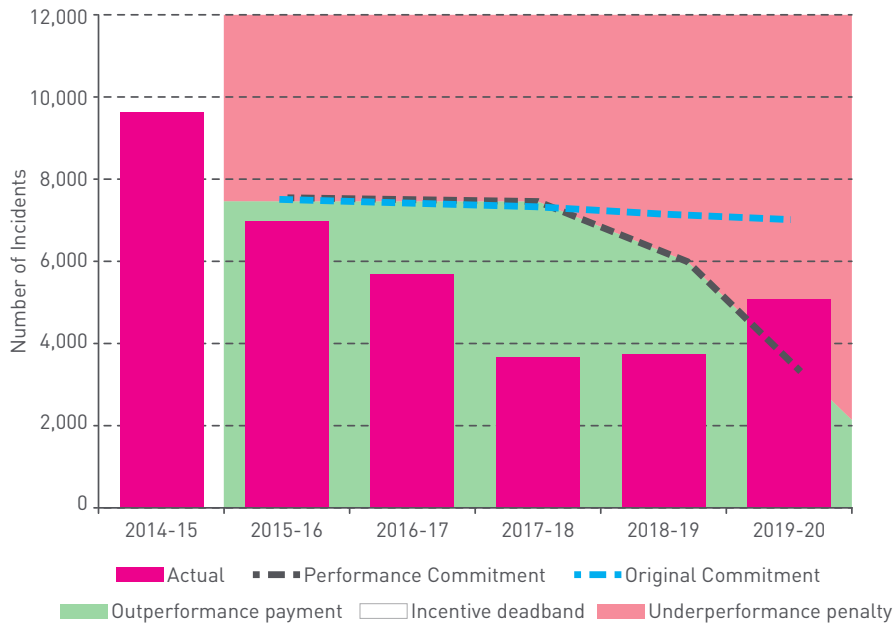
Sewer Flooding (Internal and External)

In January 2019 we agreed to lock in the benefits of our exceptional performance in the first three years of the AMP. This would have happened as part of the PR19 process, but we agreed it was the right thing for customers to do it sooner.

Drivers of performance

Escapes of sewage are caused by either hydraulic overload or a blockage within the network. When this happens sewage will escape through the closest release point which could be through a customer’s toilet, or manhole cover in someone’s garden. To prevent blockages we undertake a number of activities.

SA2 - Number of external sewer flooding incidents



Our focus on customer education is becoming increasingly important as we drive to limit the number of blockages across our network. We're continually working to protect our network from the wrong things going in to the sewers such as wet wipes and kitchen roll.

Our 'be in a binner not a blocker' campaign has been accelerated and widened along with local, regional and national media items and our biggest ever social media push on unflushables.

Steps to improve

Our aim is to be a frontier company on sewer flooding, continuing to reduce the risk of sewer flooding for our customers. Our work during AMP6 has revolutionised the approach to external sewer flooding which we've proactively shared with other companies.

Our focus this year has been to ensure our core activities are as tight as possible in the face of some of the most difficult operating conditions we've ever experienced.

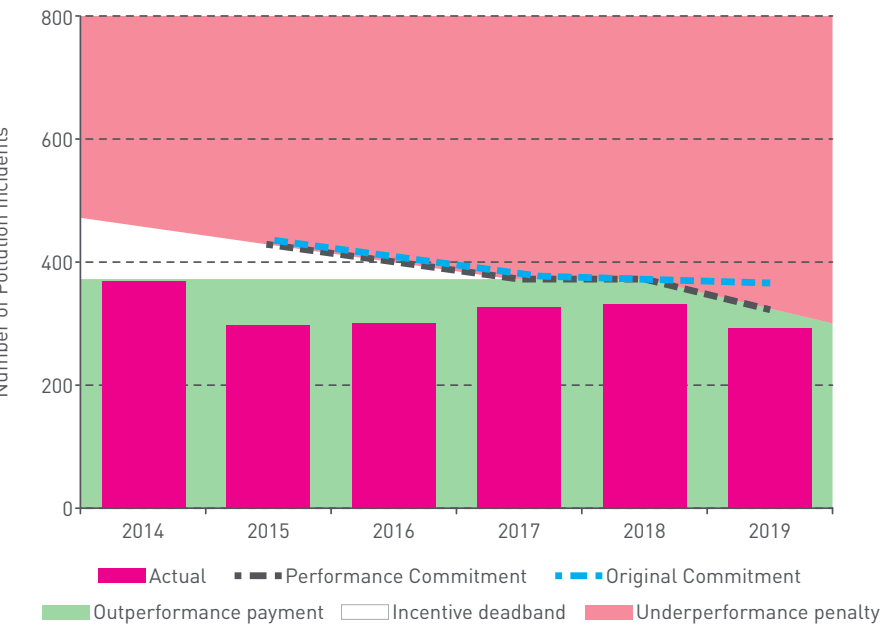
We have sought to ensure our contractors are hitting the service level agreements and we're identifying ways to ensure a first time resolution in as many incidents as possible.

Our programme of planned works, which is designed to keep the sewerage system working in optimal condition, has been delivered to time and any follow on work identified has been completed as soon as possible.

Future outlook

We know our customers support our ambition to reduce sewer flooding and that's why we are expanding our coverage in future to include flooding in public open spaces.

SC2 - Number of category 3 pollution incidents



In order to deliver on this we're trialling a new, small sewer monitor which can be deployed across our sewerage network which will provide us with more real-time monitoring so we understand better what is happening in the network at any time. This improved data availability will ensure we can understand better how our network is responding and give us more time to respond and prevent any impact on our customers or the environment.

We're also using data analytics to identify properties with potential cellars which are at an increased risk of internal sewer flooding - a real area of focus for us in AMP7.

We've committed to stretching targets for AMP7, as well as having the widest scope of sewer flooding measures in the industry, but we firmly believe in our ability to deliver for our customers.

Pollution Incidents

Our impact on the environment is closely regulated by the Environment Agency. We report our performance against three categories:

- Serious pollution incidents - category 1 and 2 which have a major impact on the environment.
- Category 3 incidents - less severe in impact on the environment.
- Category 4 incidents - evidence of a spill but no noticeable impact.

Drivers of performance

Reducing the number of pollution incidents has been possible through a combination of proactive activities to keep the sewers clear, using data to identify hotspots that are more at risk, reducing the number of incidents at treatment works and pumping stations where there is already good telemetry and learning lessons when issues do occur to ensure it doesn't happen again.

Unfortunately we did not meet our commitment on serious pollution incidents of zero.

And by reducing the number of category three incidents we have seen an increase in category four incidents, the least serious.

Our strategy has focused on performance recovery across the core needs of meeting our customer promises, improving the number of jobs with first time resolution and ensuring planned work programmes on the network are on delivered on time.

We've also reviewed the operating model to ensure consistency of approach across teams including our delivery partners - focusing on doing the basics brilliantly and escalating at the right time.

Steps to improve

Currently we have real time information on a very small percentage of our waste water network.

We believe that a smart network would deliver significant advantages and could be the game changer to unlock the next step change in benefits for customers and the environment.

This will then allow us to develop a clear data driven strategy to better target future investment. In addition we are developing new capabilities including predictive network modelling to target new locations.

We've also been working with our supply chain to develop or identify low cost sewer monitors. We are testing the best sewer monitors selected from nineteen suppliers who have responded to our market place advert. We hope that 2020 will be a breakthrough year in our smart network journey through low cost sewer monitors.

Future outlook

The industry are amending the definition of this measure in future to ensure it aligns with Environment Agency Environmental Performance Assessment measure.

In future we'll report all category 1-3 incidents together and no longer report category 4 incidents here. It will also focus on waste water incidents only.

We're committed to reduce pollution incidents and have an ambition to halve the total number by 2025, going beyond the expectations of our customers and the Environment Agency.

Service Now - Retail

Our customers tell us they want low bills, less sewer flooding and high quality water at the turn of a tap. The new industry measures of customer experience (C-MeX) will really show how the delivery of our core service, and the wider societal good we drive, are making improvements for our customers and their view of our level of service. The measure has been trialled this year and came in to effect from April 2020.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
RA1	Customer satisfaction with their services (based on a survey)	Grading		Median (Upper quartile)]	NIL Non-financial
RB2	Percentage of customers who do not pay (household bad debt divided by total household revenue)	Percentage		3.2% (2.7%)	NIL Non-financial
RA2	Service incentive mechanism (proxy)	Score	81.5	77.4	N/A
	C-MeX	Score	N/A	77.7 (N/A)	NIL
	D-MeX	Score	N/A	86.3	N/A

Drivers of performance

Customer experience, and in part satisfaction, is about the impression our customers have of us through many different interactions.

Our levels of service are what customers experience on a day to day basis. But we have other opportunities to influence our customers. When they contact us the experience they receive will directly influence their level of satisfaction.

Over recent years we've aimed to transform our customers' experience through increasing our contact channels including the use of messaging apps and social media. Customers can also self-serve more online than ever before giving them greater control and flexibility to manage their account in the easiest way for them.

Steps to improve

The Service Incentive Mechanism is being replaced by a measure known as C-MeX. This provides a wider view of customer experience of the services we offer. We've reported a proxy for SIM this year which saw a small deterioration in performance to 77.4%.

The shadow year has been of real benefit for us to understand more about what our customers expect from us and how we can improve their level of service and experience.

It's key that we improve our basic level of service. All the improvements we're doing to reduce supply interruptions, improve drinking water quality and minimise risk of sewer flooding is central to this. Through PR19 we also listened to customers who told us water pressure was the most experienced service failure. We've introduced two new measures for AMP7 to address this.

We've also expanded and improved our retail service. We have more routes of contact than ever before allowing customers to choose the most appropriate for them at any time. This means customers can pay bills, update account details and much more all day, every day.

How long it takes us to complete a job can also impact customer experience. So we're reviewing and updating our target completion times to better align to customer needs.

On the experience side of the measure we get generally good feedback on the offerings of our visitor sites. But many customers continue to tell us they don't understand our brand well enough or realise the wider contribution we play to society and the environment.

On the downside, sometimes when we're carrying out necessary improvements to the network the roadworks that are required can be a real negative experience for customers.

So we're focusing heavily on improvement initiatives to make these experiences more positive in future.

Bad debt

We've seen an increase in the bad debt charge this year resulting in up not hitting our target of less than 2.7%.

We've increased the top up charge this year for three main reasons:

- We have seen a reduction in collections on older debt that we carry on our books;
- We've updated our internal model to more accurately reflect our estimated credit losses for all years; and
- Due to the impact of COVID-19 we have made some assumptions on how bad debts might increase, based on past experience and independent forecasts of the economic data.

D-MeX

During the Shadow Year our Developer Service Customers have told us that we have friendly and helpful staff, but that our communication and speed of response could be better.

Steps to improve

We've listened to our customers and responded by:

- Introduced dedicated weekly calls focusing on work in progress;
- Improved communication throughout the customer's journey, ensuring all customers are kept informed;
- Started making improvements to our website including introducing live web chat to improve ease of contact;
- Check in with all customers on completion of their activity - if there's any perceived issues we can then respond quickly; and
- We've improved the clarity of information relating to minimum pressure standards.

Our improvements are make a positive, in January we were best in class and our Q4 average score placed us 3rd in the industry.

Environment

Protecting the environment is consistently one of our customers’ highest priorities. We share this view and understand that protecting the water environment through traditional processes alone isn’t enough. We’re an ambitious company and always aim to protect the water environment, improve biodiversity and reduce our impact on climate change through our carbon emissions. AMP6 has been a great springboard for us to set out our ambitions to be a leader within the industry.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
W-E1	Size of our carbon footprint - water	ktCO2e	219 (219)	213 (214)	NIL
S-D1	Size of our carbon footprint - waste	ktCO2e	204 (207)	211 (210)	(£0.015m)
S-C1	Improvements in river water quality against WFD criteria - waste water	Number	53 (NIL)	246 cumulative (202 cumulative)	£33.000m
W-D1	Improvements in river water quality against WFD criteria - water	Number	0 (NIL)	33 cumulative (31 cumulative)	£1.500m
W-B1	Resource efficiency (distribution input per customer)	l/p/d	225 (216)	219 (213)	NIL Non-financial
W-D3/ S-C4	Biodiversity	Hectares	343 (N/A)	567 (409)	£0.755m
S-A5	Statutory obligations (Section 101A schemes)	Number	19 (N/A)	321 (312 cumulative)	NIL Non-financial
W-D4	Sites with eel protection at intakes	Milestone	NIL	(Milestone delivered)	NIL Non-financial

This year the Severn Trent Group has launched its first stand-alone sustainability report outlining our ambitions and commitment to improving the natural environment. It details what sets us apart as a company, how we work with the natural environment to deliver for our customers and how we play our part in the wider society. You can find the report on our website .

We’ve also hear that our provisional EPA assessment for 2019 from the Environment Agency is that we are on course to restore our industry leading 4 star EPA status.

Water Framework Directive

At PR14 we included our first real options mechanisms relating to the Water Framework Directive. Alongside the Environment Agency we designed a unique points scheme which converted the site specific NEP5 programme in to a more catchment based approach, aligning a point to a change in classification of an individual water body. For each stretch of river, as defined by the WFD, we mapped the site specific obligations to understand where completion of a single scheme will lead to an improvement in classification or where a combination of schemes was required to deliver the classification improvement.

Our customers have consistently identified the environment as one of their top priorities. This was also true during our detailed customer engagement for the PR19 process which gave us added drive to seek ways to outperform our statutory obligations where we could. We actively found solutions that went beyond the minimum and opportunities to deliver improvements that would become statutory in the future today.

Across the programme we have also continued to seek new and innovative ways to deliver the tighter permit conditions, including our use of catchment based approaches to manage our impact on the river system as

	2015/16	2016/17	2017/18	2018/19	2019/20
Number of schemes complete	1	4	11	28	105
Number of points delivered	0	8	16	53	169
Cumulative points	0	8	24	77	246

a whole. This has the combined benefit of delivering more for the wider ecosystem than we can through targetted point source improvements alone.

Our original commitment was to deliver 202 points through improvements in classification. Our final programme has delivered 246 points, over 20% more than our original expectations.

The table below shows the cumulative position across the AMP period:

Biodiversity

At PR14 our customers made it clear to us that working to enhance the environment should be a core focus for us. That’s why we committed to improve 75 hectares of our own land within sites of special scientific interest (SSSI) to favourable status.

We’re delighted to report that our enhancement programme has resulted in a net improvement of 233 hectares, bringing the total in our region to 567 hectares.

Drivers of performance

We’ve focused on three core programmes built around our water and waste services and our leading approach to catchment management.

Our waste water programme is focused on reducing the amount of nutrients, especially phosphorus, that enter water courses within SSSIs. This reduces the risk of eutrophication, leading to a water course capable of sustaining a wider range of species and increased biodiversity.

We also focus on water level management by controlling the abstraction from rivers and

the overall water level in our reservoirs. This AMP has focused these activities at our Cropston, Blackbrook and Swithland reservoirs.

By managing our water level we can prevent the adverse impact on wildlife that rely on the banks of the reservoir. Plants that thrive in or near the shallows are more likely to flourish, providing a habitat for other wildlife. And a managed change in the water levels ensure that birds that nest on the banks do not lose their habitat at critical times of the year.

Finally, our catchment management programme is wholly designed to reduce run-off of pesticides and nutrients in to the water course. Our work with farmers to build beetle banks, wildflower meadows and buffer strips works to both protect the water courses and provide new habitats for wildlife.

Future outlook

We’ve made significant improvements over AMP6 - but this is just the beginning. Customers have reiterated their desire for us to do more to enhance the environment, and it’s a key cornerstone of our commitment to be a socially purposeful company.

We’ve adapted the measure moving forward to allow us to work on land that isn’t just a SSSI, it just has to be in our operating area. So , as part of our PR19 determination, we committed to enhance the biodiversity of over 1,900 hectares of land in the next five years.

But our fast-track status has given us the chance to look at what else we can do. We’ve identified some key strategic partners that we can work with over the coming years

and have stated our ambition to plant 1.3 million trees and through our Great Big Nature Boost improve 5,000 hectares of land across the Severn Trent Group by 2027. This is 1% of Natural England’s target for the country.

Carbon Footprint

Drivers of performance

We’ve held the Carbon Trust Standard since 2009 for successfully measuring, managing and reducing carbon emissions.

In the final year of the AMP we expected our greenhouse gas emissions to increase as we started to commission and use the new processes installed to meet tighter quality permits. These schemes often require additional energy and chemical use to operate them.

Both the water and waste water programmes feel this increase as the Birmingham Resilience Programme and the multiple Water Framework Directive schemes near completion.

Despite this, we have managed to keep our overall carbon emissions to the level expected and performance is broadly in line with both our targets. We would expect a further increase next year as we see the first full year effect of meeting the stricter permit conditions.

Future outlook

We will no longer be reporting our carbon emissions as part of our AMP7 suite of performance commitments. As a company we have bigger ambitions to reduce our carbon footprint.

Last year we committed to the Triple Carbon Pledge, ensuring that by 2030 we would use 100% renewable energy, have a fully electric fleet of vehicles and have net zero carbon emissions.

More recently we went even further as we announced our commitment to Science Based Targets. We're the first water company in the UK to sign up, only the fifth water utility in Europe and in the first 40 FTSE100 companies to commit.

In practice this commitment means we'll be working to develop longer term commitments to reduce our scope 1, 2 and 3 emissions. This will make sure we, as a company, do not contribute to the further risk of an increase in global temperatures.

Eels Protection

Our regulatory performance commitment is to deliver 20 improvements by March 2021; there are no annual targets to meet.

The variety and diversity of fish species in our rivers is a great indicator for the natural health of the river. But it's also important that there are no physical barriers to fish migration that may prevent them from returning to natural breeding grounds and habitats. At a number of our assets we need to adapt our infrastructure to ensure that eels are not impeded along particular stretches of the river.

Our two high priority sites at Mythe and Upton are on track to deliver ahead of their regulatory commitment. The remaining obligations require a combination of solutions including new screening,

improvements to existing screens and some fish friendly return to river apparatus. This. We reported last year that we had met our delivery milestone to demonstrate we were on track to complete this programme of work but the formal obligation is not due for delivery until 2021.

Resource Efficiency

This commitment measures the average amount of water we treat and distribute each day per person we serve.

We have seen a 3% year on year reduction despite starting to see an increase in household water use towards the end of the report year as customers began following hygiene guidance to wash hands more regularly. Our company wide leakage drive has helped reduce the volume of water we put in to the distribution system each day combined with our ongoing work to help customers reduce the volume of water they use at home.

However, we have not met the target we set ourselves this year.

Future outlook

This measure is not part of our suite of performance commitments for AMP7. We will be reporting against the standardised per capita consumption (PCC) measure from next year to monitor household water use. We are committed to reduce PCC by 3.5% across the five year period to 2024-25 but we're expecting the first year to be extremely difficult as our customers are abiding by the lockdown requirements leading to an increase in household water use. Despite this we will do

everything we can to encourage customers to be more water efficient and reduce their water consumption.

First time rural sewerage

We have a statutory obligation to connect rural properties to the public sewer where a duty exists. Our commitment for the five year period to 2020 was to connect 312 properties. In total across the five year period we have connected 421 properties.

In future we'll continue to meet this statutory obligation as new properties are identified, however we will not be reporting it as part of our suite of performance commitments.

Resilience

Our ability to cope with unexpected stresses and strains and remain capable of delivering service for the long term is fundamental to our business. We take a systems approach to resilience which considers our workforce and skillsets - training our workforce for the future and investing in the next generation through apprenticeships. Our corporate leadership also considers how the company is resilient in its financial structure, our operational performance and the regulatory risks we face both today and for the future.

Our commitments focus on the resilience of our water resources and asset base to ensure we continue to meet the needs of our customers today and tomorrow.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
WB5	Percentage of customers with resilient supplies	Percentage	78.1% (NA)	78.1% (78.0%)	{£0.176m}*
WB7	Number of properties at risk of low pressure	Number	158 (229)	169 (229)	£0.047m
WB8	Restrictions on water use	Number	0 (0)	0 (0)	£1.352m
WB9	Timing delays on Birmingham resilience scheme	Milestone	Milestone met (Milestone)	Complete (Delivered)	NIL
WB10	Non-delivery of Birmingham resilience scheme	Milestone	Milestone met (Milestone)	Complete (Delivered)	NIL
WB11	Timing delays on the community risk schemes	Milestone	Milestone met (Milestone)	Complete (Delivered)	NIL
WB12	Non-delivery of the community risk schemes	Milestone	Milestone met (Milestone)	Complete (Delivered))	NIL

*Note - we are reporting a penalty for percentage of customers with resilient supplies because we failed to deliver one schemes required as part of the AMP6 programme. We acknowledge that the target of 78.0% set at the time of the NAV split incorrectly reflected this programme.

Birmingham Resilience Programme

The Birmingham Resilience Project (BRP) is one of the largest and most complex water enhancement projects we have ever attempted. It delivers enhanced resilience to our customers in two principal ways:

- Allows Birmingham to be supplied without reliance on Elan Valley sources - River Severn and Strategic Grid will enable supplies to be maintained in the event of a failure of the Elan Valley aqueduct / reservoirs (EVA).
- Allows the EVA to be taken off line for 30 days each year enabling proactive maintenance - Manages the risk associated with our most strategic and efficient water source.

This year has brought to a close one of the most complex construction programmes in the water industry. This is in spite of the conditions over the last 6 months where site access and resource availability was impacted by the severe wet weather we experienced across our region.

We're really proud of the way our teams, and our delivery partners, have come together to deliver a more resilient supply of water for Birmingham and the Midlands in future.

The fundamental deliverables necessary to enable the resilience outcomes as documented in the PR14 Final Determination were delivery of the following programme components

- A new river intake and pumping station from the River Severn (117 ML/d at Lickhill)

- A pipeline conveying river water from the intake to Frankley WTW (117ML/d)
- An upgrade of Frankley WTW to allow the treatment of river water sufficient to allow the 30 day maintenance window (237ML/d)

We agreed that we would report on completion of the project both to time and in line with the capacities stated in our PR14 Final Determination.

We sought assurance from our independent, technical partners that we had constructed the elements of the BRP. A more detailed summary of the project deliverables and our assurance of successful completion of them is included in our PR14 reconciliation commentary available on our website.

River intake, pumping station and pipeline

The PR14 FD sets a 117ML/d commitment for both the pumping station and pipeline components of the BRP.

Following our detailed design work, the design standard for all raw water assets (intake, pumping station and pipeline) has been increased to 130ML/d. This will allow us to operate at the anticipated daily peak demand. To support the additional design capacity an abstraction licence has been agreed with the Environment Agency for 140ML/d.

Four pumps have been installed in the Lickhill pumping station. These will operate with three duty pumps and one standby. Each pump has been tested and when considered together, and in conjunction with our pipeline headloss assumptions and pump efficiency losses over time, this gives a tested capacity of 130ML/d. The completed pipeline has been in-situ pressure tested up to 140ML/d.

The completed raw water workstream has undergone in-situ testing through the year and in conjunction with the enhancement works at Frankley.

Final scheme design capacity

	PR14 FD commitment	Delivered capacity	Comments
Pumping station	117ML/d	130ML/d	Marginal increase reflects the instantaneous capacity necessary to satisfy average daily demand requirements.
Pipeline	117ML/d	Hydraulically tested to >140ML/d	
WTW upgrade	237ML/d (with additional Actiflo and RGF capacity of 120ML/d)	Treated water capacity: 287ML/d* Actiflo clarification process input: 312ML/d units** RGF process input: 306ML/d units** Sludge treatment and Emergency return pumping station sized for the WTW flows	*Note that the 287ML/d value is treated water at peak daily flow during the diurnal maximum rather than a daily average (as per the original 237ML/d value). ** The variance between the Treated water capacity and the various process capacities reflects the measurement of raw water inflow (processes) and treated water outflow. The increase in Actiflo and RGF capacity relative to the previously identified 120ML/d reflects the original assumption that the existing WTW could treat river water currently abstracted from Trimpley in the future resilience scenarios. However, existing river treatment capability requires blending with EVA water and cannot be sustained for the necessary time period. Consequently, this cannot be assumed in the required resilience modes.

Upgrading Frankley WTW

The original design capacity of Frankley WTW was to treat 450ML/d of Elan Valley water. This is delivered through two Dissolved Air Flotation (DAF) clarification plants and 40 rapid gravity filters (RGFs). There is also the capability to treat 120ML/d of River Severn water for a time limited period (1 week, twice a year).

The treatment of river water requires more complex treatment processes to remove increased pollutants and turbidity. Given the installed process characteristics, the treatment of this volume of river water can only be delivered through part of the current treatment process and when blended 50/50 with Elan Valley water.

The PR14 Final Determination requirement was to “upgrade Frankley WTW to allow it to treat 237 ML/d of river water”. This is an increase of 120ML/d relative to the existing (time limited and blend contingent) river water treatment capacity.

As with all capital investment projects, prior to starting construction we undertook

significant detailed design work in order to understand the optimal treatment process interventions. Through this process we confirmed that the best way to deliver the additional process capacity was though the provision of a third treatment process stream in addition to the two process streams in the existing WTW.

The process units that have been installed are as follows:

- 1st stage (Clarification): 3 x 104ML/d SBL Actiflo units
- 2nd stage (Filtration): 18 x 17ML/d Rapid Gravity Filters
- Sludge Treatment Plant capable of handling sludge from river treatment operation.

In each case these flows all reflect the delivery of 287ML/d of treated water into distribution (Peak daily flow at diurnal maximum).

Final construction of the individual components was completed during 2019/20.

In summary our solution delivers:

- Appropriately scaled raw water assets (130ML/d) that will match average WTW input requirements (and usage of Frankley raw water storage to manage diurnal demand and facilitate returned process flows).
- Assets constructed to a specification that will allow for shorter term increases in capacity (pumping capacity, pipeline pressure testing and abstraction licence sufficient for operation at 140ML/d for shorter timescales).
- Most effective clarification and filtration interventions needed of non-blended river water to satisfy peak and diurnal demand requirements (287Lm/d) for the full BRP mode duration.
- Mitigation of timing and commissioning risks of the new assets and removal of the need for temporary processes that would be required to maintain existing capacity during construction.
- Enhancement of the WTW duel streaming requirement to provide full rather than partial protection (mitigating any treatment single points of failure when in EVA operation).
- Effective management for the potential failure of individual SBL and RGF process units in order to maintain customer benefit.
- A more efficient way of operating and maintaining our assets with in BAU EVA mode.

Community Risk Schemes

Our independent technical assurance partners have reviewed our progress and confirmed that we have delivered the Community Risks schemes in line with the Final Determination requirements. As such we consider both the timing delay and delivery scope commitments have been achieved.

We do not go in to further detail here due to the nature of the work to reduce risk on strategic stretches of the pipeline.

Properties at risk of low pressure

Our customers have told us that issues with pressure are their most experienced service failure. Whether this is for a short, one-off period or something that occurs regularly it prevents our customers from going about their daily routine.

Drivers of Performance

Our approach to calming the network has led to a smoother profile of properties being added to the register than in previous years. There were no significant additions caused by extreme hot weather this year.

Steps to improve

Throughout the year we have completed a number of both operational and capital schemes to alleviate low pressure issues.

Our solutions include a combination of rezoning, creating new trunk main inlets and splitting of DMAs which allows us to find and fix burst mains quicker, reducing the pressure variations further down the network.

Forward Look

Our research for PR19 identified variations in pressure as the most experienced service failure for our customers. It became clear that our current measure did not accurately reflect our customers’ experiences. So we designed two new measures for AMP7

Persistent Low Pressure

We’re adapting the way we measure to reflect the number of days of low pressure. This means that properties that receive low pressure more often will count more to the reported value; our solutions will then be targeted to help those customers that are most affected.

Resolution of low pressure complaints

Often the change in pressure is a result of a short term issue, such as a burst pipe. When customers contact us about their pressure we’re aiming to resolve the issue first time is at least 96% of cases.

Restrictions on Use

The last time we imposed a temporary use bans on any of our residential customers was over 20 years ago, back in 1996.

We committed to our customers that we would manage our water resources throughout AMP6 to ensure we had no need to impose temporary use restrictions. We’re delighted to say that, despite some difficult operating conditions including the Beast from the East and the hot summer of 2018 we have met this commitment.

Delivering this has resulted in an outperformance payment of £1.352m.

Resilient Supplies

To demonstrate that our customers have a service that is resilient to disruption, we currently monitor the percentage that can be supplied through at least two different sources.

The change we made to our area of operation in July 2018 has added complications to this measure. A revised target of 78.0% was agreed but this did not accurately reflect the scope of the agreed programme or work. We confirmed in APR19 that we would measure this metric based on the number of new customers connected to a second source.

Our original target of a 0.7% improvement was equal to 52,878 customers. In APR19 we reported that two schemes had already completed delivering benefit to 48,086 additional customers. This is equal to a 0.6% improvement.

Our final project was to deliver a scheme in Stroud to add around another 18,000 customers. The project provides customers currently dependant on a single source supply from Chalford Springs with a second supply from Mitcheldean WTW on the strategic grid and the renewal of an main between to the distribution service reservoir and a brand new main to supply Stroud.

Unfortunately we were unable to complete the scheme in time to meet the 31st March deadline and are therefore reporting no further schemes complete against this metric. As such we are reporting a penalty of £0.176m which will be returned to customers.

Looking forward we have adapted the measure for AMP7 to consider a wider view of resilience and not just to focus on a second source of supply. Our focus will be on ensuring our customers can have their supply restored in all circumstances with 24 hours.

Serving Our Community

Every day we take care of one of life’s essentials on behalf of the communities we serve. We have a strong social purpose and believe that we should always strive to add value to the communities we serve. So much so that we’ve asked Ofwat to include this in our licence to operate, ensuring it’s a formal obligation today and for future generations. Education is one way we help our customers better understand our, and their role in achieving societal and environmental goals. Supporting our financially vulnerable customers is also important to ensure we do everything we can to reduce the stress on individuals. This year we have also launched our new Community Fund which will distribute over £10m to charities and good causes across our region over the next five years.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
WF1 SE1	Improved understanding of our services through education	Number	185,371 (119,395)	140,916 (124,125)	NIL Non-financial
RB1	Customers helped by a review of their tariff and water usage and/or supported by the Severn Trent Trust Fund	Number	52,547 (49,750)	69,722 (49,750)	NIL Non-financial
W-C1/ S-B1	Customers rating our services as good value for money	%	63% (53%)	66% (55%)	£0.250m

Customer Education

We committed to provide education on water efficiency and appropriate sewer use to 700,000 customers over the 2015-20 period. We’re pleased to say we have exceeded this target, educating a total of 811,575 customers.

Drivers of performance

We believe that educating the younger generations in our region is key to changing behaviours and delivering sustainable improvements for years to come. Children are the most receptive to the key messages and are most likely to encourage others in their households to change their behaviour too.

Over the five year period we’ve visited 420 schools to deliver our programme which continues to educate on the three key messages:

- Safe to flush - making sure only the three P’s go down the toilet
- Using water wisely - how to take care of our wonderful water and become more efficient

- A healthy you and healthy environment - promoting the use of our refill stations rather than fizzy drinks and reducing the amount of single plastic use

Our immersive education buses continue to offer a unique experience as children can move around our virtual reality ‘water world’ exploring one of our very own water treatment works before journeying through the water network in miniature form as a water droplet. We have offered the buses to all primary schools in our area and continue to seek other engagement opportunities such as county shows and fetes.

The schools programme is not our only form of engagement. We continue to offer home water efficiency audits to help our more vulnerable customers have greater control over the cost of their water. We also target education wherever there are sewer blockages caused by the wrong items being put down the sewers. Where we can we take the opportunity to educate local residents to reduce the risk of a repeat event occurring.

The nationwide refill campaign has proved a great success. We’ve rolled out in Coventry, Gloucester, Leicester, Nottingham, Worcester, Wolverhampton, Shrewsbury and Birmingham. This means there are over 1,400 refill stations across our region where anyone can fill up for free.

Steps to improve

We understand the need to educate our wider customer base through our in home water efficiency audits and sewer misuse programme. Both continue to be important parts of our wider programme.

Our TV advert focused on taking care of our precious resource and was seen by over 3.5 million people in our region. We’ve complimented this by improving the education section of our website, made use of our social media platforms and provided tips for efficient water use.

The nationwide refill campaign has proved a great success. We’ve rolled out in Coventry, Gloucester, Leicester, Nottingham, Worcester, Wolverhampton, Shrewsbury and Birmingham. This means there are

over 2,300 refill stations across our region where anyone can fill up for free. This is a key way we can help society as a whole, reducing the amount of single use plastics used in our region.

Evolving the measure for AMP7

We understand the need to educate our wider customer base through our in home water efficiency audits and sewer misuse programme. Both continue to be important parts of our wider programme.

