

Severn Trent Water Limited Annual Performance Report 2021



WONDERFUL ON TAP

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Welcome to the Severn Trent Water Annual Performance Report 2021

Taking care of one of life's essentials

WONDERFUL ON TAP



This Annual Performance Report ('APR') covers the year from 1 April 2020 to 31 March 2021 and is our first APR to be published for the 2020-2025 period (known as 'AMP7').



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc.

Welcome to this year's Annual Performance Report for Severn Trent Water which covers the first year of AMP7. We hope all stakeholders find this transparent assessment of our performance during the year both informative and interesting.



Liv Garfield
Chief Executive
Severn Trent Water Limited
and Severn Trent Plc.

The APR provides our customers and other stakeholders with clear and transparent information on all aspects of our performance in 2020/21, including the progress we have made to deliver our customer outcomes.

Providing accurate, clear and understandable information which can be trusted by our stakeholders is important to us and ensures our customers and stakeholders can clearly see how we have performed.

The aim of this APR is to provide customers and stakeholders with:

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, accurate and assured account of our performance across our 40 performance commitments in the year.

An understanding of the actions we have taken to put things right in areas where we have not performed as well as we wanted.

Additional Regulatory Publications

In addition to the APR, the following documents will be made available on our website in our regulatory library stwater.co.uk:

- A methodology statement which explains the systems and processes used to populate the data tables in the Regulatory accounts.
- The Severn Trent Water Limited Annual Report and Accounts ('ARA') for the year ended 31 March 2021. Where disclosures in the ARA fulfil the requirements of the APR, we have included a cross reference to the relevant section for further information.

Statutory Publications

In addition to our regulatory publications we publish a number of statutory reports on our website stwater.co.uk:

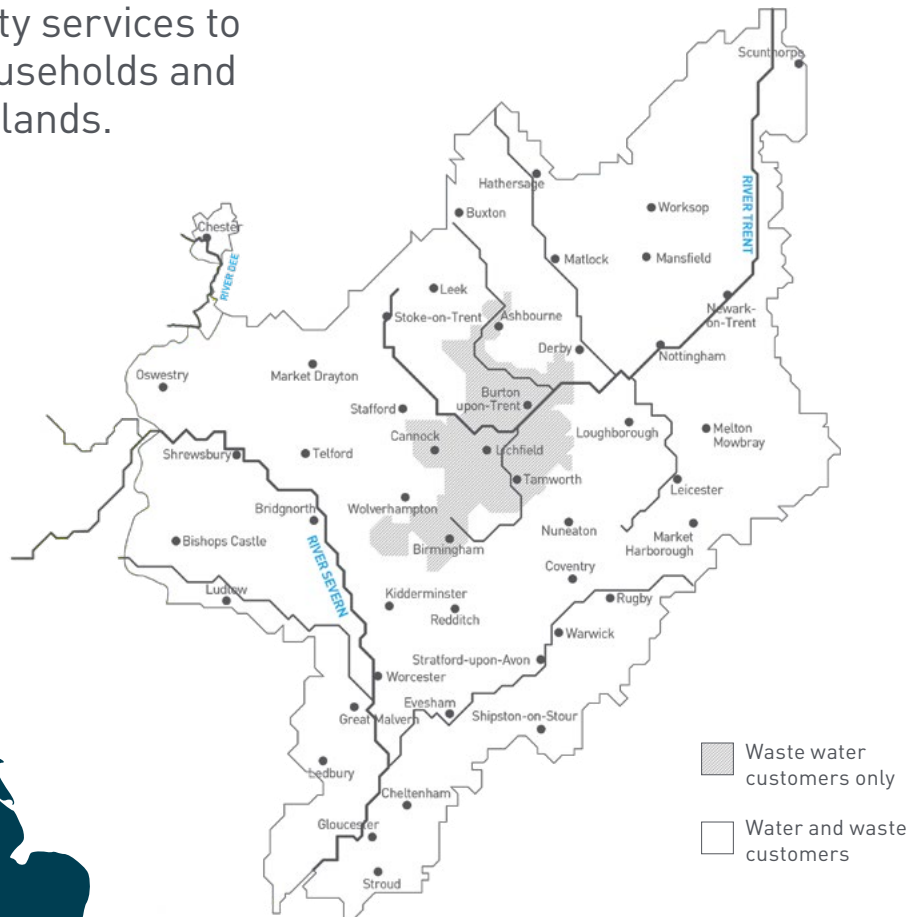
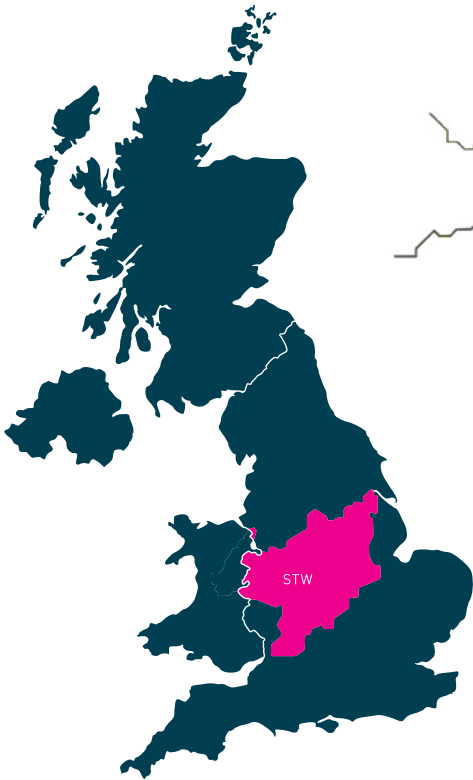
- Severn Trent Plc Annual Report and Accounts ('ARA') for the year ended 31 March 2021.
- Sustainability Report for the year ended 31 March 2021.

About us

Severn Trent Water is one of the largest of the 11 regulated water and sewerage companies in England and Wales.

We provide high quality services to around 4.6 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.







We are regulated by Ofwat, the economic regulator of the water sector in England and Wales, and every five years we work with our customers to develop a new business plan which is then assessed by and agreed with Ofwat.

Shaping our business plan for AMP7 involved extensive customer engagement, and as a result, we know that our performance commitments are in the areas of service that are most important to our customers. Ofwat awarded us fast-track status on our business plan which meant that our customers benefited from us being able to get a head start on working towards our commitments for AMP7.

We are therefore pleased to present our performance for the first year of AMP7 in this APR, which is produced in line with Ofwat's guidance. It provides clear and transparent information on progress against the delivery of our customer outcomes, service levels, costs and financial and environmental performance.

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.

2020/21 Quick facts and performance highlights

<h2>Quick facts</h2>	  Delivering water that is good to drink and is always there	 Waste water taken safely away	 Customer, community and environment
<p>2.0 billion Litres of drinking water supplied each day</p>	<p>92% Low pressure complaints resolved first time</p>	<p>16% Year-on-year improvement in internal sewer flooding incidents</p>	<p>Around £1 per day One of the lowest average bills in England and Wales</p>
<p>3.1 billion Litres of waste water treated each day</p>	<p>2.2% Reduction in leakage performance commitment</p>	<p>30% Year-on-year reduction in blockages</p>	<p>£3.5m Donated to c.400 charities in the region</p>
<p>4.6 million Number of households and businesses served</p>	<p>1.5 Compliance Risk Index score*</p>	<p>c.1,500 Sewer sensors installed</p>	<p>2,632 Hectares of land with improved biodiversity</p>
<p>6,536 Average number of employees</p>	<p>Read more about our performance in the Annual Performance Summary chapter from page 47.</p>		

*A measure designed to show the risk from treated water compliance failures.

Setting aspirations and performing for all those we serve

We built our PR19 business plan to meet the needs of our customers and wider society. The business plan sets out our aspirations through our nine outcomes. These have a long-term perspective, looking 25 years ahead, and are underpinned by the performance commitments we have made to our customers detailed in our [Final Determination](#). This is our first year of AMP7 reporting, and our opportunity to share how we are progressing against the deliverables and discuss how our performance is interlinked with our Purpose, Values and culture.

Our Purpose, Values and culture are absolutely essential in delivering long-term success and building and maintaining trust as a public service provider. It was with this in mind, we launched our new Purpose and Values last year – setting out a clear statement of direction that is representative of who we are, why we do what we do, and how we do it.

Our Purpose **‘taking care of one of life’s essentials’** unites everyone at Severn Trent Water. A large number of our employees were involved in its development, including at Board level, making it a Purpose made by our people, for our people. It included feedback from a range of stakeholders, including customers who were engaged as part of our business plan preparations, to make sure that our Purpose aligns with 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. Our framework of Values - having courage, embracing curiosity, showing care and taking pride - supports our long-standing Code of Conduct, Doing the Right Thing, and drives delivery of our strategy. You can find out more about our Purpose and Values on page 14.

We believe our Purpose is used as the basis against which decisions, performance and progress are anchored and measured. This year, as the COVID-19 pandemic unfolded, the Board maintained continual dialogue on the potential impact on our customers, communities, colleagues and shareholders and ensure effective Board oversight of the Company’s response to the pandemic, continuing to actively engage with stakeholders throughout the year in a number of ways:

Community engagement

- Employees who live and work in our communities met the Board at the Employee Forum and during site visits.
- Employees who live and work in our communities engaged with the Board through the virtual employee engagement event, ‘Ask Our Board’, held in May 2021.
- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.
- Environmental matters are regularly considered by the Board.

Customer engagement

- Customer delivery performance is discussed at every Board meeting.
- Customer perceptions of value for money reported at every Severn Trent Plc Corporate Sustainability Committee.
- Extensive customer engagement shapes our strategy and business plan.

Employee engagement

- A dedicated employee engagement virtual event, ‘Ask Our Board’, was held in May 2021.
- The Chair, Non-Executive and Executive Directors attend Company Forum meetings and provide feedback at Board meetings.
- Company Purpose and culture, talent development and people strategy are discussed at Board meetings.
- The Severn Trent Plc Remuneration Committee reviews workforce policies and practices and makes recommendations to the Board.
- The Board considers QUEST survey results and steps taken to address feedback.

Stakeholder engagement is central to the formulation and execution of our strategy and is critical to achieving long-term sustainable success. The needs of our different stakeholders, as well as the consequences of any decision in the long term, are well considered by the Board. The Board also ensures the Company's Purpose and Values are embedded and integrated to provide a strong foundation on which to successfully deliver our strategy.

It is not always possible to provide positive outcomes for all stakeholders and the Board sometimes has to make decisions based on the competing priorities of stakeholders. Our stakeholder engagement processes enable our Board to understand what matters, consider all the relevant factors and select the course of action that best leads to the high standards of business conduct and long-term success of our company.



Examples of how the Board oversees the delivery of our strategy:

- Considering the funding strategy for Green Recovery schemes.
- Delivering the outcomes and social purpose of our five-year business plan that our customers want including reviewing the performance of Capital and Commercial Services on delivering against our ODIs.
- Focusing on our climate change and sustainability, including value creation from zero waste, Green Recovery and our sustainability agenda.
- Considering updates in respect of river quality and the leading role the Company could play in driving the river quality agenda.
- Sharing our longer-term ambitions that go far beyond our business plan for 2020-2025 including our 30-year drought plan, our long-term leakage reduction targets and oversight of the improvements delivered against our Pollution Incident Reduction Plan.
- Participating in a number of strategic deep dives including our new Strategic Direction Statement, addressing water poverty and progressing our social purpose. More information on the nine deep dives can be found on page 99 of the [ARA](#).
- Fostering the engagement of employees to deliver our plans.
- Focusing on our wider stakeholder commitments including diversity and inclusion, with Board sessions on employee voice, gender pay and modern slavery.
- Focusing on supporting our local communities through our social tariffs, social dividend, and other charitable contributions.
- Monitoring and assessing the culture through regular meetings with the Executive Committee and management.
- Early involvement in PR24 planning.

We believe our Purpose makes all the difference. A highly engaged and motivated workforce is key to delivering the great performance we need for our AMP7 ambitions. Our social purpose has galvanised our employees and our QUEST employee engagement score increased from 8.1 to 8.3 this year, with all of our key engagement drivers being above benchmark scores. Our workforce lives and breathes our social purpose. This also extends beyond and includes our supply chain, who are part of the Severn Trent community. We continue to work closely with them to ensure our culture and Values are aligned. Through our Sustainable Supply Chain Charter we encourage all suppliers to sign up to the same commitments as ourselves; for example, becoming an accredited real Living Wage employer and sharing our zero tolerance to modern slavery.

Our Value, 'showing care', is central to how we keep our people and communities safe in all that we do. It's how we start every shift and every meeting and our Goal Zero policy clearly sets out our target that no one should be injured or made unwell by what we do. We experienced no major safety incidents and no fatalities in the last 12 months, with a 20% improvement in Lost Time Incidents ('LTIs') this year.

We strive to do the right thing for all of our stakeholders. Our Purpose has shaped our decision making and that's why this year has been really focused on creating societal value through our social and environmental commitments beyond our AMP7 business plan. In January 2021 we welcomed the first of our 'Kickstarters' as part of our ambitious plans to support 500 unemployed 16 to 24 year olds into employment with paid work experience and skills development. We continue to recruit from regional social mobility cold spots, including through our graduate and apprenticeship schemes. COVID-19 has had a global impact and we are acutely aware that some of our customers and supply chain will be experiencing affordability pressures at the moment. This year we helped over 150,000 customers with their bills, through a range of measures. So far we have awarded £1.5 million to 93 projects through our Community Fund. This year we also launched our £1 million COVID-19 Emergency Fund and have donated to 339 local charities to help them deal with the effects of the pandemic. We also donated almost £1 million as part of our water saving charity challenge. During the year we accelerated payments to our supply chain, helping small and medium-sized enterprises in our region to help with crucial cashflow throughout the COVID-19 pandemic.

In terms of performance, everyone in the Company plays a key part in delivering our business plan. Our Purpose and Values are translated and embedded into company objectives through each management level.

These are focused on improving performance for the customers and communities we serve, in line with our overall strategic objectives. This is also reflected in our employee bonus scheme, where 51% of measures are non-financial, customer-focused targets. Despite this being a year like no other, as a result of the COVID-19 pandemic, we have continued to focus on delivering for our customers, and some of our fantastic achievements are explained later in this report from page 47.

Our region's economy has been one of the hardest hit by COVID-19 and, as a responsible business in our region, we proposed an ambitious package of investments aimed at delivering long-term, sustainable benefits for current and future generations in our region, through improving the environment and also creating jobs.

Our customers helped us to shape and develop the proposals and we have been delighted and encouraged by their positive engagement and feedback.

On 17 May 2021, Ofwat proposed to award us £565 million (2017/18 prices) to invest in our ambitious Green Recovery programme, providing a great opportunity to deliver long-term growth for the Company alongside new investment to support our ESG ambitions. We are delighted with this outcome and have already started work on the new investments, aimed at achieving the below goals:



Make rivers safe for swimming

We're going to encourage wild swimming by trialling the creation of two bathing rivers in stretches of the River Leam and the River Teme. In transforming them so that they're healthy enough to swim in, we will also reinvigorate the pathway to how rivers in the UK can achieve 'good ecological status'. These investments will create more leisure opportunities, improving wellbeing, and bringing in a whole series of environmental initiatives that will benefit wildlife as well as local communities.



Be leaders on removing lead

Customer-owned supply pipes are a hidden financial and health liability for many people – over 40% of households don't have the savings to fix a burst, and up to half of all pipes could contain lead, which the World Health Organisation states is unsafe at any level in drinking water. Instead of tackling the lead by adding more chemicals, we're going to fix the problem at the source. In an ambitious pilot, we'll work with local plumbers across Coventry to replace 25,000 pipes. We'll also trial new approaches to 1,000 homes in Shropshire to reveal insight on how to tackle this national problem, withdraw chemical use, and reduce the estimated 25% of leaks that come from these customer-owned pipes.



Help customers save water

We're rolling out a large-scale trial of over 150,000 smart water meters. These will help customers use water more efficiently, while also helping us reduce leakage by enough to supply a town the size of Market Harborough. This will help reduce the need for future investment in water resources that the Government has forecast is needed across the entire country.



Provide more water for more customers

We want to make sure that we're ready for the future by increasing water supplies by enough to serve a city the size of Derby. And we'll do it by using low carbon technology too, revealing new insights we can share with other companies to support the water sector's aim to be net zero by 2030.



Protect homes from flooding

A new 'nature-based' approach, in Mansfield, is another way in which we're going to reduce flooding. Working closely with local councils to install natural surface flood defences such as green embankments, ponds and grassed areas. We're aiming to protect around 90,000 customers, reduce the broader harm that flooding brings to local communities and give local people a more pleasant natural environment to enjoy.



Accelerating environmental improvements

We'll support environmental improvement to 500 km of rivers, through accelerated delivery of our Water Framework Directive statutory obligations and improvements to storm overflows – delivering benefits five years earlier than we would have done without this opportunity to contribute to the Green Recovery.

On top of the long-term benefits for customers and the environment, these investments will directly create around 2,500 jobs in the Midlands at a time when employment, and getting people back into work, is vital for our region. And we'll be recruiting and training local people, using the brilliant facilities at our new Academy, to improve skills across our region.

Our approach to Board leadership, transparency and governance

Our approach to 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, this chapter has been formulated to fully articulate how we apply the principles and provide direction to additional published information where relevant.

During the year, as the COVID-19 pandemic unfolded, the Board increased its interactions to maintain continual dialogue around the potential impact on our customers, communities and colleagues, and ensure effective Board oversight of the Company’s response to the pandemic.

The Board rapidly adopted the approach implemented for non-key workers across the business, with Board meetings being held virtually whilst restrictions were in place. The Board also met physically as soon as movement restrictions allowed and undertook a number of site visits – in order to personally thank key-worker front-line employees for their continued dedication. Significant effort was applied to ensure that all matters on the Board’s forward plan were considered during the year and external stakeholders continued to attend virtual Board events throughout the pandemic. The Board values the insight gained from stakeholder engagement and places significant importance on maintaining close relationships with them, taking account of, and responding, to their views.



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.

- Documents available at severntrent.com**
- Our Group Company Structure
 - Detailed information about the Severn Trent Plc Board and Severn Trent Water Limited Board, along with their respective Articles of Association and Matters Reserved to the Board
 - Our Code of Conduct, Doing the Right Thing
 - Charter of Expectations
 - Group Conflicts of Interest Policy
 - Group Remuneration Policy
 - Our Assurance Plan
 - **Severn Trent Water Code of Practice**

1. Purpose, Values and culture

Our Purpose and Values

The Board recognises the importance of the Company's Purpose, Values and culture in delivering long-term success and building and maintaining trust in its activities. As such, the Board reserves responsibility for establishing Severn Trent Water's Purpose, Values and strategy and continuously seeks to satisfy itself that our culture is aligned to these.

Our Purpose and Values set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. 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, 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 are guided by our Values:

- Having courage;
- Embracing curiosity;
- Showing care; and
- Taking pride.

Our refreshed Purpose and Values were launched during 2019/20, following extensive consultation with our people – from the front line of our operations to our Board – to rearticulate our Purpose and Values in a way that would be meaningful and inspiring for everyone, across the whole of the Severn Trent Group.

Our Purpose and Values are not solely for Severn Trent Water, but apply to Hafren Dyfrdwy, our other regulated water business, and our non-regulated businesses.

Once our new Purpose and Values had been launched, the focus shifted to taking the Values beyond just statements, to ensure that they were embedded and brought to life through our everyday ways of working, in order to continue to create the right environment for our teams to be successful. The rollout of our updated Behaviours Model and Leadership Expectations was a critical part of this, as was refreshing our Code of Conduct, Doing the Right Thing, and making sure that the Company's workforce policies and practices remained consistent with our Values.

Questions around Purpose, Values and strategy were posed to the workforce in our most recent employee engagement survey, QUEST. It is clear from the results that our Purpose and Values strongly resonate with our employees as demonstrated by the overall employee engagement score of 8.3/10 – placing us in the top 5% of utilities globally. Employees agree that our Values provide a good fit with the things they consider important in life and they feel inspired by the Purpose of our Group. The positive impact our new Purpose and Values has had on the workforce will serve to hold us – collectively and individually – to account in making sure our actions always align with our Purpose and Values.

Our Purpose reflects why we do what we do

Our strategy provides us with what we do

Our Values determine how we deliver our Purpose and strategy – they are the principles that guide our behaviour and they are what makes us Severn Trent

Taking care of one of life's essentials

The Board considers aspects of the Company's strategy at every meeting, taking into consideration our Purpose and the potential impact on a wide range of stakeholders.



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.

Doing the Right Thing, our Code of Conduct, helps us put our Values into practice. Our Values and Code of Conduct embody the principles by which the Group operates and provide a consistent framework for responsible business practices.

Our Code of Conduct 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. Our Values apply to how we report information just as much as any other service we provide for our customers. 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 how to ensure that the highest standards of safety are maintained; and how to apply good ethics and sound judgment.

During the year, the Board has focused on deepening its understanding of the Group's culture even further, through a dedicated Employee Voice session in November 2020. The session was centred on the results of our employee survey, QUEST. 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 at first hand matters that the Board is reviewing and considering.

Whilst national lockdown restrictions permitted, a number of socially distanced COVID-secure site visits were undertaken by Board members. Such visits enable the Board to understand the true culture of the Group and assists with measuring progress against the Group's People Strategy, which focuses on employee health and wellbeing, diversity and inclusion, and talent development. These direct interactions with employees allow our Board to understand first hand the key issues identified by our workforce, and provide an opportunity to feedback specific personal insights.

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. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity.

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 on page 81 in our **Annual Report and Accounts ('ARA')**.

Setting aspirations and performing for all those we serve

As a provider of an essential public service, the importance of delivering for all our customers is constantly being considered by the Board. Details on how we have set our aspirations in regards to this, and how we have performed against our aspirations, can be found in the dedicated chapter of this report from page 8.

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, noting the proposed improvements to the process, 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.



2. Standalone regulated company

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 on page 93 in the [ARA](#). 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.

Seven members, including the Chair, 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.

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.

3. Board leadership and transparency

Board membership

As at 31 March 2021, the following individuals were Directors of Severn Trent Water Limited. At the date of publication of this report all Directors are still serving on the Board apart from where indicated.

Christine Hodgson	Chair
Kevin Beeston	Senior Independent Director
James Bowling	Chief Financial Officer
John Coghlan	Independent Non-Executive Director
Liv Garfield	Chief Executive
Sharmila Nebhrajani	Independent Non-Executive Director (Appointed 1 May 2020)
Dominique Reiniche	Independent Non-Executive Director (Retired 8 July 2021)
Philip Remnant	Independent Non-Executive Director
Angela Strank	Independent Non-Executive Director

As set out above, independent Non-Executive Directors are the largest group on the Board, with seven out of nine Directors (78%) being independent Non-Executive Directors as at 31 March 2021. Further details on each of the Directors, including Committee membership and meeting attendance, are available within the ARA.

Group structure

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.

The ownership structure of Severn Trent Water Limited can be found on the [Severn Trent Plc](#) website.

Dividend policy

Our current dividend policy is set out in the Regulatory Statements chapter from page 40, alongside information about the dividends the Company has paid and how these take account of delivery for customers and the obligations we have to other stakeholders.

Severn Trent Plc 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 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 the [Severn Trent Plc ARA](#).

Executive pay policy

Our Remuneration Policy is aligned to our Purpose and strategy, thereby incentivising great customer service and the creation of long-term value for all our stakeholders.

Details of our Remuneration Policy are set out within the Regulatory Statements chapter from page 40. This section explains how the criteria for awarding short and long-term performance elements are substantially linked to stretching delivery for customers and are rigorously applied.

Our approach to risk

We think of risk as those things that could prevent us delivering our strategic objectives. Risk manifests itself in both negative and positive impacts. In identifying and categorising risk, we consider the causes including people, processes, assets, external factors and the control environment. The successful delivery of Severn Trent's strategic objectives depends on the effective identification, understanding and mitigation of risk.

2020/21 risk landscape

This year has seen some long-term risks manifest, as a consequence of the UK's Brexit negotiation process, and short-term shocks, such as the COVID-19 pandemic. The EU-UK Trade and Cooperation Agreement, signed on 30 December 2020, avoided a no-deal Brexit, but there remains some additional risk associated with the movement of goods between the EU and UK. The implications for our supply chain, particularly in relation to chemical supplies, have been carefully managed, with dedicated working groups continually reviewing market conditions and monitoring demand against market availability. We have also approved new framework agreements for our capital supply contracts to provide additional flexibility and prevent excessive supplier concentration.

Towards the end of 2019/20, the COVID-19 pandemic presented immediate, and longer-term, human, social, economic and business effects that have the potential to shape the operating context for Severn Trent for years to come. Our initial focus was on maintaining operational performance in a COVID-secure way, continuing to deliver our essential services without interruption whilst protecting our employees.

At an industry level, shockwaves from the tragic accident at Avonmouth in December 2020 were felt across the sector and had a profound impact across our business. In response to the event, we immediately suspended all Dangerous Substances and Explosive Atmosphere Regulations 2002 ('DSEAR') activity and undertook comprehensive surveys at all our bioresources sites as well as a comprehensive review of all our high-risk actions. February 2021 saw a cyber attack against a water treatment plant in Florida, US. The attacker attempted to alter the chemical dosing of the water, after gaining remote access to the treatment systems. The attack was promptly identified and no damage or injury resulted. The incident highlights the importance of cyber security within the water sector. Severn Trent commits significant resources and financial investment to maintain the integrity and security of assets and data **(see Principal Risk 4 on page 44 in our ARA for more information)**.

Risk appetite statement

Severn Trent's Purpose is 'Taking care of one of life's essentials'. No business is free of risk and to achieve our strategic objectives we often need to take calculated risks. We will, however, only accept risk that is consistent with our Purpose, Values and strategy. Risks we accept must be well understood, so that we can manage them effectively.

Our sector has inherent risks, particularly due to the nature and scale of our operational infrastructure and the importance of our activities to the health, safety and wellbeing of our people and the communities we serve. More widely, the sector is subject to political, regulatory and financial market risk, as well as risks arising from developments in technology, stakeholders' evolving expectations and climate change.

Within the Severn Trent Water Group, we operate both regulated and non-regulated businesses, which have different risk profiles and tolerances. Our water and waste water regulated businesses are monopoly providers that are economically regulated and characterised by relatively stable, inflation-linked cash flows.

In some areas, we have risks for which we have little or no appetite. Even though we have implemented high standards of control and mitigation, the nature of these risks mean that they cannot be eliminated completely.

Our risk priorities

In addition to managing the inherent risks associated with our business, we prioritise the following:

The **health, safety and wellbeing** of our people and the communities we serve is our top priority, and we have no appetite for risks brought on by unsafe actions.

Protecting the **environment** is a key long-term commitment. We aim to enhance the water environment and improve biodiversity. We are determined to play a leading role in addressing the impact of climate change through mitigating our own impact, the impact of our supply chain and adapting to the challenges that climate change may bring in the future.

In areas such as our approach to **financing**, we look to take measured risk consistent with providing the best long-term value for our customers and stakeholders.

The Board has overall responsibility for determining the nature and extent of the risks in which Severn Trent participates and for ensuring that risks are managed effectively.

Overseeing risk

Our approach to risk management is designed to enable the business to deliver its strategic objectives while managing the inherent uncertainty that can manifest itself as both opportunities and threats to these outcomes.

We have an established Enterprise Risk Management ('ERM') process and control framework that enables us to effectively identify, evaluate and manage these risks to inform decision making in support of creation of value in a sustainable way. Our approach cannot eliminate all risk entirely, but ensures we have the right structure to effectively navigate the challenges and opportunities we face, and only accept risk that is appropriate to achieving our strategic objectives.

