

Making a difference

The economic, environmental and social contribution Severn Trent Water has on the region



Contents

Executive summary	4
Introduction and purpose of this report	6
What we do	8
Making a difference. Our investment decisions	10
Making a difference. Our economic contribution	12
Our economic contribution in practice – case study: employee and contractor re-spend	13
Our suppliers	14
Our economic contribution in practice – case study: supplier profile	15
Our economic contribution in practice – case study: investing in the future	16
Economic summary	17
Making a difference. Environment and climate change	18
Our environmental contribution in practice – case study: Stoke Bardolph	19
Responsible leadership – doing the right thing	20
Making a difference. Our social contribution	21
Our social contribution in practice – case study: being a better neighbour	22
Helping customers who struggle to pay	23
Our social contribution in practice – case study: Big Difference Fund	24
Our social contribution in practice – case study: community volunteering	25
Our social contribution in practice – case study: education programme	26
Our economic, environmental and social contribution in practice – case study: Severn Trent Centre	27
Making a difference. Future investment in our region	29
Making a difference. Headlines and conclusions	30
Annex 1. The economic multiplier effect	31
References	Back cover

Executive summary

It is not only water we pump in to the region. In 2010/2011 Severn Trent Water pumped over £1 billion into the regional economy.

We spend £1.3 million every day ensuring we provide clean drinking water to 7.7 million people and sewerage services – the waste water we take away – to 8.7 million people in our region. The impact of this investment goes beyond our customers, employees and suppliers and is felt by a wide range of businesses and people across the region.

As we consult on and develop our investment plans for the period 2015 to 2020, this report provides a timely reminder of the economic – and also the environmental and social benefits – our investment brings to the region. It highlights the positive contribution we make and demonstrates that for every £1 we invest, £1.66 is generated and retained in the regional economy.



Introduction and purpose of this report

We are currently developing our investment plans for the period 2015 to 2020. Our main objective is to continue to provide the services people need despite the growing challenges of climate change and population growth.

But we are also mindful of the economic, environmental and social benefits we contribute to our region – and we want to maximise these as much as we reasonably can.

For example:

.....
We directly employ more than 5,000 people and many more through our contract partners and supply chains
.....

.....
Since 1990 we have invested £10 billion making improvements to both our water and waste water services
.....

.....
We generate around 24% of all the energy we need to run our business from renewable or green energy.
.....

The purpose of this report is to highlight our impact and contribution and provide a basis for an informed debate about our future investment and business plans for 2015-2020 and beyond.

We hope you find the report of interest.



Severn Trent Water invests around £1.3 million a day, making major improvements to water and sewer services



What we do

We clean 1.8 billion litres – or 720 Olympic swimming pools – of drinking water every day at our 126 water treatment works

We deliver it through our 47,000 kilometre network of water mains

We take away 1.4 billion litres of waste water every day through our 91,000 kilometre network of sewers and drains – approximately five times the distance between Birmingham and Sydney

We clean the water at 1,026 sewage treatment works before putting it back into the region's rivers

And we do all this for £325 a year per household – the lowest average bill in the country.



Making a difference. Our investment decisions

A significant proportion of our investment is in assets which have a very long life – water mains and sewerage pipes may be in the ground for over 100 years and some of our sewage treatment and water treatment works are operational for up to 80 years.

In order to make the right decisions we need to look ahead to what the needs of customers and other stakeholders will be over the long term. The water industry is vital to people's health, to the environment, and to the economy, and it is essential that we have robust plans in place to meet society's needs in the future.