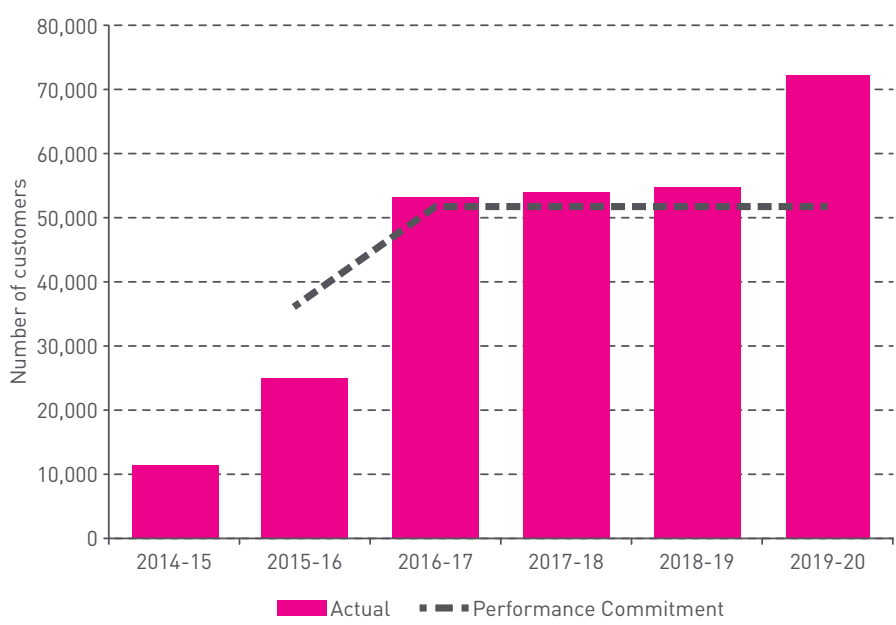
Our TV advert focused on taking care of our precious resource and was seen by over 3.5 million people in our region. We’ve complimented this by improving the education section of our website, made use of our social media platforms and provided tips for efficient water use.

Our programme this year has helped us learn how to encourage those we educate to make actual changes in their lives. Moving forward we will continue our education programme but we will measure success based on the number of individual commitments to change behaviour. This will be a huge step change and will help us learn how best to embed these changes for years to come.

Supporting customers with their bills

Offering financial support to our customers is more important now than ever before. We have a well-established programme that offered support to around 50,000 customers per year. We continue to work in collaboration with social housing and charities such as food banks to identify those customers who are most likely might benefit most from our support.

RB1 - Number of struggling customers helped with their bills



Drivers of improvement

Our social tariff, known as the Big Difference Scheme, is the cornerstone of our support system. As part of our research for PR19 customers told us that we could increase the amount of cross-subsidy from £3 to £5 meaning we could help more customers than ever before. On this scheme alone we supported over 50,000 customers, meeting our commitment for the year.

We continued to offer other support schemes too, through the national WaterSure scheme offering support to high water users who are on benefits. In circumstances we go above and beyond the scheme criteria to offer wider support to around 14,000 customers.

We’ve used socio-demographic information to identify customers who have a high rateable value but are likely on a low income. We provide these customers with information and advice on ways to reduce their water bills including potential savings from moving to a

meter. During the year over 2,000 customers requested to move to a metered charge and received a lower bill as a result. This is the last year we are running this programme as the new proactive metering programme will replace the need for this support scheme.

The final part of our programme, Water Health Checks, offer face to face consultations through Housing Associations and charities such as foodbanks to promote the affordability schemes as well as wider support such as the priority services register.

Evolving the measure for AMP7

The schemes we have introduced this year are part of our wider package of support that we are offering customers through AMP7. Working with other utilities we have identified those most likely in our region to benefit from support and designed a range of schemes to ensure we give the right type of support at the right time.

We will include new schemes in our reporting such as the payment plan concessions we offer, giving customers a reduction in their monthly payments for a short period when times are tough. We’ll also use our home water efficiency checks as opportunities to discuss wider affordability issues and promote schemes and we’ll report the number of customers supported through the Severn Trent Trust Fund.

Supporting our most vulnerable customers is a key part of our social purpose. We’re determined to do everything we can. Our target for 2020/21 will more than double the number of customers supported, and we’ll continue to seek new ways to offer support such as payment holidays.

Value for Money

Customers’ perception of value for money is a combination of the price they pay and the level of service they receive. It can also be a factor of their understanding of the wider societal and environmental benefits we deliver as a company. Throughout AMP6 we’ve been working hard to improve the core levels of service we provide and at the same time improving our communications around our wider business activities such as our visitor experience sites. This is regularly tracked as part of a quarterly customer survey which has seen perception of value for money steadily improving across the AMP6 period. We have committed to retain this measure for AMP7 but it will not have financial incentives attributed to it.

Asset Health

Understanding the health of our assets is really important. It ensures we’re not only investing for our customers today, but also the customers of tomorrow. We’ve identified key measures that demonstrate whether we’re increasing the stress on our network and treatment assets which could lead to a deterioration in performance in future. But these are a small subset of all of the measures we use as a company to check the health of our assets. We also include measures that are designed to alleviate the future stress on our network due to growth and surface water runoff; therefore they contribute to the wider health of our assets.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
WA3	Asset stewardship - number of sites with coliform failures (WTWs)	Number	13 (<6)	5 (<6)	NIL
WB6	Asset Stewardship - mains bursts	Number	6,453 (<6,756)	5,099 (<6,756)	NIL
SA4	Asset stewardship - blockages	Number	46,898 (< 49,080)	46,645 (<48,607)	NIL
SC3	Asset stewardship - environmental performance	Percentage	97.69% (100%)	96.95% (100%)	NIL
SA3	Partnership working	Number of schemes	5 (NA)	26 cumulative (21 cumulative)	£1.529m
SC5	Sustainable sewage treatment	Number	0 (0)	2 (0)	£7.989m

Water Service

Drivers of performance

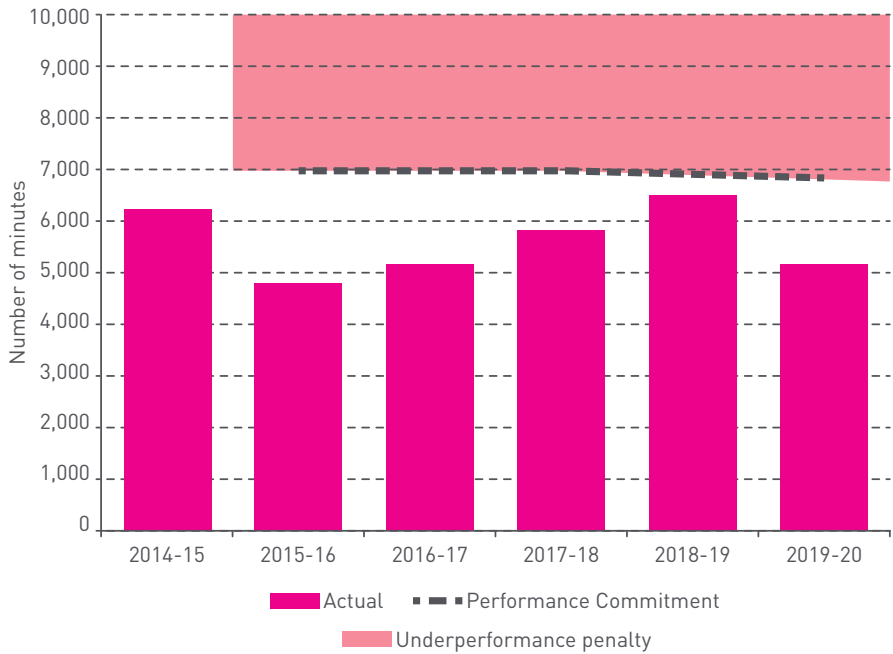
Our asset base has remained stable across the year as we’ve seen the benefits of new control technology at our treatment works. This has been a main contributor to the reduction in the number of sites with coliform failures.

Combining this data with the new approach to viewing coliform risk has allowed us to better target interventions ahead of any failure, allowing us to focus on ways we can prevent issues before a failure occurs.

Part of this proactive plan has been to ensure we reduce the risk of any ingress at our sites by ensuring the integrity of our contact tanks and other on-site assets.

We also saw a reduction in the number of burst main repairs we carried out on our distribution network. The number of outbreaks we get is a factor of the network

WB6 - Asset stewardship - main bursts



age and condition, combined with the soil type and the overriding weather conditions.

The distribution network is most affected by extreme weather both in terms of cold snaps in the winter

and hot, dry summers. This is exacerbated when the conditions change quickly, such as a fast thaw following a period of freeze which causes the ground to shift and exerts a pressure on the pipes.

In previous years we have experienced weather conditions that have caused an increase in the number of bursts we have had to repair. So, this year we’ve worked hard to increase our activity around mains renewal to install brand new pipes at some of our highest risk locations. We’ve also continued to find new ways to manage pressure in the network both of which help mitigate the impact of changes in the weather on the distribution system.

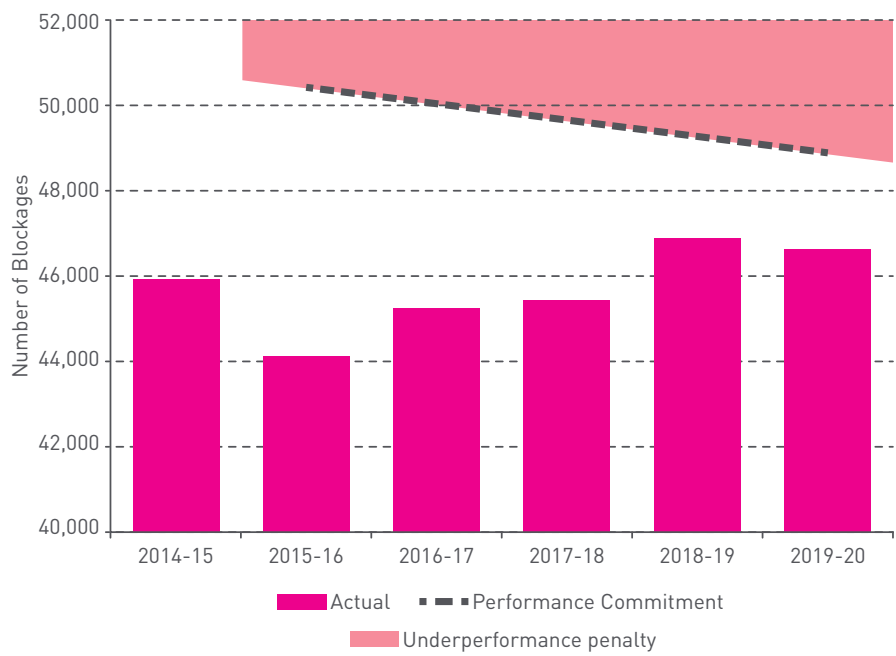
Our levels of activity have reduced back towards the long term average levels and are in line with the expected levels of performance for AMP7

Looking at sites with coliform failures, the increased focus we placed in our improvement plans at our assets have helped to deliver our best water treatment works coliforms performance for 3 years.

Our asset improvement plan was based on the outputs of root cause analysis from previous failures and led to us upgrading 205 sampling facilities and improving the integrity of 814 hatches on the roof our water storage tanks and service reservoirs. These improvements combined with significant capital improvement work to our treated water storage tanks at key sites has resulted in significant improvements.

We have utilised innovative techniques such as online flow cytometry to increase our understanding of water quality risk at our sites. This real time measurement of bacteriology allows us to better control and enhance our treatment works efficacy. Although the application of this novel technique is still being developed we have already identified relationships between bacteriological risk and colder water temperatures that are being used to inform our future maintenance strategy.

SA4 - Asset stewardship - blockages



Waste water service

Drivers of performance

The biggest pressure on our assets this year has been on the waste water infrastructure service. The number of blockages we have seen has continued to rise but still meets our regulatory target.

Ensuring our customers know what can and cannot be flushed in to the sewers is a key part of our education programme. This year we’ve been trialling a new approach which looks for commitments to act so that we see a definite change in behaviours.

We’ve also continued to drive our ‘Safe to Flush’ messaging through partnering with other companies in an accreditation scheme for wet wipes. We expect to see improvements in future as this market driven solution becomes more standard across the product range.

We have even launched our own ‘Be a binner not a blocker’ campaign. We’ve combined all this activity with more detailed analytics through the use of targeted hotspot activity for improvement initiatives to get

benefits in communities most likely to experience blockage events.

This approach has also led to a catchment scale trial in the Nottingham area where multiple education and communication initiatives are running in parallel. This includes radio adverts, posters in popular areas of the town, large print newspaper adverts as well as geo-targeted social media and community group drop-in sessions. The most successful of these will be rolled out wider across the business.

We’ve set stretching targets for AMP7 and need to deliver a step change in performance. That’s why we’ve invested early in these initiatives to get us on the right exit rate to enable us to deliver a 12% improvement to hit our target.

Our waste water treatment works have seen an improvement this year with just a single asset works compliance failure being recorded. This is a historic low for us as a company and puts us in a great position for AMP7 despite the tighter permit conditions we will be operating to.

Partnership working

We work with many different partners to deliver solutions which benefit our wider society and the environment. For our customers these projects reduce the risk of sewer flooding either to homes or public open spaces.

We committed to deliver at least 21 partnership projects across the 2015-20 period. This year we have completed a further 13 projects. In total we’ve successfully delivered 26 schemes which exceeds our target of 21:

- A complex, multi-agency scheme delivering biodiversity and flood risk benefits to 160 properties through blue/green infrastructure with Nottingham City Council;
- In Mansfield we worked with Nottingham City Council to reduced flooding risk to seven properties through innovative use of an old subway to store surface water;
- Worked with Derby County Council to integrate highway drainage in to our scheme to reduce the risk to 22 properties;
- An award winning scheme in Nottingham working with the City Council to incorporate highway drainage to reduce flooding risk to 44 properties;
- Ongoing partnerships with the Environment Agency reducing sewer and fluvial flooding risk at 44 properties;
- Surface water separation scheme with Derbyshire County Council to protect 16 properties;
- Leicestershire County Council helped reduce flood risk to highways and 10 properties;
- Property Flood Resilience schemes with Birmingham City Council to protect 13 properties from sewer and surface water flooding;
- A complex scheme with Nottinghamshire County Council to relieve sewer flooding risk at

13 properties as well as the risk of highway flooding;

- A major sewer and surface water management scheme with Birmingham City Council helping protect 53 properties;
- Innovative surface water and sewer flooding scheme to address repeat issues at three properties with Stoke City Council;
- A sewer upsizing and highway drainage scheme with Leicester City Council to protect eight properties; and
- A Property Flood Resilience scheme with Dudley Metropolitan Borough Council to reduce the risk to seven properties.

The success of this measure, bringing together more partnerships across our region, is such that we are continuing to measure it in future but it will be rebadged as ‘Collaborative Flood Resilience.’ We’ll also change the measure slightly so we report on the number of properties protected, rather than the number of completed schemes.

Sustainable Sewage Treatment

As an industry we had traditionally looked for tried and tested solutions when meeting the challenges of higher quality standards and growth pressures. These solutions have a higher degree of surety in the outputs. As a company we also used to be in this mind-set.

This had been recognised by our key stakeholders. Our customers, and the Water Forum, were challenging us to deliver more sustainable solutions. Our regulators were looking for us to do more for less, and share learnings with our peers. And as a company we were seeking opportunities to use new and novel technologies in a way we had never considered before to deliver greater benefits for our customers and the environment.

So we developed this measure to challenge us to look at new, more innovative solutions to traditional problems such as growth. These solutions mean we are taking additional risk but they should also be more sustainable, especially in terms of embedded carbon. Ultimately the measures identified solutions where a successful outcome was less certain and we would have to successfully work with stakeholders within our catchments to succeed.

We’ve looked for opportunities across our AMP6 programme for schemes that meet this criteria. There were lots of possible sites but two candidates were developed in to full scale solutions.

We sought assurance from our independent, technical partners that we had delivered the two schemes in line with the principles we established as a company to demonstrate the solutions were sustainable and innovative.

Rugby STW

Our site at Rugby requires expansion to accommodate growth of just under 15,000 population equivalent in the drainage catchment. The traditional solution would be to build additional activated sludge channels to compensate the current works design.

The solution chosen was a first in the UK water industry. Through the installation of a pre-treatment phase at Rugby STW, using the BioMagTM technology, we can free up reactor capacity for multi-stage treatment process, enabling enhanced levels of nutrient removal beyond current activated sludge ability. The system has been demonstrated to at least double the treatment capacity of existing works under certain circumstances.

The BioMagTM system uses magnetite to ballast conventional biological floc which in turn leads to enhanced settling rates and increase performance of exiting processes. We have integrated the system in to the existing design of Rugby STW at a much lower cost than the traditional solution.

Finham STW

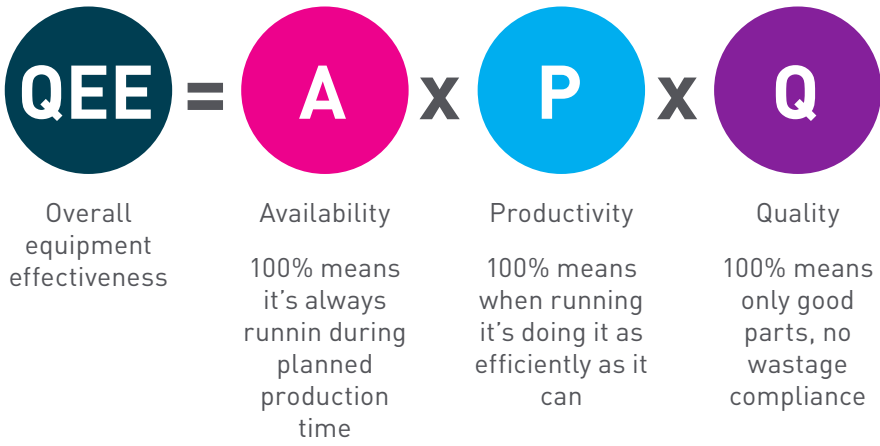
Finham STW, based just outside of Coventry, serves over 430,000 of our customers. It provides secondary treatment through activated sludge treatment with chemical dosing for phosphorus removal and has a sludge digestion centre.

Modelling of the future loads for Finham, based on the domestic and trade growth rates forecast within the drainage catchment, estimate that the works will need to treat around 490,000 population equivalent by 2028. This is a 14% increase in capacity.

Following the initial feasibility assessment, the proposed solution was to install IFAS (Integrated Fixed Film Activated Sludge) technology into the existing 12 ASP (Activated Sludge Plant) lanes, refurbish all ASPs with a new uprated aeration system and modify/improve the RAS (Return Activated Sludge) system. This innovative approach provides the equivalent additional capacity of the 33% ASP volume increase solution without the addition of treatment volume.

Combined these two schemes provide sufficient capacity to accommodate growth equal to over 56,000 people. This translates in to £7.989m of outperformance payments.

We’re not continuing this measure is to AMP7 but will explore the new industry innovation fund lunched by Ofwat to see how we can ensure we continue to promote new, sustainable solutions for the future.



The future of asset health

The condition of our assets is fundamental to the effective and efficient delivery of the provision of services to our customers and our communities. We’ve included a number of asset health focused measures for AMP7 including mains repairs, sewer blockages and collapses and treatment works compliance.

To compliment these we’re also evolving our approach into a more proactive space utilising our asset intelligence by adopting a standard measure of Asset Health, Overall Equipment Effectiveness (OEE). A consistent means of understanding how our assets are performing in the context of their operation is critical in making informed choices.

OEE is a well-known performance measure supporting Total Productive Maintenance (TPM), a strategy utilised successfully in many top performing production companies. OEE is expressed as a percentage and is the product of three key elements (Figure 1):

The three elements are not mutually exclusive: doing something to affect one element may affect the other two elements.

Understanding OEE allows the asset manager to compare asset performance. OEE can be used to compare assets operating in the same production environment in

the same operational context.

An asset, site or factory’s desired OEE is defined through the design and build process and its actual OEE is set at the time of commissioning and setting to work. Understanding the gap between the optimal OEE and the minimum acceptable level gives asset managers a way to track performance and helps to trigger intervention to stop deterioration in performance.

We’ve taken the available datasets and aggregated and aligned them according to the drivers of OEE. A dashboard has been developed that allows performance to be evaluated at all levels of the asset hierarchy: asset, process, site, control group. Aggregation of data to monitor performance at all levels of the asset hierarchy allows asset managers to evaluate performance of a system over a geographical area: for example a distribution asset manager would be able to explore system change options rather than actions to improve a specific asset, leading to greater system resilience and improved overall OEE.

We are only at the start of this roll out; as we develop the new systems and begin to define operating tolerances for specific assets and systems. But we believe this approach could fundamentally change the way we consider asset health in the round.

Performance in Chester

This year we incorporated customers in Chester in to our company from 1 July as we aligned the boundaries of Severn Trent Water and Hafren Dyfrdwy with the England-Wales border. Customers in Chester agreed a slightly different set of measures and targets for the 2015-20 period - we will combine these with the rest of the company from April 2020.

Code	Description	Unit	Actual performance (with target in brackets)		Outperformance Payment/ (Underperformance penalty)
			2018/19	2019/20	
A1	Discoloured Water Contacts	Number per 1,000 customers	0.45 (1.01)	1.17 (1.01)	£0.002m
A2	Mean zonal compliance	Percentage	99.94% (100%)	100% (100%)	NIL
B1	Supply interruptions	Hours/ property / year	0.03 (0.20)	0.06 (0.20)	£0.008m
B2	Sustainable economic level of leakage*	Litres / property /day	97.8 (90.8)	70.39 (90.8)	£0.005m
B3	Security of supply index	Percentage	100 (100)	100 (100)	NIL Non-financial
B4	Number of bursts	Number	68 (54)	85 (67)	NIL
C1	Gross operational greenhouse gas emissions	Tonnes carbon dioxide or equivalent	951 (1,646)	1285 (2192)	NIL Non-financial
D1	Customers' perception based on market research	Percentage	67% (Improved)	61% (Improved)	NIL Non-financial
E1	Per capita consumption and water efficiency	Litres / person/day	132.76 (128.37)	136.53 (127.28)	NIL Non-financial
E2	Service incentive mechanism	Score	78.4 (80)	72.9 (80)	Ofwat methodology
F1	Non-household service incentive mechanism	Score	83.9 (80)	89.4 (80)	Ofwat methodology

A1 - Discoloured water contacts

We have continued our strong performance of improvement in the number of drinking water contacts we receive.

Performance has mainly been delivered by driving forward our mains flushing programme, targeted on those areas of the network most at risk of causing discolouration issues.

A2 - Mean zonal compliance

This is another strong area of performance with compliance hitting 100% for the year which is fantastic. .

We'll no longer be reporting this measure in future as its being replaced by the Drinking Water Inspectorates new measure, the Compliance Risk Index .On this measure a value closer to zero demonstrates better performance.

B1 - Supply Interruptions

Within Chester we've had a really strong year on supply interruptions coming in well ahead of our commitment to customers but a small year on year deterioration.

Our focus continues to be on managing pressures across the network, training our staff to ensure operations on the network have minimal impact on pressure transients and making use of technology where is can help predict possible issues. Whilst at all times our field teams are ready to respond if an incident occurs.

B2 - Leakage

Our customer research showed that this continues to be a priority issue - which is why we've committed to driving down leakage by 15% by 2025.

Part of the improvement programme involves us investing to upgrade our systems and this year we have moved to the new Netbase6 standard. This improves our ability to measure other components of the water balance which should result in a more accurate view of leakage.

This year we're reporting a substantial improvement in leakage, beating our target in Chester. However we note that the water in to supply has not significantly change, suggested the underlying real loses are relatively stable.

B3 - Security of supply index

We maintained our performance of 100% security of supply, primarily due to the level of resource resilience available on the River Dee.

B4 - Number of bursts

The number of bursts has been stable year on year, the apparent increase is in part due to the 2018/19 report year only covering a 9 month period.

We continue to move forward with our mains replacement programme to improve the underlying asset health of our network in Chester which will help minimise the risk of mains bursts occurring in the first place.

C1 - Gross operational greenhouse gas emissions

We continue to see strong performance in this area as we met the greenhouse gas emissions target. Our use of green electricity and ongoing improvements in the efficiency of our operations, both in terms of electricity use and fuel/ chemical use across our sites help keep our emissions as low as possible.

D1 - Customers' perception based on market research

We know that the transition from Dee Valley to Severn Trent Water hasn't been as smooth as we would have liked - but we are listening and making it as easy as possible for customers to talk to us.

In fact we've been busy getting out into local towns and villages, making ourselves available to answer any questions customers might have on bills or anything else

E2 - Per capita consumption and water efficiency

We continued to underperform on per capita consumption. We developed this measure to help manage water efficiency to enable us to help secure long term water supply. We will continue to push our performance by offering free meter installation for customers who would like one and school education programmes.

E1/F1 - Service incentive mechanism/Non-household service incentive mechanism

We've continued to see a reduction in the number of stage 2 complaints we have received. Our wider operational performance in Chester also helps minimise the number of complaints driven by interruptions in service.

Regulatory accounts for the year ended 31 March 2020

Independent Auditor’s report to the Water Services Regulation Authority (the WSRA) and the Directors of Severn Trent Water Limited

Report on the audit of the Regulatory Accounting Statements

Opinion

We have audited certain sections of Severn Trent Water Limited’s (“the Company”) Annual Performance Report for the year ended 31 March 2020 (“the Regulatory Accounting Statements”) which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), Lines 1F.1 to 1F.9, Line 1F.13, Line 1F.19, Line 1F.21 to Line 1F.23 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs

(table 2J), the infrastructure charges reconciliation (table 2K) and the related notes.

We have not audited Lines 1F.10 to 1F.12, 1F.14 to 1F.18, and 1F.20 of Table 1F, the Outcome performance table (tables 3A to 3S) and the additional regulatory information in tables 4A to 4W.

In our opinion, Severn Trent Water Limited’s Regulatory Accounting Statements within the Annual Performance Report have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.08, RAG 2.07, RAG 3.11, RAG 4.08 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement(s), as defined in RAG 3.11, appendix 2), set out on page [74-75].

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), including ISA (UK) 800, and applicable law and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF ‘Reporting to Regulators on Regulatory Accounts’ issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including

the Financial Reporting Council’s (FRC’s) Ethical Standard as applied to [public interest entities], and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company’s published accounting methodology statement(s), as defined in RAG 3.11, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA’s purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting Methodology Statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and has not been prepared under the

basis of International Financial Reporting Standards as adopted by the European Union (“IFRSs”). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages [60] to [84] have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IFRS. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company’s statutory financial statements is included in the tables within section 1.

The Regulatory Accounting Statements are prepared in accordance with a special purpose framework for the specific purpose as described in the Responsibilities for the audit of the Regulatory Accounting Statements section below. As a result, the Regulatory Accounting Statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the Directors’ use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is not appropriate; or
- the Directors have not disclosed in the Regulatory Accounting Statements any identified material uncertainties that may cast significant doubt about the Company’s ability to continue to

adopt the going concern basis of accounting for a period of at least twelve months from the date when the Regulatory Accounting Statements are authorised for issue.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors’ report thereon. The Directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors’ Responsibilities set out on page [29], the Directors are responsible

for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company’s accounting policies (including the Company’s published accounting methodology statement(s), as defined in RAG 3.11, appendix 2).

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounting Statements.

A further description of our responsibilities for the audit of the Regulatory Accounting statements is located on the Financial Reporting Council’s website at.

<https://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditors’ report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by Condition F

Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 (“Condition F”). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2020 on which we reported on 10 July 2020, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our “Statutory audit”) was made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company’s members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP
Birmingham, United Kingdom
15 July 2020

1A - Income statement

Year ended 31 March 2020

Line description		Adjustments				Total appointed activities
		Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
1A.1	Revenue	1714.607	-49.053	-15.374	-64.427	1650.180
1A.2	Operating costs	-1167.898	34.588	7.542	42.130	-1125.768
1A.3	Other operating income	0.000	3.289	0.000	3.289	3.289
1A.4	Operating profit	546.709	-11.176	-7.832	-19.008	527.701
1A.5	Other income	0.000	17.345	-0.204	17.141	17.141
1A.6	Interest income	63.869	-58.338	0.000	-58.338	5.530
1A.7	Interest expense	-241.225	26.070	0.001	26.071	-215.153
1A.8	Other interest expense	0.000	-10.139	0.000	-10.139	-10.139
1A.9	Profit before tax and fair value movements	369.354	-36.238	-8.035	-44.273	325.080
1A.10	Fair value gains/(losses) on financial instruments	5.245	0.000	0.000	0.000	5.245
1A.11	Profit before tax	374.599	-36.238	-8.035	-44.273	330.325
1A.12	UK Corporation tax	-33.016	-1.515	1.527	0.012	-33.005
1A.13	Deferred tax	-118.410	12.819	0.000	12.819	-105.590
1A.14	Profit for the year	223.172	-24.934	-6.508	-31.442	191.730
1A.15	Dividends	-244.000	0.000	6.508	6.508	-237.492
A	Tax analysis					
1A.16	Current year	34.217	1.692	-1.527	0.165	34.382
1A.17	Adjustments in respect of prior years	-1.201	-0.177	0.000	-0.177	-1.378
1A.18	UK Corporation tax	33.016	1.515	-1.527	-0.012	33.004

B	Analysis of non-appointed revenue	Non-appointed
1A.19	Imported sludge	0.623
1A.20	Tankered waste	8.786
1A.21	Other non-appointed revenue	5.965
1A.22	Revenue	15.374

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments			Reclassifications		
	Exclude Hafren Dyfrdwy	Capitalisation of interest and related depreciation	Share of Group pension scheme	External power, gas and sludge products income	Developer services & repair of damages recharges	Profit on fixed asset disposals, non-operating income and deferred credits
	£m	£m	£m	£m	£m	£m
Revenue	-32.418	-	-	-21.331	4.696	-49.053
Operating costs	35.276	2.910	0.400	21.331	-4.696	34.588
Other operating income	-	-	-		3.289	3.289
Operating profit	2.858	2.910	0.400	-	-	-17.345
Other income	-	-	-		17.345	17.345
Interest income	-0.104	-	-			-58.234
Interest expense	-0.358	-42.644	-			69.072
Other interest expense	-	-	0.700			-10.839
Profit before tax and fair value movements	2.396	-39.734	1.100	-	-	-
Fair value losses on financial instruments	-	-	-			-
Profit before tax	2.396	-39.734	1.100	-	-	-
UK corporation tax	-1.515	-	-			-
Deferred tax	2.700	10.369	-0.250			-
Profit for the year	3.581	-29.365	0.850	-	-	-

1B - Statement of comprehensive income

Year ended 31 March 2020

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1B.1 Profit for the year	223.172	-24.934	-6.508	-31.442	191.730
1B.2 Actuarial gains/(losses) on post employment plans	152.420	-20.100	0.000	-20.100	132.320
1B.3 Other comprehensive income	-24.769	0.000	0.000	0.000	-24.769
1B.4 Total Comprehensive income for the year	350.823	-45.034	-6.508	-51.542	299.281

The differences between statutory and RAG definitions are outlined in the following table:

	Per Income Statement	Exclude Hafren Dyfrdwy	Net actuarial difference on retirement benefit obligations	Deferred tax on movement on retirement benefit obligations	Total differences
	£m	£m	£m	£m	£m
Profit for the year	-24.934	-	-	-	-24.934
Actuarial losses on retirement benefit obligations	-	-1.974	-17.700	-0.426	-20.100
Other Comprehensive Income					-
Total	-24.934		-17.700	-0.426	-45.034

1C - Statement of financial position

Year ended 31 March 2020

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
A Non-current assets					
1C.1 Fixed assets	9521.869	-405.133	0.000	-405.133	9116.736
1C.2 Intangible assets	184.005	-74.376	0.000	-74.376	109.629
1C.3 Investments - loans to group companies	99.338	57.486	0.000	57.486	156.824
1C.4 Investments - other	1538.942	217.296	0.000	217.296	1756.238
1C.5 Financial instruments	65.526	0.000	0.000	0.000	65.526
1C.6 Retirement benefit assets	21.345	-21.345	0.000	-21.345	0.000
1C.7 Total non-current assets	11431.025	-226.072	0.000	-226.072	11204.953
B Current assets					
1C.8 Inventories	10.645	-0.553	0.000	-0.553	10.092
1C.9 Trade & other receivables	483.462	7.165	0.000	7.165	490.627
1C.10 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.11 Cash & cash equivalents	15.160	-0.484	0.000	-0.484	14.676
1C.12 Total current assets	509.267	6.128	0.000	6.128	515.395
C Current liabilities					
1C.13 Trade & other payables	-544.100	164.669	0.000	164.669	-379.431
1C.14 Capex creditor	0.000	-141.069	0.000	-141.069	-141.069
1C.15 Borrowings	-473.932	0.000	0.000	0.000	-473.932
1C.16 Financial instruments	-4.455	0.000	0.000	0.000	-4.455
1C.17 Current tax liabilities	-6.389	-6.469	0.000	-6.469	-12.858
1C.18 Provisions	-10.616	0.000	0.000	0.000	-10.616
1C.19 Total current liabilities	-1039.492	17.131	0.000	17.131	-1022.361
1C.20 Net current assets / (liabilities)	-530.225	23.259	0.000	23.259	-506.966
D Non-Current liabilities					
1C.21 Trade & other payables	-1177.732	1172.499	0.000	1172.499	-5.233
1C.22 Borrowings	-5785.886	0.069	0.000	0.069	-5785.817
1C.23 Financial instruments	-152.328	0.000	0.000	0.000	-152.328
1C.24 Retirement benefit obligations	-247.354	14.800	0.000	14.800	-232.554
1C.25 Provisions	-14.323	0.000	0.000	0.000	-14.323
1C.26 Deferred income - G&C's	0.000	-763.427	0.000	-763.427	-763.427
1C.27 Deferred income - adopted assets	0.000	-412.854	0.000	-412.854	-412.854
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	-890.300	47.739	0.000	47.739	-842.561
1C.30 Total non-current liabilities	-8267.923	58.826	0.000	58.826	-8209.097
1C.31 Net assets	2632.877	-143.987	0.000	-143.987	2488.890
E Equity					
1C.32 Called up share capital	1.000	0.000	0.000	0.000	1.000
1C.33 Retained earnings & other reserves	2631.877	-143.987	0.000	-143.987	2487.890
1C.34 Total Equity	2632.877	-143.987	0.000	-143.987	2488.890