We operate a top down and bottom up model of risk management that ensures both a clear articulation of risk appetite and a comprehensive process of risk identification.

Top down

The Board has overall responsibility for oversight of risk and for maintaining a robust risk management and internal control system. The Board recognises the importance of identifying and actively monitoring our strategic, reputational, financial and operational risks, and other longer-term threats, trends and challenges facing the business.

The Executive Committee reviews strategic objectives and assesses the level of risk taken in achieving these objectives.

The Severn Trent Plc Audit Committee supports the Board in the management of risk and is responsible for reviewing the effectiveness of the risk management and internal control processes during the year.

This top down risk process helps to ensure the bottom up risk process, described on the next page, is aligned to our current strategy and objectives.

Bottom up

Operating in the water sector means risk management is embedded throughout our processes, from day-to-day asset operation and monitoring, medium-term deployment of capital investment to long-term modelling of asset health, performance, and societal and environmental changes.

Our strong continuous improvement culture ensures that risk discussions happen at all levels of the business, resulting in risks being identified, categorised, and entered into the ERM system.

Risk reporting

The ERM process is operated 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 Central ERM Team, continually identifying and assessing risks in their business units and reporting on a quarterly basis. Standardised criteria are used to consider the likelihood and velocity of occurrence and potential financial and reputational impacts.

The potential causes, impacts and mitigating controls related to each risk are well documented. 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 across the Severn Trent Water Group. Our significant risks form our risk profile which is reported to the Executive Committee for review and challenge. This is then reported to the Severn Trent Plc and Severn Trent Water Limited Audit Committee and Boards on a six-monthly basis. The report provides an assessment of the effectiveness of controls over each risk and action plans to improve controls where necessary.

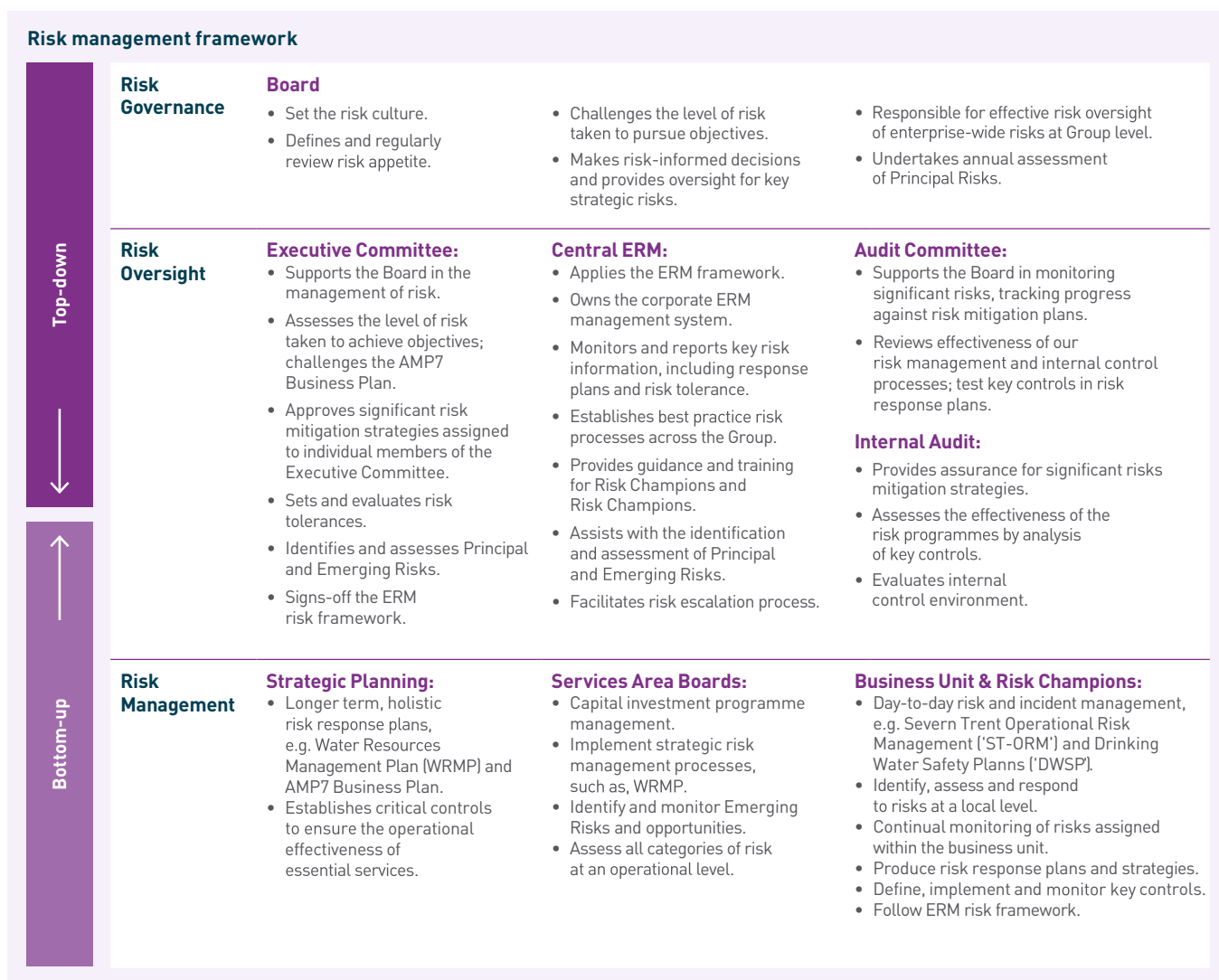
Our Principal Risks

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 or liquidity, to identify risks that could:

- Adversely impact the safety or security of the Company's employees, customers and assets;
- Have a material impact on the financial or operational performance of the Company;
- Impede achievement of the Company's strategic objectives and financial targets; and/or
- Adversely impact the Company's reputation or stakeholder expectations.

This list does not comprise all the risks that the Company may face, and they are not presented in order of importance. The nature and profile of these risks is updated each year to reflect the changing risk landscape. This year sees ten Principal Risks being reported.

There may be additional risks that emerge in the future and we undertake regular horizon scanning to identify and report these to the Board. Risks can present significant value creation and possibilities for innovation. The Principal Risks, what they mean for us and what we are doing to manage them are set out on pages 41-47 of our [ARA](#).



4. Board structure and effectiveness

Board structure

The membership of the Board of the listed Company, Severn Trent Plc, is the same as that of its regulated subsidiary, Severn Trent Water Limited. This structure was implemented in discussion with Ofwat in 2007 to ensure that the highest standards of corporate governance were applied at the regulated subsidiary level and to promulgate greater visibility and supervision of Severn Trent Water Limited by the Severn Trent Plc Board. As a subsidiary of a FTSE100 listed Company, Severn Trent water has chosen to apply the principals of the 2018 UK Corporate Governance Code (the '2018 code') to its governance arrangements where appropriate and reasonably practicable to ensure the highest standards of governance. The two companies operate as distinct legal entities. The Boards comply with the Severn Trent Plc Board Governance Framework and the respective Matters Reserved to the Board. They are assisted through the management of separate agendas, meetings and minutes by Company Secretariat and advised in their meetings by the Company Secretary, where appropriate.

Subsidiary company Boards are managed through designated governance processes. In particular, the relationships between Severn Trent Water Limited and our other businesses such as our Green Power business are monitored and controlled to ensure that regulatory requirements and obligations under competition law are complied with in respect of all transactions between them, or with third parties.

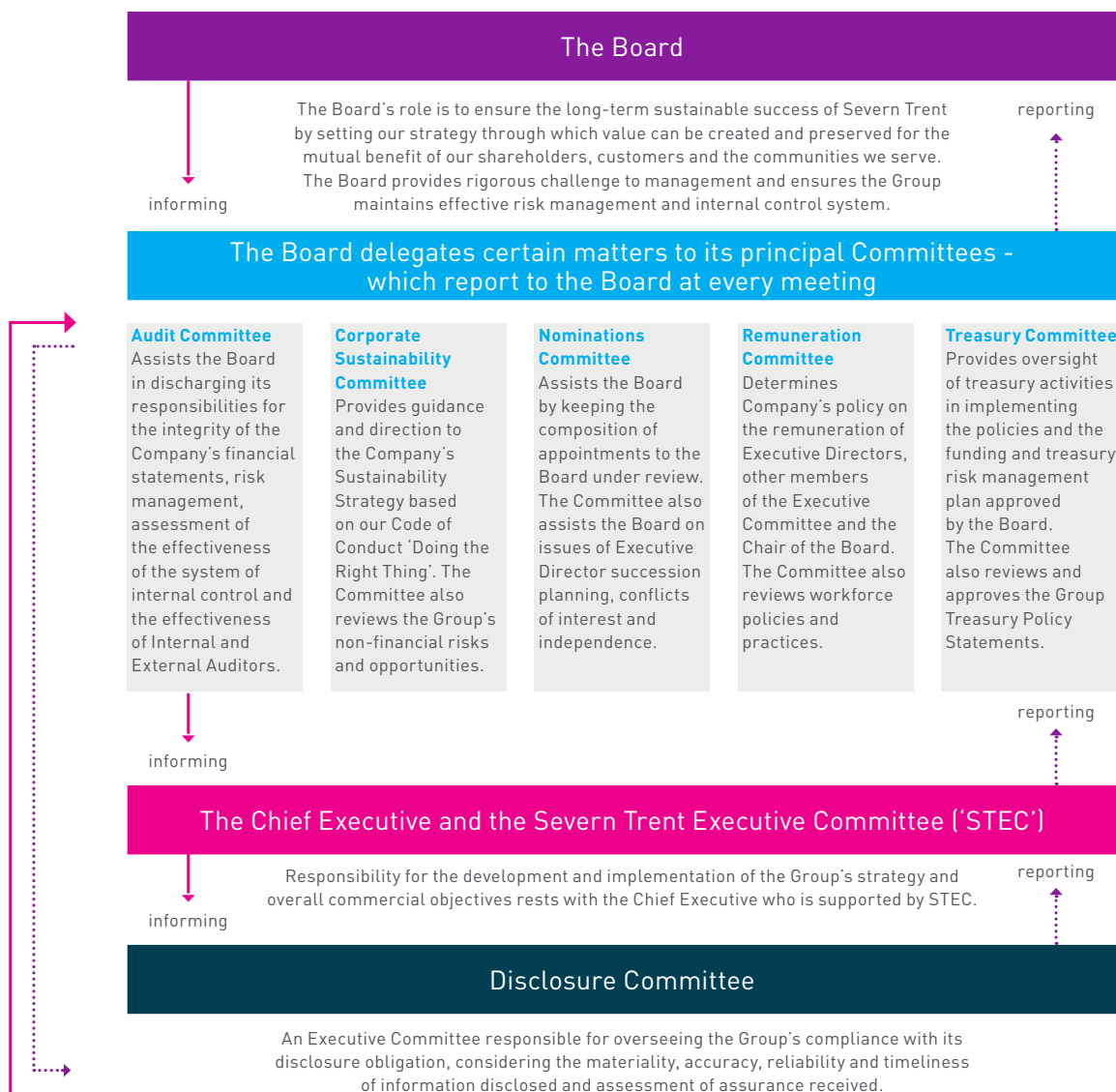
The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board and our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the success of Severn Trent in the long term. Further detail can be found in our dedicated Section 172 Statement on pages 80-83 within the [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 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 Severn Trent Plc Disclosure Committee oversees the Group’s reporting obligations under the Companies Act 2006, the 2018 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.



Board appointments

As at 31 March 2021, the Board comprised the Chair (who was considered independent on appointment), six independent Non-Executive Directors and two Executive Directors.

There is clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chair and Chief Executive are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board. The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, with private meetings being held at the conclusion of all Board and Committee meetings. Individual Directors meet often outside formal Board meetings in order to gain first hand experience of our operations and engage with our workforce.

As was the case during the year, any new appointments to our Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Severn Trent Plc Nominations Committee (although decisions on appointments are a matter reserved to our Board). All Severn Trent Plc Nominations Committee members are also Non-Executive Directors of Severn Trent Water Limited. Further details of the activities of the Nominations Committee during the year can be found within the Severn Trent Plc ARA.

The Board welcomed Sharmila Nebhrajani during the year and her extensive induction programme covered a range of areas across the business, including meeting with Ofwat. Ofwat contacted the Chair following this meeting and confirmed that they did not have any specific areas to highlight following this meeting.

The Board and the Nominations Committee also spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. Additional detail can be found on page 97 in the **Severn Trent Plc ARA**.

Board induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital

projects to ensure they get a first hand understanding of the water and waste water businesses and have a chance to experience our unique culture. We provide briefings on the key duties of being a Director of a regulated water company and proposed Appointees meet with Ofwat as part of the appointment process.

We enhance the Board’s induction programme in light of feedback from new Directors and the Board Effectiveness evaluation.

Board skills and experience

The Board benefits from a wide range of backgrounds and strengths. The diagram below provides an overview of the number of Board members with specific skills, experience and knowledge as a way of demonstrating the different aspects the Directors bring to the Board. Full biographies for each Director can be found on page 93 in the **ARA**.



Board effectiveness

The effectiveness of the Board is reviewed at least annually and conducted according to the guidance set out in the 2018 Code, Ofwat's principles and Financial Reporting Council ('FRC') Guidance on Board Effectiveness.

Our annual Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each member to consider their own contribution and performance. In accordance with the 2018 Code provision the Company should undertake an externally facilitated Board Effectiveness evaluation at least every three years, this year's review was facilitated by Ffion Hague of Independent Board Evaluation ('IBE'). The Board's five Committees were also observed as part of the review. Neither Ffion Hague nor IBE has any other connection with the Company or individual Directors.

IBE's independent review concluded that the Board performs very well, with positive feedback received from both within and outside the Board. The review highlighted that it was evident that the Board feels highly accountable to all stakeholders and that the Board placed a strong emphasis on ensuring that it considered views from and issues affecting shareholders, employees, customers, regulators and other key stakeholders in its discussions and decision making. There is a culture of trust between Board members, which encourages open and honest discussions and leads to constructive challenge of the Executive Committee and senior management. The review concluded that, whilst the Board was operating very effectively, there was scope for minor areas of further improvement and more information on the Board's action plan for 2021/22 can be found on pages 108-109 in the [ARA](#).

In line with the recommendations of the Board Effectiveness evaluation, we refreshed the membership of the Treasury and Corporate Sustainability Committees towards the end of the year, so that the membership of both Committees comprises of independent Non-Executive Directors only. This has brought the composition of these two Committees in line with the Audit, Nominations and Remuneration Committees which only have independent Non-Executive Directors serving as Committee members.

Board Diversity Policy

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with our Board Diversity Policy (the 'Policy', available on the [Severn Trent Plc](#) website) to include candidates from diverse backgrounds and those with non-listed company experience. The Board believes diversity in its membership is vital for ensuring the Company is well equipped to make decisions that meet the needs of the Company's wide range of employees, customers and other stakeholders. As such, 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 is focused on ensuring that the diversity of our employee base reflects the diversity of our region – including the gender, social and ethnic background, skills and experience amongst our customers and the communities that we serve.

In reviewing the Policy during 2021, 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 overleaf.

Policy objectives

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.	At its May 2021 meeting, the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the externally facilitated Board Effectiveness evaluation were reviewed. No concerns were raised. All Board succession discussions took place in considerations of the Policy and its aims to increase the ethnic diversity of the Board in line with the recommendations of the Parker and McGregor-Smith reviews.
<p>Ensure consideration is given to diverse candidates for Non-Executive Director Board appointments from a wide pool.</p> <p>Ensure Board appointment 'longlists' include candidates with a diversity of social and ethnic backgrounds and cognitive and personal strengths.</p>	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.	<p>Board appointments were made during the year as follows:</p> <ul style="list-style-type: none"> • 1 April 2020: Non-Executive Chair – Christine Hodgson; and • 1 May 2020: Non-Executive Director – Sharmila Nebhrajani. <p>The recommendations in respect of these Board appointments were conducted in full consideration of the Policy, the 2018 Code and additional relevant guidance. The Board ensured that Korn Ferry, the executive search firm engaged for these appointments and presented a diverse potential candidate list.</p>
Ensure the Board only engage executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	The Company only engages with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	We continue only to engage with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
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.	At its April 2021 meeting, the Board considered 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 ethnic minority candidates, as well as other relevant diverse cohorts. This was also an area of specific focus within the Board and Executive Committee succession planning discussions that took place during the year.

Policy Targets

Policy Targets for 2020/21	Progress against Target
33% female share of Board Directors by 2020.	56% female representation on our Board as at 1 April 2021.
Minimum of one Board Director from an ethnic minority background by 2021.	In line with the principles of the Parker Review, the Board actively seeks diverse candidates. The calibre of the candidates identified during the most recent recruitment exercise was outstanding and it was after careful deliberation that the Board approved the appointment of Sharmila Nebhrajani to the Board from 1 May 2020.

Our approach to regulatory reporting

Our approach to regulatory reporting

We know how important it is to our customers and stakeholders that our reporting contains reliable data and information. We set out our approach to annual regulatory reporting and assurance in our Risks, Strengths and Weaknesses statement and Assurance Plan to describe and explain our approach to assurance, what we publish, the assurance plan we follow and the level of assurance we apply. This ensures we are open and transparent with our customers and stakeholders about the processes we follow with our publications and have an appropriate level of confidence that our submissions have been well prepared and are consistent with our robust internal processes.

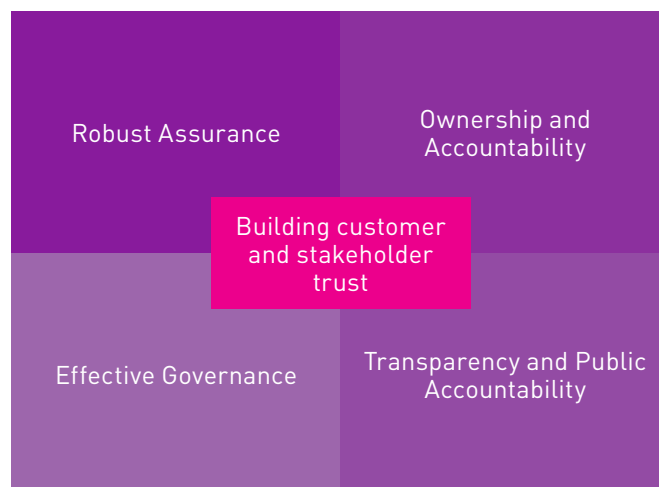
The following section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within the APR including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement page 32-39.

Our Assurance Framework

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach builds on best practice from external organisations. It ensures that managers, leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Our established framework is underpinned by four main principles that provide 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.

- **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, the ST Plc Audit Committee, the ST Plc Executive Disclosure Committee and Executive Committee.
- **Transparency and public accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.



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 processes exist, and increased where new risks are emerging, resulting in a proportionate assurance spend and value for money for our customers. Our three lines of assurance is explained in greater detail in our assurance approach at Appendix A from page 181.

Internal Audit

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 flexibility of resources, and the ability to challenge management independently. Our co-sourcing partners 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, in order to demonstrate 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. A review of the effectiveness of Internal Audit was carried out in 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. The effectiveness review is carried out every three years which is more frequent than required as we believe the Internal Audit function is absolutely key in providing the Audit and Executive Committees with the assurance they need when delivering our strategy. This year the Audit Committee also reviewed the quality and effectiveness of Internal Audit and approved the approach and plan for 2021/22 at its meeting in March 2021. Internal Audit reports are presented to and considered by the Committee, to ensure that the Committee is satisfied that management has resolved or are in the process of resolving any outstanding issues or actions through to completion.

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach from page 181.

2. Ownership and accountability

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided. Our regulatory, statutory and legal obligations in our appointed business are assigned to managers, senior leaders and Directors. These managers are responsible for ensuring compliance with our regulatory duties and raising potential risks or issues of non-compliance.

Performance reporting

Our Board understands that performance matters - to us, to our customers, and to our wider stakeholders. Our Board is fully engaged in monitoring and assessing our performance and providing challenge through our established governance arrangements. Performance is reported to and reviewed monthly by the Executive Committee, and through the Disclosure Committee and Audit Committee at least twice a year at mid-year and year-end points in the reporting cycle. Our Board receives updates on general performance, including performance against key targets and performance commitments, environmental matters and health and safety. The Board also receives updates on financial performance and receives detailed deep dives at each meeting that relate to areas of strategic importance.

Compliance processes

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'). 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 these 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.

Our compliance framework 'Licence to Operate' has been in place since 2015 and covers over 950 duties and obligations. It provides a robust process to set high levels of compliance backed up with rigorous risk-based assurance. We refreshed the Licence to Operate as we entered our first year of AMP7 reporting to ensure that the new APR requirements were assigned to owners, and that amendments to Regulatory Accounting Guidelines ('RAG') guidance were reflected in it. We have also included a self-assessment disclosure to consider any impact on compliance as a result of COVID-19.

Our Group Compliance and Assurance Team oversees the framework and ensures that managers across the Company are aware of their statutory and regulatory duties. Training and support workshops are provided to new duty owners to ensure that processes and requirements are understood, as well as providing refresher training for existing duty owners. This ensures all duty owners are equipped with the right skills and knowledge to complete their annual self-assessments confidently and accurately. The Group Compliance and Assurance Team undertakes additional checks following completion with a random sampling technique to test and challenge duty owners to ensure a consistent approach to completion of the self-assessment is undertaken.

Each duty and obligation is assigned to a responsible manager, a senior leader and a 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 and management information as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible manager, senior leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as a departure from compliance). The Compliance Team assesses and spot-checks declarations for consistency and accuracy, and works collaboratively with the Company to ascertain the level of materiality of any non-compliances. The Licence to Operate framework helps to inform the Board of any departures from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. Material departures are set out on page 34.

In order to comply with the requirements of RAG5, we have a robust suite of processes and procedures, specified within our RAG5 compliance framework. These are supported by risk assessments and associated controls, guidance and policy documents, a RAG5 transaction register, cost allocation assurance and middle and senior management sign-off through our established Licence to Operate process.

The Group's RAG5 processes and procedures are supported by bespoke departmental training and, this year, Internal Audit reviewed the Group's RAG5 governance framework, documentation and processes and confirmed these were compliant with guidelines set by Ofwat and were being effectively deployed throughout the Group.

Group RAG5 compliance is overseen by our established Steering Committee. We also have a RAG5 working group reporting directly to the Steering Committee, ensuring that any improvement actions are undertaken at an operational level.

3. Effective governance

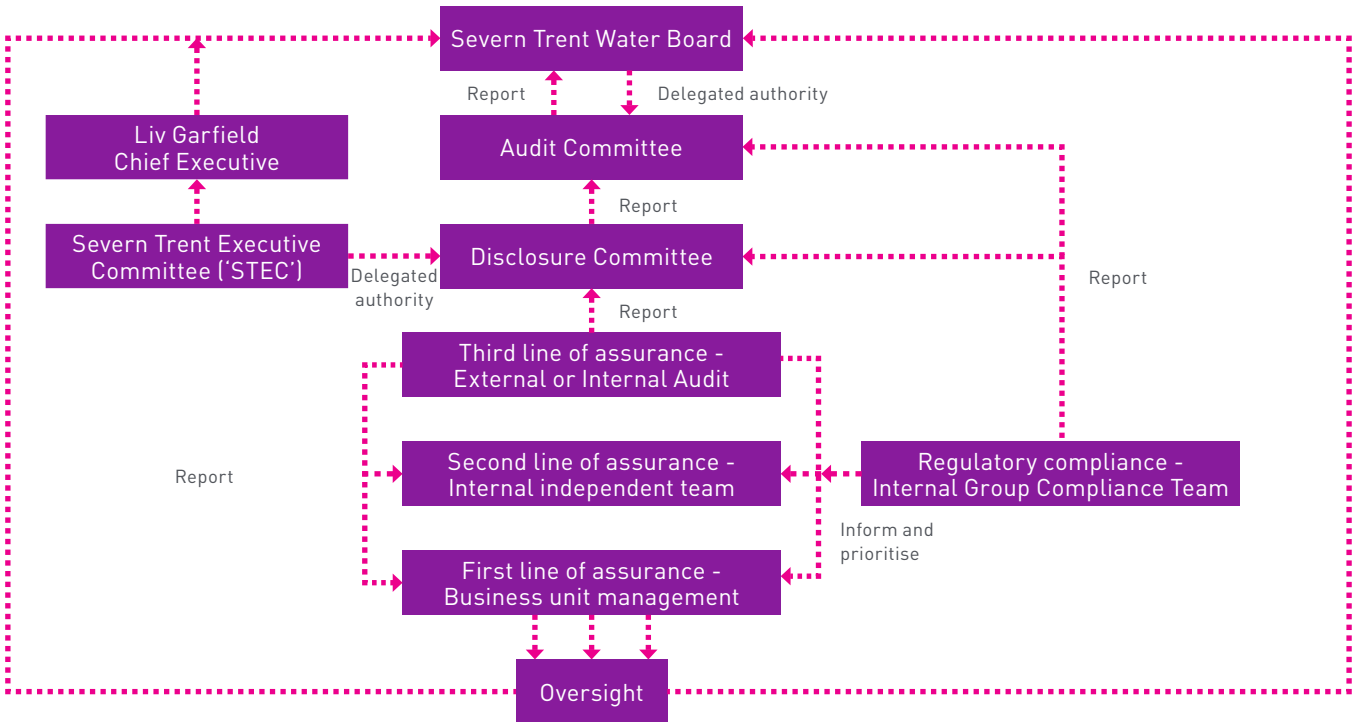
The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail on page 22. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees.

To support our Governance Framework, we have a well established and robust assurance and performance reporting framework. Our governance and assurance frameworks work together, as demonstrated overleaf, to enable confidence in the information and data we report in our ARA and APR.

The Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and reviews the level of assurance received. 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.

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.

Governance and Assurance frameworks



4. Transparency and public accountability

As a public service provider we are committed to being transparent about the services we provide, our related performance and reporting, and wider adherence to regulatory requirements.

We publish our APR so that everyone can see how we have performed, and that relies on us making sure that we provide trustworthy and objective information. We also make sure we provide information about areas where we have not performed as well as we would like to, providing insight into how we are planning to improve. Trust takes time to build so it is important to be open with our customers and stakeholders, and hold ourselves accountable where we do not meet commitments.

We share this information so that comparable performance with our peers can be reviewed.

We publish additional information to ensure the Severn Trent Group structure and performance is transparent and clear 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. We demonstrate and explain how we are fair when balancing the short and long-term needs to manage our financial risk for Severn Trent Water, share returns with customers and shareholders where we outperform, and consider long-term viability. We also provide information relating to dividend payments, Executive salaries and bonuses and how they are aligned and linked to the delivery of outcomes to customers.



Our Board Statements

Risk and Compliance Statement

Having taken into consideration the information contained within the chapters titled 'Our approach to Board leadership, transparency and governance' and 'Our approach to regulatory reporting', the 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 34.
- 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
and Severn Trent Plc



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc



John Coghlan
Chair
Severn Trent Plc Audit Committee

7 July 2021



Departures from the Statement

There are three departures proposed for inclusion in this year's Risk and Compliance Statement relating to areas where we will be re-stating data previously submitted. In all cases, the impact materiality has been assessed as low with reference to financial or wider customer impact. However, in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency. All departures regardless of materiality are reviewed and scrutinised by our 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.