We have invested over £10 billion since 1990 – nearly £3,000 per customer – leading to major improvements in both water and sewerage services

From 2010 – 2015 we will be investing almost £2.5 billion of capital expenditure in the region

We are investing around £1.3 million a day ensuring we continue to deliver a safe, reliable supply of drinking water and take away and treat waste water effectively





In 2010/11 we invested £202 million improving our waste water processes. We continue to improve our sewage treatment, which has contributed to three quarters of rivers now being assessed as being in a good state, compared with fewer than half in 1990

We are working hard to improve our customers' water pressure. We have reduced the number of properties at risk of receiving low pressure from over 23,000 in 1995 to just over 1,500 in 2010/11

We will invest £5 million to minimise our carbon footprint, installing renewable energy generation on sludge digestion sites and enhanced digestion technologies to increase biogas production at sludge treatment centres

£138 million will be invested to ensure we continue to reduce the number of serious pollution incidents in our region. In 2010/11 we had only ten incidents – compared to 238 in 1994

Between 2010 – 2015 we will invest over £1 billion to ensure we meet the higher drinking water standards and at the same time improve our performance against those higher standards. The number of drinking water tests failing to meet the required standards has fallen by 93% over the last 15 years, with only about one in 5,000 tests failing

We will invest over £180 million between 2010 – 2015 to ensure we continue to deliver the lowest possible charges for our customers. We are improving our efficiency by updating our transport fleet, constantly reviewing our accommodation strategy and making energy savings in every part of our business

We continue to invest heavily to reduce leaks from our network of pipes. In 1995 we lost over 700 million litres a day due to leaks. By 2011 that figure had reduced by around 30%

Making a difference.

Our economic contribution

Within the current economic context, the UK Government has placed emphasis on the important role that private sector organisations can play in stimulating local economic development.

We recognise this, and that the decisions we make and the impact of our investment goes beyond our own employees and suppliers. It is felt by a wide range of businesses and people across our region and beyond. We have a significant positive impact on our local communities and the regional economy through the services we deliver, as a major employer and as a purchaser of goods and services. Investing in infrastructure is a key source of employment, and in the current tough economic times, helps to keep the local economy running.

We commissioned Coventry University's Applied Research Centre in Sustainable Regeneration (SURGE) to provide an assessment of our economic impact on

the region (Severn Trent Water's Regional Economic Impact – A final report for Severn Trent Plc). The report was based around the basic principle that an injection of expenditure into an economy causes output and income to increase by some multiple of the initial injection. In effect, one person's expenditure is another person's income.

Coventry University, using a Local Multiplier Model (See Annex 1), took this principle to assess our economic contribution. Using a mid-range Local Multiplier Model calculation, the model showed that for every £1 of expenditure by Severn Trent Water, an additional 66 pence is generated within the economy of our region.



Making a difference.

Our economic contribution in practice – case study: employee and contractor re-spend

98% of Severn Trent Water's total workforce of 5,237 live in post code districts located within the company's region.

Net wage costs for these employees were £112.1 million during 2010/2011, an average employee income in the region of £21,400.

**Lisa Orme, Customer Service Advisor**

Lisa lives with her family in Leicester but works in our Raynesway office in Derby. Childcare and other costs help boost the economy of Leicester, but Lisa also makes full use of the amenities close to work.

**Diana Bennett, Facilities Manager**

Diana works for our Facilities contractor, MITIE at our brand new Shelton office in Shrewsbury. Diana lives in Codsall, South Staffordshire and commutes 32 miles to Shrewsbury daily. Consequently her time and salary is split, boosting the local economy of both towns.

**Albi Lamaj, Team Manager – Income Controls**

Albi travels in to Severn Trent Centre in Coventry each day from her home in Harborne, Birmingham. Having worked for Severn Trent Water for over 10 years, the ripple effect of Albi's income has had a positive effect in our region, helping local suppliers in two of our major cities.

Making a difference. Our suppliers

Severn Trent's supplier profile: 2010/2011

The number of suppliers used by Severn Trent Water during 2010/2011 was 1,746

Over 900 (52%) of these were based inside the company's region, with 837 (48%) located elsewhere in the UK and just five (0.3%) outside of the UK

We spent almost £700 million last year with UK suppliers

An investment of over £313 million was made in the local supply chain by Severn Trent during 2010/2011



Making a difference.

Our economic contribution in practice – case study: supplier profile

NMCNomenca and North Midland Construction PLC work with Severn Trent Water to deliver our asset management programme. They have been based in the Severn Trent region for over 65 years and employ in excess of 1,000 people – 750 of whom live within the Severn Trent Water region.