The differences between statutory and RAG definitions are outlined in the following table:

	Adjustments			Reclassifications			Total differences
	Capitalisation of interest	Exclude Hafren Dyfrdwy	Share of Group pension scheme	Non-current trade receivables reclassification	Capital creditor reclassification	Deferred income reclassification	
	£m	£m	£m	£m	£m	£m	£m
Non-current assets							
Fixed assets	-177.417	-227.716	-	-	-	-	-405.133
Intangible assets	-	-74.376	-	-	-	-	-74.376
Investments - loans to group companies	-	60.811	-	-3.325	-	-	57.486
Investments - other	-	217.296	-	-	-	-	217.296
Financial instruments	-	-	-	-	-	-	-
Retirement benefit assets	-	-21.345	-	-	-	-	-21.345
Total non-current assets	-177.417	-45.330	-	-3.325	-	-	-226.072
Current assets							
Inventories	-	-0.553	-	-	-	-	-0.553
Trade and other receivables	-	3.840	-	3.325	-	-	7.165
Financial instruments	-	-	-	-	-	-	-
Cash and cash equivalents	-	-0.484	-	-	-	-	-0.484
Total current assets	-	2.803	-	3.325	-	-	6.128
Current liabilities							
Trade and other payables	-	8.559	-	-	141.069	15.041	164.669
Capex creditor	-	-	-	-	-141.069	-	-141.069
Borrowings	-	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-	-
Current tax liabilities	-	-6.469	-	-	-	-	-6.469
Provisions	-	-	-	-	-	-	-
Total current liabilities	-	2.090	-	-	-	15.041	17.131
Net current assets/(liabilities)	-	4.893	-	3.325	-	15.041	23.259
Non-current liabilities							
Trade and other payables	-	11.259	-	-	-	1,161.240	1,172.499
Borrowings	-	0.069	-	-	-	-	0.069
Financial instruments	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	14.800	-	-	-	14.800
Provisions	-	-	-	-	-	-	-
Deferred income - grants and contributions	-	-	-	-	-	-763.427	-763.427
Deferred income - adopted assets	-	-	-	-	-	-412.854	-412.854
Preference share capital	-	-	-	-	-	-	-
Deferred tax	34.339	17.464	-4.064	-	-	-	47.739
Total non-current liabilities	34.339	28.792	10.736	-	-	-15.041	58.826
Net assets	-143.078	-11.645	10.736	-	-	-	-143.987
Equity							
Called up share capital	-	-	-	-	-	-	-
Retained earnings and other reserves	-143.078	-11.645	10.736	-	-	-	-143.987
Total equity	-143.078	-11.645	10.736	-	-	-	-143.987

1D - Statement of cash flows

Year ended 31 March 2020

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m

A	Statement of cashflows					
1D.1	Operating profit	546.709	-11.176	-7.832	-19.008	527.701
1D.2	Other income	39.550	-37.453	-0.204	-37.657	1.893
1D.3	Depreciation	352.845	-10.249	0.000	-10.249	342.596
1D.4	Amortisation - G&C's	-15.424	15.424	0.000	15.424	0.000
1D.5	Changes in working capital	30.100	-8.863	0.000	-8.863	21.237
1D.6	Pension contributions	-45.774	0.000	0.000	0.000	-45.774
1D.7	Movement in provisions	12.012	-0.599	0.000	-0.599	11.413
1D.8	Profit on sale of fixed assets	-3.289	0.000	0.000	0.000	-3.289
1D.9	Cash generated from operations	916.729	-52.916	-8.036	-60.952	855.777
1D.10	Net interest paid	-176.849	1.524	0.001	1.525	-175.324
1D.11	Tax paid	-28.757	-2.262	1.527	-0.735	-29.492
1D.12	Net cash generated from operating activities	711.123	-53.654	-6.508	-60.162	650.961
C	Investing activities					
1D.13	Capital expenditure	-832.818	14.070	0.000	14.070	-818.748
1D.14	Grants & Contributions	0.000	37.960	0.000	37.960	37.960
1D.15	Disposal of fixed assets	3.190	0.000	0.000	0.000	3.190
1D.16	Other	2.450	0.000	0.000	0.000	2.450
1D.17	Net cash used in investing activities	-827.178	52.030	0.000	52.030	-775.148
1D.18	Net cash generated before financing activities	-116.055	-1.624	-6.508	-8.132	-124.187
D	Cashflows from financing activities					
1D.19	Equity dividends paid	-244.000	0.000	6.508	6.508	-237.492
1D.20	Net loans received	363.113	0.612	0.000	0.612	363.725
1D.21	Cash inflow from equity financing	0.000	0.000	0.000	0.000	0.000
1D.22	Net cash generated from financing activities	119.113	0.612	6.508	7.120	126.233
1D.23	Increase (decrease) in net cash	3.058	-1.012	0.000	-1.012	2.046

The differences between statutory and RAG definitions are outlined in the following table:

	Depreciation on capitalised interest	Grants and contributions	Exclude Hafren Dyfrdwy	Share of Group pension scheme	Non- operating income and deferred credits reclass	Total differences
	£m	£m	£m	£m	£m	
Statement of cashflows						
Operating profit	2.910	-	2.859	0.400	-17.345	-11.176
Other income	-	-39.550	-	-	2.097	-37.453
Depreciation	-2.910	-	-7.339	-	-	-10.249
Amortisation - grants and contributions	-	-	0.176	-	15.248	15.424
Changes in working capital	-	-	-8.863	-	-	-8.863
Pension contributions	-	-	-	-	-	-
Movement in provisions	-	-	-0.199	-0.400	-	-0.599
Profit on sale of fixed assets	-	-	-	-	-	-
Cash generated from operations	-	-39.550	-13.366	-	-	-52.916
Net interest paid	-	-	1.524	-	-	1.524
Tax paid	-	-	-2.262	-	-	-2.262
Net cash generated from operating activities	-	-39.550	-14.104	-	-	-53.654
Investing activities						
Capital expenditure	-	-	14.070	-	-	14.070
Grants and contributions	-	39.550	-1.590	-	-	37.960
Disposal of fixed assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net cash used in investing activities	-	39.550	12.480	-	-	52.030
Net cash generated before financing activities	-	-	-1.624	-	-	-1.624
Cashflows from financing activities						
Equity dividends paid	-	-	-	-	-	-
Net loans received	-	-	0.612	-	-	0.612
Cash outflow from equity financing	-	-	-	-	-	-
Net cash used in financing activities	-	-	0.612	-	-	0.612
Increase/(decrease) in net cash	-	-	-1.012	-	-	-1.012

1E - Net debt analysis

Year ended 31 March 2020

Line description		Interest rate risk profile			Total £m
		Fixed rate £m	Floating rate £m	Index linked £m	
1E.1	Borrowings (excluding preference shares)	3770.765	1002.300	1426.392	6199.457
1E.2	Preference share capital				0.000
1E.3	Total borrowings				6199.457
1E.4	Cash				-7.676
1E.5	Short term deposits				-7.000
1E.6	Net Debt				6184.781
1E.7	Gearing				64.89%
1E.8	Adjusted gearing				64.34%
1E.9	Full year equivalent nominal interest cost	145.338	14.326	59.643	219.307
1E.10	Full year equivalent cash interest payment	145.338	14.326	25.841	185.505
A Indicative interest rates					
1E.11	Indicative weighted average nominal interest rate	3.85%	1.43%	4.18%	3.54%
1E.12	Indicative weighted average cash interest rate	3.85%	1.43%	1.81%	2.99%
1E.13	Weighted average years to maturity	7.78	2.32	30.78	12.19

The differences between statutory and RAG definitions are outlined in the following table:

	Total £m
Current borrowings	473.93
Non-current borrowings	5,785.79
Severn Trent Water Group borrowings	6,259.72
Less: Dee Valley debt fair value adjustment	-31.06
Less: fair value hedge accounting adjustments	-29.27
Adjusted borrowings	6,199.39
Cash and cash equivalents	-14.68
Net debt	6,184.72
Dee Valley cash	-0.48
Loan receivable from Plc	-
Loan receivable from HD	-51.58
Net debt per 1E.8 adjusted gearing	6,132.65

1F - Financial flows

Year ended 31 March 2020

Line description	12 Months ended 31 March 2020					
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m	£m

A						
1F.1	Return on regulatory equity	5.53%	5.32%	5.53%	164.515	158.291
1F.2	Actual performance adjustment 2010-15	-0.64%	-0.62%	-0.64%	-19.034	-18.314
1F.3	Adjusted Return on regulatory equity	4.89%	4.71%	4.89%	145.481	139.977
1F.4	Regulatory equity	2973.890	2973.890	2861.383		

B Financing						
1F.5	Gearing	0.00%	0.09%	0.09%	0.000	2.602
1F.6	Variance in corporation tax	0.00%	-0.31%	-0.32%	0.000	-9.101
1F.7	Group relief	0.00%	0.00%	0.00%	0.000	0.000
1F.8	Cost of debt	0.00%	2.11%	2.19%	0.000	62.668
1F.9	Hedging instruments	0.00%	0.29%	0.30%	0.000	8.656
1F.10	Financing total	4.89%	6.89%	7.16%	145.481	204.802

C Operational performance						
1F.11	Totex out / (under) performance	0.00%	-2.35%	-2.45%	0.000	-70.027
1F.12	ODI out / (under) performance	0.00%	0.99%	1.03%	0.000	29.512
1F.13	Retail out / (under) performance	0.00%	-0.23%	-0.24%	0.000	-6.858
1F.14	Other exceptional items	0.00%	0.00%	0.00%	0.000	0.000
1F.15	Operational performance total	0.00%	-1.59%	-1.66%	0.000	-47.373

1F.16	Total earnings	4.89%	5.29%	5.50%	145.481	157.430
-------	----------------	-------	-------	-------	---------	---------

1F.17	RCV growth from RPI inflation	2.58%	2.58%	2.58%	76.630	73.731
-------	-------------------------------	-------	-------	-------	--------	--------

1F.18	Total shareholder return	7.47%	7.87%	8.08%	222.111	231.161
-------	--------------------------	-------	-------	-------	---------	---------

1F.19	Net dividend	4.00%	6.60%	6.86%	118.956	196.164
-------	--------------	-------	-------	-------	---------	---------

1F.20	Retained value	3.47%	1.27%	1.22%	103.156	37.896
-------	----------------	-------	-------	-------	---------	--------

E Dividends reconciliation						
1F.21	Gross dividend	4.00%	6.72%	6.99%	118.956	199.931
1F.22	Interest received on intercompany loans	0.00%	0.13%	0.13%	0.000	3.767
1F.23	Net dividend	4.00%	6.60%	6.86%	118.956	196.164

Notional returns and notional regulatory equity	Average 2015-20				
	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m

5.59%	5.59%	5.59%	159.602	159.662	159.662
-0.51%	-0.51%	-0.51%	-14.472	-14.477	-14.477
5.08%	5.09%	5.08%	145.130	145.185	145.185
2854.170	2854.170	2855.249			

0.00%	-0.04%	-0.04%	0.000	-1.225	-1.225
0.00%	-0.16%	-0.16%	0.000	-4.460	-4.460
0.00%	0.00%	0.00%	0.000	0.000	0.000
0.00%	1.20%	1.20%	0.000	34.127	34.127
0.00%	0.39%	0.39%	0.000	11.166	11.166
5.08%	6.47%	6.47%	145.130	184.793	184.793

0.00%	0.18%	0.18%	0.000	5.100	5.100
0.00%	0.90%	0.89%	0.000	25.547	25.547
0.00%	0.29%	0.29%	0.000	8.146	8.146
0.00%	0.08%	0.08%	0.000	2.157	2.157
0.00%	1.43%	1.43%	0.000	40.949	40.949

5.08%	7.91%	7.91%	145.130	225.742	225.742
-------	-------	-------	---------	---------	---------

2.52%	2.52%	2.52%	71.805	71.805	71.832
-------	-------	-------	--------	--------	--------

7.60%	10.42%	10.42%	216.934	297.547	297.574
-------	--------	--------	---------	---------	---------

4.00%	7.11%	7.11%	114.167	203.012	203.012
-------	-------	-------	---------	---------	---------

3.60%	3.31%	3.31%	102.768	94.535	94.562
-------	-------	-------	---------	--------	--------

4.00%	7.21%	7.21%	114.167	205.875	205.875
0.00%	0.10%	0.10%	0.000	2.863	2.863
4.00%	7.11%	7.11%	114.167	203.012	203.012

1F - Financial flows

Year ended 31 March 2020

The financial flows is an important measure for promoting trust and confidence in the sector. It provides greater transparency on how a company earns its returns and shares performance with investors. The measure compares the financial flows between the actual company structure and the notional structure assumed in the Final Determination (FD) for both 2019-20 and cumulative performance for AMP6.

Total shareholder returns calculated in the financial flows comprise:

- the return on regulatory equity (RoRE) adjusted for 2010-15 actual performance
- financing and operational performance and
- the growth in the RCV.

We discuss the key components of the financial flows in detail below.

Return on regulated equity

The base return of 5.66% set in the FD has been adjusted by 0.1% from 2017-18 to exclude the non-household retail return as a result of exiting the non-household market. A minor adjustment of 0.03% has also been made in 2019-20 for the apportionment of the base return resulting from the border variation. In addition, an adjustment for 2010-15 actual performance has also been applied to the base return.

Financing

This component of financial flows covers performance on financing and corporation tax.

We have maintained upper quartile financing performance through the AMP with our effective interest rate falling by 1.7%. With our effective strategy of replacing expensive fixed rate debt with new low cost debt, our real cost of debt in 2019-20 is 1.7% lower than the FD assumption. There is also a small benefit of £8.7 million relating to the impact of interest rate swaps on our cost of debt.

As our actual average gearing (63.9%) is marginally higher than Ofwat’s FD gearing assumption, there is a small gearing benefit of £2.6 million on financing performance.

For the reporting year, our actual current tax is £9.1 million higher than allowed in the FD. This was mainly due to higher profit before tax than assumed in FD and capital allowances in excess of depreciation being lower than the forecast in the FD. There was no benefit in the year relating to group relief.

Operational performance

The operational performance component of financial flows covers performance on wholesale totex, retail costs and ODIs.

Our wholesale totex performance over AMP6 is explained in detail in table 4B. For the current year, totex performance reflects £70 million of additional spend relative to the FD. The additional spend reflects, completion of our major programmes to improve the environment (WFD) and resilience (BRP) and reinvestment of some of the efficiencies we made earlier in the AMP. Totex performance also reflects the reversal of timing differences related to capital expenditure compared to the profile of spend in the FD.

Performance on retail costs is explained in the narrative to table 2C. Cumulatively over the AMP we have delivered retail cost reductions, outperforming the final determination by £9.3 million in 2012-13 prices. We have continued to deliver efficiencies on our retail operating costs during the year, but have seen our bad debt costs increase, partly as a result of COVID-19. This has resulted in overspend against the FD of £6.8 million.

We have sustained our sector leading customer ODI performance by delivering a further £29.5 million in net rewards, taking our total for AMP6 to £142 million. Our performance for the year was driven by our successful delivery on Water Framework Directive and Sustainable Sewage Treatment, both the culmination of capital delivery over the five year period. We also saw our water measures improve resulting in a small net reward of £0.2 million. While on waste water, we saw a slight downturn compared to our forecast due to the tougher new targets agreed with Ofwat (waste water ODI uncapping) and the unusually wet weather throughout the year, we nonetheless have achieved a net reward of £29.3 million.

Total shareholder returns

Our overall strong AMP financial and operational performance over the AMP has generated on average £80 million per year in additional returns for shareholders. Including the base return of £145 million and the growth in the RCV from inflation (£72 million) results in total shareholder returns over the AMP on average of £297 million per year, equivalent to 10.4%.

We have distributed, on average over the AMP, 7.1% (of the 10.4% earned returns) to shareholders, with the remaining 3.3% retained within the business.

Current tax reconciliation

Year ended March 2020

The cash tax charge for the year ended 31 March 2020 was lower than the standard rate of corporation tax in the UK.

The differences to the standard rate of corporation tax and the reconciliation to the current tax charge allowed in price limits are outlined in the below table:

	Actual £m	FD £m	Variance £m
Profit on ordinary activities before tax	330.3	255.3	75.0
Tax at the standard rate of corporation tax in the UK 19%	62.8	48.5	14.3
Tax effect of expenditure not deductible in determining taxable profits	-7.2	0.7	-7.9
Capital allowances in excess of depreciation	-20.7	-27.7	7.0
Other temporary differences	-0.4	-0.4	0.0
Impact of change in tax rate	-	1.1	-1.1
Current tax charge before prior year adjustments	34.4	22.2	12.2
Prior year adjustment	-1.4	-	-1.4
Current tax charge after prior year adjustments	33.0	22.2	10.8

The current tax charge for the appointed business was higher than the total tax charge allowed in price limits due to the net impact of the following:

- The Final Determination profit before tax was lower than the profit before tax within the appointed business.
- Non-taxable fair value movements on investments which are not included in the assessment of permanent differences within the Final Determination tax charge.
- Capital allowances in excess of depreciation within the appointed business are lower than the level forecast within the Final Determination.
- A prior year adjustment within the appointed business of £1.4 million reflects the agreement of prior year tax matters with HMRC.

The main factors that will impact future tax charges will include:

- Any changes in tax rates or allowances;
- The level of capital expenditure in the appointed business;
- Fair value movements on derivative financial instruments;
- Fair value movements on investments; and
- Any other changes in tax legislation or practice not reflected in the FD.

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted on 17 March 2020.

The deferred tax liability at 31 March 2020 was calculated at the new future rate of 19%, rather than 17%. This has resulted in an overall deferred tax charge in the income statement. This has no impact on the current tax charge for the year.

We are committed to paying the right amount of tax at the right time. As well as corporation tax on profits, which is included in the tax charge in our accounts, we incur a range of taxes, charges and levies imposed by government agencies, including business rates, employer’s national insurance and environmental taxes.

Notes to the Regulatory Accounts

1. Regulatory reporting

The regulatory accounts as reported on pages 66 to 98 should be read in conjunction with the financial review set out on pages 39 to 46 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2020 to aid understanding of the performance of the business.

a) Differences in recognition and measurement between statutory and regulatory financial accounts

i) Borrowing costs

Borrowing costs where directly related to the construction of an asset are capitalised in the statutory accounts. These amounts are not capitalised in the regulatory financial reporting statements in accordance with the RAGs.

ii) Treatment of the defined benefit pension costs

The statutory accounts include the full cost and net deficit of the Severn Trent Group’s defined benefit pension schemes, whereas the regulatory accounts include only Severn Trent Water’s share of the costs and net deficit. This creates a difference in operating costs and net finance costs in the income statement, actuarial gains and losses in other comprehensive income, and the retirement benefit obligation on the balance sheet. A difference in deferred tax has also arisen as a result of this accounting treatment.

iii) Hafren Dyfrdwy Cyfyngedig results

The full year results of Hafren Dyfrdwy Cyfyngedig are included in the Severn Trent Water Group results in

2019/20. The Hafren Dyfrdwy entity results and related consolidation entries are excluded from the regulatory accounts.

b) Differences in presentation between statutory and regulatory financial accounts

i) Revenue and cost classification

Certain items which are netted off against operating costs within the statutory accounts are grossed up and shown as revenue for regulatory reporting. This includes developer contributions for administration costs incurred in relation to new connections and recharges for costs of repair from damages. Other items such as income from renewable energy incentives are shown as revenue in the statutory accounts and negative operating costs for regulatory reporting.

ii) Cash flow presentation

Grants and contributions received are presented as operating cash flows in the statutory accounts but as investing cash flows in the regulatory accounts.

c) Difference in presentation of specific items required to be separately disclosed in the regulatory financial statements

- i) Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as separate line items in the regulatory financial statements.

- ii) Interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.

- iii) The capex creditor and deferred income from grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.

- iv) Intra-group loans due in more than one year recorded as trade receivables in the statutory accounts are reclassified to investments. All other non current trade and other receivables are reclassified to current assets.

d) Price control segments

The regulatory accounts have been prepared in accordance with RAG 2.07 ‘Guideline for classification of costs across the price controls’.

The section 2 data tables have been prepared in accordance with our Accounting Separation Methodology Statement which can be found at stwater.co.uk. Our methodology statement explains the basis for allocation of operating and capital expenditure and has been updated for changes to the requirements in the year. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology. Material changes to the allocation approach compared to the previous year are documented in the methodology statement.

2. Accounting policies

a) Basis of preparation

The regulatory financial statements are separate from the statutory financial statements of the company. They have been prepared on a going concern basis as set out in the Governance Report of the consolidated Severn Trent Water Limited Annual Report and Accounts 2020 on page 54.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

b) Revenue recognition

Turnover represents income receivable from regulated water and waste water activities, excluding value added tax. The company adopted IFRS 15 ‘Revenue from Contracts with Customers’ in the prior year. There have been no changes to the recognition of revenue as a result.

Turnover includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information. There have been no changes in methodology in the year.

The Water Industry Act 2014, Chapter 1 A ‘Licensing of Water Suppliers’ describes the duties imposed on a water and sewerage undertaker and the licence conditions involved. Regulated activities are consequently those activities that are necessary in order for the appointee to fulfil the functions and duties of a water and sewerage undertaker.

Non-appointed income primarily consists of tankered trade waste income, car park income and marketing income.

Turnover is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- The company is informed that a customer has left a property and it is not expected to be reoccupied immediately;
- New properties are connected but are not occupied;
- Properties are disconnected following a customer’s request; or
- The identity of the customer is unknown.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

Where the company is informed that the customer has left a property and the property is expected to be occupied by someone else, a welcome letter is sent to the property encouraging the occupier to contact the company.

If there is no response to the welcome letter within two months a void letter is sent to the property explaining that we have classified the property as empty and may schedule the property for disconnection.

Meter readings are taken for metered unoccupied properties; where consumption is recorded, a letter is sent to the property.

Inspections are organised throughout the year by geographical area.

c) Bad debts

Provisions are charged to operating costs to reflect the company’s assessment of the risk of non-recoverability of debtors based on the lifetime expected credit losses for future receivables.

Write offs in relation to court or debt recovery costs are not included.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue.
- Uneconomic circumstances are those where, following the application of debt recovery procedures:
- the customer could not be traced without incurring an unreasonable degree of expenditure; or
- the company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or

- the likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write off rules apply primarily to customers to whom the company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write off.

d) IFRS 16 Leases

In the current financial year Severn Trent Water Limited has adopted IFRS 16 Leases. The Group has adopted IFRS 16 Leases retrospectively from 1 April 2019, the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

Further detail on the accounting policy for leased assets can be found in the Severn Trent Water Limited statutory accounts.

e) Other accounting policies

All other accounting policies applied to the regulatory financial reporting accounts are set out in pages 137 to 141 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2020, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note. Full details of the capitalisation policy are outlined in the Accounting Separation Methodology Statement.

f) Current cost accounting

Although there is no longer a requirement to produce full current cost financial statements, the requirement to disclose summary current cost financial results has been retained in the Wholesale current cost financial performance table.

The capital maintenance charge has been calculated using current cost depreciation values in the current cost fixed asset register which is indexed annually and adjusted for additions. Infrastructure renewals expenditure for below ground assets is included in operating costs.

2A - Segmental income statement

Year ended 31 March 2020

Line description		Retail		Water resources	Water Network+	Wholesale		Sludge	Waste water total	Total
		Household	Non-Household			Water Total	Waste water Network+			
		£m	£m	£m	£m	£m	£m	£m	£m	£m
2A.1	Revenue - price control	129.374	4.223		675.826	675.826	825.422		825.422	1634.845
2A.2	Revenue - non price control	0.280	0.000		12.535	12.535	2.520		2.520	15.335
2A.3	Operating expenditure	-107.743	-6.339	-48.115	-360.921	-409.036	-239.666	-20.388	-260.054	-783.172
2A.4	Depreciation - tangible fixed assets	-1.775	0.000	-8.652	-124.254	-132.906	-151.366	-27.775	-179.141	-313.822
2A.5	Amortisation - intangible fixed assets	-5.835	0.000	-0.005	-22.924	-22.929	-0.010	0.000	-0.010	-28.774
2A.6	Other operating income	0.000	0.000	0.548	-0.688	-0.140	3.429	0.000	3.429	3.289
2A.7	Operating profit before recharges	14.301	-2.116			123.350			392.166	527.701
A	Recharges in respect of 'principal use' assets									
2A.8	Recharges from other segments	-9.265	0.000	-0.997	-0.668	-1.665	-11.616	-3.266	-14.882	-25.812
2A.9	Recharges to other segments	0.538	0.000	0.056	24.916	24.972	0.302	0.000	0.302	25.812
2A.10	Operating profit	5.574	-2.116			146.657			377.586	527.701
2A.11	Surface water drainage rebates									0.149

2B - Totex analysis (wholesale)

Year ended 31 March 2020

Line description		Water Resources	Water Network+	Waste water Network+	Sludge	Total
		£m	£m	£m	£m	£m
A	Operating expenditure					
2B.1	Power	7.683	47.516	45.594	-11.561	89.232
2B.2	Income treated as negative expenditure	-0.407	0.000	-0.041	-20.241	-20.689
2B.3	Abstraction charges/discharge consents	11.547	0.382	10.801	0.000	22.730
2B.4	Bulk supply/Bulk discharge	8.000	4.561	0.000	0.024	12.585
2B.5	Other operating expenditure - renewals expensed in year (infrastructure)	1.934	104.530	38.019	0.000	144.483
2B.6	Other operating expenditure - renewals expensed in year (non-infrastructure)	0.001	0.080	1.960	0.000	2.041
2B.7	Other operating expenditure - excluding renewals	14.281	152.559	123.201	48.954	338.995
2B.8	Local authority and cumulo rates	4.029	47.181	19.808	3.175	74.193
2B.9	Total operating expenditure (excluding third party services)	47.068	356.809	239.342	20.351	663.570
2B.10	Third party services	1.047	4.112	0.324	0.037	5.520
2B.11	Total operating expenditure	48.115	360.921	239.666	20.388	669.090
B	Capital expenditure					
2B.12	Maintaining the long term capability of the assets - infrastructure	0.000	0.000	0.000	0.000	0.000
2B.13	Maintaining the long term capability of the assets - non-infrastructure	29.782	221.599	122.914	71.294	445.589
2B.14	Other capital expenditure - infrastructure	0.900	70.927	67.453	0.000	139.280
2B.15	Other capital expenditure - non-infrastructure	26.468	155.577	76.308	1.114	259.467
2B.16	Infrastructure network reinforcement	0.000	10.529	3.323	0.000	13.852
2B.17	Total gross capital expenditure excluding third party services	57.150	458.632	269.998	72.408	858.188
2B.18	Third party services	0.000	0.000	0.000	0.000	0.000
2B.19	Total gross capital expenditure	57.150	458.632	269.998	72.408	858.188
C	Grants and contributions					
2B.20	Grants and contributions	0.018	-23.716	-14.399	0.000	-38.097
2B.21	Totex	105.283	795.837	495.265	92.796	1489.181
D	Cash expenditure					
2B.22	Pension deficit recovery payments	1.870	16.463	13.114	4.014	35.461
2B.23	Other cash items	0.000	0.000	0.000	0.000	0.000
E	Total					
2B.24	Totex including cash items	107.153	812.300	508.379	96.810	1524.642

2C - Operating costs analysis (retail)

Year ended 31 March 2020

Line description		Household	Non-household	Total
		£m	£m	£m
Operating expenditure				
2C.1	Customer services	33.103	0.001	33.104
2C.2	Debt management	7.951	0.000	7.951
2C.3	Doubtful debts	40.220	1.453	41.673
2C.4	Meter reading	4.295	0.000	4.295
2C.5	Services to developers		4.412	4.412
2C.6	Other operating expenditure	22.174	0.473	22.647
2C.7	Total operating expenditure excluding third party services	107.743	6.339	114.082
2C.8	Third party services operating expenditure	0.000	0.000	0.000
2C.9	Total operating expenditure	107.743	6.339	114.082
2C.10	Depreciation - tangible fixed assets	1.775	0.000	1.775
2C.11	Amortisation - intangible fixed assets	5.835	0.000	5.835
2C.12	Total operating costs	115.353	6.339	121.692
2C.13	Debt written off	19.870	1.549	21.419

Differences between total operating costs and retail costs allowed in price limits

Household

Retail household total operating costs of £115.4m are £3.5m (3.1%) higher than the Final Determination (FD).

Customer services

Customer services costs of £33.1m are £4.5m (15.8%) adverse to the FD. The adverse variance is driven by an increase in the costs allocated to billing, payment handling & non-network enquiries for customer contact centre which was previously 100% allocated to debt management but after a review of what the team was doing it was discovered part of their activity related to other customer contacts.

Vulnerable customer incentives are £0.6m (51.7%) adverse to FD as we continue to invest in ways to help customers who are struggling or unable to pay, over and above what was expected at PR14.

Debt management

Debt management costs of £7.9m are £1.7m (18.0%) favourable to the FD.

The favourable variance is partly driven by the decrease in costs allocated for the customer contact centre (now partly allocated to customers services as per the above commentary), offset partly by increased costs of a focused aged debt recovery programme that was started in 19/20.

Doubtful debts

Doubtful debt costs of £40.2m are £8.3m (25.9%) adverse to the FD. A bad debt performance of 3.2% reflects management’s best estimate of debt risk at the end of the financial year, which includes an increased provision for COVID-19.

FD assumes 2.7% of revenue compared to actuals of 3.2% - the increase is due to a reduction in collections on older debt, along with amendments we have made to the bad debt provision model to reflect more accurate estimated credit losses.

Meter reading

Meter reading costs of £4.3m are £2.1m (33.1%) favourable to the FD.

This favourable variance has been driven by efficiencies in the cost base realised by the meter reading team.

Other operating expenditure

Other operating expenditure of £22.2m is £5.9m (21.0%) favourable to the FD.

General and support costs across all functions are £14.6m (31.1%) favourable compared to the FD. Lower allocations to Retail for General Finance support, Information Systems and Property driven by lower year on year headcount are the main drivers of the variance. PR14 allocates general and support expenditure between retail household and retail non-household based on customer numbers. The updated guidance in RAG 2.05 has been applied, which bases allocation on headcount equivalents as opposed to customer numbers for specific, general and support items

Depreciation

Depreciation & amortisation charges of £7.6m are £0.5m (7.2%) adverse to the FD. There have been no changes in the depreciation policy. Variances in depreciation are driven by variances in costs of the underlying assets.

Non-household

Retail non-household total operating costs of £6.6m are £12.2m (65.8%) lower than the Final Determination (FD). The disposal of our non-household retail activities to Water Plus in 2016, offset with a bad debt expense relating to legacy debt has contributed to this variance.

Specific activities which are classified as non-household retail under RAG 2.07 remain within Severn Trent Water. These activities are performed by Severn Trent Water wholesale teams and recharged to retail under the requirements of RAG 2.07. These are recorded in the Severn Trent Water non-household retail price control:

Developer services costs in relation to providing information and administration for new connections.

Investigatory visits/first visit to the customer where the cause of investigation is not a network issue.

Customer side leaks expenditure (excluding costs to meet wholesale outcomes).