Description of Duty/Obligation	Purpose of Duty/Obligations	Disclosure	Customer Impact	Action Taken
Non-financial Cost Assessment Tables (RAG 4.09): 3E.5 & 3I.1: Risk of sewer flooding in a storm	Additional regulatory information which forms part of the Annual Performance Report	During our preparation for the APR21 assurance for this obligation, we identified that, while the risk modelling was undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020.	This is a reputational only ODI and as such there is no impact on the ODI reward/penalty position. There is no increased risk of flooding to customers as the risk was correctly modelled in accordance with the requirements. The issue solely relates to the collation of/ calculation of the reported risk.	The reporting on this commitment will be restated with commentary to support. Economic modelling and financial modelling will not be impacted. The associated PDT has been updated to ensure additional checks are in place which ensure modelled risk is correctly collated and included in the reported risk.
Non Financial - Cost Assessment Tables (RAG4.09) Table 8A Lines 2 and 3 Bioresources Market Monitoring Information and Market Information	Additional regulatory information which forms part of the Annual Performance Report	Re-stating lines for APR20 due to missing logger data Table 8A Lines Line 2 Total sewage sludge produced, treated by 3rd party sludge service provider Line 3 Total sewage sludge produced. Market Monitoring Information lines D1, D2, E1 and E3. Market Information WwTW columns B1 and B3 & small WwTW column B1.	This data is provided to inform potential market entrants of sludge treatment opportunities. The quantities of sludge involved are not material.	This is being resolved as part of this year's APR assurance round. Further data checks have been introduced to the process for preparing the submission.
Volumetric data relating to bulk supplies between HD & STW covering 2020/21 and 2021/22 (estimated data) as reported in the bulk submission register data tables 1a & 1b	Regulatory information which form part of the bulk submission data.	Upon receipt of more accurate logger data we undertook a reconciliation of data for bulk supplies submitted through the APR and bulk supply register, we have identified improvements relating to the data reported in 2020/21 and 2021/2022 relating to bulk supplies between HD and STW.	There is no impact on the invoices raised in respect of the bulk supplies as per the APR.	We propose to re-state data in table 1a and 1b covering 2020/21 and 2021/22 (estimated data) following the receipt of accurate metering and logger data.

Statement from non-financial assurer - Jacobs

2020-21 Assurance Statement

Jacobs

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 2021 (APR21) submission we were asked to review the 2020-21 Severn Trent Water Performance Commitments (Part 3) and non-financial data (within Parts 4-9) 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 APR21 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.

We have also undertaken additional independent assurance related to the performance commitment PR19SVE_A02 (Reducing residential gap sites) and can confirm that the processes to identify and bill newly built properties are rigorous and correctly implemented.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR21 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 the declared departures from compliance in its statement.

Yours sincerely



Alexandra Martin
Director of Operations

Accuracy and Completeness of Data and Information Statement

As a provider of one of life's essentials we understand that we must assure customers, regulators and wider stakeholders that we are doing the right things in the right way. We want customers to have confidence in what they get from us – be that the quality of water they drink from their taps, or the information we publish. The data in our publications provide transparent insight into our performance and critical information to direct and drive future improvements across the sector. With that in mind, the assurance process we apply to the information and data we publish is vital to ensure that it can be trusted by all.

We have an established, rigorous and robust assurance and performance reporting framework to support the Board when approving the publication of data and information contained within regulatory documents. The assurance approach builds on best practice from external organisations. It ensures that managers, senior leaders and Directors are responsible and accountable for delivering high quality data through robust processes and methodology.

Board assurance approach

Robust Assurance

We operate an established and robust three lines of assurance model, which is explained in greater detail in our APR assurance approach from page 181, our **Risks, Strengths and Weaknesses statement** and our **ARA**. Using a risk-based approach we provide an effective programme of assurance which ensures we can continually reassess our assurance activity as risk changes or new emerging risks occur. Data and information are approved by data owners, senior leaders and Directors. Following which, the Severn Trent Plc Audit Committee apply scrutiny and challenge ahead of publication.

Effective Governance

Severn Trent Water is the principal operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the highest standards expected of a publicly listed company. The Board is supported by the Severn Trent Plc Governance Framework, which comprises the Board, Executive Committee and their respective Committees. In line with the 2018 UK Corporate Governance Code (the '2018 Code'), the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities and by: 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 Governance Framework is also subject to periodic review to ensure that it remains appropriate. The Governance Framework is explained in greater detail on page 95 of the ARA and page 22 of the APR.

Specific examples where the Board utilised individual Directors and Committees in carrying out its activities are listed below but more information is provided on page 97-101 of the [ARA](#).

Severn Trent Plc Nominations Committee	Oversaw the externally conducted Board Effectiveness evaluation, including the selection process, which resulted in Ffion Hague of Independent Board Evaluation (IBE) being commissioned to facilitate the review.
Severn Trent Plc Audit Committee	<p>Reviewed the proposed audit plan for the 2020/21 statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the 2020/21 audit.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the Annual Performance Reports, and other regulatory submissions.</p> <p>Reviewed the 2020/21 Annual Report and Accounts and provided a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be 'fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position, performance, business model and strategy'.</p> <p>Reviewed the effectiveness of the Enterprise Risk Management processes and procedures and internal control systems, prior to making a recommendation to the Board. The Committee also reviewed the Risk Appetite Statement prior to making a recommendation to the Board.</p>
Severn Trent Plc Treasury Committee	<p>Consideration of the AMP7 funding strategy, in relation to the funding position and priorities for the new regulatory period, latest discussions with credit rating agencies and management of exposure to financial risks including COVID-19, energy prices and interest rate transition.</p> <p>Deliberation of funding options for the Green Recovery submission.</p>
Severn Trent Plc Corporate Sustainability Committee	Oversaw the approach of environmental standards, particularly those that relate to the activities where Severn Trent has its most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste), biodiversity and land use.

Our Board engages and challenges the assurance approach taken

In line with the start of AMP7, we have embedded a refreshed assurance map which provides the Audit Committee with an overview of the assurance undertaken across the Company in order to discharge its duties. It has remapped business departments and assurance activities in line with our AMP7 commitments and provides detail of the structure and types of assurance applied including Internal Audit and external assurance providers, aggregated licence to operate and Enterprise Risk Management ('ERM') risks recorded, outputs of the effectiveness of assurance undertaken, and the findings of the assurance undertaken. The Board received a tailored presentation of the AMP7 assurance map in May 2021 and the Audit Committee are updated every six months.

For all regulatory publications we have a detailed regulatory forward plan and proof-point process that provides assurance to the Board and Audit Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board.

Throughout this activity, we ensure that high standards of governance, in line with our regulatory framework, as well as market practice for audit committees, are maintained. A 12-month forward view of the regulatory forward plan and proof-point process is provided at every Audit Committee meeting. The Audit Committee ensure that regular updates are provided to the Board under their Terms of Reference. Ongoing updates such as progress on our Pollution Incident Reduction Plan, are provided at Board level through Director reports.

New submissions and Board requirements, or amendments to the assurance process, are reviewed, discussed, and approved in advance of submissions. As an example, this year we submitted our first Gate 1 submissions to RAPID for the Strategic Resource Options (SRO), supported by Board assurance statements. The submissions were owned at an individual Director level, with the Executive Committee, Audit Committee and Board all being engaged throughout the process. This enabled them to test and challenge the progress, including risks, mitigations, the assurance approach and the Board statements themselves, including the proof point process.



The Board takes action to ensure exceptions and weaknesses in the assurance approaches have been addressed and is satisfied that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

Our AMP7 assurance map was externally assured by Ernst & Young in October 2020. They concluded that the approach was 'comprehensive and robust'. We are confident the assurance map supports the identification of potential weaknesses using a holistic view of assurance activities and RAG status, and all areas at a minimum of satisfactory / yellow rating are targeted for improvement.

Our annual **Risks, Strengths and Weaknesses Statement** is a key regulatory publication that considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website. We explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

Considerations of the Board

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR, the ARA, and the Risks, Strengths and Weaknesses Statement. Following reasonable and relevant enquiries, it is believed the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is able to do so from the information available, that the data and information provided to Ofwat in the reporting year, and information published in our role as a water and waste water undertaker is accurate and complete, except where indicated on page 34.

Signed for and on behalf of the Board.



Liv Garfield
Chief Executive
Severn Trent Water Limited
and Severn Trent Plc



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc



John Coghlan
Chair
Severn Trent Plc
Audit Committee

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 33.

1. Disclosures required by RAG3

a. Link between Directors' pay and standards of performance

Our Remuneration Policy is aligned to our Purpose, Values and strategy thereby incentivising great customer service 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 on pages 120-128 in [Severn Trent Plc Annual Report and Accounts \('ARA'\)](#). The Severn Trent Plc ARA provides detailed disclosures of our Remuneration Policy and how this has been applied in the year, as well as the proposed 2021 Remuneration Policy which will be put forward for Shareholder approval at the Severn Trent Plc Annual General Meeting on 8 July 2021. 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 2020/21 bonus was based upon four main components:

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

Half of the annual bonus is delivered as cash, and the balance is deferred into shares for a further 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 addition LTIP awards with a performance period beginning after 1 April 2021 will contain a second sustainability-focused performance measure. The overall weighting will be split 80% RoRE (including the stretch target) and 20% sustainability-focused. The award levels for both Executive Directors remain unchanged.

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 2006 requires Directors to make a statement in the Company's ARA regarding the provision of information to the auditor. RAG3 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 2018 UK Corporate Governance Code (the '2018 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 2018 Code during the year are set out in the Company's [ARA](#).

The Company's dividend policy is to declare dividends which are consistent with the Company's regulatory obligations. When determining the dividend, the Board considers:

- Our dividend principles (see below);
- Performance across our obligations and customer ODIs; and
- Results of our financial viability assessment, which takes into account scenarios such as increasing investment to manage large incidents.

Our dividend principles are:

- Dividends will be fair and balanced;
- Dividends will be transparent;
- Dividends should promote continued outperformance; and
- Dividends will support appropriate gearing.

For 2020-25, we plan to have a base level of dividend that is in line with Ofwat's assessment of the return on equity. That equates to base dividend payments of circa 4% RoRE.

Any dividends above the base level will be supported by performance above the base level of RoRE measured on a cumulative basis over the AMP.

In the current year the Company has paid a dividend of £59 million from its appointed business, which is significantly below the 4% base level.

The amount declared is expected to vary each year as the impact of factors changes.

d. Long-term Viability Statement

The Directors' full assessment of financial viability can be found in the [ARA](#) on pages 49-53.

The Directors have assessed the viability of the Company over a seven year period to March 2028, 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 2028.

e. Statement of Directors' responsibilities

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:

- Confirm that, in their opinion, the Company has sufficient financial and management resources for the next 12 months;
- 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;
- 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;
- 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
- 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, employers' National Insurance Contributions ('NIC'), VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employees' 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 of 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. This is particularly true for our regulated business where the taxes we pay are included in the calculation of customers' bills.

Tax governance

Responsibility for tax governance sits with the Severn Trent Plc Chief Financial Officer, with oversight from the Board and 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 Group's Audit Committee, who also receive 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, these are managed on the basis of full disclosure and we will seek to work with HMRC to bring any items to resolution.

Tax transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing regular 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 2020/21, the Group received the Fair Tax Mark accreditation for a second year.

Non-UK operations

Substantially all of the Group's revenues and profits are generated in the UK and are subject to UK tax.

Scope

This Tax Strategy covers the period ended 31 March 2021 and applies to Severn Trent Plc 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.

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, in the form of agreed upon procedures 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 2021:

- 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);
- ii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources and systems of planning and internal control which are sufficient to enable it to carry out those functions; and
- 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 on pages 49-53 in the Company's **ARA**.

Management provides 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 assure 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
and Severn Trent Plc



Christine Hodgson
Chair
Severn Trent Water Limited
and Severn Trent Plc



John Coghlan
Chair
Severn Trent Plc
Audit Committee

For and on behalf of the Board
7 July 2021

In providing the above confirmations, the Directors have considered various factors as part of their assessment prior to signing this certificate, including but not limited to:

Financial resource and facilities	<ul style="list-style-type: none"> • The Appointee's performance expectations against Final Determinations 2020-2025, underpinned by historical track record. • The Appointee's available cash resources and borrowing facilities. • The Appointee's long-term Viability Statement of seven years included within the 2020/21 ARA. • Investments requirements to deliver stretching performance commitments in AMP7. • Green Recovery award of £565 million from Ofwat (2017/18 prices) to invest in ambition Green Recovery programme to deliver long-term growth and support our ESG ambitions. • The Appointee's compliance with financial covenants. • The Appointee's financial position and net cash flow position as at 31 March 2021 as represented by the statutory and regulatory accounts.
Management resources	<ul style="list-style-type: none"> • The collective experience of the Directors and the diverse skills and experience they possess enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, crucial to ensuring the continued long-term success of the Company. • Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Severn Trent Plc Nominations Committee (although decisions on appointments are a matter reserved for the Board). The Board considers Board succession to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. • Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date. Our Board Effectiveness process includes training discussions with the Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. Our Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters. • The independence of our Non-Executive Directors is formally reviewed annually by the Severn Trent Plc Nominations Committee, and as part of the Board Effectiveness evaluation. Particular focus is applied to the Directors who have served six years on the Board. The Severn Trent Plc Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence. • The Appointee operates a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the CEO, CFO and the Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they gain a detailed understanding of the water and waste water businesses and have a chance to experience our unique culture in person. We provide briefings on the key duties of being a Director of a regulated water company and proposed Appointees meet with Ofwat as part of the appointment process. • The tone at the top and culture within the Appointee filtered through the Appointee's Code of conduct – Doing the Right Thing. • Annual employee engagement survey, QUEST, to assist understanding of what's going well and where improvements can be made across the Company. • Management and the Board ensure that appropriate and effective succession planning arrangements are in place, supported by the Board Diversity Policy. • The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience and knowledge.

Systems of planning and internal control	<ul style="list-style-type: none"> • The Appointee's risk based approach to assurance, including internal and external audits as well as Jacobs' assurance review of non-financial operational performance processes and data. • The Appointee's Audit Committee which provides oversight over the integrity of the Appointee's financial data, risk management and assessment of the effectiveness of the system of internal control. • The Appointee's Enterprise Risk Management process. • The Appointee's performance in regards to its performance commitments identified in the additional regulatory information section from page 113. • Business continuity plans, response to COVID-19. • The Appointee's policies to prevent, detect and resolve unethical behaviour through implementation of its Whistleblowing Policy 'Speak up', Group financial crime and anti-bribery and anti-corruption policy, security policy and environment policy.
Rights and resources other than financial resources	<ul style="list-style-type: none"> • The Appointee's 'Our Purpose and Values' and culture embedded through annual e-learning and supported through policies. • The Appointee's ambition to be a socially purposeful company, giving back to communities, and providing opportunities for people to learn, retrain and develop is enhanced through the Severn Trent Academy at Hawksley Park. • COVID-secure working arrangements enhanced by digital transformation. • Asset Maintenance policies and systems to monitor asset health. • Overall Equipment Effectiveness' approach – delivering tangible benefits through: reducing planned work volumes and associated time to complete the tasks, reducing cost and improving asset performance. • The Appointee's policies to mitigate the risk of modern slavery and human trafficking.
Contracting	<ul style="list-style-type: none"> • There are no contracts that the company is dependent on in order to carry out its Regulated Activity.
Material issues or circumstances	<ul style="list-style-type: none"> • COVID-19 management ensuring the swift implementation of plans to provide services to customers while keeping their people safe and well; and to support our communities through activities such as: <ul style="list-style-type: none"> - Allocating over £1.5 million of funding through the Severn Trent Community Fund to 93 projects in our region; - Donating an additional £1 million through our COVID-19 Emergency Fund to over 300 charities; - Donating almost £1 million as part of our water saving charity challenge; - Accelerating payments to our supply chain, helping small and medium-sized enterprises in our region with crucial cash flow at this challenging time; and - Embracing the Government Kickstart Scheme with our ambitious plans to support 500 unemployed 16 to 24 year old's into employment with paid work experience and skills development.

Annual Performance Summary

Performance summary

Our Purpose is taking care of one of life's essentials - we know that the resilience of our business is intrinsically linked to the resilience of our region, its communities and the natural environment. We look after every drop of water all the way from our upland catchments to our customers' taps, taking waste safely away and recycling it back into the environment cleaner than we took it.

We are pleased to present our progress against the delivery of our customer outcomes for the first year of our business plan for AMP7. We have met or exceeded 79% of our measures in 2020/21 and in the first year of its operation we are at the frontier of the industry for developer satisfaction (known as 'D-MeX'). We achieved best ever performance for six ODIs (water quality complaints, CRI, pollution incidents, blockages and both external and public sewer flooding), met our leakage target for eight of the last nine years, doubled the number of customers on our Priority Service Register, more than doubled the full AMP biodiversity target in just one year and created even more support schemes for customers through our 'Help to pay when you need it' measure.

This performance has culminated in an associated ODI outperformance of £63.4 million, including D-MeX (quoted in 2017/18 prices, net of tax). We believe this will retain our sector-leading performance on ODI returns as a result of our teams' hard work in the most trying of circumstances. Whether working on the streets, in our treatment works or at home in support of our operational teams, we remained committed to doing the best job we could for all our customers.

Gaining momentum in water

Our overall water performance has improved markedly resulting in a £6.2 million net reward (2017/18 prices). We continue to focus on those measures which matter to our customers, such as driving leakage to some of its lowest ever levels as well as achieving best ever performance on our Compliance Risk Index ('CRI') score, a measure designed to show the risk from treated water compliance failure. On water quality complaints we demonstrated year-on-year improvements from 2016/17 with a further 8.9% this year - another best ever performance. We've exceeded our target on both of our pressure commitments; resolution of low pressure complaints and persistent low pressure.

Per capita consumption ('PCC') did prove a challenging measure as domestic water consumption increased due to enhanced hygiene practices during lockdown. Despite this we remained committed to our water efficiency and education campaigns by finding new and innovative ways to deliver them.

Supporting our customers

Our customers remain at the heart of our business, and we aim to make their lives a little easier in everything we do.

We've recognised just how difficult the COVID-19 pandemic has been for many of our customers, which is why we launched our Back-on-Track tariff to support those affected through the pandemic, as well as promoting our pre-existing support schemes - WaterSure, the Big Difference Scheme and the Severn Trent Trust Fund. As a result, we've more than doubled the number of customers we've helped to over 150,000 and increased the number of people signed up to our Priority Services Register to 105,379, meaning on the rare occasions we have an issue, we can target support to our most vulnerable customers.

Working smarter in waste

We have achieved best ever performance for more than half of our in-period ODIs as our performance on waste continues to be strong generating just over £44 million (2017/18 prices) net reward. Our historical investment and our fast-track status have contributed to half of our in-period performance commitment achieving best ever performance; blockages, pollutions, external sewer flooding and public sewer flooding.

To achieve that, we've not only targeted assets where there were clearly improvements to be made, we've also made our network smarter by fitting c.1,500 sensors to our sewers. The insight we have gained into our network provided more resilience and is helping us to spot and fix issues before they affect customers. We aim to roll out 40,000 sensors by 2025 to give us a far better, smarter view of what's happening in our sewer pipes.

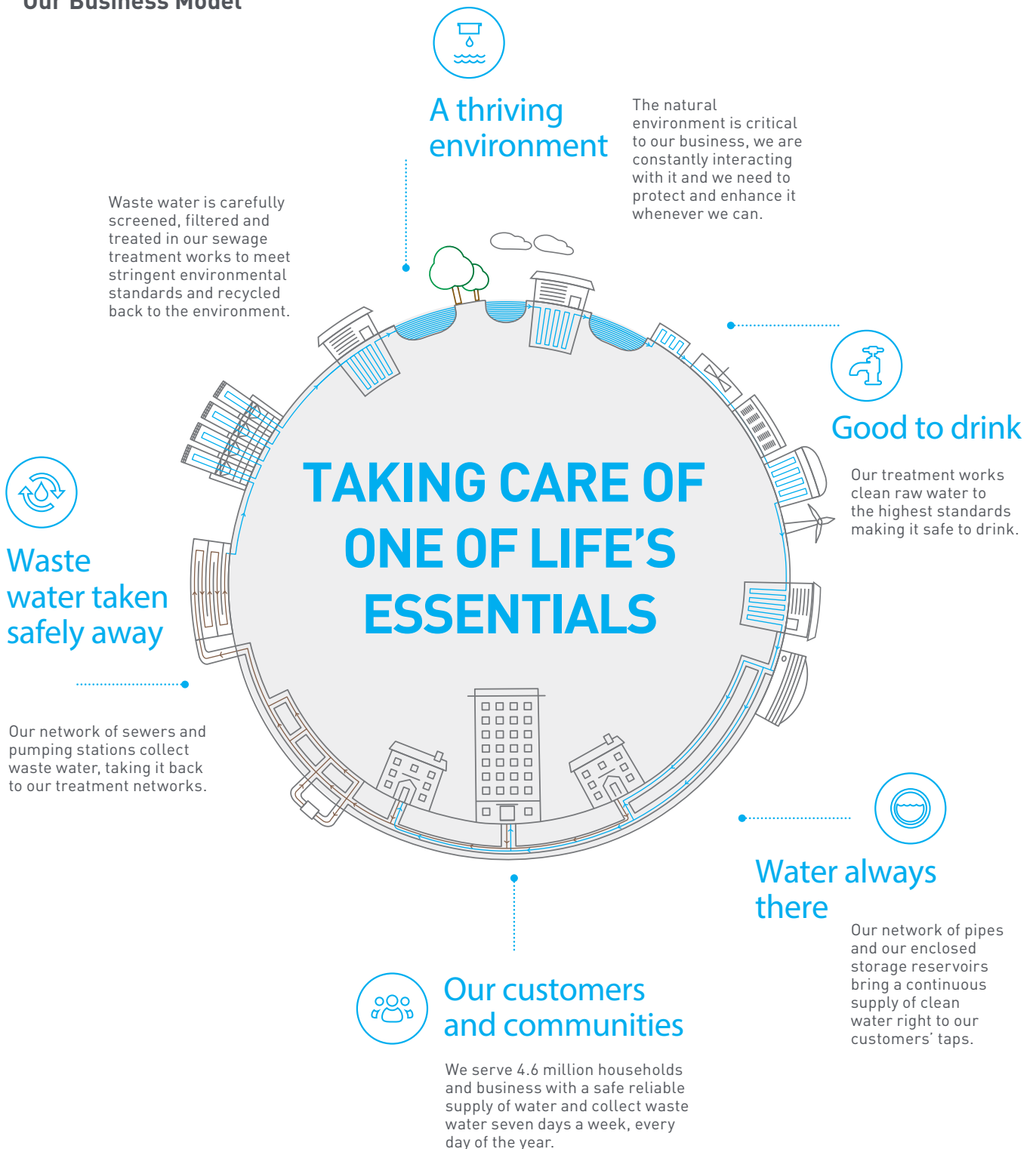
This is coupled with our extensive customer education programme and despite schools being closed to external visitors due to COVID-19 protocols, our Education Team managed to exceed its target to educate the region's children, delivering online lessons on how to protect our sewers, helping to create a generation with a greater appreciation about what to, and what not to flush down the toilet or pour down the drain.

Enacting our ambitious environment plans

We've had a fast start to our AMP7 environmental programme, delivering twice over on our full AMP biodiversity target in the first year and launching our Great Big Nature Boost.

We are on track with our Triple Carbon Pledge – net-zero operational carbon emissions, 100% renewable energy and 100% electric vehicles by 2030, where available. We also recently submitted our proposed Scope 1, 2 and 3 emissions targets to the Science Based Targets initiative, committing us to deliver significant reductions in our Greenhouse Gas ('GHG') emissions by 2030.

Our Business Model



Delivering our commitments

We measure our performance against 40 performance commitments, or Outcome Delivery Incentives ('ODI's) across the AMP. This table lists all of those which are in-period, as opposed to end of AMP, together with our targets.

Outcome	In-Period Performance Commitment	Unit
Good to drink	Water quality compliance ('CRI')	score
	Water quality complaints	nr
	Water supply interruptions	hh:mm:ss
	Leakage	ML/d (3-yr average)
	Per capita consumption ²	litres/person/day (3-yr average)
	Mains repairs	nr/1,000km of mains
	Unplanned outage	%
Water always there	Risk of severe restrictions in a drought	%
	Speed of response to visible leaks	days
	Persistent low pressure	nr
	Abstraction Incentive Mechanism ('AIM')	ML
	Resolution of low pressure complaints	%
	Number of water meters installed	nr
Waste water safely taken away	Internal sewer flooding	nr/10,000 sewer connections
	Pollution incidents	nr/10,000km waste water network
	Sewer collapses	nr/1,000km sewer network
	Risk of sewer flooding in a storm	%
	External sewer flooding	nr
	Sewer blockages	nr
	Public sewer flooding	nr
	Green communities	£m
Thriving environment	Treatment works compliance	%
	Biodiversity (Water)	ha
	Biodiversity (Waste)	ha
	Satisfactory sludge use and disposal	%
Our customers and communities	Reducing residential void properties	nr
	Reducing residential gap sites	nr
	Reducing business void and gap site supply points	nr
	Value for Money	%
	Inspiring our customers to use water wisely	nr
	Customer measure of experience ('C-MeX')	rank
	Developer services measure of experience ('D-MeX')	rank
	Help to pay when you need it	%
Priority services for customers in vulnerable circumstances ⁵	%	

¹ The regulatory target for water quality compliance is 0.00, but has a deadband of 2.00, which our 2020/21 performance has remained below.

² Ofwat has confirmed that PCC is now an end of period commitment. We will continue to calculate the annual ODI earned and will accrue each year towards an end of period adjustment. Ofwat has also confirmed that it will take a view of companies' response to the pandemic in the round at PR24 when deciding the quantum of incentive to apply for PCC.

³ The regulatory target for treatment works compliance is 100.00%, but has a deadband of 99.00%, which our 2020/21 performance has remained below.

	2020/21			ODI Reward/ Penalty Value (£m, 2017/18 prices)	2021/22	2022/23	2023/24	2024/25
	Target	Performance Achieved			Target	Target	Target	Target
	0.00	1.53	✓ ¹	0.0	0.00	0.00	0.00	0.00
	9,800	9,468	✓	1.0	9,700	9,600	9,500	9,500
	06m 30s	11m 21s	✗	-5.2	06m 08s	05m 45s	05m 23s	05m 00s
	418.2	414.6	✓	1.2	411.8	399.9	379.6	363.5
	128.2	133.4	✗	-1.8	127.3	126.4	125.5	124.6
	123.5	122.0	✓	0.3	121.8	120.1	118.4	116.7
	2.34	1.05	✓	0.0	2.34	2.34	2.34	2.34
	56.2	56.2	✓	Reputational	56.2	56.2	56.2	56.2
	6.9	5.6	✓	1.4	6.1	5.4	4.6	3.8
	19,471	8,386	✓	5.1	18,869	18,266	17,664	17,062
	0	110	✗	-0.1	0	0	0	0
	91.0	92.0	✓	0.1	92.0	93.0	94.0	95.0
	41,131	83,274	✓	4.3	56,686	62,868	74,145	90,169
	1.68	1.86	✗	-4.1	1.63	1.58	1.44	1.34
	24.51	20.60	✓	2.3	23.74	23.00	22.40	19.50
	8.00	7.74	✓	0.1	8.00	8.00	8.00	8.00
	4.11	6.28	✗	Reputational	4.07	4.03	3.99	3.95
	3,633	3,606	✓	0.3	3,574	3,515	3,456	3,397
	43,000	32,429	✓	39.1	42,000	41,500	41,000	41,000
	2,005	1,050	✓	6.8	1,975	1,945	1,915	1,884
	0.120	-	✗	-0.1	0.120	0.120	0.120	0.120
	100.00	99.60	✓ ³	0.0	100.00	100.00	100.00	100.00
	190.5	1,617.9	✓	5.2	381.0	571.6	762.1	952.6
	0.0	1,014.1	✓	3.7	0.0	11.0	69.0	137.8
	100.00	100.00	✓	0.0	100.00	100.00	100.00	100.00
	168,053	177,184	✗	0.0	167,885	167,716	167,548	167,380
	688	748	✓	Reputational	688	688	688	688
	50	783	✓	0.2	50	50	50	50
	62.5	67.1	✓	Reputational	63.0	63.5	64.0	64.5
	31,050	40,728	✓	0.1	31,050	31,050	31,050	31,050
	-	9th	✓	0.0 ⁴	-	-	-	-
	-	1st	✓	3.7 ⁴	-	-	-	-
	34	35	✓	Reputational	42	42	42	43
	2.1	2.6	✓	Reputational	5.2	7.3	8.9	9.7
	Total⁶		79%	£63.4 m				

⁴ D-MeX and C-MeX ODI values are calculated as per methodology in the Final Determination.