“The NMCNomenca business unit has approximately 350 employees that are dedicated to working with Severn Trent Water. The £50 million Severn Trent Water spend with us is invested in our region ensuring we safely design and build the right solutions, in the right place, at the right time for their customers – many of whom are our own employees.

“The economic stability provided by our relationship with Severn Trent Water allows us to maintain our commitment to localised employment strategies and to continuously invest in the training and development of our employees; an approach we believe is paramount to our continued success.

“Working with Severn Trent Water has also allowed us to give something back to our local community by generating mutually beneficial links with social and academic communities, whilst at the same time allowing us to demonstrate our appreciation and commitment by undertaking corporate responsibility projects with local charitable trusts.

“The economic benefit of working with Severn Trent Water doesn’t stop within NMCNomenca. We in turn spend in excess of £33 million a year with our supply chain partners, some of whom work alongside us in the highways, the sewage treatment works and the water treatment works. Others work in local factories and offices designing and manufacturing the plant and equipment that will be installed at our sites to improve our home environment.”

Mark Lee, Operations/Technical Director, NMCNomenca

Making a difference.

Our economic contribution in practice – case study: investing in the future

Severn Trent views its apprenticeship programme as an important way of encouraging and supporting young people to join the industry. This year we were named one of the country's top 100 apprenticeship employers.

Our established apprentice scheme helps young people gain valuable on the job skills and qualifications whilst they earn. It can also provide significant benefits to the regional economy and boosts employment figures in these challenging times.

Michael Williams beat regional finalists from across the UK to win the national outstanding achievement by a final year apprentice award.

Michael, 25, who lives in Shrewsbury, achieved exceptional college reports and exam results, gaining distinctions throughout his studies. He exceeded expectations within the workplace and was placed in increasingly responsible roles – becoming a senior technician before the end of his apprenticeship and completing his degree within a year of finishing. He is now a Service Delivery Manager for Severn Trent Water.



“The Severn Trent Water apprenticeship scheme worked well for me as I was able to gain formal and vocational qualifications and get valuable on the job experience. By the time I finished my apprenticeship, I had three years experience of working on the job as well as both sets of qualifications - and you have the opportunity to go even further, like I did, and obtain a degree.”

Michael Williams, Severn Trent Water Service Delivery Manager

Economic summary

Spending £1.3m a day in the region

Over 900 regional suppliers

£314 million investment in the local supply chain

Supporting more than 4,000 local businesses

Our average customer pays just 89p a day for their water

Generating £1.66 in the regional economy for every £1 we spend

Investing in the future through our apprenticeship programme

Employing over 5,000 people

Making a difference.

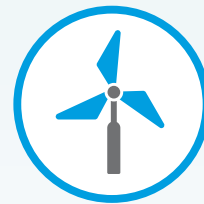
Environment and climate change

Responding to climate change is a priority for us.

Through the treatment and pumping of clean and waste water, the UK water industry accounts for around 1% of the UK's total greenhouse gas emissions (GHG).

At Severn Trent Water, electricity consumption accounts for around 70% of our total GHG emissions.

We are committed to reducing this by minimising the emissions from our operations and working with our customers to improve water efficiency.



We generate around 24% of all the energy we need to run our business from renewable or green energy.



Making a difference.

Our environmental contribution in practice – case study: Stoke Bardolph

In 2010 we completed a £15 million project at Stoke Bardolph, Nottingham, sewage treatment works to build the UK's first industrial scale crop digestion power plant.

The growing and harvesting of energy crops, combined with anaerobic digestion and gas generation, is a technology that has been extensively used in Germany. Anaerobic digestion is a series of processes in which microorganisms break down material to produce biogas.

The process generates enough electricity each year to power more than 4,000 homes. Using 37,000 tonnes of maize (corn) silage – which is grown on the 750 hectare site – we generate all of the power necessary to run our adjacent sewage treatment works.

“The land has been used for the safe recycling of sewage sludge for many years so cannot be used for food crops. Growing maize for electricity production is an ideal use for this land and is a totally sustainable solution,” explains Martin Dent, Severn Trent Water's Renewable Energy Development Manager.