2D - Historic cost analysis of fixed assets

Year ended 31 March 2020

Line description		Wholesale			Retail		Total
		Water Resources	Water Network+	Waste water Network+	Sludge	Household	
		£m	£m	£m	£m	£m	
A Cost							
2D.1	At 1 April 2019	435.461	5907.166	6970.921	804.335	43.568	14161.451
2D.2	Disposals	0.000	-16.257	-1.116	-9.027	0.000	-26.400
2D.3	Additions	57.037	407.757	269.965	72.408	4.499	811.666
2D.4	Adjustments	0.749	12.049	0.170	0.001	0.000	12.969
2D.5	Assets adopted at nil cost	0.000	0.000	71.002	0.000	0.000	71.002
2D.6	At 31 March 2020	493.247	6310.715	7310.942	867.717	48.067	15030.688
B Depreciation							
2D.7	At 1 April 2019	-163.174	-2198.219	-2827.680	-401.491	-26.244	-5616.808
2D.8	Disposals	0.000	12.432	0.597	8.722	0.000	21.751
2D.9	Adjustments	-0.282	-4.996	0.195	0.010	0.000	-5.073
2D.10	Charge for the year	-8.652	-124.254	-151.366	-27.775	-1.775	-313.822
2D.11	At 31 March 2020	-172.108	-2315.037	-2978.254	-420.534	-28.019	-5913.952
2D.12	Net book amount at 31 March 2020	321.139	3995.678	4332.688	447.183	20.048	9116.736
2D.13	Net book amount at 1 April 2019	272.287	3708.947	4143.241	402.844	17.324	8544.643
D Depreciation charge for year							
2D.14	Principal services	-8.649	-123.550	-151.366	-27.775	-1.775	-313.115
2D.15	Third party services	-0.003	-0.704	0.000	0.000	0.000	-0.707
2D.16	Total	-8.652	-124.254	-151.366	-27.775	-1.775	-313.822

In the current financial year the Group has adopted IFRS 16 Leases, retrospectively from 1 April 2019.

Right-of-use assets are not included within the fixed assets note to the statutory financial statements; they have been disclosed separately in the leases note. For the purposes of regulatory reporting Right of Use assets have been included in tables 2D, and 1C.1 fixed assets.

	Net book amount at 31 March 2020
Fixed assets	8996.046
Right of Use assets	120.690
Total	9116.736

2E - Analysis of capital contributions & land sales (wholesale)

Year ended 31 March 2020

Line description		Current year			Total
		Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	
		£m	£m	£m	
A Grants and contributions - water					
2E.1	Connection charges	0.000	9.967	0.000	9.967
2E.2	Infrastructure charge receipts	0.000	7.435	0.000	7.435
2E.3	Requisitioned mains	0.000	6.204	0.000	6.204
2E.4	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.5	Diversions	4.661	0.000	0.000	4.661
2E.6	Other contributions (non-price control)	0.009	0.092	0.000	0.101
2E.7	Total	4.670	23.698	0.000	28.368
2E.8	Value of adopted assets		0.000		0.000
B Grants and contributions - waste water					
2E.9	Infrastructure charge receipts	0.000	5.052	0.000	5.052
2E.10	Requisitioned sewers	0.000	1.765	0.000	1.765
2E.11	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.12	Diversions	1.206	0.000	0.000	1.206
2E.13	Other contributions (non-price control)	0.918	7.582	0.000	8.500
2E.14	Total	2.124	14.399	0.000	16.523
2E.15	Value of adopted assets		71.002		71.002
C Movements in capitalised grants and contributions					
2E.16	Brought forward	452.425	282.282		734.707
2E.17	Capitalised in year	23.698	14.399		38.097
2E.18	Amortisation (in income statement)	-6.027	-3.350		-9.377
2E.19	Carried forward	470.096	293.331		763.427
D Land sales					
2E.20	Proceeds from disposals of protected land (£000)	1945.822	6203.122		8148.944

2F - Household revenues by customer type

Year ended 31 March 2020

Line description		Wholesale charges revenue	Retail revenue	Total revenue	Number of customers	Average household retail revenue per customer
		£m	£m	£m	000s	£
2F.1	Unmeasured water only customer	24.615	2.202	26.817	144.647	15
2F.2	Unmeasured waste water only customer	76.259	8.135	84.394	440.619	18
2F.3	Unmeasured water and waste water customer	565.184	51.263	616.447	1581.673	32
2F.4	Measured water only customer	8.439	1.232	9.670	159.132	8
2F.5	Measured waste water only customer	43.841	5.858	49.699	305.484	19
2F.6	Measured water and waste water customer	406.707	59.625	466.333	1403.617	42
2F.7	Total	1125.044	128.316	1253.360	4035.172	32

2G - Non-household water revenues by customer type

Year ended 31 March 2020

This table is no longer required following the disposal of our Non-Household Retail activities to Water Plus in 2016.

2H - Non-household waste water revenues by customer type

Year ended 31 March 2020

This table is no longer required following the disposal of our Non-Household Retail activities to Water Plus in 2016.

2I - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2020

Line description		Household £m	Non-household £m	Total £m
A Wholesale charge - water				
2I.1	Unmeasured	298.070	2.411	300.481
2I.2	Measured	218.325	157.020	375.345
2I.3	Third party revenue	0.000	0.000	0.000
2I.4	Total	516.395	159.431	675.826
B Wholesale charge - waste water				
2I.5	Unmeasured	367.988	5.010	372.998
2I.6	Measured	240.661	211.763	452.424
2I.7	Third party revenue	0.000	0.000	0.000
2I.8	Total	608.649	216.773	825.422
2I.9	Wholesale Total	1125.044	376.204	1501.248
C Retail revenue				
2I.10	Unmeasured	61.601	0.000	61.601
2I.11	Measured	66.715	0.000	66.715
2I.12	Other third party revenue	1.058	4.223	5.281
2I.13	Retail total	129.374	4.223	133.597
D Third party revenue - non-price control				
2I.14	Bulk Supplies - water			7.992
2I.15	Bulk Supplies - waste water			0.000
2I.16	Other third party revenue			4.608
E Principal services - non-price control				
2I.17	Other appointed revenue			2.735
2I.18	Total appointed revenue			1650.180
		Water £m	Waste water £m	Total £m
2I.19	Wholesale revenue governed by price control	675.826	825.422	1501.248
2I.20	Grants and contributions	23.606	6.817	30.423
2I.21	Total revenue governed by wholesale price control	699.432	832.239	1531.671
2I.22	Amount assumed in wholesale determination	745.491	794.672	1540.163
2I.23	Adjustment for in-period ODI revenue	-42.215	36.131	-6.084
2I.24	Adjustment for WRFIM	-8.622	3.681	-4.941
2I.25	Total assumed revenue	694.654	834.484	1529.138
2I.26	Difference	4.778	-2.245	2.533

2I - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2020

Difference between allowed and actual revenue under the wholesale control

Wholesale revenue for 2019/20 of £1,531.7m is £2.5m (0.2%) higher than the amount assumed in the Wholesale Price Control.

Wholesale Water

Wholesale Water revenue of £699.4m is £4.8m (0.7%) higher than the Wholesale Price Control. The main variances are as follows:

- Core tariff revenue is £6.9m (1.0%) higher than the Wholesale Price Control. £2.0m of this relates to a miscalculation of the prior year true-up for WRFIM when charges were set.
- Net Wholesale Water capital revenue is £2.1m lower than the Wholesale Price Control. This is due to £4.6m lower new connections revenue, £2.4m lower s146 infrastructure charges and £4.9m higher mains requisition income.

Wholesale Waste

Wholesale Waste revenue of £832.2m is £2.2m (0.3%) lower than the Wholesale Price Control. The main variances are as follows:

- Core tariff Waste revenue is £1.2m (0.1%) higher than the Wholesale Price Control.
- Net Wholesale Waste capital revenue is £3.5m lower than the Wholesale Price Control, mainly due to lower mains requisition income.

2J - Infrastructure network reinforcement costs

Line description		Network reinforcement capex £m	On site/site specific capex (memo only) £m
A Wholesale water network+ (treated water distribution)			
2J.1	Distribution and trunk mains	9.463	28.026
2J.2	Pumping and storage facilities	1.066	0.000
2J.3	Other	0.000	0.000
2J.4	Total	10.529	28.026
B Wholesale waste water network+ (sewage collection)			
2J.5	Foul and combined systems	3.059	0.092
2J.6	Surface water only systems	0.161	0.005
2J.7	Pumping and storage facilities	0.103	0.006
2J.8	Other	0.000	0.000
2J.9	Total	3.324	0.103

2K - Infrastructure charges reconciliation

Year ended 31 March 2020

Line description	Water	Waste water	Total
	£m	£m	£m
	£m	£m	£m

A Impact of infrastructure charge discounts				
2K.1	Infrastructure charges	7.435	5.052	12.487
2K.2	Discounts applied to infrastructure charges	9.169	5.874	15.043
2K.3	Gross infrastructure charges	16.604	10.926	27.530

B Comparison of revenue and costs				
2K.4	Variance brought forward			10.932
2K.5	Revenue	16.604	10.926	27.530
2K.6	Costs	-10.529	-3.323	-13.852
2K.7	Variance carried forward	6.075	7.603	24.610

The variance between cost and revenue for Water is £12.4 million. £6.4 million of the variance is brought forward from prior year. The remaining £6 million is due to volumes being higher than forecast giving a variance of £1.5 million, forecast network reinforcement spend being £1.1 million lower than actual, £3 million of environmental discount given for prior years and £0.4 million charges being set on five year spend and not in year expenditure.

The variance between cost and revenue for Waste Water is £12.2 million. £4.6 million of the variance is brought forward from prior year. The remaining £7.6m is due to volumes being higher than forecast giving a variance of £1.5 million, forecast spend being £5.5 million lower than actual, £2.2 million of environmental discount given for prior year and -£1.6 million due to charges being set on five year spend and not in year expenditure and our phased approach to increase charges.

Additional regulatory information

3A - Outcome Performance Table

Row	Unique ID	Performance commitment	Unit	Unit description
1	PR14SVEWSW_W-A1	W-A1: Number of complaints about drinking water quality	nr	No. of water quality complaints
2	PR14SVEWSW_W-A2	W-A2: Compliance with drinking water quality standards	%	Mean zonal compliance (%)
3	PR14SVEWSW_W-A3	W-A3: Asset stewardship - number of sites with coliform failures (WTWs)	nr	No. of sites with coliform failures per year
4	PR14SVEWSW_W-A4	W-A4: Number of successful catchment management schemes	nr	No. catchment management schemes
5	PR14SVEWSW_W-B1	W-B1: Resource efficiency (distribution input per customer) - amount of water taken out of the environment	nr	Litres per person per day (l/p/d)
6	PR14SVEWSW_W-B2	W-B2: Leakage levels	nr	Megalitres per day (ML/d)
7	PR14SVEWSW_W-B3	W-B3: Speed of response in repairing leaks (% fixed within 24 hours)	%	% visible leaks fixed within 24 hours
8	PR14SVEWSW_W-B4	W-B4: Number of minutes customers go without supply each year (interruptions to supply > 3 hours)	time	Minutes / property / year
9	PR14SVEWSW_W-B5	W-B5: % of customers with resilient supplies (those that benefit from a second source of supply)	%	% customers with 2nd supply source
10	PR14SVEWSW_W-B6	W-B6: Asset stewardship - mains bursts	nr	No. of burst mains per year
11	PR14SVEWSW_W-B7	W-B7: Customers at risk of low pressure	nr	No. customers at risk of low pressure
12	PR14SVEWSW_W-B8	W-B8: Restrictions on water use	nr	No. water restrictions in five-year period
13	PR14SVEWSW_W-B9	W-B9: Timing delays on Birmingham resilience scheme	text	Scheme delivery (3 components)
14	PR14SVEWSW_W-B10	W-B10: Non-delivery of the outcome of the Birmingham resilience scheme	text	Scheme delivery (3 components)
15	PR14SVEWSW_W-B11	W-B11: Timing delays on community risk schemes	text	Scheme delivery (3 components)
16	PR14SVEWSW_W-B12	W-B12: Non-delivery of the community risk schemes	text	Scheme delivery (3 components)
17	PR14SVEWSW_W-B13	W-B13: Timing delays on Elan Valley Aqueduct (EVA) maintenance	text	Scheme delivery
18	PR14SVEWSW_W-B14	W-B14: Non-delivery of the Elan Valley Aqueduct (EVA) maintenance	text	Scheme delivery
19	PR14SVEWSW_W-C1	W-C1: Customers rating our services as good value for money (based on tracker survey)	%	% customer satisfaction
20	PR14SVEWSW_W-D1	W-D1: Improvements in river water quality against WFD criteria	nr	No. WFD classification improvements
21	PR14SVEWSW_W-D2	W-D2: Asset stewardship - environmental compliance	%	% environmental compliance
22	PR14SVEWSW_W-D3	W-D3: Biodiversity	nr	No. of hectares improved
23	PR14SVEWSW_W-D4	W-D4: Sites with eel protection at intakes	nr	No. sites with eel protection at intakes
24	PR14SVEWSW_W-E1	W-E1: Size of our carbon footprint	nr	ktCO2e
25	PR14SVEWSW_W-F1	W-F1: Improved understanding of our services through education	nr	No. of people - education programme
26	PR14SVEWSWW_S-A1	S-A1: Number of internal sewer flooding incidents	nr	No. of internal sewer flooding incidents
27	PR14SVEWSWW_S-A2	S-A2: Number of external sewer flooding incidents	nr	No. of external sewer flooding incidents
28	PR14SVEWSWW_S-A3	S-A3: Partnership working	nr	No. of partnership working projects
29	PR14SVEWSWW_S-A4	S-A4: Asset stewardship - blockages	nr	No. of sewer blockages per year
30	PR14SVEWSWW_S-A5	S-A5: Statutory obligations (Section 101A schemes)	nr	No. of connectable properties, identified as polluting or likely to pollute, associated with new Section 101A schemes
31	PR14SVEWSWW_S-B1	S-B1: Customers rating our services as good value for money (based on tracker survey)	%	% customer satisfaction
32	PR14SVEWSWW_S-C1	S-C1: Improvements in river water quality against WFD criteria	nr	No. of WFD classification improvements
33	PR14SVEWSWW_S-C2	S-C2: The number of category 3 pollution incidents	nr	No. of pollution incidents (cat 3)
34	PR14SVEWSWW_S-C3	S-C3: Asset stewardship - environmental compliance (basket of measures)	%	% compliance with WwTW regulations
35	PR14SVEWSWW_S-C4	S-C4: Biodiversity	nr	No. of hectares improved
36	PR14SVEWSWW_S-C5	S-C5: Sustainable sewage treatment	nr	No. of WwTWs avoiding investment
37	PR14SVEWSWW_S-C6	S-C6: Serious pollution incidents	nr	No. of pollution incidents (cats 1 and 2)
38	PR14SVEWSWW_S-C7	S-C7: Overall environmental performance (basket of environmental measures)	nr	No. of environmental targets met
39	PR14SVEWSWW_S-C8	S-C8: The number of category 4 pollution incidents	nr	No. of pollution incidents (cat 4)
40	PR14SVEWSWW_S-D1	S-D1: Size of our carbon footprint	nr	ktCO2e

Decimal places	"2018-19 performance level - actual (for information)"	2019-20 performance level - actual	2019-20 PCL met?	"2019-20 outperformance payment or underperformance payment - in-period ODIs (indicator)"	"2019-20 outperformance payment or underperformance payment - in-period ODIs (£m, to 4 dp)"	"2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (indicator)"	"2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (£m, to 4 dp)"
0	11856	10181	No	Underperformance payment	-0.2331		
3	99.940	99.940	No	Underperformance payment	-1.7070		
0	13	5	Yes	-			
0	26	N/A	-	-			
0	225	219	No	-			
0	420	401	Yes	Underperformance payment	-0.2362		
0	32	37	No	Underperformance payment	-1.2996		
2	19.06	7.30	Yes	Outperformance payment	0.7655		
1	78.1	78.1	No			Underperformance payment	-0.1760
0	6453	5099	Yes	-			
0	158	169	Yes	Outperformance payment	0.0474		
0	0	0	Yes	Outperformance payment	1.3521		
na	On track	Delivered	Yes				-
na	On track	Delivered	Yes				-
na	On track	Delivered	Yes				-
na	On track	Delivered	Yes				-
na	Delivered	N/A	-				-
na	Delivered	N/A	-				-
0	63	66	Yes	Outperformance payment	0.1243		
0	0	33	Yes			Outperformance payment	1.5000
0	98	97	No				
0	343	567	Yes				
0	On track	Milestone delivered	-				
3	219.000	213.000	Yes	Outperformance payment deadband			
0	185371	140916	Yes				
0	725	926	No	Underperformance payment	-11.5186		
0	3766	5120	No	Underperformance payment	-4.1182		
0	5	26	Yes			Outperformance payment	1.5293
0	46898	46645	Yes	-			
0	19	321	Yes				
0	63	66	Yes	Outperformance payment	0.1245		
0	53	246	Yes			Outperformance payment	33.0000
0	328	288	Yes	Outperformance payment	1.6170		
2	97.69	96.95	No	Underperformance payment deadband			
0	343	567	Yes			Outperformance payment	0.7552
0	0	2	Yes			Outperformance payment	7.9893
0	7	4	No				
0	4	4	-	-			
0	217	240	No				
3	204.000	211.000	No	Underperformance payment	-0.0146		

3A - Outcome Performance Table (cont.)

Row	Unique ID	Performance commitment	Unit	Unit description
41	PR14SVEWSWW_S-E1	S-E1: Improved understanding of our services through education	nr	No. of people - education programme
42	PR14SVEHHR_R-A1	R-A1: Customer satisfaction with their service (based on a survey)	text	Customer satisfaction ranking
43	PR14SVEHHR_R-A2	R-A2: Customers' experience of dealing with us (based on Ofwat's SIM)	text	Service incentive mechanism (SIM) score ranking
44	PR14SVEHHR_R-B1	R-B1: Customers helped by a review of their tariff & water usage &/or supported by SVT social fund	nr	No. of customers engaged with on debt
45	PR14SVEHHR_R-B2	R-B2: Percentage of customers who do not pay (household bad debt divided by total household revenue)	%	% of customers who do not pay
46	PR14SVEWSW_A1	A1: Discoloured water contacts	nr	No. per 1,000 population
47	PR14SVEWSW_A2	A2: Mean zonal compliance (MZC)	%	Mean zonal compliance (%)
48	PR14SVEWSW_B1	B1: Average duration of interruptions - 3 hours or longer (planned and unplanned interruptions)	time	Hours / property / year
49	PR14SVEWSW_B2	B2: Sustainable economic level of leakage	nr	Litres per property per day (l/prop/day)
50	PR14SVEWSW_B3	B3: Security of supply index (SOSI)	score	Security of Supply Index (SOSI)
51	PR14SVEWSW_B4	B4: Number of bursts	nr	No. of burst mains per year
52	PR14SVEWSW_C1	C1: Gross operational greenhouse gas emissions	nr	tCO2e
53	PR14SVEWSW_D1	D1: Customers' perception based on market research	%	% customer satisfaction
54	PR14SVENHHR_F1	F1: Non-household Service incentive mechanism (SIM)	score	Service incentive mechanism (SIM) score
55	PR14SVEHHR_E1	E1: Per capita consumption and water efficiency	nr	Litres per capita per day
56	PR14SVEHHR_E2	E2: Service incentive mechanism (SIM)	score	Service incentive mechanism (SIM) score

Decimal places	"2018-19 performance level - actual (for information)"	2019-20 performance level - actual	2019-20 PCL met?	"2019-20 outperformance payment or underperformance payment - in-period ODIs (indicator)"	"2019-20 outperformance payment or underperformance payment - in-period ODIs (£m, to 4 dp)"	"2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (indicator)"	"2019-20 outperformance payment or underperformance payment - ODIs payable at the end of AMP6 (£m, to 4 dp)"
0	185371	140916	Yes				
na	Upper Quartile	MEDIAN	No				
na	81.45	77.40	-				
0	52547	69722	Yes				
2	2.00	3.19	No				
2	0.45	1.17	No			Underperformance payment	-0.0019
2	99.94	100.00	Yes			-	
2	0.03	0.06	Yes			Outperformance payment	0.0083
1	97.8	70.4	Yes			Outperformance payment	0.0045
0	100	100	Yes				
0	68	85	No			Underperformance payment deadband	
0	951	1285	Yes				
na	67	61	No				
1	83.9	89.4	Yes				
2	132.76	136.53	No				
1	78.4	72.9	No				

3B - Sub-measures performance table

Row	Unique ID	PC/sub-measure ID	PC/sub-measure	2018-19 performance level - actual	2019-20 performance level - actual	2019-20 PCL met?
1	PR14SVEWSWW_S-C3	00	S-C3: Asset stewardship - environmental compliance (basket of measures)	97.69	96.95	No
2	PR14SVEWSWW_S-C3	01	% of sewage treatment works passing their numeric consents	98.57	99.85	No
3	PR14SVEWSWW_S-C3	02	% of actions raised from EA regulatory site audits (actions raised as a % of total site visits)	96.84	97.87	No
4	PR14SVEWSWW_S-C3	03	% of sites that do not exceed their 90%ile flow on sewage treatment works or maximum daily flow on water treatment works	95.41	90.07	No
5	PR14SVEWSWW_S-C3	04	% of sites compliant with their abstraction permits	99.96	99.99	No
6	PR14SVEWSWW_S-C7	00	S-C7: Overall environmental performance (basket of environmental measures)	4	4	Yes
7	PR14SVEWSWW_S-C7	01	Improvements in river water quality against WFD criteria	Passed	Passed	Yes
8	PR14SVEWSWW_S-C7	02	Asset stewardship - environmental compliance	Passed	Passed	Yes
9	PR14SVEWSWW_S-C7	03	Total number of category 1, 2, and 3 pollution incidents	Passed	Passed	Yes
10	PR14SVEWSWW_S-C7	04	Biodiversity improvements	Passed	Passed	Yes

3C - AIM Table

Nil return.
We do not have any active AIM sites, therefore this table is deliberately blank.

3D - SIM Table

Line description			Score
			Number
A	Qualitative performance		
3D.1	1st survey score		4.32
3D.2	2nd survey score		4.19
3D.3	3rd survey score		4.14
3D.4	4th survey score		4.33
3D.5	Qualitative SIM score (out of 75)		60.84
3D.6	Total contact score		25.33
3D.7	Quantitative SIM score (out of 25)		16.56
3D.8	Total annual SIM score (out of 100)		77.40

4A - Non-financial information

Year ended 31 March 2020

Line description		Units	DPs	Current year	
				Unmeasured	Measured
Retail					
A	Household				
4A.1	Number of void households	000s	3	172.378	92.928
4A.2	Per capita consumption (excluding supply pipe leakage) l/h/d	l/h/d	2	139.69	114.36
				Water	Waste water
Wholesale					
B	Volume (ML/d)				
4A.3	Bulk supply export	ML/d	3	5.857	0.094
4A.4	Bulk supply import	ML/d	3	50.205	0.110
4A.5	Distribution input	ML/d	3	1,913.669	

4B - Wholesale totex analysis

Year ended 31 March 2020

Line description		Current year		Cumulative 2015-20	
		Water	Waste water	Water	Waste water
		£m	£m	£m	£m
A	Actual totex				
4B.1	Actual totex	919.453	605.189	3623.196	2715.017
B	Items excluded from the menu				
4B.2	Third party costs	-5.159	-0.361	-27.466	-2.150
4B.3	Pension deficit recovery payments	-18.333	-17.128	-66.390	-62.954
4B.4	Other 'Rule book' adjustments	0.963	-0.025	-24.021	5.585
4B.5	Total items excluded from the menu	-22.529	-17.514	-117.877	-59.519
C	Transition expenditure				
4B.6	Transition expenditure	0.000	0.000	11.443	0.000
D	Adjusted actual totex				
4B.7	Adjusted actual totex	896.924	587.675	3516.762	2655.498
4B.8	Adjusted actual totex base year prices	755.070	494.730	3114.765	2360.313
E	Allowed totex				
4B.9	Allowed totex based on final menu choice - base year prices	535.053	530.237	2776.973	2727.574

4B - Wholesale totex analysis

Year ended 31 March 2020

This table compares our actual total wholesale expenditure ('totex') to the PR14 Final Determination (FD). The FD reflects the level of totex Ofwat assumed would be required to efficiently maintain, operate and improve services for our customers and the environment. Our FD has been updated, with agreement from Ofwat, to reflect boundary changes relating to the creation of Hafren Dyfrdwy.

As a responsible business, we need to make sure our assets continue to provide service now and into the future. At the same time, we're incentivised to become more efficient, with any saving we make being shared with customers through lower bills (spending more is also shared with customers). As summarised in the table below, we have invested to within 1% of the FD across Wholesale Water and Waste Water in AMP6:

Water service

In AMP6, we invested £3,115m which is £338m (12%) more than the FD. This reflects our decision to reinvest efficiencies in our assets to deliver service improvements (particularly in water quality, monitoring technologies and security), which should create a solid trajectory into AMP7. The reinvestment covered areas such as leakage improvement (additional loggers, monitors and controllers), energy efficiency and process automation.

Waste water service

In AMP6, we invested £2,360m generating an efficiency saving of £367m (13%) compared to the FD. Around one third of this saving is attributable to an efficiency reward granted by Ofwat in the PR14 FD, with the remainder due to ongoing process improvements, savings in central support costs and the benefits of innovation. Efficient delivery of our environmental programme has continued to be a key strength, with our contracting strategy yielding significant batch efficiency savings. We've also reinvested efficiencies in process and automation which should contribute to further efficiency gains in AMP7.

Differences between actual and allowed totex

Totex in £m at 12/13 prices	Service	Cumulative to 18/19	Cumulative to 19/20
Adjusted Actual totex (menu)	Water	2,359.7	3,114.8
	Waste water	1,865.6	2,360.3
	Total Wholesale	4,225.3	5,475.1
FD menu assumptions	Water	2,241.9	2,777.0
	Waste water	2,197.3	2,727.6
	Total Wholesale	4,439.3	5,504.5
Total variance	Water	117.8	337.8
	Waste water	(331.7)	(367.5)
	Total	5% (214.0)	1% (29.5)

Our approach to variance analysis and adjustments

Ofwat calculated the totex separately for wholesale water and waste water services, but did not set out detail by output or investment area. We have therefore compared our actual expenditure with our PR14 Business Plan submission to understand variances at a more granular level. We have then attributed the variances to changes in timing (accelerated or delayed investment), scope (doing something different to what we planned), or efficiency (finding better ways of delivering the outcomes our customers want or finding more efficient ways of delivering the same outcome). As this is the final year of AMP6, and we have delivered all required outcomes, the timing adjustment across AMP6 is zero.

Adjustments

A number of items are excluded from the totex menu and appear as reconciling items in table 4B. As in the prior year, reconciling items include third party costs and pension deficit recovery payments. In addition, ‘Other rule book’ adjustments have been made as outlined below.

Third party costs are not included in menu totex and, as noted above, are included as a standard reconciling item between actual and allowed totex. Following the boundary alignment, this includes bulk supplies between Severn Trent Water and Hafren Dyfrdwy. The revised FD was not adjusted for these intercompany bulk supplies and so the costs of supplying Hafren Dyfrdwy should still be included in totex (rather than 3rd party) to be comparable, and cost charged from Hafren Dyfrdwy removed. This has led to a net adjustment of £0.9 million.

Other ‘Rule book’ adjustments

Description	Water £m	Waste water £m	Total £m
Bulk supply costs from HD to remove	0.488	0.037	0.524
Third party costs for bulk supply to HD - move back to base totex	(1.451)	(0.012)	(1.463)
Total adjustment	(0.930)	0.022	(0.938)

4C - Forecast impact of performance on RCV

Year ended 31 March 2020

Line description	Water £m	Waste water £m
4C.1 Cumulative totex over/underspend so far in the price control period	403.954	-439.199
4C.2 Customer share of cumulative totex over/underspend	-218.243	235.068
4C.3 RCV element of cumulative totex over/underspend	155.659	-213.455
4C.4 Adjustment for ODI rewards adjusted for ODI out/under performance payment	-4.983	0.000
4C.5 RCV determined at FD at 31 March	4613.669	4917.378
4C.6 Projected ‘shadow’ RCV	4764.345	4703.923

4D - Wholesale totex analysis (water)

Year ended 31 March 2020

Line description	Water resources			Network+		Treated water distribution	Total
	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment		
	£m	£m	£m	£m	£m	£m	£m

A	Operating expenditure						
4D.1	Power	0.000	7.683	11.371	0.000	4.597	31.548
4D.2	Income treated as negative expenditure	0.000	-0.407	0.000	0.000	0.000	-0.407
4D.3	Abstraction charges/discharge consents	11.547	0.000	0.000	0.000	0.382	11.929
4D.4	Bulk supply	0.000	8.000	0.000	0.000	4.560	12.561
4D.5	Other operating expenditure - renewals expensed in year (infrastructure)	0.000	1.934	0.239	0.000	0.000	104.291
4D.6	Other operating expenditure - renewals expensed in year (non-infrastructure)	0.000	0.001	0.000	0.000	0.012	0.068
4D.7	Other operating expenditure - excluding renewals	0.051	14.230	4.777	0.000	46.256	101.526
4D.8	Local authority and cumulo rates	0.000	4.029	2.435	0.234	6.391	38.121
4D.9	Total operating expenditure (excluding third party services)	11.598	35.470	18.822	0.234	62.198	275.555
4D.10	Third party services	0.000	1.047	0.180	0.000	1.529	2.403
4D.11	Total operating expenditure	11.598	36.517	19.002	0.234	63.727	277.958

B	Capital expenditure						
4D.12	Maintaining the long term capability of the assets - infrastructure	0.000	0.000	0.000	0.000	0.000	0.000
4D.13	Maintaining the long term capability of the assets - non-infrastructure	0.000	29.782	0.089	0.007	119.817	101.686
4D.14	Other capital expenditure - infrastructure	0.000	0.900	1.869	7.849	2.068	59.141
4D.15	Other capital expenditure - non-infrastructure	1.295	25.173	1.134	0.000	85.624	68.819
4D.16	Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	10.529
4D.17	Total gross capital expenditure (excluding third party services)	1.295	55.855	3.092	7.856	207.509	240.175
4D.18	Third party services	0.000	0.000	0.000	0.000	0.000	0.000
4D.19	Total gross capital expenditure	1.295	55.855	3.092	7.856	207.509	240.175

C	Grants and contributions						
4D.20	Grants and contributions	0.000	0.018	0.000	0.000	-0.128	-23.588
4D.21	Totex	12.893	92.390	22.094	8.090	271.108	494.545

D	Cash expenditure						
4D.22	Pension deficit recovery payments	0.000	1.870	0.072	0.000	4.306	12.085
4D.23	Other cash items	0.000	0.000	0.000	0.000	0.000	0.000
4D.24	Totex including cash items	12.893	94.260	22.166	8.090	275.414	506.630

E	Unit cost information (operating expenditure)	Units					
4D.25	Licenced volume available	ML	983015.000				
4D.25	Volume abstracted	ML	697043.700				
4D.25	Volume transported	ML	823658.500				
4D.25	Average volume stored	ML	137003.620				
4D.25	Distribution input volume	ML	693435.401				
4D.25	Distribution input volume	ML	709667.129				
4D.26	Unit cost	£/ML	11.798	52.408	23.072	1.707	91.946
4D.27	Population	000s	8640.946	8640.946	8640.946	8640.946	8640.946
4D.28	Unit cost	£/pop	1.342	4.228	2.199	0.027	7.379

Other operating expenditure includes an exceptional pension cost of £3.5 million.
Capital expenditure includes the transfer of £31.1 million of water assets from Hafren Dyfrdwy to Severn Trent Water.

4E - Wholesale totex analysis (waste water)

Year ended 31 March 2020

Line description	Network+ Sewage collection			Network + Sewage treatment		Sludge			Total
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
	£m	£m	£m	£m	£m	£m	£m	£m	

A	Operating expenditure								
4E.1	Power	6.878	1.982	1.315	34.094	1.325	0.046	-11.621	0.014
4E.2	Income treated as negative expenditure	-0.028	-0.008	-0.005	0.000	0.000	0.000	-18.405	-1.836
4E.3	Discharge consents	3.531	1.017	0.675	5.369	0.209	0.000	0.000	0.000
4E.4	Bulk discharge	0.008	0.002	0.002	-0.012	0.000	0.000	0.024	0.000
4E.5	Other operating expenditure - renewals expensed in year (infrastructure)	27.834	5.285	5.285	-0.385	0.000	0.000	0.000	0.000
4E.6	Other operating expenditure - renewals expensed in year (non-infrastructure)	1.287	0.371	0.246	0.054	0.002	0.000	0.000	0.000
4E.7	Other operating expenditure - excluding renewals	34.857	10.045	6.662	68.954	2.683	12.694	23.166	13.094
4E.8	Local authority rates and cumulo rates	0.179	0.052	0.034	18.812	0.731	0.050	3.119	0.006
4E.9	Total operating expenditure (excluding third party services)	74.546	18.746	14.214	126.886	4.950	12.790	-3.717	11.278
4E.10	Third party services	0.142	0.041	0.027	0.110	0.004	0.011	0.016	0.010
4E.11	Total operating expenditure	74.688	18.787	14.241	126.996	4.954	12.801	-3.701	11.288

B	Capital expenditure								
4E.12	Maintaining the long term capability of the assets - infra	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.13	Maintaining the long term capability of the assets - non-infra	17.709	2.329	2.180	99.855	0.841	4.065	63.940	3.289
4E.14	Other capital expenditure - infra	29.248	18.973	18.973	0.259	0.000	0.000	0.000	0.000
4E.15	Other capital expenditure - non-infra	6.830	2.453	2.453	64.572	0.000	0.000	1.114	0.000
4E.16	Infrastructure network reinforcement	2.659	0.332	0.332	0.000	0.000	0.000	0.000	0.000
4E.17	Total gross capital expenditure (excluding third party services)	56.446	24.087	23.938	164.686	0.841	4.065	65.054	3.289
4E.18	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.19	Total gross capital expenditure	56.446	24.087	23.938	164.686	0.841	4.065	65.054	3.289

C	Grants and contributions								
4E.20	Grants and contributions	-7.985	-1.087	-1.002	-4.325	0.000	0.000	0.000	0.000
4E.21	Totex	123.149	41.787	37.177	287.357	5.795	16.866	61.353	14.577

D	Cash expenditure								
4E.22	Pension deficit recovery payments	2.183	0.628	0.417	9.886	0.000	1.870	1.916	0.228
4E.23	Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4E.24	Totex including cash items	125.332	42.415	37.594	297.243	5.795	18.736	63.269	14.805

E	Unit cost information (operating expenditure)	Units							
4E.25	Volume collected	ML	799962.241						
4E.25	Volume collected	ML	378477.878						
4E.25	Volume collected	ML	247277.961						
4E.25	Biochemical Oxygen Demand (BOD)	Tonnes	230662.933						
4E.25	Biochemical Oxygen Demand (BOD)	Tonnes	8175.576						
4E.25	Volume transported	m3	1363979.938						
4E.25	Dried solid mass treated	tt ds	246.532						
4E.25	Dried solid mass disposed	tt ds	121.497						
4E.26	Unit cost	£/unit	93.448	49.687	57.637	550.969	605.795	9.403	-14911.489
4E.27	Population	000s	9223.515	9223.515	9223.515	9223.515	9223.515	9223.515	9223.515
4E.28	Unit cost	£/pop	8.105	2.039	1.545	13.779	0.537	1.391	-0.399

Other operating expenditure includes an exceptional pension cost of £3.5 million.