⁵ Priority Services Register ('PSR') comprises three metrics: PSR % reach, % attempted contact and % actual contact, all of which need to have been met to hit the overall regulatory target, which we have achieved. We have included % reach as the lead measure in this table, and provide more detail on the other two measures on page 59.

⁶ ODI value includes PCC, C-MeX and D-MeX. Please note this may include rounding in the decimal place.

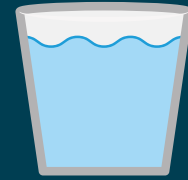
Good to drink

Providing a safe supply of water for our customers to enjoy is at the very heart of what we do. We're investing to create a resilient future water supply recognising the unique role the environment plays in our business. We have committed to a step change in performance over AMP7, and have kicked this off with a strong year on CRI, a measure designed to show the risk from treated water compliance failures, and a best ever performance in water quality complaints.



1,811

meetings with farmers through our Farming for Water programme



4th

year-on-year reduction in water quality complaints

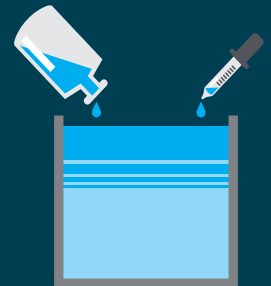
351

schools and nurseries protected from lead, 70% of our AMP7 ambition



1.5

CRI score, our best ever performance



Water quality from source to tap

We've been working to transform our service and this year we are able to report that we've had a c.60% year-on-year improvement in our CRI score, taking us below the penalty threshold, and for the first time in five years we've achieved our water quality complaints target.

We are seeing the benefits of our capital investment during AMP6, underpinned by our food factory mentality, ensuring our site standards are of the highest quality. We're continuing to develop our flow cytometry capability, allowing us to rapidly identify issues and put mitigations in place.

Our performance has been further helped by our 'Overall Equipment Effectiveness' approach, delivering tangible benefits through reducing planned work volumes and associated time to complete the tasks, reducing cost and improving asset performance.

We are continuing to see the benefits from our water quality complaints strategy; tackling sources of discolouration at our treatment works and removing deposits from our networks. Our operational teams have also flushed, conditioned and cleaned the largest length of pipe to date. This marks the fourth year-on-year improvement – a reduction of just under 9% since last year and a 34% reduction in complaints since 2016/17.

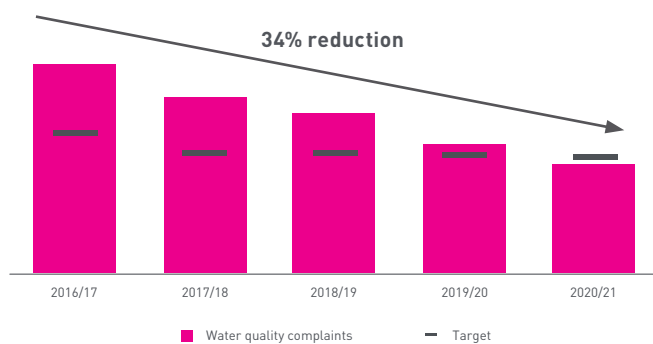


Figure 1. Water complaints reduction from 2016/17

When it comes to improving water quality, prevention is always better than a cure. We've continued to invest to improve the quality of rivers and aquifers in our region. Our Farming for Water initiatives can help us reduce phosphate levels by 50% more than traditional treatment technology, so we've set an ambitious target to engage with 9,000 farmers by the end of the AMP, meeting with 1,811 this year, all in a COVID-secure manner.

Collecting water samples during the COVID-19 pandemic

COVID-19 meant we had to put our usual water sampling from customers' homes on hold. Instead, over 1,000 employees from across our patch volunteered to have samples taken from their own homes by our UKAS accredited technicians, ensuring we continue to meet our strict water quality obligations.

Safeguarding the health of future generations

Lead was used widely to link water mains in the road to properties until it was banned in 1970. Although we meet the legal standards of a maximum 10µg/L of lead through continuous chemical treatment of water supplies, the World Health Organisation ('WHO') states that there is no safe level of lead for drinking water.

Instead of waiting for legislation to catch up we wanted to act sooner. In AMP7 we have a performance commitment to reduce the risk of lead being in the water supplies of 500 schools and nurseries. In addition, Ofwat has awarded us £74 million (2017/18 prices) as part of our Green Recovery programme to tackle lead in customer-owned pipes in up to 26,000 homes across two trial areas.

We've taken advantage of schools being closed during national COVID-19 lockdowns, surveying 351 schools and nurseries for the presence of lead pipes – replacing any found.



Water always there

Our customers expect to be able to turn on the tap and for water to flow. We ensure our distribution network is able to deliver this through careful maintenance and responding effectively if problems occur. We're committed to reduce leakage by 15% by 2025, solve pressure problems and minimise the time customers are off supply.



1,210

properties
with chronic
low pressure
issues solved

92%

of low pressure
complaints
resolved first
time



2.2%

year-on-year
leakage reduction



4 litres

3-year average
increase in daily
customer water
consumption

11m 21s



average water supply interruptions

Creating a calm network

We are managing the transport of water and change in pressure all day every day as it flows around our c.47,000km network. As our pipes age they weaken and are more likely to fail, causing leakage, pressure, water quality or supply interruption issues.

Our approach to understanding pressure variations and behaviour in our network with data-led insight means we are not only able to reduce pressure variances but also reduce the propensity of the network to fail and ultimately reduce the risk of failure.

We've exceeded our target on both of our pressure commitments (resolution of low pressure complaints and persistent low pressure) – two commitments that are very important to our customers. We've also met our targets for mains repairs and unplanned outages. Over the five-year period to 2025 we will increase the percentage of customers whose service to the tap can be restored within 24-hours to 96%.

Solving persistent low pressure problems during the pandemic

We've got a good track record of reducing low water pressure issues on our network but our customers told us we needed to do more. We revised our AMP6 low pressure commitment to focus on customers who have persistent low pressure.

Our first year of this new measure has been challenging. We made some assumptions on what we thought the underlying rate of low pressure issues were, the dramatic high demand on our network in the early part of the pandemic, alongside warm dry weather, resulted in a significant increase in customers experiencing persistent pressure problems, more than we ever expected.

In response to this significant increase, we set up a dedicated team to fast track solutions, such as:

- small service booster stations, some serving individual properties;
- upsizing pipework; and,
- network reconfiguration.

We're delighted to be able to report that we resolved just over 85,000 low pressure days for 1,210 properties this year, outperforming our target.

System driven long-term solutions

We recognise the need to develop long-term solutions to avoid disruption to services – balancing supply and demand to provide drought resilient supplies.

We are pleased to be able to report that we've met our reputational commitment that measures our resilience to severe restrictions in a 1 in 200 year drought.

Over the five-year period to 2025 we will increase water supply capacity by 68.5ML/d.

Ensuring a sustainable water cycle

Our customers expect water to always flow whenever they turn on their taps. We need to do this at the same time as protecting water resources in the face of challenges from population growth, climate change and an increase in demand.

In 2020/21 almost every water company across the UK reported an increase in household water consumption¹ reflecting how the COVID-19 pandemic increased concerns about hygiene, forced many into home working and schooling and reduced non-household demand – shifting water demand in the network, and placing more importance on being in gardens.

During the first COVID-19 lockdown we experienced the impact of unprecedented customer demand for water across our region which resulted in some of our customers experiencing low pressure or interrupted supply. This has unfortunately led to a year-on-year deterioration in supply interruptions performance outturning at 11 minutes 21 seconds.

We are confident that our five point approach is delivering the improvements required in-line with our stretching industry-wide targets.

Our strategy is:

- Calming the network, preventing the event;
- Being prepared and knowing what options we have available before an incident occurs;
- Responding quickly to restore supply (re-directing water round the network or temporarily restoring supplies with our tanker fleet);
- Returning service to normal with efficient, fast and robust repairs; and
- Keeping our customers informed.

¹ [Economic impact of COVID-19 on the water sector \(2021\)](#)

We have seen a 3.3% increase (as a three-year average) in PCC – missing our Year 1 target.

Our regulator, Ofwat, has confirmed that underperformance penalties will not be applied in-period for PCC as originally expected. Instead they will take a view as part of the PR24 process as to how well companies have responded to the additional challenges of the pandemic and what, if any, penalties should be applied.

We're taking a holistic lens to protect water sources for the future focusing on three key areas:

1. Influencing customer behaviour – this year we have seen a shift of water usage from non-household customers to household customers, predominantly caused by multiple national COVID-19 lockdowns.

Our research shows that customers significantly underestimate how much water is used in day-to-day activities, such as washing the dishes and flushing the toilet and seasonal activities such as watering the garden and filling paddling pools.

We need to enable clear and transparent understanding of individual household water usage and the value of water beyond the bill that they pay, at the same time as providing options to help reduce consumption. This year we've installed 83,274 meters and by 2025 we aim to have installed 500,000, including the smart metering trial awarded by Ofwat in our Green Recovery programme.

2. Reducing leakage – we have set a goal to reduce leakage by 15% by 2025. This year we have achieved our lowest ever level of District Metered Area ('DMA') leakage helping us to achieve a 2.2% year-on-year reduction, beating our regulatory target.

With an extensive network of loggers, our teams are able to constantly monitor our network, checking for

subtle changes in flow rate and pressure that may indicate leaks, and their expertise, combined with the technology we use, means we are able to detect a large percentage of leaks before they become an issue for the public.

For the leaks that are more significant and likely to lead to interruptions to supply or disruption to traffic we have revamped our speed of response performance commitment. The new measure focuses on the end-to-end lifespan of significant visible leaks, from when a customer reports it all the way to the asset being repaired and clearing the site. We are pleased to be able to report we beat our target by 18.8%.

Technical knowledge and understanding is the bedrock of finding and fixing leaks effectively, and this year the teams were joined by 22 leakage apprentices on our accredited scheme. Together with the launch of our Academy, offering state-of-the-art facilities which simulate our live network using virtual reality, this gives confidence that we are continuing to build and develop essential skills and capabilities.

3. Abstracting sustainably – we aim to work in synergy with the natural water cycle, abstracting the water people need, at the right time and from the right place. This means finding a balance – protecting levels of stored water, increasing production capacity, building resilience into our network and reducing what we abstract in critical areas.

Our Abstraction Incentive Mechanism ('AIM') performance commitment focuses on environmentally sensitive sites where a reduction in the level of abstraction would be beneficial for the environment, measuring abstraction beyond a specific trigger point for each site based on average annual long-term sustainable abstraction levels. As a result of unusually high demand driven by the pandemic, we unfortunately breached the trigger point at one of our sites, Highgate, missing our performance commitment.

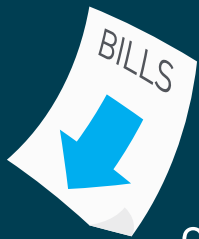
Summer water efficiency campaign

In 2020 we ran a large scale campaign for our customers to save water, which reached 7.7 million people across social media alone. We delivered more than 80,000 free and subsidised water saving devices (more than three times the number distributed in 2019) and provided water efficiency advice through home visits to almost 1,200 customers.



Our customers and communities

We're committed to providing an amazing service every day to every customer in our region. We recognise just how difficult the pandemic has been for many across our region and we're in a unique position to make a real difference in our communities. We've supported customers struggling to pay, introducing a temporary social tariff, and donating to 400 charities and not-for-profits.



~£1/day

one of the lowest
average combined bills
in the country



40,728

customer
commitments to
change behaviour

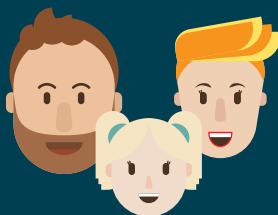


Industry leading

Developer Services
Experience
Measure

Mid-table

in the industry
on our Customer
Experience
Measure



£3.5m

donated to over
400 charities
across our region



Helping people to thrive

We share the belief with our customers that water should be affordable for all. Our average combined bill for the year – around £1 a day – remains one of the lowest in the country, and we will continue to offer one of the lowest bills throughout AMP7.

Part of our strategy for improving overall affordability is ensuring that everyone pays their fair share by targeting properties that we believe are connected to the network that receive services from us but are not charged. We set ourselves stretching targets in our AMP7 plan, and this year we’ve beaten the targets for reducing residential gap sites and reducing business void and gap supply points. Unfortunately, we’ve missed the mark on residential void properties. We will continue to take a targeted approach, for example, improving our Change of Responsibility (‘CHOR’) processes when customers move home and at the same time allowing us to validate and update our relevant data in order to tailor our support in the future.

Our customers’ perceptions of value for money has remained stable at 67% this year, compared with 66% at the close of AMP6. Ready for AMP7, we appointed a new independent agency to undertake the survey, the outcomes of this are further detailed on page 66.

Supporting our customers

We recognise that some customers have difficulty paying and we continue to do everything we can to help those in difficulty. This year we helped over 150,000 customers with their bills, equating to 35% of our customers who struggle to pay, through a range of measures. For example, our Big Difference Scheme helped over 67,000 customers with over £15.5 million of support offering a discount of between 10% and 90% on their average bills.

Our Priority Services Register (‘PSR’) allows us to establish the specific needs of our customers and tailor our support. 2.6% of our customer base are now registered with us and we’re working with organisations across our region to identify customers that may benefit from being registered. Our performance commitment also measures actual and attempted contact achieved with customers on our PSR over a two-year period, and this year we attempted to contact nearly half of those customers, successfully engaging with 24%.

	2020/21 Target	2020/21 Actual
Reach	2.1%	2.6%
Actual contact	17.5%	24.4%
Attempted contact	45.0%	48.4%

Table 1. Percentage breakdown of PSR by reach, actual and attempted contact.

A positive difference in our communities

As a regional business, we take seriously the role we play in supporting the communities hit hardest by the pandemic, which is why we awarded c.£3.5 million of funding to over 400 charities and not-for-profits in our region through our COVID-19 Emergency Fund, Community Fund and our Water Efficiency Savings Challenge. We also introduced a temporary social tariff called ‘Back-on-Track’ which has helped customers who have struggled to pay apply for a reduction of up to 50% on their bill for 2021/22.

Delivering an outstanding customer experience every time

We are committed to improving our performance and offering the best service and experience to all our customers and developers. The new industry customer experience measure accounts for satisfaction from our customer services as well as a wider view on our customers perceptions via experience surveys. We finished the year upper-quartile in ‘experience’. However, our overall score when taking into account the views of customers who have specifically contacted us during the year, we are mid-table. We recognise there is more to do particularly around service delivery and letting our customers know what is happening and when.

We continue to learn and adapt our customer offering to ensure we can be there 24 hours a day, seven days a week, through whatever channel they choose. 53% of our customers now choose to contact us through digital channels, including social media (Facebook, Twitter, Instagram), WhatsApp, Apple Chat and Webchat.

Our Developer Services customers place us as the industry leader for D-MeX, and it is our ambition to embed this success and continue to lead the water industry.

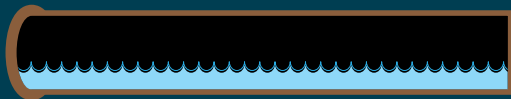
Educating a generation

We set out to create our most innovative schools programme yet, to inspire a new generation of customers to change how they think about water. We weren’t able to visit schools as we normally would during the pandemic, so our Education Team went online, launching live lessons supporting those who were home schooling during lockdown. In total, our teams collected 40,728 commitments to make behavioural changes ranging from using water wisely, reducing plastic use and raising awareness of what not to put down the sink and toilet.

Waste water safely taken away

Customers want to be able to flush and forget about what goes down their drains – this should not come back to cause problems at a later date. When things go wrong sewage can escape from the network either into people's homes and gardens or cause pollution incidents in rivers and streams. We're continuing to drive down sewer flooding incidents each year and have set ourselves an ambitious target to halve the number of pollutions by 2025, stretching ourselves beyond the water industry sector target set by Ofwat and the 40% reduction target set by the Environment Agency.

c.1,500



sewer sensors installed
– our eyes and ears in
the network letting us
know when there is
a problem



Best ever

waste Category
1-3 pollutions
performance

30%

reduction in blockages



780

internal sewer
flooding incidents,
improving
year-on-year

Our Holistic Approach

When our waste water system fails it impacts on the service we provide to our customers, or results in an escape of raw sewage into homes, public open spaces or directly into the environment and we are passionate about ensuring we do everything to limit such events. This is why we have seen large reductions in failures by investing heavily, driving innovation and continuous improvement.

To prevent issues we take a holistic approach across the entirety of our waste water system, using data, modelling and analytics to target proactive investment and improvement activities. This ensures we make interventions that deliver efficient and effective benefits for our customers and the environment.

Our strategy is underpinned by the philosophy that preventing blockages and keeping the system flowing freely, is better than clearing a blockage after it has caused a problem for our customers or the environment. This has required a shift in our strategic approach to source control, prevention, early identification and intervention on factors that lead to asset failures.

Starting at source we know that a large proportion of blockages are caused by consumers flushing the wrong items, such as wipes or fats, oils and grease ('FOG') down the sewer. We have developed and invested in an extensive customer education and behaviour change programme to influence what goes down the drain. We worked with experts to develop materials and methods of influencing behaviour and created a new Network Protection Team to work with customers and communities using data to target hotspots. We also launched our first ever multi-lingual campaign to engage and educate across the wide range of communities we serve. Furthermore, we have expanded our team who work with restaurants and food outlets to build relationships, advise, educate and enforce good practice on FOG management.

Moving into the sewer network, we want to ensure our pipes are in good condition and can flow freely. This involves using our data models to target investment in sewer inspection, cleaning and repairs into the most beneficial areas. Our PR19 fast-track status allowed us to move quickly and accelerate our AMP7 plan, enabling us to inspect the condition of over 50,000 pipes, contributing to a 30% year-on-year reduction in blockages.

We have an ambition to make the invisible, visible, and leaned heavily on innovation to help develop and procure low cost sewer sensors that we can deploy at scale in manholes across the sewer system. Increasing visibility of our hidden infrastructure is key to identifying blockages as they are forming, so we can send teams to clear them, preventing blockages, flooding and pollutions. We have already installed c.1,500 monitors and they have been alerting us to potential problems which we can resolve before our customers ever experience an issue.

We have also harnessed the power of our people and supply chain through our 'Fit for Frontier' programme which enabled us to harness the best ideas in the business, improve the skills of our workforce and identify the right mix of activities to achieve our best ever performance on blockages. A core philosophy has been ensuring we 'Get it Right First Time' on every visit we make to a service failure on a sewer by getting to root cause of the failure to avoid repeats.

When a flooding incident occurs we identify the root cause and categorise as either hydraulic overload (the network getting overwhelmed by rainwater) or flooding other causes ('FOCs').

Our outstanding performance on blockages has enabled us to deliver our best ever performance on FOC (where a blockage in the network causes a back-up in the system); a 26% reduction from our previous best performance in 2017/18.



We recognise that increasingly we are being affected by severe wet weather events. The summer in 2020/21 was one of contrast, unseasonal persistent wet weather, at almost 200% of the average in the Severn Trent region, either side of heatwave conditions¹. This resulted in the highest number of flooding incidents caused by hydraulic overload, leading us to miss our internal sewer flooding target. We recognise that it is important to develop increased resilience to such severe weather events.

In the short-term we are developing and testing a predictive tool that alerts us to areas that could be affected when a storm is coming in order to take suitable action to protect customers.

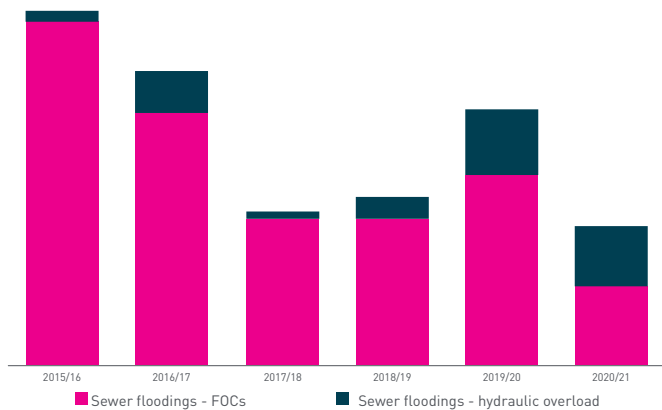


Figure 2. Split of internal and external sewer flooding incidents by root cause; hydraulic overload; or FOCs.

In the long-term we are taking an innovative approach by investing in nature-based solutions to reduce the likelihood of sewer flooding through ensuring system capacity is not overwhelmed.

Over the five-year period to 2025 we will reduce the risk of sewer flooding for at least 360 properties across our region through our collaborative flood resilience programme. We will also deliver £0.6 million of natural and social capital value through the construction of sustainable drainage and water management features, through our green communities commitment. Disappointingly, we've missed our green communities target this year. We have a great track record of working in partnership with local councils, unfortunately we were unable to agree the finer details of the programme to ensure that construction and delivery would be completed by the end of the reporting year.

We're delighted to have had our Green Recovery proposal to build the UK's first town catchment-scale flood resilience programme in Mansfield accepted by Ofwat. If this trial is successful, not only will we protect around 90,000 customers from flooding, but it could also pave the way for Severn Trent and other water companies to completely rethink the industry's approach to traditional "grey" infrastructure solutions.

Performing on pollutions

Our ambition is to reduce our impact on the environment by halving the number of pollution incidents by 2025. We've made a great start with 21% year-on-year reduction in category 1 to 3 waste water incidents.

Transparent reporting

Risk of sewer flooding in a storm is a reputational performance commitment. It is designed to assess risk in catchments with a population over 2,000 people and where a catchment is deemed to be in a high or medium vulnerability grade.

During our preparation for the APR21 assurance for this obligation, we identified that, while the risk modelling was undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020. There is no increased risk to customers.

¹ [Hydrological Summary for the United Kingdom \(August, 2020\)](#)



Thriving environment

The natural environment is critical to our business, we are constantly interacting with it and we need to protect and enhance it whenever we can. We're committed to improving rivers and habitats so that they can support a greater diversity of wildlife and plants, providing natural ecosystem resilience and co-creating a better environment for our customers to enjoy.

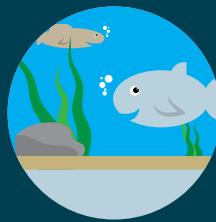
99.6%



compliance at our
treatment works

2,632 ha

biodiversity and
environmental
improvements



53%

self-generation
of our energy
needs



46%

commitment to
reduce Scope 1 and 2
emissions as part of our
Science Based Targets
submission

A positive impact on our environment

We want to drive significant environmental improvement through our biodiversity programme, because we know that enhancing biodiversity helps build resilience in our natural ecosystems, boosting the health and quality of several areas including woods, soils, rivers and wetlands. We are pleased to have made a very strong start to the AMP by improving 2,632 hectares of land, delivering our entire AMP7 target twice over in this first year. The mechanistic calculation of the ODI associated with our biodiversity performance commitment is discussed on page 66.

We cannot achieve the scale of our ambition alone. By working across our own land and in partnerships, we are co-creating a network of wildlife improvements across our whole region. This year we've partnered with 72 different organisations, including the National Trust, Wildlife Trusts, Rivers Trusts and RSPB, and more than 80 landowners through grant schemes. We look forward to deepening our relationships and together taking care of the environment.

Through our successful Green Recovery programme, we'll also be accelerating the delivery of our Water Framework Directive ('WFD') statutory obligations and improvements to storm overflows, improving 500 km of rivers five years earlier than originally planned.

We have two compliance measures to ensure that our waste water is recycled and returned to the environment within environmental permits (treatment works compliance) and that the sludge created at the end of the process meets the requirements of the Sludge Use in Agriculture regulations (satisfactory sludge use and disposal). Both of these measures aligned with the definitions set out in the Environment Agency's Environmental Performance Assessment. We were compliant in both.

Protecting our assets

With pubs being forced to close as a result of the national lockdown, we encouraged them to get in touch before disposing of large quantities of beer into the sewer system. Not only could it flood the sewer network and escape into the environment, but too much alcohol can also impair the bugs that help clean our sewage, making them less effective at their job.

We designed a bespoke service to provide timely processing of waste beer applications, receiving almost 3,500 in just two months, ensuring protection of our assets and authorising the disposal of over 3.5 million litres of beer.

Enhancing our natural environment

We announced our intention as the AMP started to invest £1.2 billion in our sustainability ambitions in order to reduce emissions, improve the environment and support customers. We have set a bold ambition to improve the biodiversity of 5,000 hectares of habitat by 2027 - our Great Big Nature Boost.

We hosted Great Big Nature Boost days out at three of our visitor sites, with fun-filled family activities, helping customers understand our unique position in the water cycle and that when we look after nature we look after water too.



EPA 4*

We are delighted that we have retained our industry leading 4* status in 2020, with five of the Environment Agency's environmental performance metrics green and one amber. We have retained our 4* status for three out of the last four years.

Acting now on climate change

We've made our Triple Carbon Pledge – net-zero operational carbon emissions, 100% renewable energy and 100% electric vehicles by 2030 (where available) – as part of the combined UK water sector's Net Zero 2030 Roadmap. We are on track to deliver this, self-generating the equivalent of 53% of the electricity that Severn Trent Water uses. Our electric vehicle ('EV') fleet continues to increase in size, and we've offered our employees access to an EV scheme to encourage them to reduce their own impact.

We also recently submitted our proposed Scope 1, 2 and 3 emissions targets to the Science Based Targets initiative, committing us to deliver significant reductions in our GHG emissions by 2030.

- Reduce our Scope 1 and Scope 2 emissions by 46% by 2030, in line with the Science Based Targets initiative's guideline; and
- Reduce Scope 3 emissions by engaging with over 70% of our supply chain to take action on their own emissions.

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.

To ensure the highest levels of transparency and clarity, below we have provided additional commentary on those areas where Ofwat have asked us to provide additional reporting within the Final Determination and areas where we believe greater clarity would be beneficial.