We already use anaerobic digestion technology to treat sewage sludge and generate electricity at all of our large sewage treatment works, but this is the first time we have generated electricity from crops.

The project is an important part of our renewable energy expansion programme – by March 2013 we aim to be generating 30 per cent of the power our business requires from renewable energy.

It is proof that we are serious about reducing our carbon footprint and reducing the amount of power we import from the national grid.



Sherwood MP Mark Spencer, (second left) a member of the Environmental Audit Select Committee on a visit to Stoke Bardolph in March 2012.

Making a difference. Responsible leadership – doing the right thing

Being a responsible company is integral to our long-term goal to become the best water and waste water company in the UK.

Our strategy is based on making the improvements our customers tell us they want, whilst ensuring that the economic and environmental impacts of our actions are sustainable.

Working in partnership with the Environment Agency, the National Farmers Union, the Country Land and Business Association and Moreton

Morrell and Pershore Colleges, we organised a competition to improve the students' understanding of the impact of agriculture on water sources. The focus was on minimising the run-off of pesticides, nutrients and suspended solids and using water wisely on the farm, as well as engaging with and educating the next generation of farmers.



Making a difference. Our social contribution

Our investment in the region is far from purely financial. We also provide a positive contribution through our commitment to community investment.

Our reservoirs are set in some of the most stunning countryside in the UK and provide an opportunity to visit numerous landmarks steeped in history. They offer a selection of free events and activities open to everyone. Whether you want a gentle stroll, to get energetic on your bike, try a variety of water sports or simply relax watching the birds and the world go by, our visitor sites provide an ideal location.

Each site, built around a reservoir, has its own unique landscape that changes dramatically throughout the year, depending on the season. Our sites are home to a wide variety of wildlife including local and migrating birds, with many offering specific conservation programmes to protect endangered species.

And our commitment doesn't end there. In 2010/2011, 538 of our employees volunteered through our company volunteer scheme, donating 2,841 hours of work-time to carry-out a variety of activities enhancing our local communities. We also continue to support various partnerships with local charities.



Making a difference.

Our social contribution in practice – case study: being a better neighbour



Leamington MP
Chris White (right)
visiting the site of our
sewer renewal works in
Leamington Spa

We have invested over £8 million to upgrade over 2.2km of pipes in Leamington Spa, Warwickshire, increasing the capacity of the sewer system and reducing the risk of surface flooding in the town. The sewer relief system will also be upgraded to reduce pollution of the River Leam.



“Severn Trent’s works are the best planned I have ever seen”

Gez Romano, Street Works Manager –
Warwickshire County Council



When a local meditation centre in Leamington approached our workforce to ask if we could delay some work due to take place during a relaxation session they were running, we were happy to oblige. The result was one impressed business (and no doubt one relaxed customer).

This sort of engagement is vital and forms part of our ethos going forward. The benefits in such an approach are enormous and long term. Although our work was delayed by an hour, we gained the goodwill of an affected business and their customers.

NMC Nomenca's Mark Lasance, working on behalf of Severn Trent Water, with Hannah Parkin from the meditation centre, Halcyon, Leamington Spa

Making a difference.

Helping customers who struggle to pay

Despite having the lowest average household bills in the country, around 9% of the households we serve spend more than 5% of their disposable income on water.

Around 6% of our customers owe us money for their water bill. We fully understand that many of these customers have genuine difficulty in paying. We are committed to becoming a more efficient company, by continually improving the way we work, to help keep bills down. We will deliver service improvements which take account of willingness to pay amongst low-income groups.

We will further develop our payment options and support for our charitable trust (which aims to help those in debt) as well as working closely with Citizens Advice Bureau's throughout the region to help those least able to pay.

And we will also make sure those who can pay but don't, are pursued effectively.



By 2015, our efficiency improvements will help save £8 from the average annual household bill.



Making a difference.

Our social contribution in practice – case study: Big Difference Fund

Working in partnership with Coventry Citizens Advice Bureau (CAB), Severn Trent Water has launched the Big Difference Fund – a project to help our customers resolve their debt problems through support and advice, and giving them the opportunity to receive funding from the project.