4F - Operating cost analysis (household retail)

Year ended 31 March 2020

Line description		Household unmeasured				Household measured				Total
		Water only	Waste water only	Water and waste water	Total	Water only	Waste water only	Water and waste water	Total	
		£m	£m	£m	£m	£m	£m	£m	£m	
A	Operating expenditure									
4F.1	Customer services	1.040	3.169	11.375	15.584	1.492	2.865	13.162	17.519	33.103
4F.2	Debt management	0.335	1.021	3.663	5.019	0.250	0.479	2.203	2.932	7.951
4F.3	Doubtful debts	0.861	2.708	19.782	23.351	0.310	1.595	14.964	16.869	40.220
4F.4	Meter reading					0.363	0.696	3.236	4.295	4.295
4F.5	Other operating expenditure	0.795	2.421	8.692	11.908	0.874	1.679	7.713	10.266	22.174
4F.6	Total operating expenditure (excluding third party services)	3.031	9.319	43.512	55.862	3.289	7.314	41.278	51.881	107.743
4F.7	Third party services operating expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4F.8	Total operating expenditure	3.031	9.319	43.512	55.862	3.289	7.314	41.278	51.881	107.743
4F.9	Depreciation - tangible fixed assets (on assets existing at 31 March 2015)	0.033	0.099	0.359	0.491	0.041	0.076	0.353	0.470	0.961
4F.10	Depreciation - tangible fixed assets (on assets acquired since 1 April 2015)	0.029	0.087	0.316	0.432	0.033	0.062	0.287	0.382	0.814
4F.11	Amortisation - intangible fixed assets (on assets existing at 31 March 2015)	0.011	0.032	0.117	0.160	0.012	0.023	0.106	0.141	0.301
4F.12	Amortisation - intangible fixed assets (on assets acquired since 1 April 2015)	0.199	0.589	2.147	2.935	0.227	0.423	1.949	2.599	5.534
4F.13	Total operating costs	3.303	10.126	46.451	59.880	3.602	7.898	43.973	55.473	115.353
4F.14	Capital expenditure	0.328	0.974	3.548	4.850	0.447	0.833	3.841	5.121	9.971
B	Demand-side efficiency and customer-side leaks analysis - Household									
4F.15	Demand-side water efficiency - gross expenditure									1.434
4F.16	Demand-side water efficiency - expenditure funded by wholesale									-0.129
4F.17	Demand-side water efficiency - net retail expenditure									1.305
4F.18	Customer-side leak repairs - gross expenditure									4.145
4F.19	Customer-side leak repairs - expenditure funded by wholesale									0.000
4F.20	Customer-side leak repairs - net retail expenditure									4.145

4G - Wholesale current cost financial performance

Year ended 31 March 2020

Line description		Water	Waste water	Total
		£m	£m	£m
4G.1	Revenue	688.361	827.942	1516.303
4G.2	Operating expenditure	-409.036	-260.054	-669.090
4G.3	Capital maintenance charges	-140.022	-207.829	-347.851
4G.4	Other operating income	-0.140	3.429	3.289
4G.5	Current cost operating profit	139.163	363.488	502.651
4G.6	Other income	6.548	10.593	17.141
4G.7	Interest income	2.677	2.854	5.531
4G.8	Interest expense	-104.149	-111.005	-215.154
4G.9	Other interest expense	-4.908	-5.231	-10.139
4G.10	Current cost profit before tax and fair value movements	39.331	260.699	300.030
4G.11	Fair value gains/(losses) on financial instruments	2.539	2.706	5.245
4G.12	Current cost profit before tax	41.870	263.405	305.275

4H - Financial metrics

Year ended 31 March 2020

Line description		Units	Current year	AMP to date
A Financial indicators				
4H.1	Net debt	£m	6184.781	
4H.2	Regulated equity	£m	3346.266	
4H.3	Regulated gearing	%	64.89%	
4H.4	Post tax return on regulated equity	%	8.74%	
4H.5	RORE (return on regulated equity)	%	6.82%	8.49%
4H.6	Dividend yield	%	7.10%	
4H.7	Retail profit margin - Household	%	1.12%	
4H.8	Retail profit margin - Non household	%	-0.56%	
4H.9	Credit rating	Text	BBB+	
4H.10	Return on RCV	%	5.43%	
4H.11	Dividend cover	dec	0.807	
4H.12	Funds from operations (FFO)	£m	629.724	
4H.13	Interest cover (cash)	dec	4.592	
4H.14	Adjusted interest cover (cash)	dec	2.189	
4H.15	FFO/Debt	dec	0.10	
4H.16	Effective tax rate	%	10.58%	
4H.17	RCF	£m	392.232	
4H.18	RCF/capex	dec	0.48	
B Revenue and earnings				
4H.19	Revenue (actual)	£m	1634.845	
4H.20	EBITDA (actual)	£m	851.673	
C Movement in RoRE				
4H.21	Base return	%	5.53%	5.59%
4H.22	Totex out/(under) performance	%	-1.84%	0.16%
4H.23	Retail cost out/(under) performance	%	-0.19%	0.31%
4H.24	ODI out/(under) performance	%	0.99%	0.90%
4H.25	Financing out/(under) performance	%	2.32%	1.52%
4H.26	Other factors	%	0.00%	0.00%
4H.27	Regulatory return for the year	%	6.82%	8.49%
D Borrowings				
4H.28	Proportion of borrowings which are fixed rate	%	60.82%	
4H.29	Proportion of borrowings which are floating rate	%	16.17%	
4H.30	Proportion of borrowings which are index linked	%	23.01%	
4H.31	Proportion of borrowings due within 1 year or less	%	7.57%	
4H.32	Proportion of borrowings due in more than 1 year but no more than 2 years	%	6.59%	
4H.33	Proportion of borrowings due in more than 2 years but no more than 5 years	%	19.70%	
4H.34	Proportion of borrowings due in more than 5 years but no more than 20 years	%	43.81%	
4H.35	Proportion of borrowings due in more than 20 years	%	22.34%	

Return on Regulated Equity (RoRE)

Our cumulative AMP6 RoRE of 8.5% highlights a strong AMP performance where we have outperformed the Final Determination on all components of RoRE. Over the five-year period we have delivered sector-leading customer ODI performance, overall net totex efficiencies and strong upper quartile performance on financing. Below we discuss the key RoRE components in detail.

Base return

The average FD base return of 5.66% has been adjusted by 0.10% from 2017-18 to exclude the element of the non-household retail return that is now earned by Water Plus, our retail non-household joint venture with United Utilities. A minor adjustment of 0.03% has also been made in 2019-20 for the apportionment of the base return resulting from the border variation.

Totex performance

Cumulative totex outperformance of 0.2% reflects the continued investment in our water and waste water assets, including £220 million of reinvestment generated from efficiencies made earlier in the AMP. We have invested to within 1% of the Final Determination across wholesale water and waste water in AMP6, as explained further in table 4B. Our totex performance for the year, reflects reinvestment of some of our outperformance as well as the reversal of timing differences related to capital expenditure compared to the profile of spend in the FD.

Retail cost performance

Cumulatively over the AMP we have delivered retail cost reductions, outperforming the final determination by £9.3 million in 2012-13 prices. We have continued to deliver efficiencies on our retail operating costs during the year, but have seen our bad debt costs increase, partly as a result of COVID-19. This has resulted in a marginal negative performance of 0.2% on RoRE.

ODI performance

We have sustained our sector leading customer ODI performance by delivering a further £30 million in net rewards, taking our total for AMP6 to £141 million. Our performance for the year was driven by our successful delivery on Water Framework Directive and Sustainable Sewage Treatment, both the culmination of capital delivery over the five year period. We also saw our water measures improve resulting in a small net reward of £0.2 million. While on waste water, we saw a slight downturn compared to our forecast due to the tougher new targets agreed with Ofwat (waste water ODI uncapping) and the unusually wet weather throughout the year, we have nonetheless achieved a net reward of £29.3 million.

Financing performance

We have maintained upper quartile financing performance through the AMP, with our effective interest rate falling by 1.7% over the AMP. In the final year of the AMP, we have continued to benefit from low interest rates and high inflation resulting in our real cost of debt being 1.7% lower than the FD cost of debt.

4I - Financial derivatives

Year ended 31 March 2020

Line description	Nominal value by maturity (net)			Total value at 31 March 2020		Total accretion at 31 March 2020	Interest rate (weighted average for 12 months to 31 March 2020)	
	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
	£m	£m	£m	£m	£m		%	%

Derivative type									
A Interest rate swap (sterling)									
4I.1	Floating to fixed rate	0.000	200.000	223.000	423.000	-121.893	0.000	3.99%	0.57%
4I.2	Floating from fixed rate	0.000	0.000	50.000	50.000	4.914	0.000	1.64%	2.75%
4I.3	Floating to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.4	Floating from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.5	Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.6	Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.7	Total	0.000	200.000	273.000	473.000	-116.979	0.000		

B Foreign Exchange									
4I.8	Cross currency swap USD	0.000	0.000	121.531	121.531	40.103	0.000	2.15%	3.77%
4I.9	Cross currency swap EUR	0.000	0.000	11.440	11.440	10.101	0.000	1.22%	4.20%
4I.10	Cross currency swap YEN	0.000	0.000	8.529	8.529	10.204	0.000	1.05%	2.61%
4I.11	Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.12	Total	0.000	0.000	141.500	141.500	60.408	0.000		

C Currency interest rate									
4I.13	Currency interest rate swaps USD	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.14	Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.15	Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.16	Currency interest rate swaps Other	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.17	Total	0.000	0.000	0.000	0.000	0.000	0.000		

D Forward currency contracts									
4I.18	Forward currency contracts USD	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.19	Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.20	Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.21	Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.22	Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.23	Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.24	Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000	0.00%	0.00%
4I.25	Total	0.000	0.000	0.000	0.000	0.000	0.000		

E Other financial derivatives									
4I.26	Other financial derivatives	0.000	0.000	350.000	350.000	-34.686	0.000	0.00%	0.00%

F Total									
4I.27	Total financial derivatives	0.000	200.000	764.500	964.500	-91.257	0.000		

Other financial derivatives include inflation swaps of -£27.7 million and energy swaps of -£7 million.

4J - Atypical expenditure by business unit - Wholesale water

Year ended 31 March 2020

Line description	Water resources			Network+			Total
	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m	£m

A Operating expenditure (excl. atypicals)								
4J.1	Power	0.000	7.683	11.371	0.000	4.597	31.548	55.199
4J.2	Income treated as negative expenditure	0.000	-0.407	0.000	0.000	0.000	0.000	-0.407
4J.3	Abstraction charges/ discharge consents	11.547	0.000	0.000	0.000	0.382	0.000	11.929
4J.4	Bulk supply	0.000	8.000	0.000	0.000	4.560	0.001	12.561
Other operating expenditure								
4J.5	- Renewals expensed in year (infrastructure)	0.000	1.934	0.239	0.000	0.000	104.291	106.464
4J.6	- Renewals expensed in year (non-infrastructure)	0.000	0.001	0.000	0.000	0.012	0.068	0.081
4J.7	- Other operating expenditure excluding renewals	0.051	14.230	4.777	0.000	46.256	101.526	166.840
4J.8	Local authority and cumulo rates	0.000	4.029	2.435	0.234	6.391	38.121	51.210
4J.9	Total operating expenditure (excluding third party services)	11.598	35.470	18.822	0.234	62.198	275.555	403.877
4J.10	Third party services	0.000	1.047	0.180	0.000	1.529	2.403	5.159
4J.11	Total operating expenditure	11.598	36.517	19.002	0.234	63.727	277.958	409.036

B Capital expenditure (excl. atypicals)								
4J.12	Maintaining the long term capability of the assets - infrastructure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.13	Maintaining the long term capability of the assets - non-infrastructure	0.000	29.782	0.089	0.007	119.817	101.686	251.381
4J.14	Other capital expenditure - infrastructure	0.000	0.900	1.869	7.849	2.068	59.141	71.827
4J.15	Other capital expenditure - non-infrastructure	1.295	25.173	1.134	0.000	85.624	68.819	182.045
4J.16	Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	10.529	10.529
4J.17	Total gross capital expenditure (excluding third party services)	1.295	55.855	3.092	7.856	207.509	240.175	515.782
4J.18	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.19	Total gross capital expenditure	1.295	55.855	3.092	7.856	207.509	240.175	515.782
4J.20	Grants and contributions	0.000	0.018	0.000	0.000	-0.128	-23.588	-23.698
4J.21	Totex	12.893	92.390	22.094	8.090	271.108	494.545	901.120

C Cash expenditure (excl. atypicals)								
4J.22	Pension deficit recovery payments	0.000	1.870	0.072	0.000	4.306	12.085	18.333
4J.23	Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.24	Totex including cash items	12.893	94.260	22.166	8.090	275.414	506.630	919.453

D Atypical expenditure								
4J.25	Item 1	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.26	Item 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4J.27	Item 3							0.000
4J.28	Item 4							0.000
4J.29	Item 5							0.000
4J.30	Item 6							0.000
4J.31	Item 7							0.000
4J.32	Item 8							0.000
4J.33	Item 9							0.000
4J.34	Item 10							0.000
4J.35	Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000

E Total expenditure								
4J.36	Total expenditure	12.893	94.260	22.166	8.090	275.414	506.630	919.453

4K - Atypical expenditure by business unit - Wholesale waste water

Year ended 31 March 2020

Line description		Network+ Sewage Collection			Network+ Sewage Treatment		Sludge			Total
		Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
		£m	£m	£m	£m	£m	£m	£m	£m	
A Operating expenditure (excl. atypicals)										
4K.1	Power	6.878	1.982	1.315	34.094	1.325	0.046	-11.621	0.014	34.033
4K.2	Income treated as negative expenditure	-0.028	-0.008	-0.005	0.000	0.000	0.000	-18.405	-1.836	-20.282
4K.3	Discharge Consents	3.531	1.017	0.675	5.369	0.209	0.000	0.000	0.000	10.801
4K.4	Bulk discharge	0.008	0.002	0.002	-0.012	0.000	0.000	0.024	0.000	0.024
Other operating expenditure										
4K.5	Renewals expensed in year (infrastructure)	27.834	5.285	5.285	-0.385	0.000	0.000	0.000	0.000	38.019
4K.6	Renewals expensed in year (non-infrastructure)	1.287	0.371	0.246	0.054	0.002	0.000	0.000	0.000	1.960
4K.7	Other operating expenditure excluding renewals	34.857	10.045	6.662	68.954	2.683	12.694	23.166	13.094	172.155
4K.8	Local authority and cumulo rates	0.179	0.052	0.034	18.812	0.731	0.050	3.119	0.006	22.983
4K.9	Total operating expenditure (excluding third party services)	74.546	18.746	14.214	126.886	4.950	12.790	-3.717	11.278	259.693
4K.10	Third party services	0.142	0.041	0.027	0.110	0.004	0.011	0.016	0.010	0.361
4K.11	Total operating expenditure	74.688	18.787	14.241	126.996	4.954	12.801	-3.701	11.288	260.054
B Capital expenditure (excl. atypicals)										
4K.12	Maintaining the long term capability of the assets - infrastructure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.13	Maintaining the long term capability of the assets - non-infrastructure	17.709	2.329	2.180	99.855	0.841	4.065	63.940	3.289	194.208
4K.14	Other capital expenditure - infrastructure	29.248	18.973	18.973	0.259	0.000	0.000	0.000	0.000	67.453
4K.15	Other capital expenditure - non-infrastructure	6.830	2.453	2.453	64.572	0.000	0.000	1.114	0.000	77.422
4K.16	Infrastructure network reinforcement	2.659	0.332	0.332	0.000	0.000	0.000	0.000	0.000	3.323
4K.17	Total gross capital expenditure (excluding third party services)	56.446	24.087	23.938	164.686	0.841	4.065	65.054	3.289	342.406
4K.18	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.19	Total gross capital expenditure	56.446	24.087	23.938	164.686	0.841	4.065	65.054	3.289	342.406
4K.20	Grants and contributions	-7.985	-1.087	-1.002	-4.325	0.000	0.000	0.000	0.000	-14.399
4K.21	Totex	123.149	41.787	37.177	287.357	5.795	16.866	61.353	14.577	588.061
C Cash expenditure (excl. atypicals)										
4K.22	Pension deficit recovery payments	2.183	0.628	0.417	9.886	0.000	1.870	1.916	0.228	17.128
4K.23	Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.24	Totex including cash items	125.332	42.415	37.594	297.243	5.795	18.736	63.269	14.805	605.189
D Atypical expenditure										
4K.25	Item 1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.26	Item 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.27	Item 3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.28	Item 4	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.29	Item 5	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.30	Item 6	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.31	Item 7	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.32	Item 8	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.33	Item 9	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.34	Item 10	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4K.35	Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
E Total expenditure										
4K.36	Total expenditure	125.332	42.415	37.594	297.243	5.795	18.736	63.269	14.805	605.189

4L - Enhancement expenditure by purpose - Wholesale water

Year ended 31 March 2020

Line description	Expenditure in		
	Water resources		
	Abstraction licences	Raw water abstraction	Raw water transport
	£m	£m	£m

A	Enhancement expenditure by purpose			
4L.1	NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs)	0.000	2.831	0.000
4L.2	NEP - Eels Regulations (measures at intakes)	0.000	7.129	0.000
4L.3	NEP - Invasive Non Native Species	0.000	0.000	0.000
4L.4	Addressing low pressure	0.000	0.000	0.000
4L.5	Improving taste / odour / colour	0.000	0.000	0.000
4L.6	Meeting lead standards	0.000	0.000	0.000
4L.7	Supply side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000
4L.8	Supply side enhancements to the supply/demand balance (dry year annual average conditions)	1.295	5.043	0.000
4L.9	Demand side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000
4L.10	Demand side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000
4L.11	New developments	0.000	0.000	0.000
4L.12	New connections element of new development (CPs, meters)	0.000	0.000	0.000
4L.13	Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others)	0.000	0.000	0.000
4L.14	Resilience	0.000	8.175	2.707
4L.15	SEMD	0.000	0.036	0.296
4L.16	NEP - Drinking Water Protected Areas (schemes)	0.000	0.000	0.000
4L.17	NEP - Water Framework Directive measure	0.000	0.000	0.000
4L.18	NEP - Investigations	0.000	0.000	0.000
4L.19	Improvements to river flows	0.000	2.304	0.000
4L.20	Metering (excluding cost of providing metering to new service connections) - meters requested by optants	0.000	0.000	0.000
4L.21	Metering (excluding cost of providing metering to new service connections)- meters introduced by companies	0.000	0.000	0.000
4L.22	Metering (excluding cost of providing metering to new service connections) - other	0.000	0.000	0.000
4L.23	Reservoir Safety	0.000	0.555	0.000
4L.38	Total enhancement capital expenditure	1.295	26.073	3.003

report year	Cumulative expenditure on schemes completed in the report year										
	Network+			Total	Water resources			Network+			Total
	Raw water storage	Water treatment	Treated water distribution		Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m		£m	£m	£m	£m	£m	£m	

0.000	0.000	0.000	2.831	0.000	7.273	0.000	0.000	0.000	0.000	0.000	7.273
0.000	0.000	0.000	7.129	0.000	9.083	0.000	0.000	0.000	0.000	0.000	9.083
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	7.478	7.478	0.000	0.000	0.000	0.000	0.000	0.000	14.836	14.836
0.000	0.088	0.116	0.204	0.000	0.000	0.000	0.000	0.000	0.085	8.267	8.352
0.000	0.018	2.257	2.275	0.000	0.000	0.000	0.000	0.000	0.041	4.936	4.977
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.972	7.310	2.113	6.417	0.000	0.000	0.000	0.329	6.983	15.842
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	8.119	8.119	0.000	0.000	0.000	0.000	0.000	0.000	20.602	20.602
0.000	0.000	35.438	35.438	0.000	0.000	0.000	0.000	0.000	0.000	41.018	41.018
0.000	0.000	17.769	17.769	0.000	0.000	0.000	0.000	0.000	0.000	17.769	17.769
0.000	3.173	0.434	3.607	0.000	0.002	0.000	0.000	0.000	20.315	2.714	23.031
7.849	72.198	54.048	144.977	0.000	42.619	93.674	7.849	192.013	93.689	429.844	429.844
0.000	12.110	2.846	15.288	0.000	2.218	1.454	0.000	36.139	9.555	49.366	49.366
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.105	0.000	0.105	0.000	0.000	0.000	0.000	0.000	0.179	0.000	0.179
0.000	0.000	0.000	2.304	0.000	7.509	0.000	0.000	0.000	0.000	0.000	7.509
0.000	0.000	7.756	7.756	0.000	0.000	0.000	0.000	0.000	0.000	7.756	7.756
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	1.256	1.256	0.000	0.000	0.000	0.000	0.000	0.000	1.256	1.256
0.000	0.000	0.000	0.555	0.000	0.555	0.000	0.000	0.000	0.000	0.000	0.555
7.849	87.692	138.489	264.401	2.113	75.676	95.128	7.849	249.101	229.379	659.246	659.246

4M - Enhancement expenditure by purpose - Wholesale waste water

Year ended 31 March 2020

Line description	Expenditure in report						
	Network+Sewage Collection			Network+Sewage Treatment		Sludge	
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	
	£m	£m	£m	£m	£m	£m	

A	Enhancement capital expenditure by purpose						
4M.1	First time sewerage (s101A)	7.058	0.000	0.000	0.000	0.000	0.000
4M.2	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.3	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.4	NEP - Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.5	NEP - Eels Regulations (measures at outfalls)	0.000	0.000	0.000	0.000	0.000	0.000
4M.6	NEP - Event Duration Monitoring at intermittent discharges	1.214	0.152	0.152	0.535	0.000	0.000
4M.7	NEP - Flow monitoring at sewage treatment works	0.000	0.000	0.000	0.000	0.000	0.000
4M.8	NEP - Monitoring of pass forward flows at CSOs	0.000	0.000	0.000	0.000	0.000	0.000
4M.9	NEP - Schemes to increase flow to full treatment	0.000	0.000	0.000	0.058	0.000	0.000
4M.10	NEP - Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.11	NEP - Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	1.439	0.000	0.000	0.000	0.000	0.000
4M.12	NEP - Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.560	0.000	0.000
4M.13	NEP - National phosphorus removal technology investigations	0.000	0.000	0.000	0.000	0.000	0.000
4M.14	NEP - Groundwater schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.15	NEP - Investigations	0.000	0.000	0.000	0.000	0.000	0.000
4M.16	NEP - Nutrients (N removal)	0.000	0.000	0.000	0.000	0.000	0.000
4M.17	NEP - Nutrients (P removal at activated sludge STWs)	0.211	0.000	0.000	15.151	0.000	0.000
4M.18	NEP - Nutrients (P removal at filter bed STWs)	0.392	0.000	0.000	28.247	0.000	0.000
4M.19	NEP - Reduction of sanitary parameters	0.000	0.000	0.000	4.771	0.000	0.000
4M.20	NEP - UV disinfection [or similar]	0.000	0.000	0.000	0.000	0.000	0.000
4M.21	NEP - Discharge relocation	0.000	0.000	0.000	0.000	0.000	0.000
4M.22	NEP - Flow 1 schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.23	Odour	0.000	0.000	0.000	0.384	0.000	0.000
4M.24	New development and growth	8.665	1.083	1.083	0.000	0.000	0.000
4M.25	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	11.202	0.000	0.000
4M.26	Resilience	0.010	0.000	0.000	0.008	0.000	0.000
4M.27	SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.28	Reduce flooding risk for properties	0.000	18.460	18.460	0.007	0.000	0.000
4M.29	Transferred private sewers and pumping stations	16.132	2.017	2.017	0.000	0.000	0.000
4M.30	Pollution control strategy (ESL)	3.616	0.046	0.046	3.908	0.000	0.000
4M.31	Improvements to existing permit compliance	0.000	0.000	0.000	0.000	0.000	0.000
4M.32	Non-NEP Quality improvements (voluntary WFD improvement a co-benefit to CM and SDB scheme)	0.000	0.000	0.000	0.000	0.000	0.000
4M.33	Non-NEP investigations into CSOs to inform AMP7 WFD intermittents programme	0.000	0.000	0.000	0.000	0.000	0.000
4M.45	Total enhancement capital expenditure	38.737	21.758	21.758	64.831	0.000	0.000

year	Cumulative expenditure on schemes completed in the report year											
	Sludge		Total	Network+Sewage Collection			Network+Sewage Treatment		Sludge			Total
	Sludge treatment	Sludge disposal		Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m

0.000	0.000	7.058	9.775	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	9.775
-0.004	0.000	-0.004	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.281	0.000	0.281
0.767	0.000	0.767	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.039	0.000	1.039
0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.040	0.000	0.000	0.000	0.000	1.040
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	2.053	1.651	0.207	0.207	0.535	0.000	0.000	0.000	0.000	0.000	2.599
0.000	0.000	0.000	0.108	0.014	0.014	1.262	0.000	0.000	0.000	0.000	0.000	1.398
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.058	0.000	0.000	0.000	0.058	0.000	0.000	0.000	0.000	0.000	0.058
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	1.439	1.221	0.000	0.000	0.274	0.000	0.000	0.000	0.000	0.000	1.495
0.000	0.000	0.560	0.000	0.000	0.000	3.826	0.000	0.000	0.000	0.000	0.000	3.826
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.051	0.000	0.000	0.000	0.000	0.000	0.051
0.000	0.000	0.000	0.000	0.000	0.000	0.022	0.000	0.000	0.000	0.000	0.000	0.022
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	15.362	0.628	0.000	0.000	18.617	0.000	0.000	0.000	0.000	0.000	19.245
0.000	0.000	28.639	1.298	0.000	0.000	88.726	0.000	0.000	0.000	0.000	0.000	90.024
0.000	0.000	4.771	0.000	0.000	0.000	25.727	0.000	0.000	0.000	0.000	0.000	25.727
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	0.000	0.000	0.006	0.000	0.000	0.000	0.000	0.000	0.006
0.000	0.000	0.384	0.000	0.000	0.000	1.616	0.000	0.000	0.000	0.000	0.000	1.616
0.000	0.000	10.831	13.770	1.083	1.083	0.000	0.000	0.000	0.000	0.000	0.000	15.936
0.000	0.000	11.202	0.000	0.000	0.000	35.768	0.000	0.000	0.422	0.000	0.000	36.190
0.000	0.000	0.018	0.151	0.000	0.000	0.034	0.000	0.000	0.000	0.000	0.000	0.185
0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
0.000	0.000	36.927	10.949	55.966	55.966	0.000	0.000	0.000	0.000	0.000	0.000	122.881
0.000	0.000	20.166	33.625	4.041	4.041	0.000	0.000	0.000	0.000	0.000	0.000	41.706
0.000	0.000	7.616	5.502	0.088	0.088	7.286	0.000	0.000	0.000	0.000	0.000	12.964
0.351	0.000	0.351	0.000	0.000	0.000	0.089	0.000	0.000	1.086	0.000	0.000	1.174
0.000	0.000	0.000	0.877	0.000	0.000	0.441	0.000	0.000	0.000	0.000	0.000	1.318
0.000	0.000	0.000	6.517	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	6.517
1.114	0.000	148.198	86.070	61.399	61.399	185.379	0.000	0.000	2.827	0.000	0.000	397.074

4N - Operating expenditure - Sewage treatment - Wholesale waste water

Year ended 31 March 2020

Line description		Network+
		£000
A Costs of STWs in size bands 1 to 5		
4N.1	Direct costs of STWs in size band 1	4651.794
4N.2	Direct costs of STWs in size band 2	2276.896
4N.3	Direct costs of STWs in size band 3	7071.247
4N.4	Direct costs of STWs in size band 4	12306.732
4N.5	Direct costs of STWs in size band 5	10440.560
4N.6	General & support costs of STWs in size bands 1 to 5	11129.257
4N.7	Functional expenditure of STWs in size bands 1 to 5	47876.485
B Costs of STWs in size band 6		
4N.8	Service charges for STWs in size band 6	3817.628
4N.9	Estimated terminal pumping costs size band 6 works	0.000
4N.10	Other direct costs of STWs in size band 6	44117.876
4N.11	Direct costs of STWs in size band 6	47935.504
4N.12	General & support costs of STWs in size band 6	16481.011
4N.13	Functional expenditure of STWs in size band 6	64416.515
4N.14	Total Functional expenditure for Sewage treatment	112293.000

40 - Large sewage treatment works - waste water

Year ended 31 March 2020

Line description		Units	STWNAMED01	STWNAMED02	STWNAMED03	STWNAMED04	STWNAMED05	STWNAMED06	STWNAMED07	STWNAMED08
A Sewage treatment works - Explanatory variables										
40.1	Works name	text	ABBEY LATHE - MALTBY (STW)	ALFRETON (STW)	BARNHURST (STW)	BARSTON (STW)	BRANCOTE (STW)	BROMSGROVE (STW)	BURNTWOOD (STW)	CANNOCK (STW)
40.2	Classification of treatment works	text	TB2	TB2	TA2	TB2	TB2	TA2	TB1	TA2
40.3	Population equivalent of total load received	000	34.31	32.42	162.26	62.21	75.54	55.67	41.30	62.41
40.4	Suspended solids consent	mg/l	20	25	15	25	45	20	45	25
40.5	BOD ₅ consent	mg/l	10	15	10	10	25	10	25	15
40.6	Ammonia consent	mg/l	5	5	3	1	5	3	15	5
40.7	Phosphorus consent	mg/l	2	2	1	0	1	2	0	1
40.8	UV consent	mW/s/cm²	0	0	0	0	0	0	0	0
40.9	Load received by STW	kgBOD ₅ /d	2059	1945	9735	3733	4532	3340	2478	3744
40.10	Flow passed to full treatment	m³/d	8,867	9,870	57,443	10,140	25,524	15,757	8,951	18,419
B Sewage treatment works - Functional expenditure										
40.11	Service charges	£000	37	39	230	55	37	37	37	42
40.12	Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
40.13	Other direct expenditure	£000	176	270	1453	287	530	434	67	447
40.14	Total direct expenditure	£000	212	309	1692	342	567	470	103	489
40.15	General and support expenditure	£000	66	101	543	107	198	162	25	167
40.16	Functional expenditure	£000	278	410	2225	449	765	633	128	655
Line description										
		Units	STWNAMED09	STWNAMED10	STWNAMED11	STWNAMED12	STWNAMED13	STWNAMED14	STWNAMED15	STWNAMED16
A Sewage treatment works - Explanatory variables										
40.1	Works name	text	CHECKLEY (STW)	CLAYMILLS (STW)	COALPORT (STW)	COLESHILL (STW)	COVEN HEATH (STW)	CRANKLEY POINT (STW)	DERBY (STW)	DROITWICH-LADYWOOD (STW)
40.2	Classification of treatment works	text	TA2	TA2	SAS	TA2	TB2	TA2	TA2	TA2
40.3	Population equivalent of total load received	000	50.75	335.57	73.77	234.53	28.22	64.08	324.46	29.40
40.4	Suspended solids consent	mg/l	25	45	45	40	15	45	30	45
40.5	BOD ₅ consent	mg/l	15	25	25	20	10	25	20	25
40.6	Ammonia consent	mg/l	5	10	10	5	3	15	3	10
40.7	Phosphorus consent	mg/l	1	1	0	1	0	2	1	2
40.8	UV consent	mW/s/cm²	0	0	0	0	0	0	0	0
40.9	Load received by STW	kgBOD ₅ /d	3045	20134	4426	14072	1693	3845	19467	1764
40.10	Flow passed to full treatment	m³/d	16,567	49,025	23,025	82,885	7,492	10,403	107,974	9,325
B Sewage treatment works - Functional expenditure										
40.11	Service charges	£000	34	65	39	112	39	37	117	37
40.12	Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
40.13	Other direct expenditure	£000	344	977	350	899	253	529	1469	387
40.14	Total direct expenditure	£000	379	1042	389	1011	292	566	1586	424
40.15	General and support expenditure	£000	129	365	131	336	95	198	549	145
40.16	Functional expenditure	£000	507	1407	519	1347	386	764	2135	568