Code	Measure	Commentary												
A04	Value for money	<p>Value for money ('VFM') is a reputational performance commitment measured using a tracker survey commissioned from an independent research agency. The target level of performance for each year of AMP7 was set in reference to our previous performance on the same measure over AMP6 and challenges us to make a 3.2% improvement in relative terms over the AMP.</p> <p>Ready for AMP7, we appointed a new independent agency to undertake this survey, adopting best practice in survey design. Because surveys of this kind can be sensitive to even small changes, in the final quarter of AMP6 we asked our new agency to run the survey concurrently with our existing agency so that we could understand the impact. There were differences in a number of performance indicators that the survey captures, including VFM which was 8.821% lower with the new survey.</p> <p>To make sure our reported performance this year is measured consistently with how the target was set, we have recalibrated the VFM survey results by +8.821%. Taking this approach also has the advantage of customers and stakeholders being able to gauge changes in VFM across both AMP6 and AMP7, as well as whether we are achieving the 3.2% relative improvement we have committed to between 2020/21 and 2024/25.</p>												
C03/ C04	Biodiversity water/waste	<p>Biodiversity (water) and Biodiversity (waste) are financial incentive penalty/reward performance commitments measuring the number of hectares ('ha') of land managed with a biodiversity plan or a Severn Trent funded grant scheme that enhances biodiversity.</p> <p>For water, for example, our performance commitment for 2020/21 is to deliver 190.5ha. In each subsequent year we have a target of delivering 190.5ha so that by the end of the AMP we have 952.6ha under management as laid out in the Final Determination – reported in the table below.</p> <table border="1"> <thead> <tr> <th></th> <th>2020/21</th> <th>2021/22</th> <th>2022/23</th> <th>2023/24</th> <th>2024/25</th> </tr> </thead> <tbody> <tr> <td>Biodiversity (Water) Performance commitment target (hectares)</td> <td>190.5</td> <td>381.0</td> <td>571.6</td> <td>762.1</td> <td>952.6</td> </tr> </tbody> </table> <p>We have a starting point of 2,632ha of biodiversity enhancement across water and waste performance in 2021/22. If a land management activity/maintenance ceases at a site this will no longer be counted towards achieving the performance commitment. In addition, we can lose hectares by negatively impacting a site of special scientific interest ('SSSI') in our region.</p> <p>The performance we report in APR22 will be calculated as:</p> <p>Total ha of land under active biodiversity management in 2021/22 = land on the 31st March 2021 under biodiversity management + new additions to enhancement during the year - land ceasing to be under management - any SSSI in our region we negatively impact.</p> <p>A worked example:</p> <p>APR 22 Performance = 2,632ha land on 31 March 2021 + 300 ha of new biodiversity enhancements – 100 ha of land ceasing to be under management - 0 hectares of SSSI impact.</p>		2020/21	2021/22	2022/23	2023/24	2024/25	Biodiversity (Water) Performance commitment target (hectares)	190.5	381.0	571.6	762.1	952.6
	2020/21	2021/22	2022/23	2023/24	2024/25									
Biodiversity (Water) Performance commitment target (hectares)	190.5	381.0	571.6	762.1	952.6									
F04	Risk of sewer flooding in a storm	<p>During our preparation for the APR assurance audit for this obligation, we identified that, whilst the risk modelling had been undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020.</p> <p>There is no increased risk of flooding to customers as the risk was correctly modelled in accordance with the requirements. The issue solely relates to the collation of/calculation of the reported risk.</p> <p>The reporting on this commitment will be restated with commentary to support. Economic modelling and financial modelling will not be impacted. The associated PDT has been updated to ensure additional checks are in place to ensure modelled risk is correctly collated and included in the reported risk.</p>												

Code	Measure	Commentary
B01	Inspiring Customers to use water wisely	<p>Inspiring customers to use water wisely is a financial incentive penalty/reward performance commitment measuring the number of customers agreeing to change one or more of the three target behaviours (using wonderful water wisely, knowing what not to put down the sink; and choosing tap water for healthy you and healthy environment).</p> <p>Our education program is typically delivered as an assembly to a whole school, with follow on workshops to the year 3 and 4 children. COVID-19 forced the closure of schools resulting in the cancellation of all our future bookings. As the pandemic lockdown unfolded we recognised that we could assist both teachers and parents suddenly thrust into home-schooling with educational materials.</p> <p>We surveyed a small number of teachers from across our region about what a return to school in September 2020 would look like both for in person visits as well as digital content. As a result, we developed a bespoke educational livestream that met the following criteria to try and make it as easy for teachers as possible. It was:</p> <ul style="list-style-type: none"> • Simple for teachers to use; • Required only a web browser and an internet connection in the school; • Allowed us to provide live education sessions over the internet from our education team members working from home; • Allowed us to collect behavioural change commitments at the time of each education session, and; • Allowed live face-to-face interactivity with the remote class through a Q&A box, whilst safeguarding children by not having them on video. Each session was bespoke as the uniquely generated lesson that can only be accessed by those the teacher has sent the unique link to. <p>Our online lessons went live mid-October.</p>
A01	Reducing residential voids	In line with our PR19 forecasting methodology, this performance commitment is reported on an average billable basis i.e. counting the number of days that a property was void and dividing this by 365 to give us a derived void property count.
A02	Reducing residential gap sites	Our auditors, Jacobs, have confirmed that we have followed a rigorous process that has been correctly implemented to identify and bill newly built properties (page 35).
A03	Reducing business voids and gaps	Performance is measured using vacant flags in the Central Market Operating System ('CMOS'). Between April and August 2020, to account for the impacts of COVID-19, this vacant flag was used to mark a business as temporarily closed. We can confirm that we have updated our methodology to remove businesses with the temporary vacant flag. We have excluded 99 properties.
C01	C-MeX	We offer a range of contact channels for our customers which exceed the minimum of five channels as set out by Ofwat. Customers can contact us by the following methods: letter, email, telephone, WhatsApp, Livechat, Apple chat, short message service ('SMS') and social media (Facebook direct message, Twitter direct message, Instagram direct message).
D02	D-MeX	As part of our year end assurance we have utilised our standard three lines of assurance processes to ensure that our performance is an accurate reflection against the selected Water UK metrics in D-MeX. We confirm we have not found any material issues as a result of this process.

Code	Measure	Commentary
E02	Priority services for customers in vulnerable circumstances	<p>PSR reach: The % split across the Priority Services Register ('PSR') membership categories A to E is forecast to continue as Year 1 end and no changes to the weighting in year 2. The forecast will be reassessed at the end of Year 2 to enable sampling of new campaigns and continued PSR activity.</p> <p>PSR data-checking: We monitor for operational purposes PSR membership month on month. Over the year we have had 68,634 customers added and 12,929 removed.</p> <p>Third parties are not utilised to support attempted contact activity at present, as such all activity is direct from STW and reported in our attempted contacts' measure.</p>
F08	Green communities	<p>The green communities performance commitment will not be reporting any benefits for 2020/21. Where we report benefits in the future, this will be assured independently to ensure there is no duplication in benefits reported.</p>
G02	Leakage	<p>In AMP7 we aligned how we report to be consistent with the industry definition. To ensure we are clear and transparent we are reporting our progress from 2019/20 and actions we are taking.</p> <p>We have made excellent progress in 2020/21 and are now reporting over 75% of our consistency components as green.</p> <p>Our new per household consumption ('PHC') monitors have been installed and embedded, moving the unmeasured consumption component to green. The delivery of the Netbase upgrade in August 2020 has resulted in the remaining components of the nightflow losses moving from amber to green. Finally, we are fully compliant on property coverage and availability.</p> <p>This year we have continued to improve our source data sets, using company specific data where possible. Collecting data for 'Company and Other Water Use', which includes operational use and unbilled legal and illegal use, has resulted in our Distribution Input ('DI') not meeting the threshold for green. We expect that further strengthening the data collection in 2021/22 will turn this component back to green.</p> <p>We have one red component associated with the water balance gap. Through a cross-sector benchmarking exercise we know we are an outlier in the industry. We have reviewed our estimate of trunk main leakage and amended the inputs to the standard Burst and Background Estimation ('BABE') losses calculation. This has resulted in an increase in reported leakage—closing our water balance residual gap by 1.0%. This still results in a red score for compliance. We are looking to review each component of the water balance and review its impact to the gap. We will provide details of any further changes required.</p>
G03	Per Capita Consumption	<p>In AMP 7 we aligned how we report PCC to be consistent with the industry definition.</p> <p>We remain at 100% green (consistent with the industry definition) for APR21.</p>
G05	Unplanned outage	<p>This measure has been through our independent 3rd line assurance and we are compliant against all AMP7 methodology components.</p>

Code	Measure	Commentary
G06	Risk of severe restrictions in a drought	<p>We carried out an update of the 25-year (2020-21 to 2044-45) average risk. This average risk update applied only to the year in question (i.e. not any update to previous years or years after the year in question). The reported risk, as assured externally, remains unchanged from the previous year (i.e. the shadow reporting year in the final year of AMP6), and in line with our performance commitment target for Year 1 of AMP7. This has remained unchanged as there have been no updates to the components of the risk calculation as our AMP7 supply / demand enhancement improvements have not yet been completed / realised. A balance sheet of supply-demand changes does not accompany this text commentary as there is no change in terms of performance from the previous year or the performance commitment target.</p>
G07	Speed of response	<p>We categorise a leak as significant if it has one or more of three criteria.</p> <ul style="list-style-type: none"> • Categorised as an urgent response at point of contact; • Categorised with one of our six supply interruption job codes at point of contact; and • Repaired using a '2 hour urgent' notice with the council (also known as a 2U or 2E notice). <p>After exclusions, the number of leaks that fell into the significant category was 8,603.</p> <p>The number of leaks that fell into the non-significant category was 3,183.</p> <p>73% of all leaks were categorised as significant. If a leak doesn't meet any criteria to be classified as 'significant' then the leak will fall into the 'non-significant' category. We do not categorise the non-significant leaks any further, other than they are not urgent, a supply interruption nor repaired using an urgent notice.</p> <p>98 leaks were manually excluded. We exclude 'non-2U' customer reported, network leaks that require a 3rd party to provide special or unusual permission or where a 3rd party's equipment needs checking, supporting, isolating or removing to make it safe for us to repair the leak. This is 1.1% of all leaks initially categorised as significant. As the manual exclusions are such a small number and we categorise the majority of leaks as significant we are comfortable with this approach.</p>
G08	Persistent low pressure	<p>Persistent low pressure measure was designed to maintain the reporting thresholds and removal criteria in the previous measure (properties at risk of receiving low pressure) to ensure customers are protected from a reduction in service. The main difference in our AMP7 measure was to include the number of days rather than just the property to incentivise us to tackle more persistent problems.</p> <p>As with the previous measure, property days are included in our annual reported figure where, at the end of the year, properties have received, and are likely to continue to receive, a pressure or flow below the reference level. As a result, where solutions have been delivered to resolve low pressure issues, the property days are not included in our reporting.</p>
H03	Farming for water	<p>We undertake monthly tracking against our internal Key Performance Indicators ('KPI'). At the end of Year 1, the company is ahead of target to deliver six catchment schemes by the end of the AMP while a further 10 catchment schemes are on track to meet end of AMP targets. 28 catchment schemes are still working towards their KPI targets.</p>
H04	Protecting schools from lead	<p>As set out in Appendix A3 of our PR19 Business plan submission, the definition for the Performance Commitment H04 - Protecting schools from lead sets out that where the sampled lead concentration is below the limit of detection we consider our commitment to be fulfilled.</p>

Regulatory accounts for the year ended 31 March 2021

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

Opinion

We have audited the sections of Severn Trent Water Limited's Annual Performance Report for the year ended 31 March 2021 ("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.3, 1F.5 to 1F.6, 1F.8, 1F.12 to 1F.14, 1F.18 and 1F.23 to 1F.24 of the statement of financial flows table 1F) and the notes to the regulatory accounts; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis (wholesale) (table 2B), the cost analysis (retail) (table 2C), the historical cost analysis of fixed assets (table 2D), the analysis of capital contributions (table 2E), residential retail (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 (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (wholesale) (table 2M), residential retail - social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited lines 1F.4, 1F.7, 1F.9 to 1F.11, 1F.15 to 1F.17, 1F.19 to 1F.22 and 1F.25 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4R, 5A to 5B, 6A to 6D, 7A to 7E, 8A to 8D and 9A.

In our opinion, Severn Trent Water Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSR (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2), set out on pages 93-95.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, 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, as defined in RAG 3.12, 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 have not been prepared under the basis of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK IASs"). Financial information other than that prepared on the basis of UK IASs 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 78-112 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the group's borrowing arrangements, in particular the £1.0 billion revolving credit facility, including the sufficiency of headroom available in the forecasts (cash and covenants);
- assessing the assumptions used in the cash flow forecasts for consistency with board approved budgets and future plans for AMP 7, and performing sensitivity analysis relating to these assumptions;
- assessing the impact of risks and uncertainties on the business model and medium-term risks including where relevant the impact of COVID-19; and
- reviewing the appropriateness of the disclosures provided in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 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 42, the directors are responsible for the preparation of the Annual Performance Report in accordance with the Regulatory Accounting Guidelines issued by the WRSRA and the Company's accounting policies

(including the Company's published accounting methodology statement, as defined in RAG 3.12, 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 as a whole 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 the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSRA, UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, the audit committee, reviewing internal audit reports and reviewing correspondence with HMRC and WSRA.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's 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 2021 on which we reported on 8 July 2021, 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
London, United Kingdom
15 July 2021

Deconsolidation of Hafren Dyfrdwy from Severn Trent Water Group

This section sets out the process for the income statements, statement of comprehensive income, balance sheet and cash flow. The full year results of Hafren Dyfrdwy Cyfyngedig ('HD') are included in the STW Group results in 2020/21. The HD entity results and related consolidation entries are excluded from the Severn Trent regulatory accounts.

Income Statement

Year ended 31 March 2021

	Statutory STW Group	Total value to deconsolidate HD	Statutory STW Group less HD
	£m	£m	£m
Revenue	1,699.522	-32.009	1,667.513
Operating costs	-1,241.601	38.018	-1,203.583
Other operating income	-	-	-
Operating profit	457.921	6.009	463.930
Other income	-	-	-
Interest income	59.583	-0.137	59.446
Interest expense	-237.217	-0.082	-237.299
Other interest expense	-	-	-
Profit before tax and fair value movements	280.287	5.790	286.077
Fair value losses on financial instruments	9.671	-	9.671
Profit before tax	289.958	5.790	295.748
UK corporation tax	-24.922	-1.708	-26.630
Deferred tax	-26.153	0.873	-25.280
Profit for the year	238.883	4.955	243.838

A gain on impairment provision of £4.9 million has been included in fair value losses on financial instruments.

Statement of comprehensive income

Year ended 31 March 2021

	Statutory STW Group	Total value to deconsolidate HD	Statutory STW Group less HD
	£m	£m	£m
Profit for the year	238.883	4.955	243.838
Actuarial gains/(losses) on post employment plans	-130.600	3.723	-126.877
Other comprehensive income	32.700	0.000	32.700
Total comprehensive income for the year	140.983	8.678	149.661

Statement of financial position

Year ended 31 March 2021

	Statutory STW Group	Total value to deconsolidate HD	Statutory STW Group less HD
	Em	Em	Em
Non-current assets			
Fixed assets	9,823.084	-236.917	9,586.167
Intangible assets	196.596	-73.395	123.201
Investments - loans to group companies	53.623	23.867	77.490
Investments - other	1,550.135	236.954	1,787.089
Financial instruments	37.131	-	37.131
Retirement benefit assets	17.103	-17.103	-
Total non-current assets	11,677.672	-66.594	11,611.078
Current assets			
Inventories	9.875	-0.404	9.471
Trade and other receivables	502.725	-1.146	501.579
Financial instruments	3.783	-	3.783
Cash and cash equivalents	12.143	-0.184	11.959
Total current assets	528.526	-1.734	526.792
Current liabilities			
Trade and other payables	-534.864	9.654	-525.210
Capex creditor	-	-	-
Borrowings	-483.243	0.106	-483.137
Financial instruments	-	-	-
Current tax liabilities	-3.921	1.187	-2.734
Provisions	-23.932	1.393	-22.539
Total current liabilities	-1,045.960	12.340	-1,033.620
Net current assets/(liabilities)	-517.434	10.606	-506.828
Non-current liabilities			
Trade and other payables	-1,250.032	13.939	-1,236.093
Borrowings	-5,786.764	0.004	-5,786.760
Financial instruments	-121.501	-	-121.501
Retirement benefit obligations	-376.408	0.000	-376.408
Provisions	-13.683	4.270	-9.413
Deferred income - grants and contributions	-	-	-
Deferred income - adopted assets	-	-	-
Preference share capital	-	-	-
Deferred tax	-893.611	17.354	-876.257
Total non-current liabilities	-8,441.999	35.567	-8,406.432
Net assets	2,718.239	-20.421	2,697.818
Equity			
Called up share capital	1.000	0.000	1.000
Retained earnings and other reserves	2,717.239	-20.421	2,696.818
Total equity	2,718.239	-20.421	2,697.818

Statement of cash flows

Year ended 31 March 2021

	Statutory STW Group	Total value to deconsolidate HD	Statutory STW Group less HD
	£m	£m	£m
Statement of cashflows			
Operating profit	457,921	6,009	463,930
Other income	41,400	-1,109	40,291
Depreciation	365,000	-8,624	356,376
Amortisation - grants and contributions	-15,500	0,161	-15,339
Changes in working capital	15,700	-9,491	6,209
Pension contributions	-38,100	0,200	-37,900
Movement in provisions	12,400	-1,402	10,998
Profit on sale of fixed assets	-3,204	-	-3,204
Cash generated from operations	835,617	-14,256	821,361
Net interest paid	-179,400	1,756	-177,644
Tax paid	-26,900	-2,408	-29,308
Net cash generated from operating activities	629,317	-14,908	614,409
Investing activities			
Capital expenditure	-628,444	10,724	-617,720
Grants and contributions	-	-	-
Disposal of fixed assets	2,434	-0,007	2,427
Other	-	-20,000	-20,000
Net cash used in investing activities	-626,010	-9,283	-635,293
Net cash generated before financing activities	3,307	-24,191	-20,884
Cashflows from financing activities			
Equity dividends paid	-64,000	-	-64,000
Net loans received	57,581	24,491	82,072
Cash inflow from equity financing	-	-	-
Net cash used in financing activities	-6,419	24,491	18,072
Increase/(decrease) in net cash	-3,112	0,300	-2,812

1A - Income statement

Year ended 31 March 2021

Line description	Statutory STW Group less HD	Adjustments			Total adjustments	Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed			
		£m	£m	£m		
1A.1 Revenue	1,667.513	-52.222	-17.183	-69.405	1,598.108	
1A.2 Operating costs	-1,203.583	35.605	10.962	46.567	-1,157.016	
1A.3 Other operating income	0.000	3.204	0.000	3.204	3.204	
1A.4 Operating profit	463.930	-13.413	-6.221	-19.634	444.296	
1A.5 Other income	0.000	17.393	-0.441	16.952	16.952	
1A.6 Interest income	59.446	-55.700	0.000	-55.700	3.746	
1A.7 Interest expense	-237.299	32.920	0.002	32.922	-204.377	
1A.8 Other interest expense	0.000	-5.393	0.000	-5.393	-5.393	
1A.9 Profit before tax and fair value movements	286.077	-24.193	-6.660	-30.853	255.224	
1A.10 Fair value gains/(losses) on financial instruments	9.671	0.000	0.000	0.000	9.671	
1A.11 Profit before tax	295.748	-24.193	-6.660	-30.853	264.895	
1A.12 UK Corporation tax	-26.630	0.000	1.265	1.265	-25.365	
1A.13 Deferred tax	-25.280	4.675	0.000	4.675	-20.605	
1A.14 Profit for the year	243.838	-19.518	-5.395	-24.913	218.925	
1A.15 Dividends	-64.000	0.000	5.395	5.395	-58.605	

A Tax analysis

1A.16 Current year	29.994	0.000	-1.265	-1.265	28.729
1A.17 Adjustments in respect of prior years	-3.364	0.000	0.000	0.000	-3.364
1A.18 UK Corporation tax	26.630	0.000	-1.265	-1.265	25.365

B Analysis of non-appointed revenue

Non-appointed

1A.19 Imported sludge	0.366
1A.20 Tankered waste	10.713
1A.21 Other non-appointed revenue	6.104
1A.22 Revenue	17.183

1B - Statement of comprehensive income

Year ended 31 March 2021

Line description	Statutory STW Group less HD	Adjustments			Total adjustments	Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed			
	£m	£m	£m	£m	£m	
1B.1 Profit for the year	243.838	-19.518	-5.395	-24.913	218.925	
1B.2 Actuarial gains/(losses) on post employment plans	-126.877	7.478	0.000	7.478	-119.339	
1B.3 Other comprehensive income	32.700	0.000	0.000	0.000	32.700	
1B.4 Total Comprehensive income for the year	149.661	-12.040	-5.395	-17.435	132.226	

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

	Per Income Statement	Net actuarial difference on retirement benefit obligations	Deferred tax on movement on retirement benefit obligations	Total differences
	£m	£m	£m	£m
Profit for the year	-19.518	-	-	-19.518
Actuarial losses on retirement benefit obligations	-	8.351	-0.873	7.478
Other Comprehensive Income	-	-	-	-
Total	-19.518	8.351	-0.873	-12.040

1C - Statement of financial position

Year ended 31 March 2021

Line description	Statutory STW Group less HD	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	9,586.167	-202.297	0.000	-202.297	9,383.870
1C.2 Intangible assets	123.201	0.000	0.000	0.000	123.201
1C.3 Investments - loans to group companies	77.490	-1.670	0.000	-1.670	75.820
1C.4 Investments - other	1,787.089	0.000	0.000	0.000	1,787.089
1C.5 Financial instruments	37.131	0.000	0.000	0.000	37.131
1C.6 Retirement benefit assets	0.000	0.000	0.000	0.000	0.000
1C.7 Total	11,611.078	-203.967	0.000	-203.967	11,407.111
B Current assets					
1C.8 Inventories	9.471	0.000	0.000	0.000	9.471
1C.9 Trade & other receivables	501.579	1.670	0.000	1.670	503.249
1C.10 Financial instruments	3.783	0.000	0.000	0.000	3.783
1C.11 Cash & cash equivalents	11.959	0.000	0.000	0.000	11.959
1C.12 Total	526.792	1.670	0.000	1.670	528.462
C Current liabilities					
1C.13 Trade & other payables	-525.210	118.012	0.000	118.012	-407.198
1C.14 Capex creditor	0.000	-103.108	0.000	-103.108	-103.108
1C.15 Borrowings	-483.137	0.000	0.000	0.000	-483.137
1C.16 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.17 Current tax liabilities	-2.734	0.000	0.000	0.000	-2.734
1C.18 Provisions	-22.539	0.000	0.000	0.000	-22.539
1C.19 Total	-1,033.620	14.904	0.000	14.904	-1,018.716
1C.20 Net current assets / (liabilities)	-506.828	16.574	0.000	16.574	-490.254
D Non-Current liabilities					
1C.21 Trade & other payables	-1,236.093	1,230.327	0.000	1,230.327	-5.766
1C.22 Borrowings	-5,786.760	0.000	0.000	0.000	-5,786.760
1C.23 Financial instruments	-121.501	0.000	0.000	0.000	-121.501
1C.24 Retirement benefit obligations	-376.408	26.356	0.000	26.356	-350.052
1C.25 Provisions	-9.413	0.000	0.000	0.000	-9.413
1C.26 Deferred income - G&C's	0.000	-793.438	0.000	-793.438	-793.438
1C.27 Deferred income - adopted assets	0.000	-451.793	0.000	-451.793	-451.793
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	-876.257	33.429	0.000	33.429	-842.828
1C.30 Total	-8,406.432	44.881	0.000	44.881	-8,361.551
1C.31 Net assets	2,697.818	-142.512	0.000	-142.512	2,555.306
E Equity					
1C.32 Called up share capital	1.000	0.000	0.000	0.000	1.000
1C.33 Retained earnings & other reserves	2,696.818	-142.512	0.000	-142.512	2,554.306
1C.34 Total Equity	2,697.818	-142.512	0.000	-142.512	2,555.306

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

	Adjustments		Reclassifications			Total differences
	Capitalisation of interest	Share of Group pension scheme	Non-current trade receivables reclassification	Capital creditor reclassification	Deferred income reclassification	
	£m	£m	£m	£m	£m	
Non-current assets						
Fixed assets	-202.297	-	-	-	-	-202.297
Intangible assets	-	-	-	-	-	-
Investments - loans to group companies	-	-	-1.670	-	-	-1.670
Investments - other	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-
Total non-current assets	-202.297	-	-1.670	-	-	-203.967
Current assets						
Inventories	-	-	-	-	-	-
Trade and other receivables	-	-	1.670	-	-	1.670
Financial instruments	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	-	-	-
Total current assets	-	-	1.670	-	-	1.670
Current liabilities						
Trade and other payables	-	-	-	103.108	14.904	118.012
Capex creditor	-	-	-	-103.108	-	-103.108
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Current tax liabilities	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Total current liabilities	-	-	-	-	14.904	14.904
Net current assets/(liabilities)	-	-	1.670	-	14.904	16.574
Non-current liabilities						
Trade and other payables	-	-	-	-	1,230.327	1,230.327
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit obligations	-	26.356	-	-	-	26.356
Provisions	-	-	-	-	-	-
Deferred income - grants and contributions	-	-	-	-	-793.438	-793.438
Deferred income - adopted assets	-	-	-	-	-451.793	-451.793
Preference share capital	-	-	-	-	-	-
Deferred tax	38.437	-5.008	-	-	-	33.429
Total non-current liabilities	38.437	21.348	-	-	-14.904	44.881
Net assets	-163.860	21.348	-	-	0.000	-142.512
Equity						
Called up share capital	-	-	-	-	-	-
Retained earnings and other reserves	-163.860	21.348	-	-	-	-142.512
Total equity	-163.860	21.348	-	-	-	-142.512

1D - Statement of cash flows

Year ended 31 March 2021

Line description	Statutory STW Group less HD	Adjustments			Total adjustments	Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed			
	£m	£m	£m	£m	£m	
A Operating activities						
1D.1 Operating profit	463.930	-13.413	-6.221	-19.634	444.296	
1D.2 Other income	40.291	-38.237	-0.441	-38.678	1.613	
1D.3 Depreciation	356.376	-3.700	0.000	-3.700	352.676	
1D.4 Amortisation - G&C's	-15.339	15.339	0.000	15.339	0.000	
1D.5 Changes in working capital	6.209	0.000	0.000	0.000	6.209	
1D.6 Pension contributions	-37.900	0.000	0.000	0.000	-37.900	
1D.7 Movement in provisions	10.998	-0.280	0.000	-0.280	10.718	
1D.8 Profit on sale of fixed assets	-3.204	0.000	0.000	0.000	-3.204	
1D.9 Cash generated from operations	821.361	-40.291	-6.662	-46.593	774.408	
1D.10 Net interest paid	-177.644	0.000	0.002	0.002	-177.642	
1D.11 Tax paid	-29.308	0.000	1.265	1.265	-28.043	
1D.12 Net cash generated from operating activities	614.409	-40.291	-5.395	-45.686	568.723	
B Investing activities						
1D.13 Capital expenditure	-617.720	0.000	0.000	0.000	-617.720	
1D.14 Grants & Contributions	0.000	40.291	0.000	40.291	40.291	
1D.15 Disposal of fixed assets	2.427	0.000	0.000	0.000	2.427	
1D.16 Other	-20.000	0.000	0.000	0.000	-20.000	
1D.17 Net cash used in investing activities	-635.293	40.291	0.000	40.291	-595.002	
1D.18 Net cash generated before financing activities	-20.884	0.000	-5.395	-5.395	-26.279	
C Cashflows from financing activities						
1D.19 Equity dividends paid	-64.000	0.000	5.395	5.395	-58.605	
1D.20 Net loans received	82.072	0.000	0.000	0.000	82.072	
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	18.072	0.000	5.395	5.395	23.467	
1D.23 Increase (decrease) in net cash	-2.812	0.000	0.000	0.000	-2.812	