Simon Mullan, credit manager at Severn Trent Water, commented: “This project is about making a real difference to the lives of some of our vulnerable customers who are struggling in this difficult economic time. The £500,000 funding we have provided will enable the Citizens Advice Bureau to set up advice meetings for our customers and give them the opportunity to apply for funding to help make long term changes to their financial debt situation.

“We are really pleased that we have this fantastic opportunity to work alongside such a dedicated and trusted team at the Coventry CAB”.

The Right Honourable Bob Ainsworth MP, Member of Parliament for Coventry North East commented: “This project aims to help people get back on track by looking at the ‘big picture’ of how they manage their finances, not just individual elements. The CAB and Severn Trent should be congratulated for working together. I would encourage people who might be struggling to pay their bills to visit their local Citizens Advice Bureau for a chat to discuss what options there are.”

Simon Brake, Coventry Citizens Advice Bureau chair, said: “We are delighted to be working with Severn Trent Water on this exciting project. The bureau has much expertise in understanding the problems faced by people trying to budget on limited incomes and manage and support their families whilst paying for the basics of life – food and housing, keeping warm and safe. We think this project will help clients to budget more effectively whilst also providing them with access to grants that will give them a fresh start”.

Her Royal Highness, Princess Anne, talking to (from left) Simon Mullan, credit manager at Severn Trent Water, Daksha Piparia, fund manager for Coventry CAB, Charley Gibbons, chief executive of Coventry CAB and Simon Brake, chair of Coventry CAB about Severn Trent’s Big Difference Fund.



Making a difference.

Our social contribution in practice – case study: community volunteering

Severn Trent Water's customer relations department stepped in to offer Eckington Scout Club in Chesterfield a helping hand, following a troublesome bout of leaks in 2011.

With successful cake sales, raffles and dress down days in offices across Coventry, Derby and Shrewsbury, the team donated over £1,500 towards a clear up day for the scouts.

Going the extra mile, a Severn Trent Water team of volunteers went along for the day to help cut back trees, trim hedges and give the scout hut a fresh lick of paint.

"The scouts had a hard time last year after experiencing a number of leaks on the property and we wanted to show our support and help them get back on their feet. It was a great day and everyone pitched in, we even got a visit from the local Councillor Jim Jesson. The

donation was definitely put to good use and the club looks great," said our Customer Relations Manager Penny Brown.

Scout leader, Sheila Wright said: "We would like to thank everyone for all the hard work they put in – we are extremely grateful. The people from Severn Trent must have found it all quite daunting but they cleared an extensive area of brambles and weeds and got straight back into it after lunch without much of a break.

"They were very hard working, cheerful and friendly and we have decided to nominate Severn Trent for an official 'thank you' badge for all their help."



"We would like to thank everyone for all the hard work they put in – we are extremely grateful"

Scout leader, Sheila Wright



Making a difference.

Our social contribution in practice – case study: education programme

Our education programme has been developed to appeal to everyone across the Severn Trent Water region.

Members of our education team attend community events and provide lively sessions at schools and community centres around the region, educating and inspiring a range of audiences, from children through to adults, and from domestic through to agricultural customers.

Our aim is to help our customers reduce the amount of water they use and to ensure unwanted products such as fats, oils and grease and other forms of pollution do not enter our waste water system.

This is the right thing for the environment, helping to reduce water waste and sewer flooding, as well as minimising our carbon footprint. It will also help to reduce our costs. It is fundamental to our strategy to provide our customers with the lowest bills, together with the highest standards.



“We have used Severn Trent Water for several years now and are really impressed with the teaching and resources offered.”

Alvechurch Middle School



Making a difference.