40 - Large sewage treatment works - waste water (continued)

Year ended 31 March 2020

Line description	Units	STWNAMED17	STWNAMED18	STWNAMED19	STWNAMED20	STWNAMED21	STWNAMED22	STWNAMED23	STWNAMED24
------------------	-------	------------	------------	------------	------------	------------	------------	------------	------------

A Sewage treatment works - Explanatory variables										
40.1	Works name	text	COVENTRY - FINHAM (STW)	GOSCOTE (STW)	HAYDEN (STW)	HEANOR- MILNHAY (STW)	HINCKLEY (STW)	ILKESTON - HALLAM FIELDS (STW)	KIDDERMINSTER OLDINGTON (STW)	KIRKBY IN ASHFIELD (STW)
40.2	Classification of treatment works	text	TA2	SAS	TA2	TB2	TB2	TA2	TA2	TA2
40.3	Population equivalent of total load received	000	477.67	115.36	125.05	32.89	50.98	50.60	111.33	28.83
40.4	Suspended solids consent	mg/l	20	30	20	20	30	20	30	25
40.5	BOD ₅ consent	mg/l	15	10	10	10	10	10	20	15
40.6	Ammonia consent	mg/l	3	1	3	5	5	5	10	5
40.7	Phosphorus consent	mg/l	1	0	1	2	1	2	1	2
40.8	UV consent	mW/s/ cm ²	0	0	0	0	0	0	0	0
40.9	Load received by STW	kgBOD ₅ /d	28660	6922	7503	1974	3059	3036	6680	1730
40.10	Flow passed to full treatment	m ³ /d	154,806	30,906	44,406	11,539	17,832	11,999	28,513	7,204

B Sewage treatment works - Functional expenditure										
40.11	Service charges	£000	68	66	65	39	40	37	65	39
40.12	Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
40.13	Other direct expenditure	£000	1666	1016	857	284	342	401	726	281
40.14	Total direct expenditure	£000	1734	1082	922	323	382	437	792	320
40.15	General and support expenditure	£000	622	380	320	106	128	150	271	105
40.16	Functional expenditure	£000	2356	1462	1242	429	510	587	1063	425

Line description	Units	STWNAMED37	STWNAMED38	STWNAMED39	STWNAMED40	STWNAMED41	STWNAMED42	STWNAMED43	STWNAMED44
------------------	-------	------------	------------	------------	------------	------------	------------	------------	------------

A Sewage treatment works - Explanatory variables										
40.1	Works name	text	NEWTHORPE (STW)	NUNEATON- HARTSHILL (STW)	RAY HALL (STW)	REDDITCH - SPERNAL (STW)	ROUNDHILL (STW)	RUGBY NEWBOLD (STW)	RUSHMOOR (STW)	SNARROWS (STW)
40.2	Classification of treatment works	text	TB2	TA2	TB2	TA2	TA2	TA2	TA2	TB2
40.3	Population equivalent of total load received	000	47.71	95.05	132.14	80.10	278.50	105.35	126.11	46.62
40.4	Suspended solids consent	mg/l	20	30	45	25	20	20	30	20
40.5	BOD ₅ consent	mg/l	10	15	25	15	10	15	15	10
40.6	Ammonia consent	mg/l	3	5	3	5	5	5	5	5
40.7	Phosphorus consent	mg/l	2	1	1	2	1	0	1	2
40.8	UV consent	mW/s/ cm ²	0	0	0	0	0	0	0	0
40.9	Load received by STW	kgBOD ₅ /d	2862	5703	7928	4806	16710	6321	7566	2797
40.10	Flow passed to full treatment	m ³ /d	14,304	34,086	32,959	29,249	79,443	28,349	24,570	13,169

B Sewage treatment works - Functional expenditure										
40.11	Service charges	£000	40	63	63	65	131	68	68	37
40.12	Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
40.13	Other direct expenditure	£000	291	652	598	622	1290	674	605	293
40.14	Total direct expenditure	£000	330	715	661	688	1422	741	673	330
40.15	General and support expenditure	£000	109	243	223	233	482	252	226	109
40.16	Functional expenditure	£000	439	958	884	920	1904	993	899	439

STWNAMED25	STWNAMED26	STWNAMED27	STWNAMED28	STWNAMED29	STWNAMED30	STWNAMED31	STWNAMED32	STWNAMED33	STWNAMED34	STWNAMED35	STWNAMED36
------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------

	LEEK (STW)	LICHFIELD (STW)	TOTON (STW)	WARWICK - LONGBRIDGE (STW)	LOUGHBOROUGH (STW)	LOWER GORNAL (STW)	MALVERN (STW)	MANSFIELD - BATH LANE (STW)	MELTON (STW)	MINWORTH (STW)	MONKMOOR (STW)	NETHERIDGE (STW)
	TA1	TB2	TB2	TB2	TA2	TB2	SB	TA2	TA2	TA2	SAS	SAS
	48.64	38.44	66.74	108.47	71.57	38.35	35.07	93.98	57.96	1852.39	94.00	203.47
	30	60	25	25	30	45	45	20	45	25	45	45
	20	10	15	20	20	25	25	10	20	15	25	25
	3	1	5	5	5	10	15	3	5	3	10	15
	0	0	1	1	2	2	0	1	2	1	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
	2918	2306	4005	6508	4294	2301	2104	5639	3477	111143	5640	12208
	9,519	9,176	25,772	45,591	24,820	8,351	13,418	27,929	15,385	566,767	31,008	55,662

	37	39	0	65	65	35	39	5	37	204	132	68
	0	0	0	0	0	0	0	0	0	0	0	0
	417	166	327	624	424	389	145	694	414	6093	564	1128
	453	205	327	689	490	425	184	699	450	6297	696	1196
	156	62	122	233	159	145	54	259	155	2276	211	421
	609	267	449	922	648	570	239	959	605	8573	907	1617

STWNAMED45	STWNAMED46	STWNAMED47	STWNAMED48	STWNAMED49	STWNAMED50	STWNAMED51	STWNAMED52	STWNAMED53	STWNAMED54	STWNAMED55	STWNAMED56
------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------

	STANLEY DOWNTON (STW)	STANTON - DERBYSHIRE (STW)	STAPLEFORD- BESSEL LANE (STW)	STOKE BARDOLPH (STW)	STRATFORD - MILCOTE (STW)	STRONGFORD (STW)	SUTTON IN ASHFIELD (STW)	TAMWORTH (STW)	TRESCOTT (STW)	WANLIP (STW)	WHETSTONE (STW)	WIGSTON (STW)
	TA2	TB2	TA2	TA2	TB2	TA2	TA2	SB	TB2	TA2	TA2	TB2
	83.70	41.98	28.41	606.50	38.50	349.80	33.63	92.49	35.52	668.03	25.92	26.49
	30	45	25	45	60	30	15	50	50	20	40	30
	15	25	15	25	25	12	10	25	25	10	20	15
	5	15	5	10	20	3	2	10	1	3	10	5
	2	2	2	1	2	1	2	0	0	1	2	2
	0	0	0	0	0	0	0	0	0	0	0	0
	5022	2519	1705	36390	2310	20988	2018	5550	2131	40082	1555	1589
	29,019	10,221	9,460	181,207	15,202	148667	8030	31311	6936	180293	6793	8669

	37	5	37	116	37	112	37	63	39	181	37	34
	0	0	0	0	0	0	0	0	0	0	0	0
	472	225	213	2193	218	2108	308	47	175	3452	175	208
	509	230	249	2308	255	2220	345	110	214	3633	212	242
	176	84	79	819	82	788	115	17	65	1290	65	78
	685	314	329	3127	336	3008	460	127	280	4923	278	319

40 - Large sewage treatment works - waste water (continued)

Year ended 31 March 2020

Line description		Units	STWNAMED57	STWNAMED58	STWNAMED59	STWNAMED60	STWNAMED61	STWNAMED62	STWNAMED63	STWNAMED64
A		Sewage treatment works - Explanatory variables								
40.1	Works name	text	WORCESTER - BROMWICH ROAD (STW)	WORKSOP - MANTON (STW)	SCUNTHORPE - YADDOLETHORPE (STW)	DINNINGTON (STW)	EARL SHILTON (STW)	GAINSBOROUGH - LEA ROAD (STW)	RETTFORD (STW)	TEWKESBURY (STW)
40.2	Classification of treatment works	text	SAS	TB2	SAS	TA2	TB2	TA2	TB2	TA2
40.3	Population equivalent of total load received	000	115.45	55.60	108.36	28.44	26.88	27.56	26.75	29.37
40.4	Suspended solids consent	mg/l	45	30	45	30	25	60	50	45
40.5	BOD ₅ consent	mg/l	25	15	25	13	15	25	25	25
40.6	Ammonia consent	mg/l	15	3	3	3	1	0	10	5
40.7	Phosphorus consent	mg/l	0	2	0	0	1	2	2	2
40.8	UV consent	mW/s/cm ²	0	0	0	0	0	0	0	0
40.9	Load received by STW	kgBOD ₅ /d	6927	3336	6502	1706	1613	1653	1605	1762
40.10	Flow passed to full treatment	m ³ /d	36503	15150	28390	7802	3614	8457	7064	6190
B		Sewage treatment works - Functional expenditure								
40.11	Service charges	£000	65	39	65	0	39	37	37	37
40.12	Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
40.13	Other direct expenditure	£000	823	572	651	277	155	215	226	169
40.14	Total direct expenditure	£000	888	611	716	277	194	252	263	206
40.15	General and support expenditure	£000	308	214	243	104	58	80	85	63
40.16	Functional expenditure	£000	1196	825	960	381	252	332	348	269

Line description		Units	STWNAMED65	STWNAMED66
A		Sewage treatment works - Explanatory variables		
40.1	Works name	text	EVESHAM (STW)	RUGELEY (STW)
40.2	Classification of treatment works	text	TB2	TB2
40.3	Population equivalent of total load received	000	28.83	26.52
40.4	Suspended solids consent	mg/l	45	60
40.5	BOD ₅ consent	mg/l	25	25
40.6	Ammonia consent	mg/l	0	15
40.7	Phosphorus consent	mg/l	2	2
40.8	UV consent	mW/s/cm ²	0	0
40.9	Load received by STW	kgBOD ₅ /d	1730	1591
40.10	Flow passed to full treatment	m ³ /d	7499	6216
B		Sewage treatment works - Functional expenditure		
40.11	Service charges	£000	54	37
40.12	Estimated terminal pumping expenditure	£000	0	0
40.13	Other direct expenditure	£000	157	224
40.14	Total direct expenditure	£000	212	261
40.15	General and support expenditure	£000	59	84
40.16	Functional expenditure	£000	270	344

4P - Non-financial data for WR, WT and WD

Year ended 31 March 2020

Line	Line description	Units	Current year
A		Water resources	
4P.1	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	0.257
4P.2	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.140
4P.3	Proportion of distribution input derived from river abstractions	Propn 0 to 1	0.336
4P.4	Proportion of distribution input derived from groundwater works,excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.266
4P.5	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	0.000
4P.6	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	0.000
4P.7	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	0.000
4P.8	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	0.000
4P.9	Number of impounding reservoirs	nr	11
4P.10	Number of pumped storage reservoirs	nr	10
4P.11	Number of river abstractions	nr	6
4P.12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	104
4P.13	Number of artificial recharge (AR) water supply schemes	nr	0
4P.14	Number of aquifer storage and recovery (ASR) water supply schemes	nr	0
4P.15	Number of saline abstraction schemes	nr	0
4P.16	Total number of sources	nr	131
4P.17	Number of reuse schemes	nr	0
4P.18	Total number of water reservoirs	nr	26
4P.19	Total capacity of water reservoirs	ML	154485
4P.20	Total number of intake and source pumping stations	nr	240
4P.21	Total number of raw water transport stations	nr	5
4P.22	Total capacity of intake and source pumping stations	kW	54708
4P.23	Total capacity of raw water transfer pumping stations	kW	3691
4P.24	Total length of raw water abstraction mains and other conveyors	km	128.97
4P.25	Average pumping head - raw water abstraction	m.hd	24.56
4P.26	Average pumping head - raw water transport	m.hd	37.30
4P.27	Total length of raw and pre-treated (non-potable) water transport mains	km	604.97
4P.28	Water resources capacity (measured using water resources yield)	ML/d	2173.14
B		Water treatment	
4P.29	Total water treated at all SW simple disinfection works	ML/d	0.00
4P.30	Total water treated at all SW1 works	ML/d	0.00
4P.31	Total water treated at all SW2 works	ML/d	0.00
4P.32	Total water treated at all SW3 works	ML/d	187.23
4P.33	Total water treated at all SW4 works	ML/d	1102.70
4P.34	Total water treated at all SW5 works	ML/d	139.78
4P.35	Total water treated at all SW6 works	ML/d	0.00
4P.36	Total water treated at all GW simple disinfection works	ML/d	127.38
4P.37	Total water treated at all GW1 works	ML/d	21.92
4P.38	Total water treated at all GW2 works	ML/d	14.09
4P.39	Total water treated at all GW3 works	ML/d	0.00
4P.40	Total water treated at all GW4 works	ML/d	266.23
4P.41	Total water treated at all GW5 works	ML/d	91.17
4P.42	Total water treated at all GW6 works	ML/d	0.00
4P.43	Total water treated at more than one type of works	ML/d	0.00
4P.44	Total number of SW simple disinfection works	nr	0
4P.45	Total number of SW1 works	nr	0
4P.46	Total number of SW2 works	nr	0
4P.47	Total number of SW3 works	nr	2
4P.48	Total number of SW4 works	nr	14
4P.49	Total number of SW5 works	nr	3

4P - Non-financial data for WR, WT and WD (continued)

Year ended 31 March 2020

4P.50	Total number of SW6 works	nr	0
4P.51	Total number of GW simple disinfection works	nr	35
4P.52	Total number of GW1 works	nr	5
4P.53	Total number of GW2 works	nr	2
4P.54	Total number of GW3 works	nr	0
4P.55	Total number of GW4 works	nr	59
4P.56	Total number of GW5 works	nr	11
4P.57	Total number of GW6 works	nr	0
4P.58	Number of treatment works requiring remedial action because of raw water deterioration	nr	0
4P.59	Zonal population receiving water treated with orthophosphate	000	7034.037
4P.60	Average pumping head - water treatment	m.hd	14.94
C	Water distribution		
4P.61	Total length of potable mains as at 31 March	km	47064.4
4P.62	Total length of potable mains retined	km	0.0
4P.63	Total length of potable mains renewed	km	279.6
4P.64	Total length of new potable mains	km	117.7
4P.65	Total length of potable water mains (<=320mm)	km	43171.9
4P.66	Total length of potable water mains >320mm - <=450mm	km	1965.3
4P.67	Total length of potable water mains >450mm - <=610mm	km	892.6
4P.68	Total length of potable water mains > 610mm	km	1034.7
4P.69	Capacity of booster pumping stations	kW	108819
4P.70	Capacity of service reservoirs	ML	3064
4P.71	Capacity of water towers	ML	9
4P.72	Distribution input	ML/d	1913.67
4P.73	Water delivered (non-potable)	ML/d	0.50
4P.74	Water delivered (potable)	ML/d	1603.74
4P.75	Water delivered (billed measured residential)	ML/d	459.26
4P.76	Water delivered (billed measured business)	ML/d	366.71
4P.77	Total leakage	ML/d	404.53
4P.78	Distribution losses	ML/d	304.26
4P.79	Water taken unbilled	ML/d	72.84
4P.80	Number of lead communication pipes	nr	633192
4P.81	Number of galvanised iron communication pipes	nr	160218
4P.82	Number of other communication pipes	nr	2876586
4P.83	Number of booster pumping stations	nr	671
4P.84	Total number of service reservoirs	nr	491
4P.85	Number of water towers	nr	18
4P.86	Total length of potable mains laid or structurally refurbished pre-1880	km	35.5
4P.87	Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	245.0
4P.88	Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	3930.3
4P.89	Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	4933.2
4P.90	Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	5009.6
4P.91	Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	9834.3
4P.92	Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	15429.1
4P.93	Total length of potable mains laid or structurally refurbished post 2001	km	7776.9
4P.94	Average pumping head - treated water distribution	m.hd	94.89

D	Band Disclosure (nr)		
4P.95	WTWs in size band 1	Nr	40
4P.96	WTWs in size band 2	Nr	22
4P.97	WTWs in size band 3	Nr	31
4P.98	WTWs in size band 4	Nr	16
4P.99	WTWs in size band 5	Nr	10
4P.100	WTWs in size band 6	Nr	6
4P.101	WTWs in size band 7	Nr	2
4P.102	WTWs in size band 8	Nr	4
E	Band Disclosure (%)		
4P.103	Proportion of Total DI band 1	%	1.6%
4P.104	Proportion of Total DI band 2	%	3.4%
4P.105	Proportion of Total DI band 3	%	9.5%
4P.106	Proportion of Total DI band 4	%	9.1%
4P.107	Proportion of Total DI band 5	%	11.5%
4P.108	Proportion of Total DI band 6	%	13.2%
4P.109	Proportion of Total DI band 7	%	8.4%
4P.110	Proportion of Total DI band 8	%	43.4%

4Q - Non-financial data - Properties, population and other

Year ended 31 March 2020

Line description		Units	Current year
A	Properties and population		
4Q.1	Residential properties billed for measured water (external meter)	000	782.343
4Q.2	Residential properties billed for measured water (not external meter)	000	779.845
4Q.3	Business properties billed measured water	000	154.495
4Q.4	Residential properties billed for unmeasured water	000	1727.903
4Q.5	Business properties billed unmeasured water	000	8.788
4Q.6	Total business connected properties at year end	000s	195.937
4Q.7	Total residential connected properties at year end	000s	3474.059
4Q.8	Total connected properties at year end	000	3669.996
4Q.9	Number of residential meters renewed	000	61.196
4Q.10	Number of business meters renewed	000s	0.330
4Q.11	Number of meters installed at request of optants	000	32.262
4Q.12	Number of selective meters installed	000	0.000
4Q.13	Total number of new business connections	000	1.442
4Q.14	Total number of new residential connections	000	24.860
4Q.15	Total population served	000	8640.946
4Q.16	Number of business meters (billed properties)	000	156.508
4Q.17	Number of residential meters (billed properties)	000	1562.188
4Q.18	Company area	km2	17693
B	Other		
4Q.19	Number of lead communication pipes replaced for water quality	nr	142
4Q.20	Total supply side enhancements to the supply demand balance (dry year critical / peak conditions)	ML/d	0.00
4Q.21	Total supply side enhancements to the supply demand balance (dry year annual average conditions)	ML/d	0.00
4Q.22	Total demand side enhancements to the supply demand balance (dry year critical / peak conditions)	ML/d	22.44
4Q.23	Total demand side enhancements to the supply demand balance (dry year annual average conditions)	ML/d	22.44
4Q.24	Energy consumption - network plus	MWh	443544
4Q.25	Energy consumption - water resources	MWh	80456
4Q.26	Energy consumption - wholesale	MWh	524000
4Q.27	Mean Zonal Compliance	%	99.94%
4Q.28	Compliance Risk Index	nr	3.9
4Q.28	Event Risk Index	nr	426.8
4Q.30	Volume of Leakage above or below the sustainable economic Level	ML/d	-28.914

4R - Non-financial data - Waste water network and sludge

Year ended 31 March 2020

Line	Item description	Unit	Current year
A	Waste water network		
4R.1	Connectable properties served by s101A schemes completed in the report year	nr	221
4R.2	Number of s101A schemes completed in the report year	Nr	6
4R.3	Total pumping station capacity	kW	105225
4R.4	Number of network pumping stations	nr	4578
4R.5	Total number of sewer blockages	nr	46645
4R.6	Total number of gravity sewer collapses	nr	757
4R.7	Total number of sewer rising main bursts / collapses	nr	105
4R.8	Number of combined sewer overflows	nr	2637
4R.9	Number of emergency overflows	nr	719
4R.10	Number of settled storm overflows	nr	317
4R.11	Sewer age profile (constructed post 2001)	km	7001
4R.12	Volume of trade effluent	ML/yr	30141.01
4R.13	Volume of waste water receiving treatment at sewage treatment works	ML/yr	1155469.80
4R.14	Length of gravity sewers rehabilitated	km	65
4R.15	Length of rising mains replaced or structurally refurbished	km	4
4R.16	Length of foul (only) public sewers	km	24291
4R.17	Length of surface water (only) public sewers	km	16614
4R.18	Length of combined public sewers	km	12130
4R.19	Length of rising mains	km	2390
4R.20	Length of other waste water network pipework	Km	154
4R.21	Total length of "legacy" public sewers as at 31 March	Km	55579
4R.22	Length of formerly private sewers and lateral drains [s105A sewers]	km	36804

4R - Non-financial data - Waste water network and sludge (continued)

Line	Item description	Unit	Current year
B	Sludge		
4R.23	Total sewage sludge produced, treated by incumbents	ttds/ year	246.5
4R.24	Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/ year	0.0
4R.25	Total sewage sludge produced	ttds/ year	246.5
4R.26	Total sewage sludge produced from non-appointed liquid waste treatment	ttds/ year	2.4
4R.27	Percentage of sludge produced and treated at a site of STW and STC co-location	%	75.77%
4R.28	Total sewage sludge disposed by incumbents	ttds/ year	121.5
4R.29	Total sewage sludge disposed by 3rd party sludge service provider	ttds/ year	0.0
4R.30	Total sewage sludge disposed	ttds/ year	121.5
4R.31	Total measure of intersiting 'work' done by pipeline	ttds*km/ year	17
4R.32	Total measure of intersiting 'work' done by tanker	ttds*km/ year	1385
4R.33	Total measure of intersiting 'work' done by truck	ttds*km/ year	138
4R.34	Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/ year	1540
4R.35	Total measure of intersiting 'work' done by tanker (by volume transported)	m3*km/ year	25003366
4R.36	Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/ year	0
4R.37	Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/ year	36
4R.38	Total measure of 'work' done in sludge disposal operations by truck	ttds*km/ year	6261
4R.39	Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/ year	6297
4R.40	Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m3*km/ year	854024
4R.41	Chemical P sludge as percentage of sludge produced at STWs	%	47.88%

4S - Non-financial data - Sewage Treatment

Year ended 31 March 2020

Line description	Unit	Treatment categories								Phosphorus	
		Primary	Secondary		Tertiary				Total		
			Activated Sludge	Biological	A1	A2	B1	B2			

A	Load received at sewage treatment works in 2017-18											
4S.1	Load received by STWs in size band 1	kg BOD5/day	77	138	772	115	15	702	48	1867	0	37
4S.2	Load received by STWs in size band 2	kg BOD5/day	0	45	494	30	0	1257	188	2015	19	66
4S.3	Load received by STWs in size band 3	kg BOD5/day	0	529	2320	350	271	4210	2980	10661	449	983
4S.4	Load received by STWs in size band 4	kg BOD5/day	0	3008	7960	233	5849	4994	16472	38514	3357	8468
4S.5	Load received by STWs in size band 5	kg BOD5/day	0	4331	3540	1308	22285	0	18606	50071	8349	8605
4S.6	Load received by STWs above size band 5	kg BOD5/day	0	35704	7654	2918	417565	2478	60780	527099	27777	380249
4S.7	Total load received	kg BOD5/day	77	43756	22741	4955	445984	13641	99073	630227	39950	398408
4S.8	Load received from trade effluent customers at treatment works	kg BOD5/day								73784		

B	Number of sewage treatment works at 31 March 2020											
4S.9	STWs in size band 1	nr	67	31	227	18	1	98	4	446	0	3
4S.10	STWs in size band 2	nr	0	2	24	1	0	58	9	94	1	3
4S.11	STWs in size band 3	nr	0	6	35	5	3	76	44	169	7	13
4S.12	STWs in size band 4	nr	0	11	31	1	21	19	50	133	11	29
4S.13	STWs in size band 5	nr	0	4	4	1	24	0	19	52	9	10
4S.14	STWs above size band 5	nr	0	5	2	1	36	1	21	66	8	21
4S.15	Total number of works	nr	67	59	323	27	85	252	147	960	36	79

Line description	Unit	Current year
------------------	------	--------------

C	Population equivalent		
4S.16	Current population equivalent served by STWs	000	10453227.421
4S.17	Current population equivalent served by discharge relocation schemes	000s	0.000
4S.18	Current population equivalent served by filter bed STWs with tightened/new P consents	000s	293598.252
4S.19	Current population equivalent served by activated sludge STWs with tightened/new P consents	000s	810033.874
4S.20	Current population equivalent served by groundwater protection schemes	000s	0.000
4S.21	Current population equivalent served by STWs with a Flow1 driver scheme	000s	0.000
4S.22	Current population equivalent served by STWs with tightened/new N consents	000s	0.000
4S.23	Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	315883.293
4S.24	Current population equivalent served by STWs with tightened/new UV consents	000s	0.000
4S.25	Population equivalent treatment capacity enhancement	000s	150184.000

Treatment works consents														
Phosphorus			BOD ₅						Ammonia					
>1mg/l	No permit	Total	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	Total

26	1805	1867	0	28	200	891	749	1867	0	0	344	247	1276	1867
87	1843	2015	0	105	634	1187	88	2015	0	70	641	414	890	2015
1270	7959	10661	0	598	4535	5490	38	10661	0	228	5613	1684	3136	10661
5831	20858	38514	0	6198	20344	11972	0	38514	425	4364	24015	4055	5656	38514
19349	13767	50071	0	11142	22549	16380	0	50071	1388	11991	27240	4278	5173	50071
68625	50447	527099	0	115467	273600	138032	0	527099	9783	282444	197506	33982	3383	527099
95189	96679	630227	0	133539	321860	173952	875	630227	11596	299098	255359	44660	19514	630227

2	441	446	0	2	26	115	303	446	0	0	44	27	375	446
4	86	94	0	5	29	55	5	94	0	3	31	18	42	94
21	128	169	0	10	69	89	1	169	0	3	79	32	55	169
16	77	133	0	22	69	42	0	133	1	16	83	13	20	133
19	14	52	0	11	23	18	0	52	1	12	29	5	5	52
27	10	66	0	17	26	23	0	66	4	18	34	8	2	66
89	756	960	0	67	242	342	309	960	6	52	300	103	499	960

4T - Non-financial data - Sludge Treatment

Year ended 31 March 2020

Line	Item description	by Incumbent	by 3rd party sludge service providers
		%	%
A	Sludge treatment process		
4T.1	% Sludge - untreated	0.0%	0.0%
4T.2	% Sludge treatment process - raw sludge liming	0.0%	0.0%
4T.3	% Sludge treatment process - conventional AD	62.8%	0.0%
4T.4	% Sludge treatment process- advanced AD	37.2%	0.0%
4T.5	% Sludge treatment process - incineration of raw sludge	0.0%	0.0%
4T.6	% Sludge treatment process - incineration of digested sludge	0.0%	0.0%
4T.7	% Sludge treatment process - phyto-conditioning/composting	0.0%	0.0%
4T.8	% Sludge treatment process - other (specify)	0.0%	0.0%
4T.9	% Sludge treatment process - Total	100.0%	0.0%
B	(Un-incinerated) sludge disposal route		
4T.10	% Sludge disposal route - landfill, raw	0.0%	0.0%
4T.11	% Sludge disposal route - landfill, partly treated	0.0%	0.0%
4T.12	% Sludge disposal route - land restoration / reclamation	0.4%	0.0%
4T.13	% Sludge disposal route - sludge recycled to farmland	99.6%	0.0%
4T.14	% Sludge disposal route - other (specify)	0.0%	0.0%
4T.15	% Sludge disposal route - Total	100.0%	0.0%

4U - Non-financial data - Properties, population and other

Year ended 31 March 2020

Line	Item description	Unit	Current year
A	Properties and population		
4U.1	Residential properties connected during the year	000	33.944
4U.2	Business properties connected during the year	000	1.013
4U.3	Residential properties billed unmeasured sewage	000	2023.690
4U.4	Residential properties billed measured sewage	000	1704.951
4U.5	Residential properties billed for sewage	000	3728.641
4U.6	Business properties billed unmeasured sewage	000	26.774
4U.7	Business properties billed measured sewage	000	143.272
4U.8	Business properties billed for sewage	000	170.046
4U.9	Void properties	000	311.332
4U.10	Total number of properties	000s	4210.019
4U.11	Resident population	000	9223.515
4U.12	Non-resident population	000	50.549
B	Other		
4U.13	Energy consumption - network plus	MWh	422067.285
4U.14	Energy consumption - sludge	MWh	118297.885
4U.15	Energy consumption - wholesale	MWh	540365.170
4U.16	Population resident in National Parks, SSSIs and Areas of Outstanding Natural Beauty (AONBs)	000s	146.902
4U.17	Total sewerage catchment area	km2	2471
4U.18	Designated bathing waters	nr	0
4U.19	Number of intermittent discharge sites with event duration monitoring	nr	400
4U.20	Number of monitors for flow monitoring at STWs	Nr	4
4U.21	Number of odour related complaints	nr	76
4U.22	Volume of storage provided at CSOs, storm tanks, etc to meet spill frequency objectives	m3	0
4U.23	Total volume of network storage	m3	23699339

4V - Operating costs analysis - water resources

Year ended 31 March 2020

Line	Item description	Unit	Impounding Reservoir	Pumped Storage	River Abstractions	Ground-water, excluding MAR water supply schemes	Artificial Recharge (AR) water supply schemes	Aquifer Storage and Recovery (ASR) water supply schemes	Other	Total
Water resources										
A	Opex analysis									
4V.1	Power	£m	0.246	0.421	2.117	4.899	0.000	0.000	0.000	7.683
4V.2	Income Treated as negative expenditure	£m	-0.407	0.000	0.000	0.000	0.000	0.000	0.000	-0.407
4V.3	Abstraction charges/discharge consents	£m	2.364	0.000	6.350	2.833	0.000	0.000	0.000	11.547
4V.4	Bulk supply	£m	8.000	0.000	0.000	0.000	0.000	0.000	0.000	8.000
Other direct operating expenditure										
4V.5	- Renewals expensed in year (infrastructure)	£m	1.435	0.000	0.006	0.493	0.000	0.000	0.000	1.934
4V.6	- Renewals expensed in year (non-infrastructure)	£m	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.001
4V.7	- Other operating expenditure excluding renewals - direct	£m	2.318	0.668	3.013	3.459	0.000	0.000	0.000	9.457
4V.8	- Other operating expenditure excluding renewals - indirect	£m	1.182	0.341	1.537	1.764	0.000	0.000	0.000	4.824
4V.9	Total functional expenditure	£m	15.139	1.430	13.023	13.448	0.000	0.000	0.000	43.039
4V.10	Local authority and cumulo rates	£m	1.911	0.892	1.028	0.198	0.000	0.000	0.000	4.029
4V.11	Total operating expenditure (excluding third party services)	£m	17.050	2.322	14.051	13.646	0.000	0.000	0.000	47.068
4V.12	Depreciation	£m	1.336	0.313	2.123	4.880	0.000	0.000	0.000	8.652
4V.13	Total operating costs (excluding third party services)	£m	18.386	2.635	16.174	18.526	0.000	0.000	0.000	55.720

Line	Item description	Unit	Water resources	Raw water distribution	Water treatment	Treated water distribution	Total
B Other expenditure - wholesale water							
4V.14	Employment costs - directly allocated	£m	10.831	2.743	22.768	82.450	118.792
4V.15	Employment costs - indirectly allocated	£m	3.842	2.029	7.172	23.016	36.059
4V.16	Number FTEs consistent - directly allocated	Nr	171	115	1396	832	2514
4V.17	Number FTEs consistent - indirectly allocated	Nr	56	23	109	395	582
4V.18	Costs associated with Traffic Management Act	£m	0.000	0.000	0.000	1.631	1.631

C Service charges							
4V.19	Canal & River Trust service charges and discharge consents	£m	0.000	0.000	0.000	0.000	0.000
4V.20	Environment Agency service charges/discharge consents	£m	11.547	0.000	0.382	0.000	11.929
4V.21	Other abstraction charges/discharge consents	£m	0.000	0.000	0.000	0.000	0.000
4V.22	Statutory water softening	£m	0.000	0.000	0.000	0.000	0.000

4W Operating cost analysis - sludge transport, treatment and disposal

Year ended 31 March 2020

Line	Item description	Unit	Pipeline	Tanker	Truck	Truck
A Sludge transport method						
4W.1	Power	£m	0.001	0.041	0.004	0.046
4W.2	Income Treated as negative expenditure	£m	0.000	0.000	0.000	0.000
4W.3	Discharge consents	£m	0.000	0.000	0.000	0.000
4W.4	Bulk supply	£m	0.000	0.000	0.000	0.000
Other operating expenditure						
4W.5	- Renewals expensed in year (infrastructure)	£m	0.000	0.000	0.000	0.000
4W.6	- Renewals expensed in year (non-infrastructure)	£m	0.000	0.000	0.000	0.000
4W.7	- Other operating expenditure excluding renewals - direct	£m	0.106	8.648	0.861	9.615
4W.8	- Other operating expenditure excluding renewals - indirect	£m	0.034	2.790	0.279	3.103
4W.9	Total functional expenditure	£m	0.141	11.479	1.144	12.764
4W.10	Local authority and cumulo rates	£m	0.001	0.044	0.005	0.050
4W.11	Total operating expenditure (excluding third party services)	£m	0.142	11.523	1.149	12.814
4W.12	Depreciation	£m	0.000	0.000	0.000	0.000
4W.13	Total operating costs (excluding third party services)	£m	0.142	11.523	1.149	12.814

B	Sludge treatment type	Untreated sludge	Raw sludge liming	Conventional AD	Advanced AD	Incineration of raw sludge	Incineration of digested Sludge	Photo-conditioning/ composting	Other	Total
4W.14	Power	£m	0.000	0.000	-6.834	-4.787	0.000	0.000	0.000	-11.621
4W.15	Income treated as negative expenditure	£m	0.000	0.000	-7.072	-11.333	0.000	0.000	0.000	-18.405
4W.16	Discharge consents	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4W.17	Bulk supply	£m	0.000	0.000	0.015	0.009	0.000	0.000	0.000	0.024
Other operating expenditure										
4W.18	- Renewals expensed in year (infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4W.19	- Renewals expensed in year (non-infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4W.20	Other direct operating expenditure	£m	0.000	0.000	8.869	5.804	0.000	0.000	0.000	14.673
4W.21	Other indirect operating expenditure	£m	0.000	0.000	5.349	3.169	0.000	0.000	0.000	8.518
4W.22	Total functional expenditure	£m	0.000	0.000	0.327	-7.138	0.000	0.000	0.000	-6.811
4W.23	Local authority and cumulo rates	£m	0.000	0.000	1.959	1.160	0.000	0.000	0.000	3.119
4W.24	Total operating expenditure (excluding third party services)	£m	0.000	0.000	2.286	-5.978	0.000	0.000	0.000	-3.692
4W.25	Depreciation	£m	0.000	0.000	17.020	9.262	0.000	0.000	1.371	27.653
4W.26	Total operating costs (excluding third party services)	£m	0.000	0.000	19.306	3.284	0.000	0.000	1.371	23.961

C	Sludge disposal route	Landfill, raw	Landfill, partly treated	Land restoration/ reclamation	Sludge recycled to farmland	Other	Total
4W.27	Power	0.000	0.000	0.000	0.014	0.000	0.014
4W.28	Income treated as negative expenditure	0.000	0.000	-0.007	-1.829	0.000	-1.836
4W.29	Discharge consents	0.000	0.000	0.000	0.000	0.000	0.000
4W.30	Bulk supply	0.000	0.000	0.000	0.000	0.000	0.000
Other operating expenditure							
4W.31	- Renewals expensed in year (infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000
4W.32	- Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000
4W.33	Other direct operating expenditure	0.000	0.000	0.047	11.586	0.000	11.633
4W.34	Other indirect operating expenditure	0.000	0.000	0.006	1.458	0.000	1.464
4W.35	Total functional expenditure	0.000	0.000	0.046	11.229	0.000	11.275
4W.36	Local authority and cumulo rates	0.000	0.000	0.000	0.006	0.000	0.006
4W.37	Total operating expenditure (excluding third party services)	0.000	0.000	0.046	11.235	0.000	11.281
4W.38	Depreciation	0.000	0.000	0.000	0.000	0.122	0.122
4W.39	Total operating costs (excluding third party services)	0.000	0.000	0.046	11.235	0.122	11.403

4W Operating cost analysis - sludge transport, treatment and disposal (cont.)