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

	Adjustments			Reclassifications	Total differences £m
	Depreciation on capitalised interest £m	Grants and contributions adjustment £m	Share of Group pension scheme £m	Non-operating income reclass £m	
Statement of cashflows					
Operating profit	3.700	-	0.280	-17.393	-13.413
Other income	-	-40.291	-	2.054	-38.237
Depreciation	-3.700	-	-	-	-3.700
Amortisation - grants and contributions	-	-	-	15.339	15.339
Changes in working capital	-	-	-	-	-
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-0.280	-	-0.280
Profit on sale of fixed assets	-	-	-	-	-
Cash generated from operations	-	-40.291	-	-	-40.291
Net interest paid	-	-	-	-	-
Tax paid	-	-	-	-	-
Net cash generated from operating activities	-	-40.291	-	-	-40.291
Investing activities	-	-	-	-	-
Capital expenditure	-	-	-	-	-
Grants and contributions	-	40.291	-	-	40.291
Disposal of fixed assets	-	-	-	-	-
Other	-	-	-	-	-
Net cash used in investing activities	-	40.291	-	-	40.291
Net cash generated before financing activities	-	-	-	-	-
Cashflows from financing activities	-	-	-	-	-
Equity dividends paid	-	-	-	-	-
Net loans received	-	-	-	-	-
Cash outflow from equity financing	-	-	-	-	-
Net cash used in financing activities	-	-	-	-	-
Increase/(decrease) in net cash	-	-	-	-	-

1E - Net debt analysis

Year ended 31 March 2021

Line description	Fixed rate	Floating rate	Index linked		Total
			RPI	CPI/CPIH	
			£m	£m	
A Interest rate risk profile					
1E.1 Borrowings (excluding preference shares)	4,171.370	509.893	941.409	593.791	6,216.463
1E.2 Preference share capital					0.000
1E.3 Total borrowings					6,216.463
1E.4 Cash					-11.959
1E.5 Short term deposits					0.000
1E.6 Net Debt					6,204.504
A Gearing					
1E.7 Gearing					66.089%
1E.8 Adjusted gearing					65.148%
B Interest					
1E.9 Full year equivalent nominal interest cost	149.661	7.504	56.077	10.717	223.959
1E.10 Full year equivalent cash interest payment	149.661	7.504	31.654	6.356	195.175
C Indicative interest rates					
1E.11 Indicative weighted average nominal interest rate	3.588%	1.472%	5.957%	1.805%	3.603%
1E.12 Indicative weighted average cash interest rate	3.588%	1.472%	3.362%	1.070%	3.140%
D Time to maturity					
1E.13 Weighted average years to maturity	9.056	2.915	30.197	19.834	13.242

The net debt analysis is reconciled to the net debt position below:

	Total
	£m
Current borrowings	483.20
Non-current borrowings	5,786.82
Severn Trent Water Group borrowings	6,270.02
Less: Artesian debt fair value adjustment	-29.60
Less: fair value hedge accounting adjustments	-23.96
Adjusted borrowings	6,216.46
Cash and cash equivalents	-11.96
Net debt	6,204.50
Loan receivable from Plc	-52.00
Loan receivable from HD	-36.40
Net debt per 1E.8 adjusted gearing	6,116.10

1F - Financial flows (Price Base - 2017/18 CPIH Average)

Year ended 31 March 2021

Line description	12 Months ended 31 March 2021						
	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	Return on regulatory equity						
1F.1	Return on regulatory equity	4.12%	3.47%	4.12%	147.117	124.023	124.023
1F.2	Regulatory equity	3,570.891	3,570.891	3,010.344			
B	Financing						
1F.3	Gearing		0.23%	0.27%		8.089	8.089
1F.4	Gearing benefits sharing		0.00%	0.00%		0.000	0.000
1F.5	Variance in corporation tax		0.30%	0.36%		10.841	10.841
1F.6	Group relief		0.00%	0.00%		0.000	0.000
1F.7	Cost of debt		-0.35%	-0.40%		-12.428	-11.993
1F.8	Hedging instruments		0.47%	0.55%		16.592	16.592
1F.9	Return on regulatory equity including Finance adjustments	4.12%	4.12%	4.90%	147.117	147.117	147.552
C	Operational performance						
1F.10	Totex out / (under) performance		-0.15%	-0.18%		-5.344	-5.344
1F.11	ODI out / (under) performance		1.67%	1.98%		59.716	59.716
1F.12	C-Mex out / (under) performance		0.00%	0.00%		0.000	0.000
1F.13	D-Mex out / (under) performance		0.00%	0.00%		0.000	0.000
1F.14	Retail out / (under) performance		-0.50%	-0.59%		-17.918	-17.918
1F.15	Other exceptional items		0.04%	0.05%		1.526	1.526
1F.16	Operational performance total		1.06%	1.26%		37.980	37.980
1F.17	RoRE	4.12%	5.18%	6.16%	147.117	185.097	185.532
1F.18	Actual performance adjustment 2015-20	0.79%	0.67%	0.79%	28.148	23.730	23.730
1F.19	Total earnings	4.91%	5.85%	6.95%	175.265	208.827	209.262
1F.20	RCV growth from inflation	1.01%	1.01%	1.01%	36.169	36.169	30.492
1F.21	Voluntary sharing arrangements		0.00%	0.00%		0.000	
1F.22	Total shareholder return	5.92%	6.86%	7.96%	211.434	244.996	239.754
E	Dividends reconciliation						
1F.23	Gross dividend	3.00%	1.56%	1.85%	107.127	55.603	55.603
1F.24	Interest received on intercompany loans		0.04%	0.05%	0.000	1.533	1.533
1F.25	Retained value	2.92%	5.26%	6.06%	104.308	187.860	182.618

Average 2020-25					
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
4.12%	3.47%	4.12%	147.117	124.023	124.023
3,570.89	3,570.89	3,010.34			
	0.23%	0.27%		8.089	8.089
	0.00%	0.00%		0.000	0.000
	0.30%	0.36%		10.841	10.841
	0.00%	0.00%		0.000	0.000
	-0.35%	-0.40%		-12.428	-11.993
	0.47%	0.55%		16.592	16.592
4.12%	4.12%	4.90%	147.117	147.117	147.552
	-0.15%	-0.18%		-5.344	-5.344
	1.67%	1.98%		59.716	59.716
	0.00%	0.00%		0.000	0.000
	0.00%	0.00%		0.000	0.000
	-0.50%	-0.59%		-17.918	-17.918
	0.04%	0.05%		1.526	1.526
	1.06%	1.26%		37.980	37.980
4.12%	5.18%	6.16%	147.117	185.097	185.532
0.79%	0.67%	0.79%	28.148	23.730	23.730
4.91%	5.85%	6.95%	175.265	208.827	209.262
1.01%	1.01%	1.01%	36.169	36.169	30.492
	0.00%	0.00%		0.000	
5.92%	6.86%	7.96%	211.434	244.996	239.754
3.00%	1.56%	1.85%	107.127	55.603	55.603
	0.04%	0.05%	0.000	1.533	1.533
2.92%	5.26%	6.06%	104.308	187.860	182.618

1F - Financial flows

Year ended 31 March 2021

We welcome the changes Ofwat have introduced to align financial flows and RoRE. The changes will further enhance transparency and confidence in how companies earn their returns and share performance information with investors. The measure compares the financial flows between the actual company structure and the notional structure assumed in the Final Determination ('FD').

The table below outlines the key components of RoRE:

	2020/21
	%
Base return (including fast track reward)	4.1%
Financing	0.6%
Totex	-0.1%
Retail	-0.5%
ODI	1.7%
Regulatory return for the year	5.8%

Our RoRE shows that we have made a strong start to AMP7 by outperforming the FD by 1.7%. This has been generated through strong performance on ODIs, acceleration of totex investment as well as continued outperformance on financing.

We discuss the key components of RoRE and financial flows below. All values are stated in 2017/18 prices.

Base regulated equity return

The FD base equity return of 4.1% (in the table above) reflects the 0.3% fast track reward we earned at PR19 in recognition of the quality of our business plan.

Following the financial flows workshop with companies earlier in the year, we were expecting the calculation of the actual equity return on the basis of the notional company to be the same as the headline FD base RoRE of 4.1%, rather than 3.47% as calculated in table 1F. In our view, the base return is a fixed % that has been allowed for in company revenues and shouldn't therefore vary because a company has a different actual capital structure to the notional company.

Financing performance

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

Financing

We have maintained our upper quartile financing performance from AMP6, with our nominal average interest rate falling to 3.2% this year. We continue to benefit from the low interest rates achieved from our successful AMP6 financing strategy. In addition, despite a lower FD financing allowance this AMP, we have managed to raise new debt at below the iBoxx nominal rate. There is also a benefit (£16.6 million) relating to the impact of interest rate swaps on our cost of debt. However, these benefits on our cost of debt have largely been offset by actual inflation being 1.2% lower than the FD inflation assumption of 2%.

With the reduction in the FD notional gearing from 62.5% to 60% and a marginal increase in our actual average gearing, we have achieved a small gearing benefit of £8.1 million on financing performance.

Variance on tax

We have outperformed the FD tax allowance by £10.8 million, even though the allowance was funded at 17% and we have paid corporation tax at 19%. This is mainly due to lower profit before tax than assumed in the FD and capital allowances in excess of depreciation being higher 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.

Wholesale totex

Our wholesale totex performance is explained in detail in table 4C. For the current year, our total totex performance is broadly in line with the FD totex allowance (£5.3 million) after adjusting for timing differences related to expenditure on the thermal hydrolysis plants at Finham and Stoke Bardolph and additional expenditure for amber WFD schemes, also known as real options.

A number of queries have been raised by us and other companies in relation to the published FD data (in the financial flows data file) as well as the calculations in table 4C. While some of the queries have been addressed as part of the RAG query process, we think there are still three outstanding issues impacting totex performance:

- For the totex allowance in the financial model, business rates and abstraction charges (which were

part of base modelled costs) were profiled over the AMP using the % allocations in the cost sharing model. The published FD data however, assumes that the annual allocation of the business rates and abstraction charges allowance is evenly spread over the 5 years. We think to ensure that companies report annual performance correctly against the FD allowance, Ofwat should use the % allocations in the cost sharing model to allocate business rates and abstraction charges over the AMP. We have corrected the SVE values on the 'F_Inputs' worksheet of the financial flows data file submitted as part of our APR.

- There appears to be an error in the published FD data file as the income offset values for both network controls is zero in all years. We believe the income offset values (sourced from the PR19 Grants and contributions model) should be as set out in the table below. We have corrected the SVE values on the 'F_Inputs' worksheet of the Financial Flows data file submitted as part of our APR.

	2020/21	2021/22	2022/23	2023/24	2024/25
Total value of income offset allowances (App28)					
Water network	26.356	28.159	29.828	30.376	30.930
Waste water network	0.687	0.778	0.826	0.846	0.867

- We think there is a formula error in table 4C where the company share of totex subject to sharing is being calculated on the variance to the FD before the adjustment of timing of expenditure (line 4C.6). As stated in the guidance for table 1F (line 1F.10) totex out/(under) performance should be adjusted for timing differences (i.e. line 4C.8).

The table below corrects for the above two issues and shows the values (in 2017/18 prices) used in our calculation of totex performance for the year.

Line description	12 Months ended 31 March 2021				
	Water resources	Water network plus	Waste water network plus	Bioresources	Wholesale
Totex (net of business rates, abstraction licence fees and grants and contributions)					
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	48.957	399.306	501.436	61.776	1,011.475
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	73.461	459.480	432.362	103.169	1,068.474
Variance	24.504	60.175	-69.074	41.393	56.998
Variance due to timing of expenditure	0.000	0.000	3.464	37.076	40.540
Variance due to efficiency	24.504	60.175	-72.538	4.318	16.458
Customer cost sharing rate	50%	50%	50%	0%	
Company share of totex over/under spend on variance due to efficiency	12.252	30.087	-36.269	4.318	10.388
Totex - business rates and abstraction licence fees					
Final determination allowed totex - business rates and abstraction licence fees	13.062	41.586	21.081	4.501	80.230
Actual totex - business rates and abstraction licence fees	15.339	45.953	22.082	3.140	86.514
Variance - business rates and abstraction licence fees	2.277	4.368	1.001	-1.362	6.284
Customer cost sharing rate - business rates and abstraction fees	75%	75%	75%	75%	
Company share of totex over/underspend - business rates and abstraction licence fees	0.569	1.092	0.250	-0.340	1.571
Totex not subject to cost sharing					
Final determination allowed totex - not subject to cost sharing	5.324	31.534	1.064	0.000	37.923
Actual totex - not subject to cost sharing	3.098	26.061	2.148	0.002	31.308
Variance - 100% company allocation	-2.227	-5.474	1.084	0.002	-6.615
Total company share of totex over/under spend*	-10.595	-25.706	34.935	-3.979	-5.344

*Signage should be reversed for RoRE (as overspend should be reflected as underperformance and underspend as outperformance).

Retail household cost performance

Total retail costs are £17.9 million higher than the FD, primarily due to bad debt and debt management charges. While our total bad debt costs have reduced by 5.2% compared to the previous year, we have seen bad debt increase by £9.6 million due to the effects of the COVID-19 pandemic. Over the last two years, we have invested additional totex into our debt management programme to drive improvement in older collections and more recently to mitigate the impact of the pandemic. This has resulted in much greater debt management costs than our FD allowance. The increased investment has so far delivered an additional £15 million of cash collection in 2020/21 and reduced our underlying bad debt charge from 3.0% to 2.2%.

ODI performance

We have made a strong start to AMP7 delivering £59.7 million in net rewards for the year. In water, our performance for the year has been achieved from outperforming on our two pressure commitments as well as beating our 3-year average leakage target by 2.2%. The investment we made in AMP6 to address water quality has resulted in a fourth year-on-year improvement in CRI and water quality complaints resulting in us reaching the deadband for the first time ever for CRI and a reward for water quality complaints.

In waste, we have seen year-on-year improvements in blockages, pollutions and sewer flooding. Our performance is underpinned by our fast-track status allowing us to get a head start - investing early in the 'Sewer Blockbuster Programme' alongside the first steps in creating a real-time network of smarter sewers.

As per the RAG guidance, we haven't included our forecast D-MeX reward of £3.7 million in financial flows.

Actual performance adjustment for 2015-20

The actual performance adjustment of 0.7% relates primarily to our sector leading ODI performance earned over 2015-20. As agreed with Ofwat to reduce the impact on customer bills over AMP6, we deferred part of the ODI rewards (on average £36 million per year) until AMP7.

Total shareholder return

Our overall financial and operational performance for the year has generated £62 million in additional returns for shareholders. Including the base return of £124 million, actual performance adjustment for 2015-20 (£24 million) and the growth in the RCV from inflation (£30 million) results in total shareholder returns of £240 million for the year, equivalent to 8.0%. Of the total shareholder returns, we have distributed 1.9% and retained the remaining 6.1% within the business.

Current tax reconciliation

Year ended 31 March 2021

The cash tax charge for the year ended 31 March 2021 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	264.895	296.950	-32.055
Tax at the standard rate of corporation tax in the UK 19%	50.332	56.421	-6.089
Tax effect of expenditure not deductible in determining taxable profits	-0.932	-0.872	-0.060
Capital allowances in excess of depreciation	-16.201	-12.191	-4.010
Other temporary differences	-4.470	-1.716	-2.754
Impact of change in tax rate	-	-4.383	4.383
Group relief	-	-	-
Current tax charge before prior year adjustments	28.729	37.259	-8.530
Prior year adjustment	-3.364	-	-3.364
Current tax charge after prior year adjustments	25.365	37.259	-11.894

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

- The FD profit before tax was higher than the profit before tax within the appointed business;
- Capital allowances in excess of depreciation within the appointed business are higher than the level forecast within the FD;
- A prior year adjustment within the appointed business of £3.4 million reflecting differences between estimated tax in the accounts compared to actual tax returns submitted; and
- The FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate has remained at 19% resulting in an increase in the tax charge when compared to the FD.

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 March 2021 the UK Government announced its intention to increase the rate of corporation tax to 25% with effect from 1 April 2023. The new law was substantively enacted on 10 June 2021. The deferred tax liability at 31 March 2021 was calculated at the existing rate of 19%, rather than 25%.

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 70-93 should be read in conjunction with the financial review set out on pages 31-37 of the consolidated Severn Trent Water Limited Annual Report and Accounts 2021 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 2020/21. 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 and diversions and amortisation of grants and contributions 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 other operating income and other income respectively 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 2.08 '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 2020/21 on page 53.

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, and where consumption is recorded, a letter is sent to the property; and
- 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 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) Other accounting policies

All other accounting policies applied to the regulatory financial reporting accounts are set out in pages (xx to xx) of the consolidated Severn Trent Water Limited Annual Report and Accounts 2020/21, 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.

e) 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 2021

Line description	Retail household £m	Retail non-household £m	Water resources £m	Water Network+ £m	Waste water Network+ £m	Bioresources £m	Total £m
2A.1 Revenue - price control	105.543	0.000	80.935	624.357	695.575	77.746	1,584.156
2A.2 Revenue - non price control	0.319	0.000	6.092	6.043	1.492	0.006	13.952
2A.3 Operating expenditure - excluding PU recharge impact	-102.151	0.000					
2A.4 PU opex recharge	-6.201	0.000					
2A.5 Operating expenditure - including PU recharge impact	-108.352	0.000	-51.400	-325.148	-291.332	-28.355	-804.587
2A.6 Depreciation - tangible fixed assets	-1.721	0.000	-8.224	-137.810	-145.932	-28.447	-322.134
2A.7 Amortisation - intangible fixed assets	-6.300	0.000	-0.005	-23.979	-0.011	0.000	-30.295
2A.8 PU recharge impact	-6.201	0.000	-2.228	24.246	-11.699	-4.118	0.000
2A.9 Depreciation & amortisation - including PU recharge impact	-14.222	0.000	-10.457	-137.543	-157.642	-32.565	-352.429
2A.10 Other operating income	0.000	0.000	0.588	0.151	2.465	0.000	3.204
2A.11 Operating profit	-16.712	0.000	25.757	167.861	250.557	16.833	444.296
A Surface water drainage rebates							
2A.12 Surface water drainage rebates							0.240

Line 2A.3 is calculated as the sum of lines 2C.8 and 2C.19 in accordance with guidance issued by Ofwat subsequent to the publication of RAG4.09.

2B - Totex analysis (wholesale)

Year ended 31 March 2021

Line description	Water Resources	Water Network+	Waste water Network+	Bioresources	Additional control	Total
	£m	£m	£m	£m	£m	£m
A Base operating expenditure						
2B.1 Power	8.357	50.628	45.007	-9.225	0.000	94.767
2B.2 Income treated as negative expenditure	-0.224	-0.014	-0.010	-20.183	0.000	-20.431
2B.3 Abstraction charges/discharge consents	11.549	0.398	10.729	0.000	0.000	22.675
2B.4 Bulk supply/Bulk discharge	6.518	4.861	0.185	0.100	0.000	11.664
2B.5 Renewals expensed in year (infrastructure)	1.388	75.319	64.244	0.000	0.000	140.951
2B.6 Renewals expensed in year (non-infrastructure)	0.013	0.262	2.073	0.000	0.000	2.348
2B.7 Other operating expenditure	15.452	145.531	147.929	54.374	0.000	363.286
2B.8 Local authority and cumulo rates	4.510	47.712	23.118	3.287	0.000	78.626
2B.9 Total base operating expenditure	47.563	324.697	293.275	28.353	0.000	693.888
B Other operating expenditure						
2B.10 Enhancement operating expenditure	2.690	1.684	2.071	0.000	0.000	6.445
2B.11 Developer services operating expenditure	0.000	5.744	0.946	0.000	0.000	6.690
2B.12 Total operating expenditure excluding third party services	50.253	332.125	296.292	28.353	0.000	707.023
2B.13 Third party services	1.147	4.907	0.641	0.002	0.000	6.697
2B.14 Total operating expenditure	51.400	337.032	296.933	28.355	0.000	713.720
C Grants and contributions						
2B.15 Grants and contributions - operating expenditure	0.000	-11.884	-5.601	0.000	0.000	-17.485
D Capital expenditure						
2B.16 Base capital expenditure	21.816	106.536	80.756	82.893	0.000	292.001
2B.17 Enhancement capital expenditure	22.993	105.735	107.086	0.051	0.000	235.865
2B.18 Developer services capital expenditure	0.000	37.417	9.400	0.000	0.000	46.817
2B.19 Total gross capital expenditure (excluding third party)	44.809	249.688	197.242	82.944	0.000	574.683
2B.20 Third party services	0.000	0.000	0.000	0.000	0.000	0.000
2B.21 Total gross capital expenditure	44.809	249.688	197.242	82.944	0.000	574.683
E Grants and contributions						
2B.22 Grants and contributions - capital expenditure	-0.081	-18.979	-10.725	0.000	0.000	-29.785
2B.23 Net Totex	96.128	555.857	477.849	111.299	0.000	1,241.133
F Cash expenditure						
2B.24 Pension deficit recovery payments	2.483	14.610	10.987	3.335	0.000	31.415
2B.25 Other cash items	0.000	0.000	0.000	0.000	0.000	0.000
2B.26 Totex including cash items	98.611	570.467	488.836	114.634	0.000	1,272.548

2C - Cost analysis (retail)

Year ended 31 March 2021

Line description	Household £m	Non-household £m	Total £m
A Operating expenditure			
2C.1 Customer services	32.671	0.000	32.671
2C.2 Debt management	7.727	0.000	7.727
2C.3 Doubtful debts	38.143	0.000	38.143
2C.4 Meter reading	5.450	0.000	5.450
2C.5 Services to developers		0.000	0.000
2C.6 Other operating expenditure	17.479	0.000	17.479
2C.7 Local authority and Cumulo rates	0.681	0.000	0.681
2C.8 Total operating expenditure excluding third party services	102.151	0.000	102.151
B Depreciation			
2C.9 Depreciation on tangible fixed assets existing at 31 March 2015	0.850	0.000	0.850
2C.10 Depreciation on tangible fixed assets acquired after 1 April 2015	0.871	0.000	0.871
2C.11 Amortisation on intangible fixed assets existing at 31 March 2015	0.000	0.000	0.000
2C.12 Amortisation on intangible fixed assets acquired after 1 April 2015	6.300	0.000	6.300
C Recharges			
2C.13 Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.975	0.000	0.975
2C.14 Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-0.386	0.000	-0.386
2C.15 Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	5.883	0.000	5.883
2C.16 Income from wholesale assets acquired after 1 April 2015 principally used by retail	-0.271	0.000	-0.271
2C.17 Net recharges costs	6.201	0.000	6.201
2C.18 Total retail costs excluding third party and pension deficit repair costs	116.373	0.000	116.373
2C.19 Third party services operating expenditure			0.000
2C.20 Pension deficit repair costs	6.086	0.000	6.086
2C.21 Total retail costs including third party and pension deficit repair costs	122.459	0.000	122.459
D Debt written off			
2C.22 Debt written off	39.060	0.000	39.060
E Capital expenditure			
2C.23 Capital expenditure	3.859		3.859
F Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
2C.24 Demand-side water efficiency - gross expenditure	1.373		
2C.25 Demand-side water efficiency - expenditure funded by wholesale	1.373		
2C.26 Demand-side water efficiency - net retail expenditure	0.000		
2C.27 Customer-side leak repairs - gross expenditure	4.442		
2C.28 Customer-side leak repairs - expenditure funded by wholesale	4.442		
2C.29 Customer-side leak repairs - net retail expenditure	0.000		

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

Household

Overall household retail costs of £115 million are £19 million (19.5%) higher than the Final Determination (the 'FD'). Note that the FD not include costs relating to pre-2015 assets.

Customer services

Customer services costs are £2 million adverse to the FD. The FD assumed a significant drop from 2019/20 to 2020/21, and while we are on the glidepath to achieving the allowance in the FD we still implementing a range of efficiency programmes. We have also experienced much higher call volumes this year, despite new and enhanced digital services, which may be driven by COVID-19 and people being at home.

Debt management

We have invested additional totex into our debt management programme across 2019/20 and 2020/21 in order to drive improvement in older collections and to mitigate the impact of COVID-19. This has resulted in expenditure in debt management being £4 million higher than our FD allowance. This increased investment has delivered an additional £15 million of cash collection in 2020/21 and reduced our underlying bad debt charge from 3.0% to 2.2%.

Doubtful debts

Doubtful debts as a percentage of household revenue were 2.9%, of which 0.7% (£9.6 million) is due to expected losses in relation to future increases in unemployment as a result of the COVID-19 pandemic. Underlying doubtful debt charge of 2.2% remains higher than the FD, as we recognised in 2019/20 that collection against older debt was not as strong as previously assumed, and therefore required a higher level of provision.

Non-household

In line with our FD, we have no costs in non-household retail.

In 2016, we disposed of our non-household retail activities to Water Plus, and so no longer have any costs relating to non-household activity.

The latest RAG guidance sets out that developers are often working directly with wholesalers rather than using a retailer as an intermediary. In this example, all costs should be classified as wholesale, and so there are no costs within non-household retail.

2D - Historic cost analysis of fixed assets

Year ended 31 March 2021

Line description		Retail Household	Retail non-household	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
A Cost								
2D.1	At 1 April 2020	48.067	0.000	493.247	6,310.715	7,310.942	867.717	15,030.688
2D.2	Disposals	0.000	0.000	-0.022	-22.846	-19.587	0.000	-42.455
2D.3	Additions	0.173	0.000	44.784	219.858	196.598	82.125	543.538
2D.4	Adjustments	0.000	0.000	0.000	0.000	-0.615	0.615	0.000
2D.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	44.984	0.000	44.984
2D.6	At 31 March 2021	48.240	0.000	538.009	6,507.727	7,532.322	950.457	15,576.755
B Depreciation								
2D.7	At 1 April 2020	-28.019	0.000	-172.108	-2,315.037	-2,978.254	-420.534	-5,913.952
2D.8	Disposals	0.000	0.000	0.022	22.846	19.558	0.000	42.426
2D.9	Adjustments	0.000	0.000	0.000	0.856	-0.035	-0.046	0.775
2D.10	Charge for the year	-1.721	0.000	-8.224	-137.810	-145.932	-28.447	-322.134
2D.11	At 31 March 2021	-29.740	0.000	-180.310	-2,429.145	-3,104.663	-449.027	-6,192.885
2D.12	Net book amount at 31 March 2021	18.500	0.000	357.699	4,078.582	4,427.659	501.430	9,383.870
2D.13	Net book amount at 1 April 2020	20.048	0.000	321.139	3,995.678	4,332.688	447.183	9,116.736
C Depreciation charge for year								
2D.14	Principal services	-1.721	0.000	-8.221	-137.582	-145.932	-28.447	-321.903
2D.15	Third party services	0.000	0.000	-0.003	-0.228	0.000	0.000	-0.231
2D.16	Total	-1.721	0.000	-8.224	-137.810	-145.932	-28.447	-322.134

The net book value includes £1,033.9 million in respect of assets in the course of construction.

2E - Analysis of capital contributions

(water resources, water network+ and wastewater network+)

Year ended 31 March 2021

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 resources				
2E.1	Diversions - s185	0.000	0.000	0.000	0.000
2E.2	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.3	Price control grants and contributions	0.000	0.000	0.000	0.000
2E.4	Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.5	Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.6	Other contributions (non-price control)	0.000	0.081	0.000	0.081
2E.7	Total	0.000	0.081	0.000	0.081
2E.8	Value of adopted assets				0.000
B	Grants and contributions - water network+				
2E.9	Connection charges	0.000	7.885	0.000	7.885
2E.10	Infrastructure charge receipts	0.000	4.186	0.000	4.186
2E.11	Requisitioned mains	0.000	24.575	0.000	24.576
2E.12	Diversions - s185	5.173	0.000	0.000	5.173
2E.13	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.14	Price control grants and contributions before deduction of income offset	5.173	36.646	0.000	41.819
2E.15	Income offset	0.000	19.256	0.000	19.256
2E.16	Price control grants and contributions after deduction of income offset	5.173	17.390	0.000	22.563
2E.17	Diversions - NRSWA	3.909	0.000	0.000	3.909
2E.18	Diversions - other non-price control	2.802	0.000	0.000	2.802
2E.19	Other contributions (non-price control)	0.000	1.589	0.000	1.589
2E.20	Total	11.884	18.979	0.000	30.863
2E.21	Value of adopted assets				0.000

2F - Residential retail

Year ended 31 March 2021

Line description		Revenue	Number of customers	Average household retail revenue per customer
		£m	000s	£
A	Residential revenue			
2F.1	Wholesale charges	1,191.168		
2F.2	Retail revenue	105.543		
2F.3	Total residential revenue	1,296.711		
B	Retail revenue			
2F.4	Revenue Recovered ("RR")	105.543		
2F.5	Revenue sacrifice	0.000		
2F.6	Actual revenue (net)	105.543		
C	Customer information			
2F.7	Actual customers ("AC")		4,074.392	
2F.8	Reforecast customers		4,050.510	
D	Adjustment			
2F.9	Allowed revenue ("R")	102.759		
2F.10	Net adjustment	-2.784		
E	Other residential information			
2F.11	Average residential retail revenue per customer			25.904

2G - Non-household water revenues by customer type

Year ended 31 March 2021

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 2021

This table is no longer required following the disposal of our non-household retail activities to Water Plus in 2016.