Our economic, environmental and social contribution in practice – case study: Severn Trent Centre

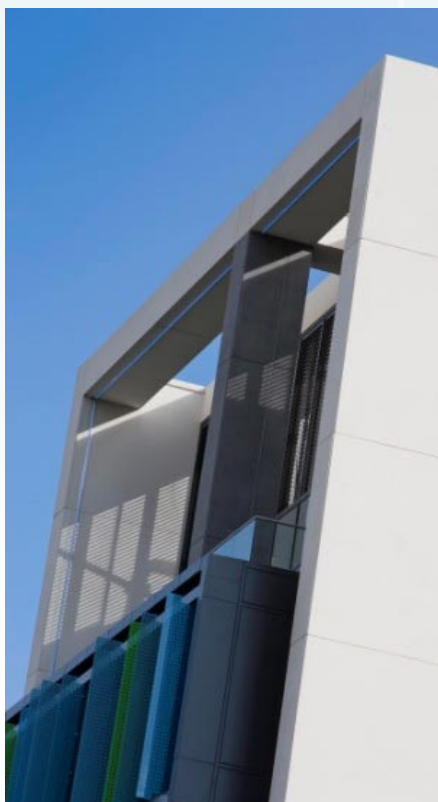


“Moving to Coventry City centre allowed us to bring together many of our South Midland functions to one, modern, specially designed business centre and in doing so contribute to the ongoing economic development of the city.”

Tony Wray, Chief Executive of Severn Trent

In October 2010 Severn Trent Water moved its operational centre to Coventry. The brand new building is no typical office. More than three years in the planning – and representing an investment of £60 million – the project was an exciting new phase in the development of our company and our progress towards being the best water and waste water company in the UK.





“Severn Trent Water’s move to Coventry was always about more than just an impressive and sustainable new building in the city centre. It was, and is, a statement of confidence in our city. It is tremendously important – particularly at a time of economic uncertainty – that Coventry and the West Midlands are able to attract and retain high value, Ftse 100 companies, and high quality jobs. The move has had a positive impact on the local job market both in terms of vacancies within Severn Trent and local business serving the needs of the new operational centre. It will also help to ensure we keep our university graduates here in the city, as Severn Trent has a high graduate level workforce and provide numerous apprenticeship opportunities through their established programme.

“Economic estimates also expect an additional injection of between £3-6m per annum into the retail sector of the city centre, so everyone in Coventry will eventually see the benefit of the move.

“We worked closely with Severn Trent and its employees before and during the relocation and will continue to support them in the future”.



**Councillor John Mutton,
Leader of Coventry
City Council**



Making a difference.

Future investment in our region

Over the next two years we will be developing a new business plan (for the period 2015-2020) and reviewing our longer term 25 year strategy (our Strategic Direction Statement). We want the priorities of our customers and stakeholders to be at the heart of our plans as the decisions and investment we make will affect the service they receive, the price they pay and the environment in which we all live. We recognise we will have to balance priorities which may conflict, and make some difficult choices.

We also recognise that we need to continually improve our services and maintain water supplies, and do this in an environmentally sustainable way.

At the same time we need to keep our customers' bills affordable. We will have to invest wisely and be even more efficient to tackle the major challenges we face. We think the main challenges will be:

- Supplying a growing population
- Coping with climate change
- Supporting diverse habitats and good water quality in our region's rivers
- Delivering against increasing customer expectations
- Keeping bills affordable in tough economic times
- Making sure we have long term sources of financing.

Once we have listened to the views of our customers and stakeholders, we will produce our business plan and present it to our economic regulator, Ofwat, in 2014 as part of its 'price review' process ready for implementation in 2015. We want a plan that improves the core services we provide and also recognises the broader economic, environmental and social impact we have on the area.



Making a difference.

Headlines and conclusions

Key findings from the above analysis, which demonstrate the economic, environmental and social impact of our current investment in the region, are as follows:

£1.66 was generated in the regional economy for every £1 we invest

Severn Trent Water injects over £1 billion into the economy each year. Almost 45% of this is retained within the company's region in the form of employee wages and payments to local suppliers

We employ a workforce of over 5,000, with 98% living within the company's region

We generate around 24% of all the energy we need to run our business from renewable or green energy

We procure goods and services from 1,746 individual suppliers of which 904 are based inside the company's region. 837 are located elsewhere in the UK and just five outside of the UK

In 2010/2011 45% of our total supplier spend was accounted for by firms within the Severn Trent Water region, a total investment of over £313 million in the local supply chain

We are one of the country's top 100 apprenticeship employers

In 2011 we were re-certified to the Carbon Trust Standard in recognition of our reduction in green house gas emissions and carbon management strategy