Year ended 31 March 2020

Other expenditure - Wholesale waste water						
Line	Item description	Unit	Network plus sewage collection	Network plus sewage treatment	Sludge	Total

D	Opex analysis					
4W.40	Employment costs - directly allocated	£m	20.557	39.875	13.587	74.019
4W.41	Employment costs - indirectly allocated	£m	10.690	14.167	6.970	31.827
4W.42	Number FTEs - directly allocated	Nr	320	834	301	1455
4W.43	Number FTEs - indirectly allocated	Nr	180	223	96	500
4W.44	Costs associated with Traffic Management Act	£m		0.000	0.000	6.058
4W.45	Costs associated with Industrial Emissions Directive	£m	0.000	0.000	0.160	0.160

E	Service charges					
4W.46	Canal & River Trust service charges and discharge consents	£m	0.000	2.106	0.000	2.106
4W.47	Environment Agency service charges/discharge consents	£m	5.223	3.472	0.000	8.695
4W.48	Other service charges/permits	£m	0.000	0.000	0.000	0.000

Supplementary disclosures

Year ended 31 March 2020

a) Borrowings and intercompany lending

Amounts paid to associated companies in the year and related payable balances at the year end are outlined below:

	Amounts paid £m	Interest rate %	Payable balance £m
Severn Trent Plc	533.152	LIBOR + 0.525%	-
Hafren Dyfrdwy Cyfyngedig	41.350	3.635%	-
Water Plus Group Limited	1,200.005	LIBOR + 1.600%	-

Amounts received from associated companies in the year and related receivable balances at the year end are outlined below:

	Amounts received £m	Interest rate %	Receivable balance £m
Severn Trent Plc	711.506	LIBOR + 0.725%	-
Hafren Dyfrdwy Cyfyngedig	0.889	3.635%	32.673
Hafren Dyfrdwy Cyfyngedig	15.677	LIBOR + 1.500%	28.105
Water Plus Group Limited	1,204.306	LIBOR + 1.600%	93.000

b) Transfer of assets/liabilities, omissions, waivers, guarantees

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies.

There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the company and no waivers of any consideration, remuneration, or any other payment receivable by the company.

c) Supply of services

Services supplied by the appointee to associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Pass through of management charges	Etwall Land Limited	-	Cost	0.039
Pass through of management charges	Midlands Land Portfolio Limited	8.465	Cost	0.625
Pass through of management charges	Severn Trent Plc	-	Cost	3.137
Pass through of management charges	Severn Trent Green Power Limited	17.193	Cost	3.181
Pass through of management charges	Severn Trent Services Operations UK Limited	37.402	Cost	1.036
Pass through of management charges	Severn Trent Wind Power Limited	3.125	Cost	0.097
Pass through of management charges	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	2.074
Retail support services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	0.559
Wholesale support services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	1.655
Bulk water supplies	Hafren Dyfrdwy Cyfyngedig	32.418	Tariff	3.317
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	32.418	Tariff	0.033
Records management	Severn Trent Data Portal Limited	0.990	Market tested	0.384
Water supply and waste disposal	Severn Trent Services Defence Limited	51.643	Tariff	0.054
Sale of crops	Severn Trent Green Power Limited	17.193	Cost	0.761
Water operational services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	1.647
Waste water operational services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	1.433
Treatment of imported sludge	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	0.413
Tankering fleet services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	0.066
Wholesale charge	Water Plus Select Limited	853.471	Tariff	0.307
Sale of property overages	Midlands Land Portfolio Limited	8.465	Market tested	8.057
Technology services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	0.456
Technology services	Severn Trent Services Operations UK Limited	37.402	Cost	0.593
				29.925

Services received by the appointee from associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Bulk water supplies	Hafren Dyfrdwy Cyfyngedig	32.418	Tariff	0.543
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	32.418	Tariff	0.033
Supply of electricity	Severn Trent Green Power Limited	17.193	Market tested	1.898
Supply of electricity	Severn Trent Wind Power Limited	3.125	Market tested	0.169
Pass through of management charges	Severn Trent Plc	-	Cost	0.661
Water operational services	Hafren Dyfrdwy Cyfyngedig	32.418	Cost	1.072
				4.376

d) Service provided to the non appointed business

Service	Basis of recharge	Value of recharge £m
Treatment of imported sludge*	Direct and indirect costs including use of asset and financing charges	0.159
Treatment of tankered waste	Direct and indirect costs including use of asset and financing charges	6.151
Property searches services	Direct and indirect costs including use of asset and financing charges	0.018
Sewer blockages	Direct and indirect costs only (assets provided by contractor)	-0.019
Other water companies billing activities	Direct and indirect costs including use of asset and financing charges	0.692
Plumbing and drainage insurance introducer services	Direct and indirect costs including use of asset and financing charges	0.190
Rental income	Direct and indirect costs including use of asset and financing charges	0.042
Community Dividend	Direct and indirect costs including use of asset and financing charges	0.105
		7.337

* Excluding services to Hafren Dyfrdwy already recorded in Supply of services table

e) Group relief charges for tax losses

Charges are made between UK entities for the receipt of tax losses within the Severn Trent Group at the prevailing corporation tax rate in the period (FY20 - 19%).

Company	Turnover of associate in the period £m	Terms of supply	Value £m
Charles Haswell and Partners Limited		Cost	0.019
Dee Valley Group Limited	-	Cost	0.004
Gunthorpe Fields Limited	-	Cost	0.000
Hafren Dyfrdwy Cyfyngedig	32.418	Cost	6.671
Severn Trent Finance Holdings Limited	-	Cost	3.175
Severn Trent Green Power Limited	17.193	Cost	1.314
Severn Trent Holdings Limited	-	Cost	0.156
Severn Trent Investment Holdings Limited	-	Cost	2.943
Severn Trent LCP Limited	-	Cost	0.497
Severn Trent Plc	-	Cost	1.423
Severn Trent Utilities Finance Limited	-	Cost	0.000
Severn Trent Utility Services Limited	-	Cost	0.001
Severn Trent Systems Limited	-	Cost	0.013
Severn Trent Reservoirs Limited	-	Cost	1.036
Severn Trent Retail and Utility Services Limited	1.783	Cost	0.017
Severn Trent Services Operations UK Limited	37.402	Cost	2.260
Severn Trent Services Purification Limite	-	Cost	0.003
Severn Trent Services (Water and Sewerage) Limited	1.039	Cost	0.018
Severn Trent (W&S) Limited	-	Cost	5.887
Severn Trent Wind Power Limited	3.125	Cost	0.075
			25.513

Assurance
Summary
2019/20

1. About this document

At Severn Trent Water we are responsible for providing water and waste water services to over 4.5 million customers in the Midlands area. We strive to achieve the highest quality standards in everything we do. Whether it is the quality of our drinking water or the regulatory performance information we publish, we want to make sure that our customers can trust us to deliver what matters to them most.

Transparency is key to trust

This is the final year of the AMP6 (2015-2020) business plan cycle and we are well underway in implementing our PR19 plan for 2020-2025, having received fast track status by Ofwat. We know how important it is to identify the potential risks that could affect our regulatory reporting to ensure that we provide robust, transparent regulatory data that our customers and stakeholders trust. The quality of the regulatory information we publish gives our customers and wider stakeholders the confidence that we are being open and honest and provides visibility that we are listening to and delivering what customers want.

What is assurance?

We perform ‘assurance’ to check that the information we provide is robust, accurate and complete. Examples of assurance may include checking that a spreadsheet has no formula errors, that a customer call has been recorded accurately on our systems, or consulting with our customer challenge group on our plans for vulnerable customers. You can read more about the levels of assurance we apply in chapter 3.

We use an assurance approach which thoroughly tests and challenges the regulatory information we publish in a manner that is independent and verifiable. Our Board oversees this process through our established governance and assurance framework.

Ofwat’s AMP6 Company Monitoring Framework (CMF)

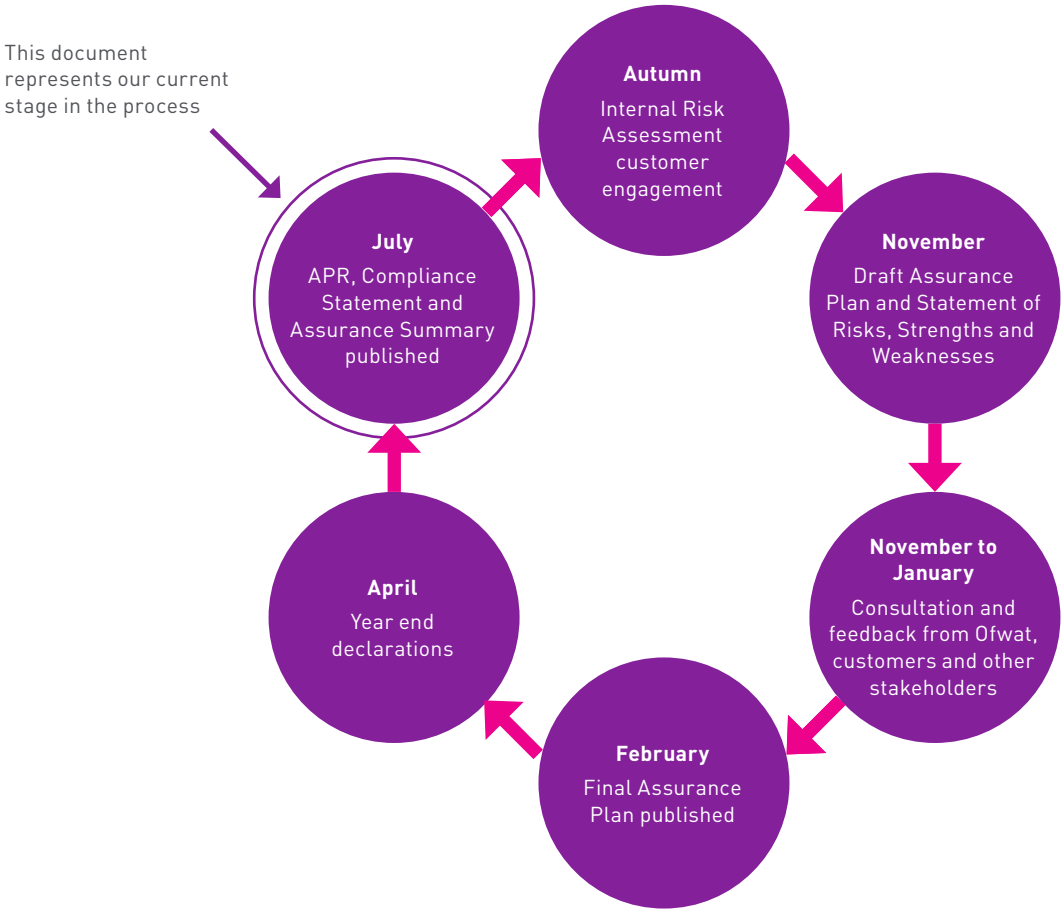
Our economic regulator, Ofwat, confirmed last year that the annual CMF assessments provided by Ofwat will not be used after 2020, however Ofwat also advised that it still expects companies to follow the framework, and so we continue to publish assurance and compliance documents throughout the year. These documents outline what we have done and how we have done it so our regulatory publications can be trusted by our customers and stakeholders. Ofwat are now consulting on requirements for 2020/21 and we welcome this opportunity to help shape the assurance requirements going forward to continue to ensure trust and confidence in the information we report.

Understanding your views

In November 2019, we published our statement of risks, strengths and weaknesses and our draft assurance plan for consultation. In addition to publishing this document on our website, we proactively contacted our key stakeholders for their views. We produced our final assurance plan following the feedback from our stakeholders and wider industry trends to cover the 2019/20 regulatory reporting year and consider requirements for 2020/21 onwards.

This document, our Assurance Summary, provides an overview of the outcome of assurance undertaken for the 2019/20 regulatory reporting year and where we have undertaken assurance in readiness for 2020-2025. The main focus is the data assurance undertaken for our Annual Performance Report (‘APR’), but also considers the outcome of our assurance activities more broadly.

Fig 1: The Company Monitoring Framework cycle



This document contains the following information:

- A glossary to provide clarity on abbreviations used in this document.
- Information on our governance and assurance framework, which covers our Board arrangements and the different levels of assurance we apply.
- An overview of our internal compliance assessment framework - licence to operate - which helps us determine our greatest areas of risk and understand any areas.
- Details and outcomes of the assurance undertaken for our APR.
- Outcomes of assurance on other areas that we committed to reviewing in our final Assurance plan.

We recommend that this document is read in conjunction with our Board, governance and compliance section on page 8 of the APR, which includes our formal regulatory statements and our departures from compliance for this regulatory reporting year.

Changes this year

Over the last year we have been busy working across the Severn Trent Group to help shape and create our new values and purpose in readiness for the next five years.

Hundreds of employees from across the business have since been involved in the process of refreshing our purpose and values to take us into the next phase; and we have stripped it right back to two elements. Our new purpose is ‘Taking care of one of life’s essentials’ and our values

are ‘having courage’, ‘embracing curiosity’, ‘showing care’ and ‘taking pride’. These are explained in greater detail in our Board, governance and compliance section on page 9.

Appointment of new Chair

We are delighted to confirm that Christine Hodgson became our new Chair in April 2020.

Christine had previously been Chair at Capgemini UK and was the Global Head of Corporate Social Responsibility. She has a fantastic focus on some of the things that really matter to us like social purpose and business leadership, together with finance and technology.



“I was pleased to join Severn Trent as a Non-Executive Director on 1 January 2020 and to succeed Andrew Duff as Chair from 1 April 2020. On behalf of the Board I would like to thank Andy for his strong leadership and commitment over the last nine years. He has successfully overseen a huge amount of positive change over that period. I am personally grateful to Andy for the time and invaluable support he has generously given to me during my induction”

Sustainability Report

We understand that our customers and investors want visibility of how we are taking responsibility when it comes to social and environmental areas. We feel that the value of sustainability reporting is significant as it enables us to be transparent about the risks and opportunities we face. Our first dedicated sustainability report is published alongside our Annual Report and Accounts providing further detail and more case studies to really bring our approach to life.

Supporting customers and communities during COVID-19

The COVID-19 pandemic that emerged over the course of the last quarter of 2019/20 is unprecedented, and rapidly developing even as this APR is being written. As a provider of an essential public service, we have a vital role to play and have first and foremost worked to protect our core services and the people who deliver them.

With established business continuity plans, we have quickly responded to government advice and our dedicated people, systems, and processes have proved adaptable to this continuously changing operating environment. Protecting our core service is vital, but there is also more we can do to support the people and communities we serve. As our customers enter uncertain times, many may be vulnerable as a result of a change in their financial or medical circumstances. We worked to promote our financial support initiatives for those struggling to pay their bills, including the WaterSure scheme for those on low incomes and our Big Difference Scheme, which offers bill discounts of 10%-90% for eligible customers. We are making sure our vulnerable customers know we are there for them with targeted communications and support through our Priority Services Register.

We also recognise that many of the third sector organisations that support our vulnerable customers are facing challenges too. So we have established a COVID-19 £1 million emergency fund to support non-profit organisations and charities helping those affected by COVID-19, with over £500k already donated to 200 organisations.

2. Glossary

To help to explain all the terms in this document, we’ve included the table below.

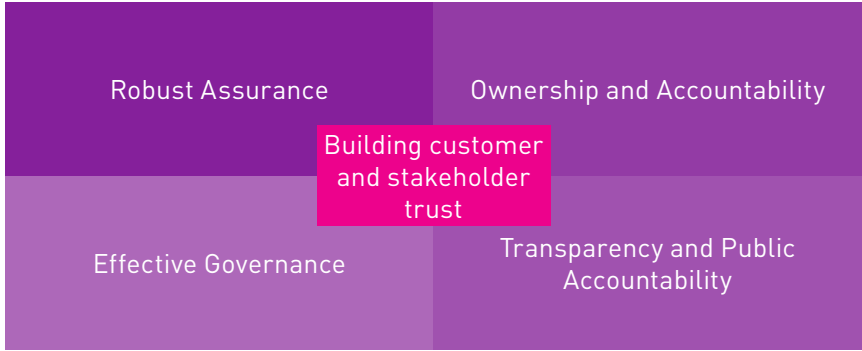
Term	Definition
AIM	Abstraction Incentive Mechanism - AIM encourages water companies to reduce the environmental impact of abstracting water at environmentally sensitive sites when water is scarce.
AMP	Asset Management Period - this refers to Ofwat’s 5-year planning period. For example, we are currently in AMP6. AMP7 will start in April 2020.
APR	Annual Performance Report - includes information about whether we’ve achieved our performance commitments in a given year, and our financial performance - based on the accounting conventions in Ofwat’s regulatory accounting guidelines.
ARA	Annual Report and Accounts - includes our annual financial statements based on International Financial Reporting Standards.
Assurance	A process that challenges the validity of our data and methodology.
CCWater	Consumer Council for Water - the statutory consumer representative body for the water industry.
Compliance	Our team in Severn Trent that monitors compliance with our statutory and regulatory duties in our appointed business.
ERM	Enterprise Risk Management - our system of identifying and managing risks within Severn Trent Plc.
HD	Hafren Dyfrdwy Cyfyngedig - the regulated water company within Severn Trent Plc whose area of appointment covers North East and mid-Wales.
Internal Audit	Reporting directly to the Severn Trent Plc Audit Committee, the Internal Audit team provides independent assessment of the effectiveness of our processes, controls and risk mitigation strategies.
K Factor	K Factor is the price limit that companies can in increase or decrease prices charged to customers. This is reviewed and determined by Ofwat.
MOSL	The market operator for England’s competitive non-household market.
NAV	New appointments and variations - Companies which provide a water and/or sewerage service to customers in an area which was previously provided by an incumbent provider. Hafren Dyfrdwy is a NAV as it provides water and waste services in an area previously supplied by Dee Valley Water and Severn Trent.
ODI	Outcome Delivery Incentives are individual performance measures, which have a financial reward or penalty attached to them. They are a sub component of our performance commitments (below).
Ofwat	The Water Services Regulation Authority - the statutory economic regulator for the water industry.
PC	Performance Commitment - the level of performance we’ve committed to deliver either annually or during the five-year period covered by business plans.
PDT	Process description template.
PR19	Price Review 2019 - Every five years we publish our proposals for the next five year period. Ofwat reviews this and decides whether our plans are suitable in a determination process.
RACI	Responsible, Accountable, Consulted, Informed - a RACI details who is responsible for managing a duty or obligation, who is accountable and who should be consulted or informed of any changes.
RoRE	Return on Regulated Equity - the percentage amount that we are allowed to give back to our investors, which is agreed as part of Ofwat’s price limits.
SLA	Service Level Agreements - we have timescales and minimum levels of performance in place both internally and with our contractors.
ST	Severn Trent Water Limited - the regulated water company within Severn Trent Plc whose area of appointment covers the Midlands, and the subject of this document.
ST Plc	The parent company and ultimate controller of Severn Trent Water and Hafren Dyfrdwy.
Third Party Auditor/assurance provider/Assure	An independent audit company or organisation that performs audit or services.
Water Forum	Our Customer Challenge Group (CCG), which includes independent experts, CCWater, our regulators including the Environment Agency, Natural England and other regional stakeholders.

3. Our assurance framework

We have an established, rigorous and robust assurance and performance reporting framework. The assurance process approaches we use come from best practice identified across many organisations and industries ensuring that managers, senior managers and Directors are responsible for delivering high quality data through robust processes and methodologies. Our assurance plan for financial year 2019/20, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

Our established framework is underpinned by four main principles (as shown below) which, provides consistency and clarity for our people, and allows flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

Fig 2: Our assurance principles



- Robust assurance - we operate a three-lines of assurance model, targeted at areas of greatest risk.
- Ownership and accountability - we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- Effective governance - provided by our Board, Audit Committee, Executive Disclosure Committee and Executive Committee with additional challenge provided by our Water Forum.
- Transparency and public accountability - we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

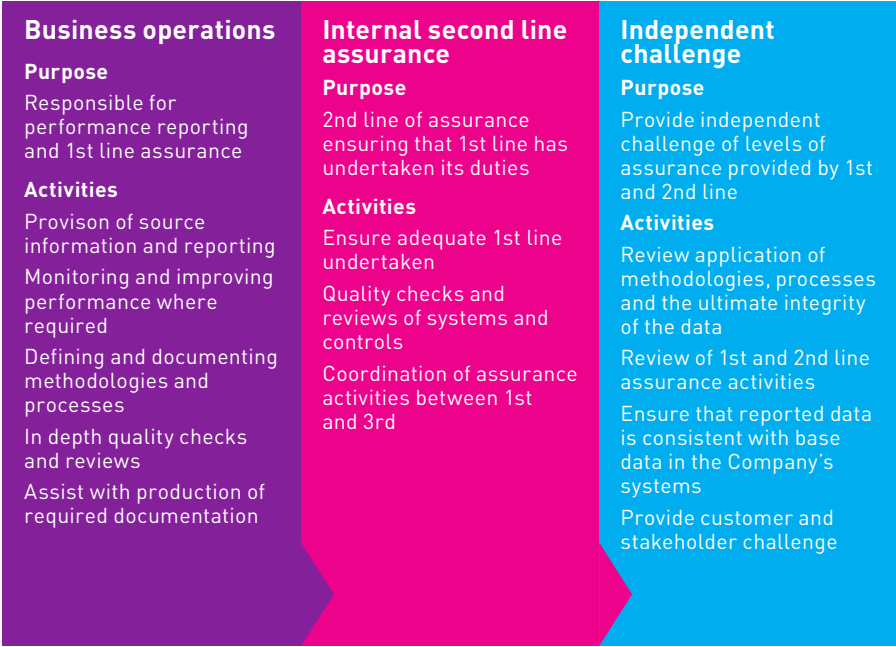
3.1 Robust assurance

We operate a three lines of assurance model. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, may be targeted with first or second line only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable process exist, and increased where new risks are emerging, resulting in a proportionate assurance spend.

First line activities are embedded within the teams that are responsible for reporting the data so that colleagues, with the right expertise are conducting in depth quality checks at the time the data is produced.

Second line activities are conducted by a separate team that does not report into the same senior manager to ensure a level of independent checking is conducted. For elements of our APR, additional second line reviews are undertaken within the same directorate to ensure that we maintain a strong level of expertise and understanding of the source data.

Fig 3: Our Levels of Assurance



Third line activities are carried out by internal or external providers depending on the specialisation required. The expertise can be divided into the following categories:

- **Engineering/technical** - where assurance requires an expert engineering / water industry technical background.
- **Regulatory** - where challenge is required around the methodology used and assumptions against our regulatory requirements.
- **Data integrity and consistency** - understanding the flow of data from source through to our final publications ensuring no data transposition errors are made.
- **Financial** - used for areas requiring specific financial expertise, such as pensions and tax.
- **Model integrity** - where a complex financial model is used and requires specialist external expertise to test and challenge.

The majority of our third line assurance is provided by the following:

- **Jacobs** - typically review non-financial operational performance processes and data. Also responsible for cost allocation activities and financial reporting processes.
- **Deloitte** - our financial auditors who mainly examine our statutory accounts.
- **Internal Audit** - used for financial data, process and other ad-hoc assurance.

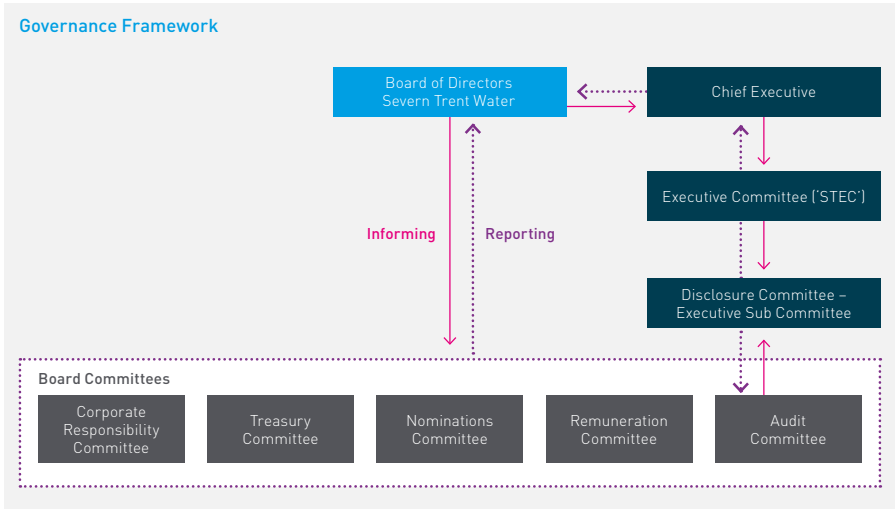
3.2 Ownership and accountability

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided through our 'licence to operate' process (described in detail in section 5 below), which every year assigns ownership of our statutory and legal obligations in our appointed business to managers, senior managers and directors. These managers are responsible for ensuring compliance with our regulatory duties and raising potential risks or issues of non-compliance. Any areas that are noted as non-compliant are disclosed by the Board as departures in its annual compliance statement following review, scrutiny and remedial action by our senior leadership team and our Disclosure and Audit Committees.

Overall accountability for the preparation and production of the APR (which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives - ODIs) rests with the Chief Financial Officer. The outcome of the assurance undertaken is reviewed by the Severn Trent Plc Audit Committee (the 'Audit Committee') on behalf of the Severn Trent Plc Board.

3.3 Effective governance

Severn Trent Water is the principal operating subsidiary of the FTSE 100 company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company. We have a



strong history of good governance and internal controls to meet our statutory requirements under the Companies Act 2006, the UK Corporate Governance Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules, and the company's annual and ongoing regulatory reporting.

Our Board is supported by the Severn Trent Plc Governance Framework, which is set out below. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

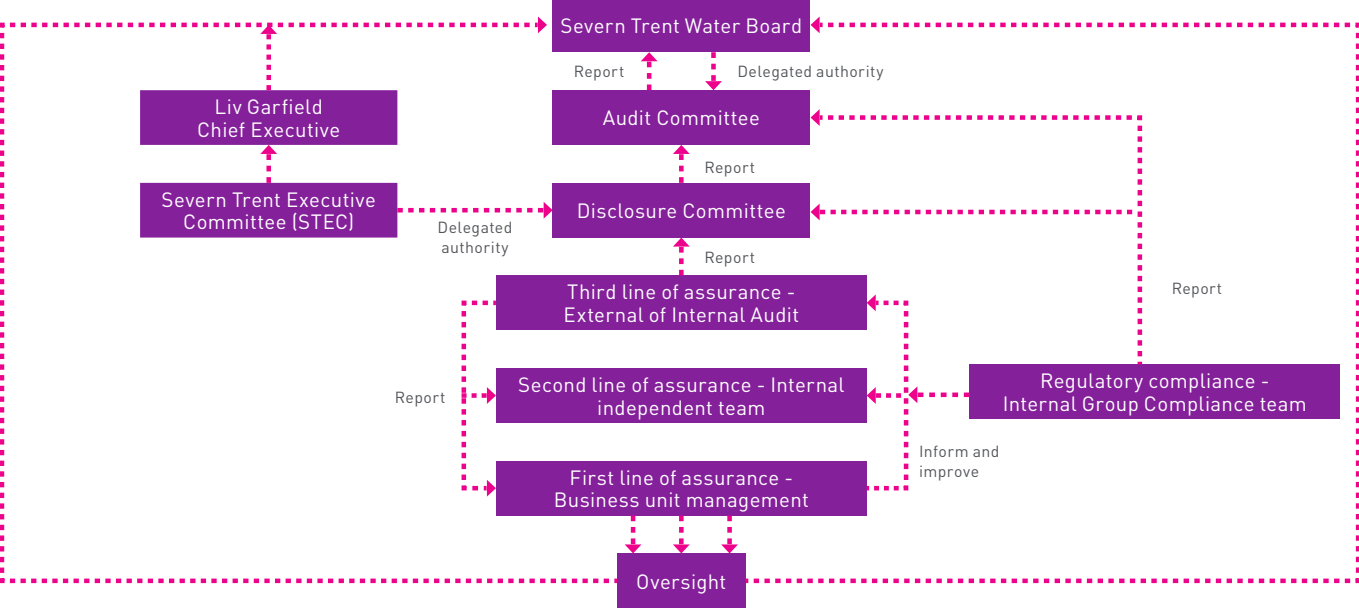
In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with its Terms of Reference. The Board regularly

reviews the Terms of Reference of each Committee. The Governance Framework is also subject to periodic review to ensure that it remains appropriate. In addition, further challenge is provided by the Water Forum who require evidence as to how the voice of the customer has been considered in our decision-making processes. A briefing has been provided to the Water Forum confirming the outcome of the performance commitments and assurance of them.

The Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and review the level of assurance received.

The Remuneration Committee determines the Company's policy on the remuneration of Executive Directors, other members of the Executive Committee and the Chair of the Board. We include details relating to this in the Severn Trent Plc ARA, which is published on our website.

Fig 4: Our governance arrangements



Our Governance and assurance frameworks work together and are built on high standard processes to enable confidence in the information and data we report in our ARA and APR. The below provides an overview of how our frameworks interact to ensure that all levels of the business have an oversight and understanding of the assurance processes we implement. The effectiveness of the controls over reporting are monitored by the Audit Committee, which receives regular reports of the assurance conducted by the External Auditors.