2I - Revenue analysis

Year ended 31 March 2021

Line description	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
A Wholesale charge - water						
21.1 Unmeasured	321.435	2.431	323.866	41.838	282.028	323.866
21.2 Measured	264.370	114.946	379.316	39.097	340.219	379.316
21.3 Third party revenue	0.000	0.000	0.000	0.000	2.110	2.110
21.4 Total wholesale water revenue	585.805	117.377	703.182	80.935	624.357	705.292
B Wholesale charge - wastewater						
21.5 Unmeasured - foul charges	241.512	4.712	246.224	217.072	29.152	246.224
21.6 Unmeasured - surface water charges	103.125	4.501	107.626	95.442	12.184	107.626
21.7 Unmeasured - highway drainage charges	9.437	0.045	9.482	8.362	1.120	9.482
21.8 Measured - foul charges	178.612	81.204	259.816	231.813	28.003	259.816
21.9 Measured - surface water charges	4.564	75.588	80.152	79.673	0.479	80.152
21.10 Measured - highway drainage charges	68.113	0.756	68.869	62.061	6.808	68.869
21.11 Third party revenue	0.000	0.000	0.000	1.152	0.000	1.152
21.12 Total wholesale wastewater revenue	605.363	166.806	772.169	695.575	77.746	773.321
C Wholesale charge - Additional Control						
21.13 Unmeasured	0.000	0.000	0.000			
21.14 Measured	0.000	0.000	0.000			
21.15 Total wholesale additional control revenue	0.000	0.000	0.000			
21.16 Wholesale Total	1,191.168	284.183	1,475.351			1,478.613
D Retail revenue						
21.17 Unmeasured	46.498	0.000	46.498			46.498
21.18 Measured	57.969	0.000	57.969			57.969
21.19 Measured - foul charges	1.076	0.000	1.076			1.076
21.20 Retail Total	105.543	0.000	105.543			105.543
E Third party revenue - non-price control						
21.21 Bulk supplies - water			8.123			8.123
21.22 Bulk supplies - wastewater			0.036			0.036
21.23 Other third party revenue			2.222			2.222
E Principal services - non-price control						
21.24 Other appointed revenue			3.571			3.571
21.25 Total appointed revenue			1,594.846			1,598.108

2J - Infrastructure network reinforcement costs

Year ended 31 March 2021

Line description		Network reinforcement capex	On site/site specific capex (memo only)
		£m	£m
A Wholesale water network+ (treated water distribution)			
2J.1	Distribution and trunk mains	6.979	0.036
2J.2	Pumping and storage facilities	0.343	0.000
2J.3	Other	0.000	0.000
2J.4	Total	7.322	0.036
B Wholesale waste water network+ (sewage collection)			
2J.5	Foul and combined systems	4.332	0.000
2J.6	Surface water only systems	0.000	0.000
2J.7	Pumping and storage facilities	0.000	0.000
2J.8	Other	0.000	0.000
2J.9	Total	4.332	0.000

2K - Infrastructure charges reconciliation

Year ended 31 March 2021

Line description		Water	Wastewater	Total
		£m	£m	£m
A Impact of infrastructure charge discounts				
2K.1	Infrastructure charges	4.186	5.105	9.291
2K.2	Discounts applied to infrastructure charges	7.657	3.412	11.069
2K.3	Gross Infrastructure charges	11.843	8.517	20.360
B Comparison of revenue and costs				
2K.4	Variance brought forward	0.000	0.000	0.000
2K.5	Revenue	4.186	5.105	9.291
2K.6	Costs	-7.322	-4.332	-11.654
2K.7	Variance carried forward	-3.136	0.773	-2.363

The variance between cost and gross infrastructure charges revenue for water is £4.5 million. This is due to volumes being higher than forecast giving a variance of £0.5 million, £1.2 million of environmental discount given for prior years, £3 million charges being set on five year spend and not in year expenditure and minor variances of (£0.2 million).

The variance between cost and gross infrastructure charges revenue for waste water is £4.2 million. This is due to volumes being lower than forecast (£1 million), £0.5 million of environmental discount given for prior year, £5.1 million charges being set on five year spend and not in year expenditure and minor variances of (£0.4 million).

2L - Analysis of land sales

Year ended 31 March 2021

	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
2L.1 Proceeds from disposals of protected land	0.588	0.151	2.465	3.204

2M - Revenue reconciliation (wholesale)

Year ended 31 March 2021

Line description	Water Resources	Water Network+	Waste water Network+	Bioresources	Additional Price Control	Total
	£m	£m	£m	£m	£m	£m
A Revenue recognised						
2M.1 Wholesale revenue governed by price control	80.935	624.357	695.575	77.746	0.000	1,478.613
2M.2 Grants & contributions (price control)	0.000	22.563	10.795			33.358
2M.3 Total revenue governed by wholesale price control	80.935	646.920	706.370	77.746	0.000	1,511.971
B Calculation of the revenue cap						
2M.4 Allowed wholesale revenue before adjustments (or modified by CMA)	83.090	648.134	722.622	82.131	0.000	1,535.977
2M.5 Allowed grants & contributions before adjustments (or modified by CMA)	0.000	19.364	16.284	0.000	0.000	35.648
2M.6 Revenue adjustment	0.000	0.000	0.000	0.000	0.000	0.000
2M.7 Other adjustments	0.000	0.000	0.000	-0.006	0.000	-0.006
2M.8 Revenue cap	83.090	667.498	738.906	82.125	0.000	1,571.619
C Calculation of the revenue imbalance						
2M.9 Revenue cap	83.090	667.498	738.906	82.125	0.000	1,571.619
2M.10 Revenue Recovered	80.935	656.920	706.370	77.746	0.000	1,511.971
2M.11 Revenue imbalance	2.155	20.578	32.536	4.379	0.000	59.648

2M - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2021

Difference between allowed and actual revenue under the wholesale control

Wholesale revenue for 2020/21 of £1,512.0 million is £59.6 million (3.8%) lower than the amount assumed in the revenue cap.

Water Resources

Water resources revenue of £80.9 million is £2.2 mil (2.6%) lower than the revenue cap due to lower commercial volumes as a result of COVID-19.

Water Network+

Water network+ revenue of £646.9 million is £20.6 million (3.1%) lower than the revenue cap due to:

- £25.9 million lower Core Tariff revenue, mainly due to lower commercial volumes as a result of COVID-19.
- Partly offset by £3.2 million higher capital revenue. This is mainly due to prior year related mains requisition income.
- Plus £2.1 million rechargeable works income that wasn't included in the price controls at PR19.

Waste Water Network+

Waste water network+ revenue of £706.4 million is £32.5 million (4.4%) lower than the revenue cap due to:

- £28.2 million lower Core Tariff revenue, mainly due to lower commercial volumes as a result of COVID-19.
- £5.5 million lower capital revenue. This is mainly due to lower infrastructure charges as a result of higher discounts than plan, plus lower diversions income.
- Partly offset by £1.2 million rechargeable works income that wasn't included in the price controls at PR19.

Bioresources

Bioresources revenue of £77.7 million is £4.4 million (5.3%) lower than the revenue cap. This was partly due to lower commercial revenues and partly due to an increase in allowed revenue as a result of higher sludge production.

2N - Residential retail - social tariffs

Year ended 31 March 2021

Line description		Revenue	Number of customers	Average amount per customer
		£m	000s	£
A Number of residential customers on social tariffs				
2N.1	Residential water only social tariffs		2,248	
2N.2	Residential wastewater only social tariffs		0.110	
2N.3	Residential dual service social tariffs		64,943	
B Number of residential customers not on social tariffs				
2N.4	Residential water only no social tariffs		301,531	
2N.5	Residential wastewater only no social tariffs		745,993	
2N.6	Residential dual service no social tariffs		2,920,347	
C Social tariff discount				
2N.7	Average discount per water only social tariffs customer			148.135
2N.8	Average discount per wastewater only social tariffs customer			145.500
2N.9	Average discount per dual service social tariffs customer			326.907
D Social tariff cross-subsidy - residential customers				
2N.10	Total customer funded cross-subsidies for water only social tariffs customers	0.333		
2N.11	Total customer funded cross-subsidies for wastewater only social tariffs customers	0.016		
2N.12	Total customer funded cross-subsidies for dual service social tariffs customers	21.230		
2N.13	Average customer funded cross-subsidy per water only social tariffs customer			1.096
2N.14	Average customer funded cross-subsidy per wastewater only social tariffs customer			0.021
2N.15	Average customer funded cross-subsidy per dual service social tariffs customer			7.112
E Social tariff cross-subsidy - company				
2F.16	Total customer funded cross-subsidies for water only social tariffs customers	0.000		
2N.17	Total customer funded cross-subsidies for wastewater only social tariffs customers	0.000		
2N.18	Total customer funded cross-subsidies for dual service social tariffs customers	0.000		
2N.19	Average customer funded cross-subsidy per water only social tariffs customer			0.000
2N.20	Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.000
2N.21	Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			0.000
F Social tariff support - willingness to pay				
2N.22	Level of support for social tariff customers reflected in business plan			5.000
2N.23	Maximum contribution to social tariffs supported by customer engagement			12.000

Lines 2N.4-2N.6 have been prepared as the number of residential customers not on social tariffs.

We support our low-income households with the Big Difference Scheme social tariff. If customers qualify, we offer up to a 90% discount of the average household bill. Further information is available on our website.

20 - Historic cost analysis of intangible fixed assets

Year ended 31 March 2021

line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	Additional control	Retail household	Retail non-household	Total
	£m	£m	£m	£m	£m	£m	£m	£m
A Cost								
20.1 At 1 April 2020	0.172	285.857	36.072	0.800	0.000	105.163	0.000	428.064
20.2 Disposals	0.000	-11.529	0.000	0.000	0.000	0.000	0.000	-11.529
20.3 Additions	0.025	39.068	1.180	0.819	0.000	3.686	0.000	44.778
20.4 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.5 Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.6 At 31 March 2021	0.197	313.396	37.252	1.619	0.000	108.849	0.000	461.313
B Amortisation								
20.7 At 1 April 2020	-0.014	-206.034	-34.359	-0.022	0.000	-78.111	0.000	-318.540
20.8 Disposals	0.000	10.723	0.000	0.000	0.000	0.000	0.000	10.723
20.9 Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.10 Charge for year	-0.005	-23.979	-0.011	0.000	0.000	-6.300	0.000	-30.295
20.11 At 31 March 2021	-0.019	-219.290	-34.370	-0.022	0.000	-84.411	0.000	-338.112
20.12 Net book amount at 31 March 2021	0.178	94.106	2.882	1.597	0.000	24.438	0.000	123.201
20.13 Net book amount at 1 April 2020	0.158	79.823	1.713	0.778	0.000	27.052	0.000	109.524
C Amortisation for year								
20.14 Principal services	-0.005	-23.979	-0.011	0.000	0.000	-6.300	0.000	-30.295
20.15 Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.16 Total	-0.005	-23.979	-0.011	0.000	0.000	-6.300	0.000	-30.295

The net book value includes £55 million in respect of assets in the course of construction.

Additional Regulatory Information

3A - Outcome performance - water performance commitments (financial)

Line description	Unique ID	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment £m	Forecast of total 2020-25 outperformance or underperformance payment £m
				Previous reporting year	Current reporting year			
A Common PCs - Water (Financial)								
3A.1	Water quality compliance (CRI)	PR19SVE_H01	nr	2	1.53	Yes	0.000	
3A.2	Water supply interruptions	PR19SVE_G01	time	0	00:11:21	No	-5.249	
3A.3	Leakage	PR19SVE_G02	%	1	2.2	Yes	1.170	
3A.3	[For use by NES and SSC only]							
3A.4	Per capita consumption	PR19SVE_G03	%	1	-3.3	No	-1.820	
3A.4	[For use by SSC only]							
3A.5	Mains repairs	PR19SVE_G04	nr	1	122.0	Yes	0.278	
3A.6	Unplanned outage	PR19SVE_G05	%	2	1.05	Yes	0.000	
B Bespoke PCs - Water and Retail (Financial)								
3A.7	Reducing residential void properties	PR19SVE_A01	nr	0	177,184	No	0.000	
3A.8	Reducing business void and gap site supply points	PR19SVE_A03	nr	0	783	Yes	0.154	
3A.9	Inspiring our customers to use water wisely	PR19SVE_B01	nr	0	40,728	Yes	0.072	
3A.10	Biodiversity (Water)	PR19SVE_C03	nr	1	1,617.9	Yes	5.181	
3A.11	Speed of response to visible leaks	PR19SVE_G07	time	1	5.6	Yes	1.395	
3A.12	Persistent low pressure	PR19SVE_G08	nr	0	8,386	Yes	5.143	
3A.13	Abstraction Incentive Mechanism (AIM)	PR19SVE_G09	nr	0	110	No	-0.132	
3A.14	Resilient supplies	PR19SVE_G10	%	1	88.2	-	0.000	
3A.15	Resolution of low pressure complaints	PR19SVE_G11	%	1	92.0	Yes	0.075	
3A.16	Increasing water supply capacity	PR19SVE_G12	nr	1	0.0	-	0.000	
3A.17	Number of water meters installed	PR19SVE_G13	nr	0	83,274	Yes	4.341	
3A.18	Water quality complaints	PR19SVE_H02	nr	0	9,468	Yes	0.996	
3A.19	Farming for Water	PR19SVE_H03	nr	0	0	-	0.000	
3A.20	Protecting our schools from lead	PR19SVE_H04	nr	0	351	-	0.000	
3A.27	Financial water performance commitments achieved		%	0				75
3A.28	Overall performance commitments achieved (excluding C-MEX and D-MEX)		%	0				79

3B - Outcome performance - waste water performance commitments (financial)

Line description	Unique ID	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment £m	Forecast of total 2020-25 outperformance or underperformance payment £m
				Previous reporting year	Current reporting year			
A Common PCs - Waste water (Financial)								
3B.1	Internal sewer flooding	PR19SVE_F01	Number of internal sewer flooding incidents per 10,000 sewer connection	2	1.86	No	-4.068	
3B.2	Pollution incidents	PR19SVE_F02	Pollution incidents per 10,000 km of sewer length	2	20.60	Yes	2.334	
3B.3	Sewer collapses	PR19SVE_F03	Number of sewer collapses per 1,000 km of all sewers	2	7.74	Yes	0.090	
3B.4	Treatment works compliance	PR19SVE_C01	%	2	99.60	Yes	0.000	
B Bespoke PCs - Waste water (Financial)								
3B.5	Improvements in WFD criteria	PR19SVE_C02	nr	0	0	-	0.000	
3B.6	Biodiversity (Waste)	PR19SVE_C04	nr	1	1,014.1	Yes	3.681	
3B.7	Satisfactory sludge use and disposal	PR19SVE_C05	%	2	100.00	Yes	0.000	
3B.8	External sewer flooding	PR19SVE_F05	nr	0	3,606	Yes	0.270	
3B.9	Sewer blockages	PR19SVE_F06	nr	0	32,429	Yes	39.113	
3B.10	Public sewer flooding	PR19SVE_F07	nr	0	1,050	Yes	6.753	
3B.11	Green communities	PR19SVE_F08	£m	3	0.000	No	-0.060	
3B.12	Collaborative flood resilience	PR19SVE_F09	nr	0	0	-	0.000	
3B.19	Financial water performance commitments achieved		%	0		80		

3C - Customer measure of experience ('C-MeX') table

Line description	Unit	Value
3C.1	Annual customer satisfaction score for the customer service survey	Number 78.34
3C.2	Annual customer satisfaction score for the customer experience survey	Number 86.35
3C.3	Annual C-MeX score	Number 82.35
3C.4	Annual net promoter score	Number 40.00
3C.5	Total household complaints	Number 20,996
3C.6	Total connected household properties	Number 4,281,005
3C.7	Total household complaints per 10,000 connections	Number 49.045
3C.8	Confirmation of communication channels offered	TRUE or FALSE TRUE

3D - Developer services measure of experience ('D-MeX') table

Line description	Unit	Value	
3D.1	Qualitative component annual results	Number	80.52
3D.2	Quantitative component annual results	Number	98.88
3D.3	D-MeX score	Number	89.70
3D.4	Developer services revenue (water)	£m	49.476
3D.5	Developer services revenue (wastewater)	£m	15.205

Calculating the D-MeX quantitative component

Water UK performance metric	Unit	First reporting period [1 April to 30 September]	Second reporting period [1 October to 31 March]	Quantitative score (annual)
3D.W1	S1.1	Number	98.82%	99.04%
3D.W2	S3.1	%	100.00%	100.00%
3D.W3	S4.1	%	nil return	100.00%
3D.W4	S7.1	%	98.08%	100.00%
3D.W5	SAM 3/1	%	nil return	98.77%
3D.W6	SAM 4/1	%	nil return	100.00%
3D.W7	SN2.2	%	nil return	92.31%
3D.W8	W1.1	%	99.12%	98.02%
3D.W9	W17.1	%	100.00%	100.00%
3D.W10	W17.2	%	nil return	100.00%
3D.W11	W18.1	%	100.00%	97.37%
3D.W12	W20.1	%	100.00%	100.00%
3D.W13	W21.1	%	100.00%	100.00%
3D.W14	WN4.3	%	nil return	nil return
3D.W15	W23.1	%	100.00%	100.00%
3D.W16	W24.1	%	100.00%	100.00%
3D.W17	W26.1	%	100.00%	100.00%
3D.W18	W27.1	%	100.00%	90.91%
3D.W19	W3.1	%	99.91%	99.92%
3D.W20	W30.1	%	99.89%	100.00%
3D.W21	W4.1	%	99.87%	100.00%
3D.W22	W6.1	%	98.06%	98.26%
3D.W23	W7.1	%	100.00%	90.91%
3D.W24	W8.1	%	100.00%	100.00%
3D.W25	WN1.1	%	nil return	100.00%
3D.W26	WN2.2	%	nil return	85.25%
3D.W27	WN4.1	%	nil return	100.00%
3D.W28	SN4.1	%	nil return	nil return
3D.W29	WN4.2	%	nil return	nil return
3D.6, 3D.7	D-MeX quantitative score (for the relevant reporting period)	%	99.65%	98.11%
3D.8	D-MeX quantitative score (annual)	nr		0.99

3E - Outcome performance - non financial performance commitments

Line description	Unique ID	Unit	Decimal places	Performance level - actual		PCL met?
				Previous reporting year	Current reporting year	
A Common						
3E.1 Risk of severe restrictions in a drought	PR19SVE_G06	%	1		56.2	Yes
3E.2 Priority services for customers in vulnerable circumstances - PSR reach	PR19SVE_E02	%	1		2.6	Yes
3E.3 Priority services for customers in vulnerable circumstances - Attempted contacts	PR19SVE_E02	%	1		48.4	Yes
3E.4 Priority services for customers in vulnerable circumstances - Actual contacts	PR19SVE_E02	%	1		24.4	Yes
3E.5 Risk of sewer flooding in a storm	PR19SVE_F04	%	2		6.28	No
B Bespoke PCs						
3E.6 Reducing residential gap sites	PR19SVE_A02	nr	0		748	Yes
3E.7 Value for Money	PR19SVE_A04	%	1		67.1	Yes
3E.8 Help to pay when you need it	PR19SVE_E01	%	0		35	Yes
3E.29 Non-financial performance commitments achieved		%	0		88	

3F - Underlying calculations for common performance commitments (water and retail)

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)	
A Performance commitments set in standardised units - Water						
3F.1	Mains repairs - Reactive	Mains repairs per 1000 km	Mains length in km	47,354.00	3,268	69.01
3F.2	Mains repairs - Proactive	Mains repairs per 1000 km	Mains length in km	47,354.00	2,509	52.98
3F.3	Mains repairs	Mains repairs per 1000 km	Mains length in km	47,354.00	5,777	122.00
3F.4	Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (ML/d)	8,380.33	1,193	142.33

Line description	Unit	Performance level - actual (2017/18)	Performance level - actual (2018/19)	Performance level - actual (2019/20)	Baseline (average from 2017/18 to 2019/20)	
B Performance commitments measured against a calculated baseline						
3F.5	Leakage	ML/d	440.0	445.3	387.0	424.1
3F.6	Per capita consumption (PCC)	lpd	129.4	128.5	129.3	129.1

Line description	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	
C Water supply interruptions						
3F.7	Water supply interruptions	Average number of minutes lost per property per year	Number of properties	3,698.91	42,004,108	773,123

Line description	Current company level peak week production capacity (PWPC ML/d)	Reduction in company level PWPC ML/d	Outage proportion of PWPC %	
D Unplanned or planned outage				
3F.8	Unplanned outage	2,433.65	25.55	1.05%

Line description	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period	
E Priority services for customers in vulnerable circumstances						
3F.9	Priority services for customers in vulnerable circumstances	4,097.51	105,379	2.6%	32,755	15,842

Performance level - actual (2020/21)	Performance level - actual (2021/22)	Performance level - actual (2022/23)	Performance level - actual (2023/24)	Performance level - actual (2024/25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs
411.5					414.6	2.2
142.3					133.4	-3.3

Calculated performance level

00:11:21

Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %
48.4%	7,996	24.4%

3G - Underlying calculations for common performance commitments (waste water)

Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level
A Performance commitments set in standardised units						
3G.1 Internal sewer flooding - customer proactively reported	PR19SVE_F01	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	4,189.90	591	1.41
3G.2 Internal sewer flooding - company reactively identified (ie neighbouring properties)	PR19SVE_F01	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	4,189.90	189	0.45
3G.3 Internal sewer flooding	PR19SVE_F01	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	4,189.90	780	1.86
3G.4 Pollution incidents	PR19SVE_F02	Pollution incidents per 10,000 km of sewer length	Sewer length in km	92,243.00	190	20.60
3G.5 Sewer collapses	PR19SVE_F03	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	92,403.00	715	7.74

3H - Summary information on outcome delivery incentive payments

Line description	Initial calculation of performance payments (excluding C-MeX and D-MeX)
£m (2017/18 prices)	
A Initial calculation of in period revenue adjustment by price control	
3H.1 Water resources	7.82
3H.2 Water network plus	3.65
3H.3 Wastewater network plus	48.23
3H.4 Bioresources (sludge)	0.00
3H.5 Residential retail	0.02
3H.6 Business retail	0.00
3H.7 Dummy control	0.00
B Initial calculation of end of period revenue adjustment by price control	
3H.8 Water resources	0.00
3H.9 Water network plus	0.00
3H.10 Wastewater network plus	0.00
3H.11 Bioresources (sludge)	0.00
3H.12 Residential retail	0.00
3H.13 Business retail	0.00
3H.14 Dummy control	0.00
C Initial calculation of end of period RCV adjustment by price control	
3H.8 Water resources	0.00
3H.9 Water network plus	0.00
3H.10 Wastewater network plus	0.00
3H.11 Bioresources (sludge)	0.00
3H.12 Residential retail	0.00
3H.13 Business retail	0.00
3H.14 Dummy control	0.00

3I - Supplementary outcomes information

Line description	Current company level peak week production capacity (PWPC) MI/d	Reduction in company level PWPC MI/d	Outage proportion of PWPC %
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A Unplanned or planned outage				
3I.1	Planned outage	2,433.65	102.70	4.22%

Line description	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk
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B Risk of severe restrictions in drought							
3I.2	Risk of severe restrictions in drought	2,028.54	135.35	1,865.53	102.46	8,007,542.00	56.20

Line description	Total pe served	Total pe in excluded catchments	Percentage of total pe in excluded catchments	Total pe Option 1a	Percentage of total pe Option 1a	Total pe Option 1b	Percentage of total pe Option 1b	Vulnerability risk grade		
								Low	Medium	High

C Risk of sewer flooding in a storm											
3I.3	Risk of sewer flooding in a storm	9,296,705.37	241,523.31	2.60%	0.00	0.00%	9,055,182.06	97.40%	93.72%	5.45%	0.83%

Line description	Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.
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D Sewer collapses		
3A.1	Sewer collapses	37

4A - Water bulk supply

Year ended 31 March 2021

This table is a nil return, as Severn Trent do not have any trades that qualify under the RAG 4.09 definition.