The total re-spend within the region by our 'local' suppliers is in the order of £164 million

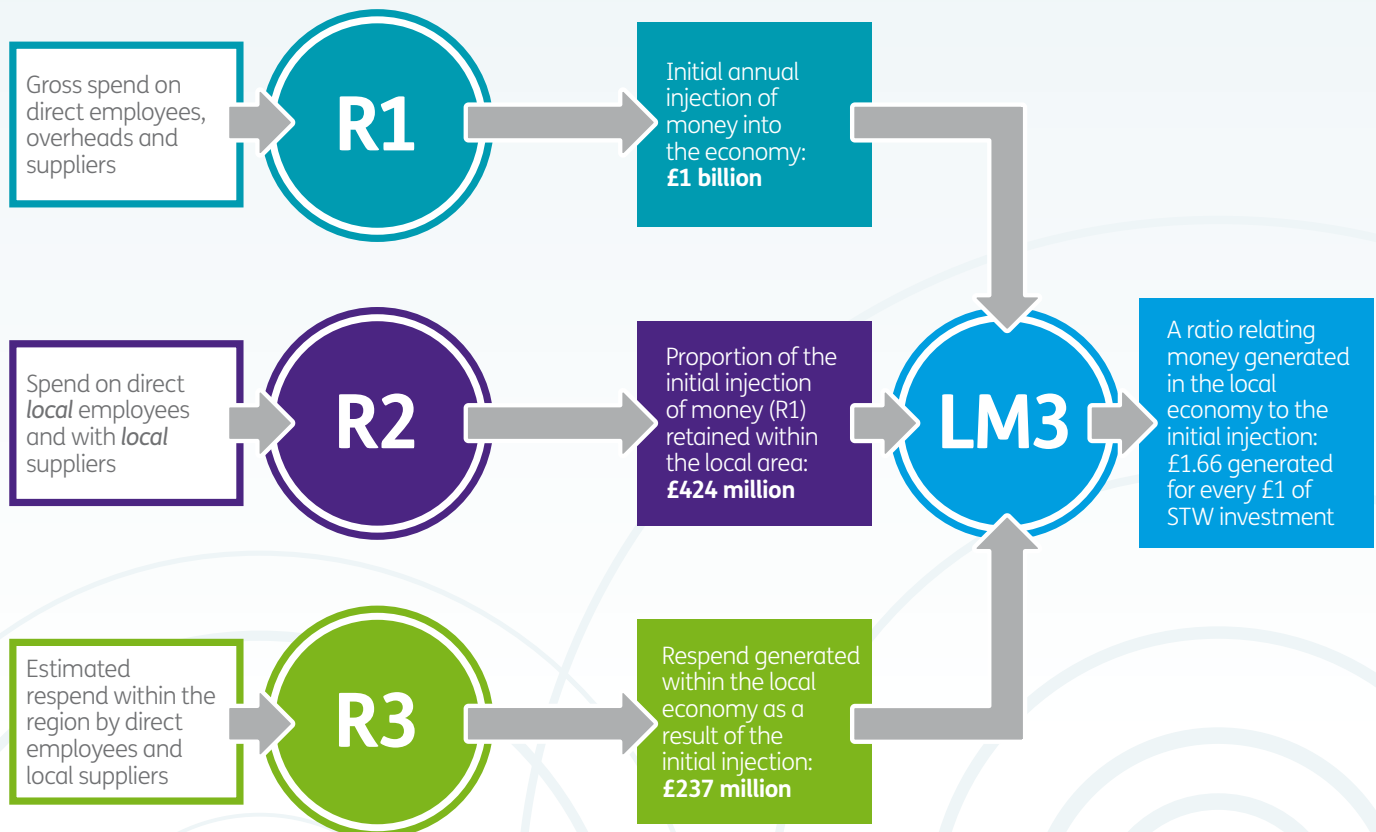
Re-spend within the region by our direct employees is in the order of £73 million

Our customers have the lowest average combined water and sewerage bills in the country

Annex 1.

The economic multiplier effect

The LM3 Local Multiplier Model



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