3.4 Transparency and public accountability

As a public service we want to be transparent about the services we provide, our related performance and reporting, and wider adherence to regulatory requirements. We ensure that we are fair when balancing the short and long term needs to manage our financial risk, share returns with customers and shareholders where we outperform, and the need to consider long term viability. We pay our taxes in full and on time, we pay dividends, Executive salaries and bonuses that are aligned and linked to the delivery of outcomes to customers. We publicly report on our performance and hold ourselves to account where we do not meet our commitments.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to our customers' and stakeholders' feedback. We now publish an additional customer summary APR on our website after the full report is submitted to enable a simplified approach to comparative business reporting.

We publish additional information to ensure the Severn Trent Group structure and performance is transparent for our customers. Our company structure which shows how the companies including Severn Trent Water, Hafren Dyfrdwy and other associated companies are connected under the Severn Trent Group umbrella can be found on our website.

4. Customer and stakeholder engagement

To understand which areas matter most to our customers and stakeholders, we used a variety of engagement methods and research tools to glean information to inform our plan. The draft assurance plan was put out for consultation in November 2019 and any further feedback was included prior to publishing the final plan in February 2020.

Our regulatory stakeholders’ views are very important to us and we use the following channels to gain feedback from them:

- Regular meetings and correspondence with our regulators (Ofwat, EA, DWI).
- Regular meetings and events with broader stakeholders (for example, partnership working on flooding issues and other stakeholder forums).
- Ongoing investor engagement, and annual announcements of interim and preliminary results.

4.1 Regular engagement

We passionately believe in engaging with our customers and wider stakeholders to understand the issues that matter to them in the information we produce and address any concerns that they may have. Throughout the year we continue to use our established channels of customer engagement:

- Regular meetings with our statutory customer representative (CCWater)
- Ongoing customer research, including instant feedback mechanisms.
- Ongoing analysis of customer sentiment including root cause analysis of customer complaints through all channels (telephone, social media, email and written).

4.2 Customer engagement - our journey

Over AMP6 we have continued to build our customer engagement. In the initial years of the AMP we ran targeted focus groups to understand which areas customers wanted us to focus on in our assurance plan. Given the consistency of messages we have continued to see throughout all of our engagement, this year we have opted to ensure that the previous areas identified from customers are included in our assurance plan while also using regular engagement throughout the year with our customers on a wide range of topics. We have used the quarterly trust tracker, the UKCSI (UK Customer Satisfaction Index), SIM/ CMex, and TapChat. Further details on the engagement we undertook can be found in our final risk and assurance plan on our website.

4.3 Ofwat

We have already worked to remedy the issues raised in our APR19 publications and will look at further ways we can address the themes noted in Ofwat’s assessment around data quality to prevent the need to restate information, and ensure we provide better commentary and explanations if we have had to restate information. In line with prior years, any material restatement will be summarised as a departure in our Boards Risk and Compliance statement which can be found in our APR and separately on our website.

We have a culture of caring for the essential public service we provide, and we are now working with Ofwat on our proposal for a new licence condition to enshrine our company purpose in everything we do.

We believe that the CMF gave companies a great starting point for ensuring the data we produce and publish is of a suitable high quality. We will continue to focus on this into the next AMP, and we welcome the opportunity to input into Ofwat’s approach to ensure quality and assurance practices that continue to provide information customers can trust.

4.4 Other stakeholders

We have continued to develop our open and honest conversations with several of our environmental regulators including the EA and DWI. Any queries or concerns can be discussed directly, and where relevant, can help shape our targeted assurance programme. We have reviewed our licence to operate and governance frameworks to ensure that our environmental regulatory and statutory obligations receive the appropriate oversight. As a result of this review we have enhanced the environmental obligations in our licence to operate to capture oversight at a more granular level and have increased the number of reports receiving scrutiny at our Audit and Disclosure Committees.

As we look to AMP7 and the changing regulatory environment, we are reviewing how we interact with our regulators to ensure that we are able to understand common themes in the types of enquiries or casework we receive and can build this into our governance and assurance frameworks. Continuing to build on stakeholder feedback we are reviewing how we further improve our environmental data (e.g. environmental performance assessment data and Pollution Incident Reduction Plan (PIRP) data) against the risk-based assurance framework.

5. Our internal assessment - licence to operate

As well as ensuring we account for our customers’ views, we use the wealth of expertise within our business to assess all our statutory and regulatory obligations relating to provision of water and waste water. We call this assessment licence to operate, and it has been operating in Severn Trent for five years.

5.1 The process

Over AMP6 we have continuously reviewed the process to improve it by using new technology such as SharePoint to track the assessments and approvals from all levels of management. We have expanded the assessment by including a wider range of legislation and now monitor over 1500 obligations.

Licence to operate is a two stage process that operates through the mid and year-end of the annual regulatory cycle. We describe the process in more detail in our Statement of risks, strengths and weaknesses and final assurance plan which can be found on our website.

5.2 Year end declarations

Prior to publication of our annual regulatory reporting we ask our responsible managers to declare whether they have been compliant or non-compliant with each of their obligations. If they have been non-compliant, we ask them to complete a ‘departures’ form, which details what issue has occurred during the reporting year and what action will be taken to prevent it in future.

All departures are then reviewed by the accountable senior manager and director who will assess the level of materiality. Some departures, while representing an instance of non-compliance with process may not be material or

for example it may result in the data remaining within the stated confidence grade of the measure. All departure assessments are tracked on the departures form to ensure that we maintain a visible audit trail of all areas of potential non-compliance and the correction actions taken. All departures are reviewed by the Group Compliance and Assurance team centrally before submission to ensure adequate assessment and sufficient detail has been included.

Departures that are assessed to have a material impact are included in our Board’s annual Risk and Compliance Statement, which is published in July alongside our APR and other regulatory reporting. All departures regardless of materiality are reviewed and scrutinised by our Executive Disclosure Committee before it is endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.

5.3 Changes in 2019/20

This year we added new obligations to our licence to operate process to respond to changes in our operating model within Severn Trent Water and our statutory obligations:

- Added a further level of granular environmental legislation into licence to operate including ISO Environmental standards, Clean Air Act and Control of Pollutions Regulations.
- Introduced a conflict of interest declaration for all responsible and accountable managers whereby managers who may have responsibility for both appointed and non-appointed activity; or between appointed entities have a responsibility to ensure they are transparent about any

potential conflicts in their role. This gives us the ability to target these areas with further training, guidance and mitigation as needed.

For the next AMP we are already looking to make further streamlining improvements to the licence to operate process by using technology improvements to transition to a more frequent monitoring system for compliance, including visibility of improvement plans.

5.4 2019/20 risk assessment outcome

In this year’s licence to operate assessment, a number of areas were noted as either high or medium- high risk. In addition, our internal group compliance and assurance team decided to include areas that are subject to, or could be subject to, regulatory change or emphasis. These are summarised in section 7, alongside the summary of the assurance undertaken.

6. Assurance of our APR

Our 2019/20 risk-based assurance plan provides an overview of how all data reported in the 2019/20 APR has been given the appropriate level of governance and assurance.

6.1 Governance

We have a well-established compliance framework, which incorporates Ofwat’s APR requirements, the RAGs, and wider company duties. Each reporting line in the APR is assigned to a responsible manager. These managers review and approve the data, process documentation and commentaries, which forms an integral part of the assurance approach. An approval process is followed with final sign off for both the data and commentary provided by the relevant Director.

The APR is subject to review by the Severn Trent Plc Exececutive Disclosure Committee who ensure that all publications comply with the applicable disclosure requirements. Prior to reviewing and approving the final submission, delegated authority is given by our Board to the Audit Committee to review and ensure the adequacy of the year end assurance process, in line with their overall responsibility for ensuring the integrity of the Company’s financial statements, risk management, assessment of the effectiveness of the systems of internal control and the effectiveness of internal and external auditors. The Board will then approve the final submission.

In addition to the governance processes described above, we provide oversight to the Board through our established year end programme steering group and programme board. The Board are provided with regular updates of progress against year-end reporting milestones, and visibility of any risks and issues.

Section	Governance and Assurance
Company performance and direction	<ul style="list-style-type: none">• Data providers, commentaries and methodologies• Risk based assurance processes• Internal Audit review• Technical auditor assurance and audit report
Our Board, governance and compliance	<ul style="list-style-type: none">• Technical auditor assurance and audit reports• Our established licence to operate year end declaration and departures process• Signed and approved by the Board
Regulatory statements	<ul style="list-style-type: none">• Data providers, commentaries and methodologies• Risk based assurance processes• Technical auditor assurance and audit reports• Statutory financial auditor statement
Annual performance summary	<ul style="list-style-type: none">• Data providers, commentaries and methodologies• Risk based assurance processes• Technical auditor assurance and audit reports• Our established licence to operate year end declaration and departures process
Regulatory accounts	<ul style="list-style-type: none">• Data providers, commentaries and methodologies• Risk based assurance processes• Statutory financial auditors and audit reports
Additional regulatory information	<ul style="list-style-type: none">• Data providers, commentaries and methodologies• Risk based assurance processes• Financial and technical auditors and audit reports

6.2 Assurance Overview

We follow our risk-based approach for the APR assurance and our three lines of assurance model targets our most critical areas with our third line assurance. In addition to Internal Audit, we use external financial and technical auditors for third line assurance. The assurance approach is summarised below.

Regulatory Accounts

		Lines	Methodology & Process	Data
1A	Income statement	All	Deloitte	Deloitte
1B	Statement of comprehensive income	All	Deloitte	Deloitte
1C	Statement of financial position	All	Deloitte	Deloitte
1D	Statement of cash flows	All	Deloitte	Deloitte
1E	Net debt analysis	All	Deloitte	Deloitte
1F	Financial flows	All	Deloitte	Deloitte
2A	Segmental income	All	Jacobs	Deloitte
2B	Totex analysis (wholesale)	All	Jacobs	Deloitte
2C	Operating costs analysis- retail	All	Jacobs	Deloitte
2D	Historic cost analysis of fixed assets	All	Jacobs	Deloitte
2E	Analysis of capital contributions and land sales	All	Jacobs	Deloitte
2F	Household revenues by customer type	All	Jacobs	Deloitte
2G	Non- household water revenues by tariff type	All	Jacobs	Deloitte
2H	Non- household waste water revenues by tariff type	All	Jacobs	Deloitte
2I	Revenue analysis	All	Jacobs	Deloitte
2J	Infrastructure network reinforcement costs	All	Jacobs	Deloitte
2K	Infrastructure charges reconciliation	All	Jacobs	Deloitte

Performance Summary

		Lines	Methodology & Process & Data	Methodology & Process and Data- Chester only
3A	Outcome performance table	All	Jacobs / 2nd line	Black & Ve-atch / Jacobs / 2nd Line
3B	Sub- measures performance table	All	Jacobs	n/a
3C	AIM Table	All	n/a	n/a
3D	SIM Table	All	Jacobs	Jacobs
3S	Shadow reporting of new definition data	All	Jacobs	Jacobs

Additional regulatory information

		Lines	Methodology & Process	Data
4A	Non- financial information	All	Jacobs / 2nd Line	Jacobs / 2nd Line
4B	Wholesale totex analysis	All	Internal Audit	Internal Audit
4C	Impact of AMP performance on RCV	All	Internal Audit	Internal Audit
4D	Wholesale totex analysis (water)	All	Jacobs / Internal Audit	Jacobs / Internal Audit
4E	Wholesale totex analysis (waste water)	All	Jacobs / Internal Audit	Jacobs / Internal Audit
4F	Cost analysis (household retail)	All	Internal Audit	Internal Audit
4G	Wholesale current cost financial performance	All	Internal Audit	Internal Audit
4H	Financial metrics	All	Internal Audit	Internal Audit
4I	Financial derivatives	All	Internal Audit	Internal Audit
4J	Atypical expenditure by business unit- Wholesale water	All	Internal Audit	Internal Audit
4K	Atypical expenditure by business unit- wholesale waste water	All	Internal Audit	Internal Audit
4L	Enhancement expenditure by purpose- wholesale water	All	Internal Audit	Internal Audit
4M	Enhancement expenditure by purpose- wholesale waste water	All	Internal Audit	Internal Audit
4N	Sewage treatment- functional expenditure	All	Internal Audit	Internal Audit
4O	Large sewage treatment works- wholesale waste water	All	2nd Line / Internal Audit	2nd Line / Internal Audit
4P	Non-financial data for WR, WT and WD- wholesale	24-27, 29-43, 58-68, 72-83, 86-110	Jacobs	Jacobs
4Q	Non-financial data- properties, population and other- wholesale water	1-8, 15-17, 19, 24-30	Jacobs	Jacobs
4R	Non- financial data- waste water network and sludge- wholesale waste water	1-2, 5-7, 11-41	Jacobs	Jacobs
4S	Non- financial data- sewage treatment- wholesale waste water	All	Jacobs	Jacobs
4T	Non- financial data- sludge treatment- wholesale waste water	All	Jacobs	Jacobs
4U	Non-financial data- properties, population and other- wholesale waste water	3-15, 23	Jacobs	Jacobs
4V	Operating cost analysis- waste resources	All	Internal Audit	Internal Audit
4W	Operating cost analysis- sludge transport, treatment and disposal	All	Internal Audit	Internal Audit

We have included letters of assurance from our technical assurers, Jacobs and Black & Veatch on page 20 and page 21 of the APR respectively.

Deloitte provide an audit opinion on the Regulatory Accounting Statements on page 67.

A key part of our assurance framework is the first and second line assurance activities that are undertaken throughout the year.

Our first line assurance is undertaken by the teams that are responsible for reporting the data so that colleagues, with the right expertise, are conducting in depth quality checks at the time the data is produced. Each line of our APR submission has been reviewed by our first line of assurance.

For our higher risk measures the second line assurers liaise with the reporting teams to monitor improvement activities and resolve outstanding actions through a comprehensive ‘Focus measures’ tracking process with updates provided to Disclosure and Audit Committee. These ‘focus measures’ include actions created as a result of the feedback we received from our technical assurance providers in 2018/19.

Through the robust second line assurance activity as part of APR20, any issues and queries were resolved prior to review by the third line assurance providers. In addition, where the risk assessment undertaken confirms a measure is low risk and does not require third line assurance, second line reviews are undertaken to confirm the documented processes have been followed to report the data and that the required checks and controls have been undertaken.

During 2019/20 this second line oversight has ensured that all the focus measures were reported without any material issues being identified through third

line assurance and that low risk measures were effectively and efficiently assured.

6.2.1 Deloitte

Deloitte provided financial assurance procedures over sections 1 and 2 of the APR. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat’s 2014 Final Determination.

Table lines 1F.1 to 1F.9, line 1F.13, line 1F19 and lines 1F.21 to 1F.23 are subject to audit procedures. As agreed with Ofwat, Deloitte have performed agreed upon procedures in relation to the remaining lines (to note, lines 1F.11, 1F.12, 1F.14 are considered in the agreed upon procedures as they all calculate into line 1F.15).

Outcome of assurance

Deloitte’s audit opinion confirms that:

- The company’s regulatory accounting statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issues by the WRSA (RAG 1.08, RAG 2.07, RAG 3.11, RAG 4.08 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement (s), as defined in RAG 3.11);
- proper accounting records have been kept by the appointee as required by Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

6.2.2 Jacobs

We asked Jacobs provided a staged approach to technical assurance on the elements of the APR that

are tabled above. Stages one and two focus on documentation and process and were undertaken following a risk-based assessment focusing on measure where there have been changes to processes. During stage one, Jacobs review the process description templates (PDTs) which are followed to report against PCs. Stage two includes a desktop review and interviews conducted face to face. The majority of the process audits were carried out face to face, however a small number were carried out over WebEx as our assurance approach has been adapted in response to COVID-19 for reporting year 2019/2020. The reviews ensure that:

- Processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition.
- Improvements and changes in processes from previous assurance rounds are clearly stated.
- Accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations identified.
- There is appropriate quality and controls identified. price controls and to third parties.

Stage three focuses on data produced and this year the data audits were carried out over WebEx rather than in person due to COVID-19 adjustments to ways of working. The audits ensure:

- Data produced is consistent with the PDT and any deviations are identified and evidenced.
- Any rewards/ penalties and data points are calculated in line with our Final Determination requirements. This focusses on the mechanistic calculation to give the gross reward/ penalty position.

The technical assurance applied by Jacobs complements our risk-based assurance framework, which

is in part, informed by previous assurance findings, as well as emerging risk, and stakeholder feedback.

Outcome of Jacobs’ assurance
APR Section 2 - Cost allocation

As part of the industry’s annual performance reporting, Ofwat requires companies to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of cost by price control and subsections of the value chain;
- On non- appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat’s RAGs- in particular ‘RAG 2.7- Guideline for classification of costs across the price controls’ and ‘RAG 5.07- Guideline for transfer pricing in the water and sewerage sectors’.

Over and above the RAGs, companies’ licences also place an obligation on them to ensure that every transaction between the appointee and any associated company is at arm’s length, so that neither gives to nor receives from the other any cross subsidy (Condition F). This also applies to the appointed and non- appointed activity within the appointee. Following the acquisition of Dee Valley and subsequent geographical border realignment between England and Wales to create HD, Ofwat expects transactions between STW and HD to be at arm’s length.

Ahead of our year-end financial reporting, we asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the risk associated with them. In total, Jacobs reviewed 15 PDTs and processes which covered:

- Allocations across price controls within STW and HD.
- Allocations between appointed and non-appointed activity within STW and HD.
- Allocations and recharges of costs between the associate companies STW and HD.

Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:

- The areas/ activities that were being provided.
- The costs associated with that activity- which for the PDTs we reviewed were operating costs.
- How those costs are recharged, allocated and why.
- How our approach is compliant with RAGs.

Jacobs acknowledged that improvements have been made to the documentation and processes from the prior year. Our assumptions made in the cost allocation processes were deemed appropriate. Jacobs also acknowledged that improvements have been made to our Corporate Services Agreement (CSA). Jacobs concluded that we have robust processes in place to support transactions being undertaken at arms length.

APR Section 3 - Half year

We asked Jacobs to focus the half year assurance on PCs that we considered to have a significant customer ODI impact, had previous reporting issues or where emerging risks had been identified. We also asked Jacobs to review our centralised process for collating year end 2019/20 performance forecasts and calculating year end ODI payments. The following PCs were reviewed:

- Internal sewer flooding
- External sewer flooding
- Leakage
- Supply interruptions
- Burst mains (process only)

We are pleased to say that Jacobs reported robust processes and reporting procedures and identified no material issues with the data. Jacobs also confirmed that our statement for technical guidance was within range and forecast.

Full year

Jacobs reviewed the vast majority of PCs set out in our Final Determination and the processes that were used to produce the figures. This approach is in line with our risk- based approach assurance framework to ensure that Jacobs reviewed our higher and medium risk areas, and those which are customer focused.

Jacobs’ scope of assurance work included checking the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed.
- The processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations.
- The processes are managed with a system of governance that demonstrates a sufficient system of internal control.
- Data is competently sourced, processed and reported and fit for purpose.

Jacobs notes ‘for the legacy PCs we reviewed we consider there are no outstanding material weaknesses in the 2019-20 figures in relation to SVE reporting’. We are pleased that Jacobs remain satisfied with our reporting of the PCs.

APR Section 4 - non financial APR

We have continued to improve our reporting processes and throughout the year we have been monitoring progress against our higher risk measures as described above through our ‘focused measures’. At year end Jacobs carried out assurance against the majority of the Section 4 non- financial measures.

Jacobs notes ‘For the non-financial APR section 4 lines we reviewed we note that whilst there are no outstanding issues from our data audits that should have a material impact on your overall APR reporting for 2019-20, there are some lines where you will be monitoring reporting risk more closely, or implementing improvements, due to issues we identified during our work.’

For all areas of risk or recommendations noted by Jacobs, we will review these and ensure we address any concerns next year.

Overall, Jacobs noted: ‘For the legacy PCs, non-financial APR section 4 tables and lines we reviewed and RoRE we observed robust processes and reporting procedures. For the 2019-20 data we reviewed we note there are no remaining material issues.’

AMP7 Shadow PCs

In preparation for AMP7 reporting Ofwat developed a suite of common PCs and although we are not required to formally report on these measures until 2020/21, Ofwat has included these measures in Table 3S of the APR. We asked Jacobs to use its three-stage assurance approach to review our processes, methodology and data.

Jacobs confirmed that ‘for the AMP7 Shadow Common PCs no material issues were found with the reported data’. We have plans in place to move towards full compliance for 2020/21 reporting.

Jacobs’ summary of assurance in included on page 20 of the APR.

6.2.3 Black & Veatch

Scope

Black and Veatch provided technical assurance for selected performance commitments in the Chester area only. The assurance scope included performance reported against legacy Dee Valley Water PCs including interruptions to supply, leakage, security of supply index, per-capita consumption and delivery of outcomes of service reservoir water quality risk management schemes.

These reviews ensure that:

- Processes are in place to produce data that is consistent with the PC definition
- Improvements and changes in process from previous assurance undertaken is clearly stated
- Accountability and responsibility for each state of the process is clear, with dependencies, assumptions, risks and mitigations identified.
- There is appropriate quality assurance with checks and controls identified.

The data audit focused on the data produced and associated commentaries which explain our performance in more details. Data audits were carried out by WebEx as a result of COVID-19 alterations to ways of working.

- Data produced is consistent with the PDT and any deviations from this are identified and evidenced.
- The commentary reflects accurately the data and performance within the year.

Outcome

Overall, Black & Veatch noted: ‘From our assurance work we are satisfied that for the topics we covered, the information reported

in and supporting the APR20 was compiled using appropriate data and methodologies and provides a realistic representation of actual company performance. We identified no material weaknesses or deviations from established procedure. In our opinion, the company’s framework of three lines of assurance provides a good level of confidence that assurance is robust and governance in place. The reporting process and the information for reporting are scrutinized and approved by the Audit Committee and performance is reviewed by the Board’

Black & Veatch’s summary of assurance is included on page 21 of the APR.

6.2.4 Internal Audit

Process

- Internal Audit performed several checks as part of its assurance to ensure that:
- Processes followed were appropriate to produce the data required for our APR submission
 - Historical data used in the tables could be traced back to source or previously published information
 - Data was produced in line with the methodology documents and RAG4 requirements
 - Data from the working files was agreed to the APR data tables to be submitted
 - A sample of business cases were reviewed to check the correct allocation of costs

Outcome

Internal Audit confirmed that no material issues had been found and that ‘all additional supporting evidence and answers to any queries raised were provided.’

7. Outcome of assurance in other areas

Our ‘Statement of risks, strengths and weaknesses’ that we shared for consultation in November 2019 was republished in February 2020. The document set out our key risks and included our approach to addressing these with our assurance this year in our final assurance plan. The table below summarises the outcome of assurance undertaken on the areas outlined in our final assurance plan.

Risk Area	Why?	Summary of assurance undertaken
PR14 performance commitments	In recognition of the potential impact our performance commitments have on our customers, the environment and market confidence, our customer ODIs continue to feature in our assurance plans as part of the APR. Customer ODIs remain a high priority for our stakeholders and customers because they reflect the areas of service that our customers have told us are most important to them, our investors can make decisions as to whether to invest in our company based on our performance, and we must have confidence in the information when we make decisions that impact our customers’ bills, we must have confidence that it is on the basis of high quality information.	As described in section 6 above.
APR- sections 1-4	<p>The APR is the principal way that we document our annual performance and hold ourselves publicly to account. The report is divided into the following sections:</p> <ul style="list-style-type: none">• Section 1: Regulatory financial reporting• Section 2: Price review & other segmental reporting• Section 3: Performance summary• Section 4: Additional regulatory information <p>The APR includes inputs from other areas covered by our Assurance Plan (e.g. financial accounts) and require some forecasts of performance. It is important that we present information in a fair and balanced way that is accessible to our broad range of customers and stakeholders.</p>	As described in section 6 above.

Risk Area	Why?	Summary of assurance undertaken
PR19 Performance Commitments	lin the next AMP, the PR14 obligations will expire and be replaced with the new PR19 performance commitments. Now that we have received the outcome of the final determination and know the performance commitments for the next five years, we are ensuring that we can fulfil and accurately report on them.	Our PR19 commitments are assessed through the three lines of assurance as described in section 6 in ‘shadow’ i.e. half year and full year audits to ensure we get a snapshot of risk areas prior to year-end.
Cost allocation / RAG5	Cost allocation activities within our finance team are part of our established third line assurance annual processes. While we have made a big improvement in this area, we are still on a journey of continuous improvement following the boundary realignment of our two appointed entities to ensure that our processes are thoroughly documented within both Severn Trent Water and Hafren Dyfrdwy; and other non-appointed businesses within the Severn Trent Group.	<p>We have established controls including licence to operate and ERM. Our RAG5 Steering Committee are responsible for overseeing RAG5 compliance and reporting directly to the Disclosure Committee.</p> <p>We have introduced a RAG5 compliance framework to support the business which has been externally assured by EY.</p> <p>Our Internal Audit team has reviewed our RAG5 governance framework, including our licence to operate, and actions are being tracked and reported through ERM.</p>
Licence Conditions E1 and M1	These licence conditions were implemented in January 2019 and relate to the provision of information in Ofwat’s designated ‘new markets’ i.e. bio-resources, water resources, demand management and leakage services. Our existing policies such as ‘doing the right thing’ and our ‘level playing field’ do cover these obligations, however, we need to ensure that we have suitable processes in place to document where receive an information request relating to these markets ensuring we have a sufficient audit trail to demonstrate our compliance.	As described in section 6 above.
Water quality obligations	We are currently in the process of making improvements to our drinking water safety plan to ensure that all of our required risk assessments are completed on time and to a suitable standard.	<p>Water quality measures form part of our ODIs and are subject to three lines of assurance as described in section 6.</p> <p>The risk has been reduced through a rigorous review of our RACIs relating to these measures and obligations.</p>

Risk Area	Why?	Summary of assurance undertaken
Annual Report and Accounts (ARA)	We have a statutory obligation to ensure that our financial accounts are prepared in accordance with the relevant financial reporting framework and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.	Our ARA has been subject to our established assurance and governance framework with the majority of data being subject to three lines of assurance. Deloitte provide the financial audit opinion in line with statutory and regulatory guidelines. Any data that is included in both the APR and ARA is subject to the assurance described in section 6. Our Internal Audit team have also carried out additional checks of the data used to ensure consistency.
Annual Report to CCWater	CCWater are the statutory customer representative body for our industry and a member of our Water Forum. Any information we provide to them must be accurate (most of this data is directly from our PCs reporting).	All submissions are subject to internal first- and second-line assurance. Any data use for a PC is subject to our assurance approach as described in section 6.
Charges including access prices and non-primary	Our charges for customers must be correct to ensure that customer bills reflect the commitments we have made in our business plan. The charges process is split into two parts: Draft - We publish draft wholesale charges in October each year to give retailers early sight of charges for the next financial year. Access prices are also reviewed at this stage. Final - We publish our final charges in January each year for the following financial year. These include non-household, household, retail, wholesale and non- primary charges.	We have established assurance processes to ensure we are within our revenue cap and are compliant with Ofwat's charging rules. Our scheme of charges is subject to three lines of assurance: Numeritas reviewed our financial model Jacobs reviewed our methodology, processes and data outputs. Internal Audit conducted final consistency checks on the model outputs, published documents and action tracking where applicable. The outcome of the assurance was reported to the Audit Committee and a Board statement published alongside the charges.
Freeze thaw action plan	Following challenging weather conditions in 2018, Ofwat asked us to produce an action plan for improvement. We must understand what we could have done better, and what improvements we can implement to prevent similar issues in the future if we have any severe weather conditions in the future.	We have undertaken a full review, documenting lessons learned and captured improvement actions to be put into place across the business. Our formal action was subject to external assurance by Jacobs and is available for review on our website. Actions continue to be tracked and reported to STEC on a monthly basis and we are on track for completion within the agreed timeframe.

Risk Area	Why?	Summary of assurance undertaken
End of AMP6 reconciliation	We provide a set of data spreadsheets to Ofwat on an annual basis so that it can calculate the in- year ODI reward / penalty and reconcile our past performance with our forecasted targets. Following Ofwat's review, we acknowledged that a small number of errors were made in similar submissions previously which had been missed by our second line assurance process.	Our end of AMP6 reconciliation has been subject to our risk- based three lines of assurance. Internal Audit completed the third line activities and no material concerns identified.
Market information (bio-resources and water resources)	These are new markets, and to encourage growth for the benefit of customers, and to encourage potential market participants, we must present information and costs that are accurate to enable consideration of market entry.	Our bioresources market information is subject to our three lines of assurance, and no material issues were found. Much of the process, data and assurance for water resources information is derived from the WRMP. This was published last year and was subject to assurance at the time and received Board oversight. Consistency checks are carried out internally between publications.
Market Performance Standards (MPS) and Operational Performance Standards (OPS)	We submit monthly key performance indicators to the market operator, MOSL. This information is then published on their website. The information is used by retailers, Ofwat and MOSL to ensure that the wholesalers are delivering a competitive and fair services to customers in the market. If we fail to meet our SLAs we can receive a financial penalty.	Performance is reviewed throughout the month by the responsible manager and monthly with the accountable senior manager. Assurance is completed on all OPS submissions with third line assurance provided by Internal Audit throughout the year. The Disclosure Committee reviews performance quarterly and actions for improvement noted and reported. Any issues and actions are notified to MOSL.

Risk Area	Why?	Summary of assurance undertaken
New connections charging	The new connections charges process must align to our company wide Scheme of charges process, which is subject to third line assurance.	New connections charging was approved by the Board ahead of publication. External assurance was undertaken by Jacobs and the outcome was reported to the Audit Committee. All previous recommendations from Jacobs for 2018/19 have been implemented. A Board assurance statement was published with our charges and can be reviewed on our website.
Environment Agency submissions	We take our role and its impact on the environment seriously. It is important that information we share with the EA is accurate and reflective of our performance. If we fail to meet our environmental commitments we can receive financial penalties.	<div>Submissions are subject to three lines of assurance on a risk-based approach.</div> <div>Submissions are subject to our governance processes.</div> <div>As an example, this year our PIRP was subject to Audit Committee scrutiny and Board approval prior to submission.</div>
Drought plan and other drought obligations	The Water Act (2003) made it a statutory requirement for water companies to produce and maintain a drought plan. We update these every five years. Our drought plan sets out how we will manage our resources and supply systems in dry years to maintain our service to our customers.	Our final drought plan has been subject to our three lines of assurance on a risk-based approach. We are awaiting feedback from the EA prior to publication.
Water Resources Management Plan	The WRMP is produced every five years and sets out how we plan to meet our customers' needs for clean water now and in the future, taking into account the changing impacts of climate change and population growth.	The EA set out its expectations for assurance, which we have followed. External assurance has been undertaken by Jacobs with no material issues noted. Our WRMP was approved by the Board in line with our governance process and the assurance process was reviewed by the Audit Committee. Our Board provided a statement of assurance with the published WRMP.

8. Our Approach to Assurance for AMP7 and beyond

As a regulated company we are subject to statutory and regulatory duties and obligations, for example through the Water Industry Act 1991 and our Instrument of Appointment. We will continue to use our established processes, controls and governance routes to continue to meet these obligations. Our AMP7 specific obligations were developed and defined through our PR19 Business Plan 2020-2025 described below.

8.1 Accountability rests with the Board

Our Business Plan 2020-2025, which received fast track status from Ofwat, set out the performance we have committed to deliver for our customers over that time. It looks to the future of our service to 2045 and beyond. Our Business Plan, already now in motion, will deliver operational, financial, corporate and reputational resilience over the next five years and long term, through our well established, robust and independently assured governance and assurance processes. The entire STW team are responsible for delivering our ambitious plan, but ultimate accountability rests with our Board.

Resilience goes beyond traditional risk management, and we continue to take a holistic view of our business resilience and operating environment. We are committed to being transparent about the areas of our business that matter most to all our stakeholders - including executive pay, corporation tax and dividend payments. We continue to use both ERM and our licence to operate framework to ensure that we manage our company wide risks and statutory obligations both now and in future. We believe that

the combination of our established assurance process, our governance approach, ERM systems and our licence to operate framework, and our external assurance providers review of these, enables our Board to have confidence in delivering our 2020-2025 plan.

8.2 Meeting our AMP7 specific commitments

For our performance commitments, which we consider to be a customer critical area, we are continuing to use our risk based three lines of assurance approach. To ensure we spot potential issues early, we have focused on making sure our reporting methods for the new measures are robust. In January 2020 we undertook reviews of the PDTs which will be used to report against our AMP7 performance commitments. These reviews were undertaken at first, second and also third line assurance through Jacobs. Process assurance, and where applicable, data assurance reviews are also underway. This gives us a good understanding of where our focus needs to be to ensure accurate data is reported over the year ahead, in our annual reporting for 2020/2021, and beyond.

We have already updated our established licence to operate framework with our PR19 commitments. Following this year's year-end assessment, we noted that the risk scoring for several of our commitments has reduced following the efforts of teams across the business to establish and embed robust processes for them.