4B - Analysis of debt

Year ended 31 March 2021

Line description	Instrument identifier	Credit rating	Currency	Class/subordination	Further information	Instrument start date (if after 31/07/21)	Years to maturity	Principal sum outstanding as at 31 March 2021 (excluding unamortised debt issue costs)	Amount used to calculate nominal interest cost and cash interest payment (might be equal or differ from principal sum outstanding)	Years to maturity x principal sum	
						Date	Years	Em (nominal)	Em (nominal)	Em (nominal)	
A	Fixed rate instruments										
4B.1	£300m 2024 Bond	8	GBP				2.9	300.000	300.000	872.877	
4B.2	£300m 2029 Bond	7	GBP				8.2	300.000	300.000	2,457.534	
4B.3	£125m 2029 Bond	9	GBP				8.2	125.000	125.000	1,023.973	
4B.4	EMTN 98	2522	GBP				4.8	500.000	500.000	2,400.000	
4B.5	EMTN 96	1638	GBP				20.8	250.000	250.000	5,208.219	
4B.6	Dee Valley Loan notes	DV-LN	GBP				1.3	1.147	1.147	1.435	
4B.7	BoS Lease	480	GBP				11.0	104.327	104.327	1,146.738	
4B.8	USPP USD 150m Series A	4615 and 4616	USD				5.9	106.754	106.754	629.846	
4B.9	USPP GBP 75m Series B	4578	GBP				5.9	75.000	75.000	444.452	
4B.10	USPP GBP 150m Series C	4579 and 4580	GBP				10.7	150.000	150.000	1,605.000	
4B.11	EMTN 99	5787	GBP				10.7	400.000	400.000	4,275.068	
4B.12	EMTN 100	6662	GBP				0.4	250.000	250.000	109.589	
4B.13	EMTN 101	7510	GBP				1.7	250.000	250.000	419.863	
4B.14	Interest rate swap	4751	GBP				10.4	40.000	40.000	417.863	
4B.15	Interest rate swap	4753	GBP				9.4	35.000	35.000	330.726	
4B.16	Interest rate swap - AMP5 swap	721	GBP				3.7	50.000	50.000	184.795	
4B.17	Interest rate swap - AMP5 swap	722	GBP				3.7	50.000	50.000	184.795	
4B.18	Interest rate swap - AMP5 swap	723	GBP				2.4	50.000	50.000	118.904	
4B.19	Interest rate swap - AMP5 swap	750	GBP				3.7	50.000	50.000	184.795	
4B.20	Cross currency swap - USPP - USD 75m	4615	GBP				5.9	-53.377	-53.377	-316.312	
4B.21	Cross currency swap - USPP - USD 75m	4616	GBP				5.9	-53.377	-53.377	-316.312	
4B.22	Interest rate swap - AMP 7 - £50m	5155	GBP				5.9	50.000	50.000	296.301	
4B.23	Interest rate swap - AMP 7 - £50m	5156	GBP				6.9	50.000	50.000	346.438	
4B.24	Interest rate swap - AMP 7 - £48m	5157	GBP				9.9	48.000	48.000	476.581	
4B.25	Interest rate swap - AMP 7 - £50m	5158	GBP				9.0	50.000	50.000	450.411	
4B.26	Interest rate swap - AMP 7 - £150m	5159	GBP				9.0	150.000	150.000	1,351.233	
4B.27	9580 Bond tap	9850	GBP				20.8	100.000	100.000	2,083.288	
4B.28	9847 Japanese Post Bank	9847	GBP				5.5	100.000	100.000	548.219	
4B.29	USPP - \$30,000,000 4.11% Series A Senior Notes (Nov 18)	USPP - 10yr USD fixed (Nov 18)	USD				7.6	23.522	23.522	179.025	
4B.30	USPP - £25,000,000 2.72% Series B Senior Notes (Nov 18)	USPP - 10yr GBP fixed (Nov 18)	GBP				7.6	25.000	25.000	190.274	
4B.31	USPP - £135,000,000 2.95% Series C Senior Notes (Nov 18)	USPP - 15yr GBP fixed (Nov 18)	GBP				12.6	135.000	135.000	1,702.849	
4B.32	USPP - £140,000,000 2.97% Series D Senior Notes (Nov 18)	USPP - 20yr GBP fixed (Nov 18)	GBP				17.6	140.000	140.000	2,466.685	
4B.33	£300m bond issue 2040	12554	GBP				19.2	300.000	300.000	5,755.890	
4B.34	ROU lease liabilities	various	GBP				5.0	7.472	7.472	37.358	
4B.201	Totals for fixed rate instruments								4,159.467	4,159.467	39,735.085

Real RPI Coupon	Real CPI Coupon	Reference Interest Rate	Margin over market index	Nominal Interest Rate	Nominal Interest Cost (Full year equivalent)	Cash Interest Payment (Full year equivalent)	Unamortised debt issue costs as at 31 March 2021	Value per balance sheet at 31 March 2021	Fair value of debt at 31 March 2021
%	%	%	%	%	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)
4.59%	5.34%			6.13%	18.375	18.375	1.104	298.896	345.675
4.71%	5.46%			6.25%	18.750	18.750	1.837	298.163	406.764
4.71%	5.46%			6.25%	7.813	7.813	1.720	123.280	169.485
2.12%	2.86%			3.63%	18.125	18.125	2.454	497.566	559.495
3.36%	4.10%			4.88%	12.188	12.188	2.397	247.603	355.513
-0.61%	0.10%			0.85%	0.010	0.010	0.000	1.147	1.147
3.81%	4.56%			5.34%	5.567	5.567	0.000	104.327	117.104
2.19%	2.92%			3.69%	3.939	3.939	0.127	106.627	93.599
1.84%	2.57%			3.34%	2.505	2.505	0.097	74.903	83.001
1.87%	2.60%			3.37%	5.055	5.055	0.207	149.793	166.001
1.26%	1.99%			2.75%	11.000	11.000	1.820	398.180	437.680
-0.34%	0.37%			1.13%	2.813	2.813	0.115	249.885	250.758
0.15%	0.87%			1.63%	4.063	4.063	0.588	249.412	254.378
3.88%	4.63%			5.41%	2.164	2.164	0.000	40.000	16.783
3.99%	4.73%			5.52%	1.930	1.930	0.000	35.000	13.927
3.60%	4.34%			5.12%	2.560	2.560	0.000	50.000	9.139
3.64%	4.38%			5.16%	2.581	2.581	0.000	50.000	9.222
3.45%	4.20%			4.98%	2.488	2.488	0.000	50.000	5.754
3.61%	4.36%			5.14%	2.568	2.568	0.000	50.000	9.169
2.19%	2.92%			3.69%	-1.970	-1.970	0.000	-53.377	-8.004
2.19%	2.92%			3.69%	-1.970	-1.970	0.000	-53.377	-8.005
0.23%	0.95%			1.70%	0.852	0.852	0.000	50.000	2.713
0.28%	1.00%			1.75%	0.877	0.877	0.000	50.000	3.014
0.35%	1.07%			1.83%	0.876	0.876	0.000	48.000	3.479
0.34%	1.06%			1.82%	0.909	0.909	0.000	50.000	3.849
0.36%	1.08%			1.84%	2.757	2.757	0.000	150.000	11.825
3.36%	4.10%			4.88%	4.875	4.875	-29.021	129.021	142.205
0.75%	1.47%			2.23%	2.226	2.226	0.206	99.794	104.804
1.36%	2.08%			2.85%	0.670	0.670	0.042	23.480	26.031
1.23%	1.96%			2.72%	0.680	0.680	0.045	24.955	27.667
1.46%	2.19%			2.95%	3.983	3.983	0.270	134.730	149.401
1.48%	2.21%			2.97%	4.158	4.158	0.293	139.707	154.935
0.52%	1.24%			2.00%	6.000	6.000	3.797	296.203	288.003
1.81%	2.54%			3.31%	0.247	0.247	0.000	7.472	7.472
					149.661	149.661	-11.903	4,171.370	4,213.980

4B - Analysis of debt (cont.)

Year ended 31 March 2021

Line description	Instrument identifier	Credit rating	Currency	Class/subordination	Further information	Instrument start date (if after 31/07/21)	Years to maturity	Principal sum outstanding as at 31 March 2021 (excluding unamortised debt issue costs)	Amount used to calculate nominal interest cost and cash interest payment (might be equal or differ from principal sum outstanding)	Years to maturity x principal sum	
						Date	Years	Em (nominal)	Em (nominal)	Em (nominal)	
B	Floating rate instruments										
4B.1	RCF	RCF	GBP				0.0	228.875	228.875	0.000	
4B.2	£200m EIB	4146	GBP				2.5	200.000	200.000	499.726	
4B.3	£330m EIB	4179	GBP				3.1	330.000	330.000	1,012.603	
4B.4	USPP - £50m Series D	USPP 11y GBP Floating	GBP				5.9	50.000	50.000	296.301	
4B.5	USPP - £50m Series E	USPP 12y GBP Floating	GBP				6.9	50.000	50.000	346.438	
4B.6	USPP - £48m Series F	USPP 15y GBP Floating	GBP				9.9	48.000	48.000	476.581	
4B.7	RBS	5889	GBP				2.4	100.000	100.000	238.356	
4B.8	EMTN 80	670	EUR				4.7	11.440	11.440	54.128	
4B.9	EMTN 84	376	JPY				8.1	8.529	8.529	68.886	
4B.10	Interest rate swap	4751	GBP				10.4	-40.000	-40.000	-417.863	
4B.11	Interest rate swap	4753	GBP				9.4	-35.000	-35.000	-330.726	
4B.12	Interest rate swap - AMP5 swap	721	GBP				3.7	-50.000	-50.000	-184.795	
4B.13	Interest rate swap - AMP5 swap	722	GBP				3.7	-50.000	-50.000	-184.795	
4B.14	Interest rate swap - AMP5 swap	723	GBP				2.4	-50.000	-50.000	-118.904	
4B.15	Interest rate swap - AMP5 swap	750	GBP				3.7	-50.000	-50.000	-184.795	
4B.16	Cross currency swap - USPP - 11yr USD	4615	GBP				5.9	53.377	53.377	316.312	
4B.17	Cross currency swap - USPP - 11yr USD	4616	GBP				5.9	53.377	53.377	316.312	
4B.18	Interest rate swap - AMP 7 - £50m	5155	GBP				5.9	-50.000	-50.000	-296.301	
4B.19	Interest rate swap - AMP 7 - £50m	5156	GBP				6.9	-50.000	-50.000	-346.438	
4B.20	Interest rate swap - AMP 7 - £48m	5157	GBP				9.9	-48.000	-48.000	-476.581	
4B.21	Interest rate swap - AMP 7 - £50m	5158	GBP				9.0	-50.000	-50.000	-450.411	
4B.22	Interest rate swap - AMP 7 - £150m	5159	GBP				9.0	-150.000	-150.000	-1351.233	
4B.23	Totals for floating rate instruments								510.598	510.598	-717.196
C	RPI linked instruments										
4B.403	EMTN 24	11	GBP				7.2	171.345	171.345	1,228.523	
4B.404	EMTN 27	32	GBP				3.3	42.837	42.837	141.303	
4B.405	EMTN 75	33	GBP				35.5	74.508	74.508	2,646.771	
4B.406	EMTN 76	34	GBP				30.4	148.747	148.747	4,519.464	
4B.407	EMTN 83	36	GBP				35.9	146.559	146.559	5,259.659	
4B.408	EMTN 86	37	GBP				36.4	144.521	144.521	5,255.005	
4B.409	EMTN 89	38	GBP				36.9	144.098	144.098	5,312.265	
4B.410	EMTN 90	39	GBP				37.4	71.932	71.932	2,687.491	
4B.411	EMTN 92	41	GBP				37.4	71.519	71.519	2,672.057	
4B.412	EMTN 93	42	GBP				45.9	71.433	71.433	3,276.711	
4B.413	EMTN 91	40	GBP				37.4	71.863	71.863	2,684.932	
4B.414	EMTN 78	35	GBP				35.6	74.248	74.248	2,641.790	
4B.415	Artesian Loan	DV-B	GBP		Principal excludes FV adjustment		11.5	57.511	57.511	661.932	
4B.416	£50m RPI/CPI Pay CPI + 1.626%, Rec RPI + 1.626%	RPI/CPI	GBP				15.9	-50.000	-50.000	-793.973	
4B.417	£100m RPI/CPI Pay CPI + 1.6675%, Rec RPI + 1.6675%	RPI/CPI	GBP				15.9	-100.000	-100.000	-1,585.205	
4B.418	£100m RPI/CPI Pay CPI + 1.3990%, Rec RPI + 1.3990%	RPI/CPI	GBP				16.9	-100.000	-100.000	-1,687.397	
4B.419	£100m RPI/CPI Pay CPI + 1.5663%, Rec RPI + 1.5663%	RPI/CPI	GBP				8.8	-100.000	-100.000	-884.658	
4B.603	Totals for RPI linked instruments								941.120	941.120	34,036.671

Real RPI Coupon	Real CPI Coupon	Reference Interest Rate	Margin over market index	Nominal Interest Rate	Nominal Interest Cost (Full year equivalent)	Cash Interest Payment (Full year equivalent)	Unamortised debt issue costs as at 31 March 2021	Value per balance sheet at 31 March 2021	Fair value of debt at 31 March 2021
%	%	%	%	%	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)
-1.02%	-0.31%	0.11%	0.33%	0.44%	1.002	1.002	0.000	228.875	228.875
-1.02%	-0.31%	0.11%	0.32%	0.43%	0.866	0.866	0.381	199.619	200.000
-1.08%	-0.37%	0.11%	0.26%	0.37%	1.220	1.220	0.000	330.000	330.000
-0.01%	0.71%	0.11%	1.35%	1.46%	0.731	0.731	0.064	49.936	51.787
-0.02%	0.70%	0.11%	1.34%	1.45%	0.726	0.726	0.069	49.931	52.369
0.05%	0.77%	0.11%	1.41%	1.52%	0.731	0.731	0.076	47.924	51.371
-0.20%	0.51%	0.11%	1.15%	1.26%	1.263	1.263	0.114	99.886	101.164
-0.99%	-0.28%	0.11%	0.35%	0.46%	0.053	0.053	0.000	11.440	20.766
-0.99%	-0.28%	0.11%	0.35%	0.46%	0.039	0.039	0.000	8.529	14.459
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.045	-0.045	0.000	-40.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.039	-0.039	0.000	-35.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
0.01%	0.72%	0.11%	1.36%	1.48%	0.788	0.788	0.000	53.377	
0.01%	0.72%	0.11%	1.36%	1.48%	0.788	0.788	0.000	53.377	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.054	-0.054	0.000	-48.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.056	-0.056	0.000	-50.000	
-1.34%	-0.63%	0.11%	0.00%	0.11%	-0.169	-0.169	0.000	-150.000	
					7.504	7.504	0.705	509.893	1,050.791
3.86%				5.39%	9.229	6.614	-0.289	171.634	244.069
3.99%				5.52%	2.365	1.710	0.000	42.837	51.405
1.60%				3.10%	2.306	1.194	0.000	74.508	139.018
1.63%				3.12%	4.640	2.419	0.000	148.747	261.211
1.40%				2.89%	4.234	2.050	0.000	146.559	263.636
1.67%				3.16%	4.569	2.410	0.000	144.521	277.541
1.57%				3.06%	4.408	2.257	0.000	144.098	272.722
1.50%				2.99%	2.153	1.080	0.000	71.932	135.132
1.52%				3.01%	2.156	1.089	0.000	71.519	135.018
1.59%				3.08%	2.202	1.135	0.000	71.433	150.954
1.46%				2.95%	2.119	1.047	0.000	71.863	133.675
1.50%				2.99%	2.221	1.114	0.000	74.248	136.325
3.64%				5.16%	2.966	2.091	0.000	57.511	73.910
-1.63%				-3.07%	1.536	0.813	0.000	-50.000	-4.392
-1.67%				-3.11%	3.113	1.668	0.000	-100.000	-9.996
-1.40%				-2.85%	2.848	1.399	0.000	-100.000	-11.796
-1.57%				-3.01%	3.013	1.566	0.000	-100.000	-5.927
					56.077	31.654	-0.289	941.409	2,242.506

Real RPI Coupon	Real CPI Coupon	Reference Interest Rate	Margin over market index	Nominal Interest Rate	Nominal Interest Cost (Full year equivalent)	Cash Interest Payment (Full year equivalent)	Unamortised debt issue costs as at 31 March 2021	Value per balance sheet at 31 March 2021	Fair value of debt at 31 March 2021
%	%	%	%	%	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)
	1.63%			2.39%	1,193	0.813	0.000	50,000	
	1.67%			2.43%	2,427	1.668	0.000	100,000	
	1.40%			2.16%	2,157	1.399	0.000	100,000	
	1.57%			2.33%	2,325	1.566	0.000	100,000	
	0.71%			1.46%	1,858	0.900	4,996	122,291	146,159
	0.01%			0.76%	0,757	0,010	-21,503	121,500	122,063
					10,717	6,356	-16,507	593,791	268,222
					223,959	195,175	-27,994	6,216,463	7,775,499

4C - Impact of price control performance to date on RCV

Year ended 31 March 2021

Line description	12 months ended 31 March 2021					Price control period to date					
	Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	Water resources	Water network plus	Wastewater network plus	Bioresources	Additional Control	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
A	Totex (net of business rates, abstraction licence fees and grants and contributions)										
4C.1	Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	51.254	418.040	524.962	64.675	0.000	51.254	418.040	524.962	64.675	0.000
4C.2	Actual totex (net of business rates, abstraction licence fees and grants and contributions)	76.907	480.905	452.629	108.011	0.000	76.907	480.905	452.629	108.011	0.000
4C.3	Transition expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4C.4	Disallowable costs	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4C.5	Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	76.907	480.905	452.629	108.011	0.000	76.907	480.905	452.629	108.011	0.000
4C.6	Variance	25.653	62.865	-72.333	43.336	0.000	25.653	62.865	-72.333	43.336	0.000
4C.7	Variance due to timing of expenditure	0.000	0.000	3.627	38.815	0.000	0.000	0.000	3.627	38.815	0.000
4C.8	Variance due to efficiency	25.653	62.865	-75.960	4.521	0.000	25.653	62.865	-75.960	4.521	0.000
4C.9	Customer cost sharing rate	50.000%	50.000%	50.000%	0.000%	0.000%	50.000%	50.000%	50.000%	0.000%	0.000%
4C.10	Customer share of totex over/underspend	12.827	31.433	-36.167	0.000	0.000	12.827	31.433	-36.167	0.000	0.000
4C.11	Company share of totex over/underspend	12.827	31.433	-36.167	43.336	0.000	12.827	31.433	-36.167	43.336	0.000
B	Totex - business rates and abstraction licence fees										
4C.12	Final determination allowed totex - business rates and abstraction licence fees	13.675	43.537	22.070	4.713	0.000	13.675	43.537	22.070	4.713	0.000
4C.13	Actual totex - business rates and abstraction licence fees	16.059	48.109	23.119	3.287	0.000	16.059	48.109	23.119	3.287	0.000
4C.14	Variance - business rates and abstraction licence fees	2.384	4.572	1.049	-1.426	0.000	2.384	4.572	1.049	-1.426	0.000
4C.15	Customer cost sharing rate - business rates and abstraction licence fees	75.000%	75.000%	75.000%	75.000%	0.000%	75.000%	75.000%	75.000%	75.000%	0.000%
4C.16	Customer share of totex over/underspend - business rates and abstraction licence fees	1.788	3.429	0.787	-1.070	0.000	1.788	3.429	0.787	-1.070	0.000
4C.17	Company share of totex over/underspend - business rates and abstraction licence fees	0.596	1.143	0.262	-0.357	0.000	0.596	1.143	0.262	-0.357	0.000
B	Totex not subject to cost sharing										
4C.18	Final determination allowed totex - not subject to cost sharing	5.574	33.014	1.114	0.000	0.000	5.574	33.014	1.114	0.000	0.000
4C.19	Actual totex - not subject to cost sharing	3.243	27.284	2.249	0.002	0.000	3.243	27.284	2.249	0.002	0.000
4C.20	Variance - 100% company allocation	-2.331	-5.730	1.135	0.002	0.000	-2.331	-5.730	1.135	0.002	0.000
4C.21	Total company share of totex over/under spend	11.092	26.846	-34.769	42.982	0.000	11.092	26.846	-34.769	42.982	0.000
B	RCV										
4C.22	Total company share of totex over/under spend	11.092	26.846	-34.769	42.982	0.000	11.092	26.846	-34.769	42.982	0.000
4C.23	PAYG rate	75.100%	65.100%	60.400%	0.000%	0.000%	75.100%	65.100%	60.400%	0.000%	0.000%
4C.24	RCV element of totex over/underspend	2.762	9.369	-13.769	42.982	0.000	2.762	9.369	-13.769	42.982	0.000
4C.25	Adjustment for ODI outperformance payment or underperformance payment						0.000	0.000	0.000	0.000	0.000
4C.26	RCV determined at FD at 31 March						396.963	4,311.075	4,141.025	538.974	0.000
4C.27	Projected 'shadow' RCV						399.725	4,320.444	4,127.256	581.956	0.000

Wholesale totex analysis commentary

Totex baseline (lines 1-11)

Gross variance and timing differences

Actual wholesale totex is £60 million above the FD allowance for Year 1 of the AMP, before timing differences. We have accelerated investment on the thermal hydrolysis plants in our bioresources programme comparative to the FD; specifically, this is at our Finham and Stoke Bardolph sites. We have included a timing adjustment of £39 million to reflect this acceleration. A second timing adjustment of £3.6 million is included in the waste water network plus control to account for the expenditure on the uncertain Water Industry National Environment Programme (Water Framework Directive amber schemes also known as real options). We have reached agreement with the Environment Agency that these schemes have moved into certain status during the 2020/21 reporting year. We have, therefore, started work on the design and feasibility of this programme. These are included as a true up at the end of the AMP and are to be treated as timing differences as per Ofwat guidance in the current year.

Net variance excluding timing differences

This leaves a net variance of £17 million additional spend overall. However, as in AMP6 we have taken the decision to invest more in the water service relative to the FD by reinvesting the efficiencies from our waste water programme relative to the FD. These broadly offset in the round.

In water resources, we have approximately £17 million additional capital spend. This relates in part to additional investment in our borehole maintenance programme to maximise the availability of water in to supply during the summer of 2020. We have also incurred higher costs than expected within our Eels regulations programme. There is an additional £8 million relating to health and safety maintenance at reservoirs following inspections which we have accrued this year but will address in future years. We have not made a timing adjustment in the table for this accrual as we did not anticipate the spend requirement in our original plan.

In Water Network Plus we have £63 million additional capital spend, £9 million of which relates to an adjustment to principal user from waste to water which increases our capex. There is also £30 million related to enabling works for the metering programme (boundary boxes) not included in the FD, £22 million on supply-demand balance initiatives including leakage reduction and £10 million on additional maintenance (no FD split). These increases are partially offset by a £13 million underspend on opex.

Efficiency of £76 million in waste water network plus is due to £45 million additional allowance vs our PR19 submitted plan plus £27 million of other reductions. However, within the spend we have increased our opex and IRE costs (to deliver better performance on blockages), and a rise in power costs raising our spend by c.£20 million with an underspend of £48 million in capex.

Finally in Bioresources we have c.£7 million overspend due to power cost increases, offset by overall lower capital spend after timing adjustment to leave a net £5 million overspend.

Totex business rates and abstraction licences (lines 12-17)

Business rates

The FD allowance on business rates in water was just 75% of our expected rates cost. However, the rates revaluation was not due to take effect until Year 2 of the AMP (now delayed due to COVID-19), and therefore the rates costs are broadly in line with our expectations (although £5 million above the FD). The rates costs in waste are in line with the FD, as rates increases not allowed in the FD were expected towards the end of the AMP as WFD assets come into use.

Abstraction licences

The total FD allowance over AMP7 was in line with our PR19 plan submission, however the phasing of these costs between the years in the model (based on overall totex phasing) is different to the broadly fixed costs per annum in our plan. Actual costs of £2.2 million over the FD is therefore in effect a timing difference, and we expect this to unwind over the AMP. There are no timing difference inputs in this section of the table.

Totex not subject to cost sharing (lines 18-21)

Totex not subject to cost sharing for Severn Trent consists of two opex cost groups, third party & non S185 diversions (net of grants and contributions) and two capex elements; the Interconnector programme and income offset payments. Lower spend on the Interconnector programme reflects the efficiencies delivered in the initial phase up to Gate 1, and the income offset payments are lower than the FD. The FD allowance for income offset was greater than the value we submitted in our PR19 plan.

RCV (lines 22-27)

As confirmed by Ofwat in the APR Q&A document, line 22 should be the total customer share of the RCV, not the company share.

We think as the FD RCV is based on year end inflation the total customer share of totex performance (which is in year average prices) should also be converted to year end prices before being added to the shadow RCV.

In terms of the PAYG rates, we think it would be more appropriate to use the weighted average AMP7 PAYG rates (rather than the annual FD rates) as these will be used in the PR19 costs reconciliation model to allocate the customer share of totex performance to the RCV.

We have therefore included a revised table below with the values as we believe they should be to align to the models.

RCV			Water Resources	Water Network +	Waste water Network +	Bioresources
Total customer share of totex over/under spend (year av prices)	£m	3	14.614	34.928	-35.371	-1.069
Total customer share of totex over/under spend (year end prices)	£m	3	14.694	35.119	-35.563	-1.075
Weighted average PAYG rate	£m	3	70.875%	61.159%	56.842%	38.775%
RCV element of totex over/underspend	£m	3	4.280	13.640	-15.348	-0.658
Adjustment for ODI outperformance payment or underperformance payme	£m	3	-	-	-	-
RCV determined at FD at 31 March	£m	3	396.963	4,311.075	4,141.025	538.974
Projected 'shadow' RCV	£m	3	401.266	4,324.789	4,125.593	538.312

All ODI values in Year 1 are revenue adjustments and therefore no adjustment is needed for the shadow RCV calculation.

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4F - Major project expenditure for by purpose (wholesale water)

Year ended 31 March 2021

Line description	Expenditure in	
	Water resources	Raw water transport
	£m	£m
A Major project capital expenditure by purpose		
4F.1 Severn to Thames Transfer (STT)	1.096	0.000
4F.2 Grand Uniouon Canal (GUC)	0.493	0.000
4F.3 Minworth Effluent Reuse	0.279	0.000
4F.4 Severn Trent Resource Schemes	0.229	0.000
4F.11 Total major project capital expenditure	2.097	0.000
B Major project operating expenditure by purpose		
4F.12 Operating expenditure purpose - line 1	0.000	0.000
4F.13 Operating expenditure purpose - line 2	0.000	0.000
4F.14 Operating expenditure purpose - line 3	0.000	0.000
4F.15 Operating expenditure purpose - line 4	0.000	0.000
4F.22 Total major project operating expenditure	0.000	0.000

4G - Major project expenditure by purpose (wholesale waste water)

Year ended 31 March 2021

This is a nil return as Severn Trent have no major projects in waste water.

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4H - Financial metrics

Year ended 31 March 2021

Line description	Units	DPs	Current year	AMP to date
A Financial indicators				
4H.1 Net debt	£m	3	6,204.504	
4H.2 Regulatory equity	£m	3	3,183.533	
4H.3 Regulatory gearing	%	2	66.09%	
4H.4 Post tax return on regulatory equity	%	2	7.04%	
4H.5 RORE (return on regulatory equity)	%	2	5.18%	5.18%
4H.6 Dividend yield	%	2	1.84%	
4H.7 Retail profit margin - Household	%	2	-15.83%	
4H.8 Retail profit margin - Non household	%	2	0.00%	
4H.9 Credit rating - Fitch	Text	n/a	n/a	
4H.10 Credit rating - Moody's	Text	n/a	Baa1	Stable outlook
4H.11 Credit rating - Standard and Poor's	Text	n/a	BBB+	Stable outlook
4H.12 Return on RCV	%	2	4.66%	
4H.13 Dividend cover	dec	2	3.74	
4H.14 Funds from operations (FFO)	£m	3	562.514	
4H.15 Interest cover (cash)	dec	2	4.17	
4H.16 Adjusted interest cover (cash)	dec	2	1.52	
4H.17 FFO/Net debt	dec	2	0.09	
4H.18 Effective tax rate	%	2	11.26%	
4H.19 RCF	£m	3	621.119	
4H.20 RCF/Net debt	dec	2	0.10	
B Revenue and earnings				
4H.21 Revenue (actual)	£m	3	1,584.156	
4H.22 EBITDA (actual)	£m	3	779.569	
D Borrowings				
4H.23 Proportion of borrowings which are fixed rate	%	2	67.10%	
4H.24 Proportion of borrowings which are floating rate	%	2	8.20%	
4H.25 Proportion of borrowings which are index linked	%	2	24.70%	
4H.26 Proportion of borrowings due within 1 year or less	%	2	7.70%	
4H.27 Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	4.03%	
4H.28 Proportion of borrowings due in more than 2 years but but no more than 5 years	%	2	23.93%	
4H.29 Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	39.92%	
4H.30 Proportion of borrowings due in more than 20 years	%	2	24.41%	

As discussed in table 1F commentary on page 88, we think the equity base return used in RoRE should be the same as the headline FD base return of 4.1%, resulting in a RoRE of 5.82%, rather than 5.18% as shown in the table.

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4I - Financial derivatives

Year ended 31 March 2021

Line description	Nominal value by maturity (net)			Total value at 31 March Nominal value (net)	Mark to Market	Total accretion at 31 March	Interest rate		
	1 to 2 years	2 to 5 years	Over 5 years				Payable	Receivable	
	£m	£m	£m	£m	£m	£m	%	%	
Derivative type									
A Interest rate swap (sterling)									
4I.1	Floating to fixed rate	0.000	200.000	348.000	548.000	-88.873	0.000	3.297%	0.079%
4I.2	Floating from fixed rate	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%
4I.3	Floating to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%
4I.4	Floating from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%
4I.5	Fixed to index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%
4I.6	Fixed from index-linked	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000%
4I.7	Total	0.000	200.000	348.000	548.000	-88.873	0.000		
B Foreign Exchange									
4I.8	Cross currency swap USD	0.000	0.000	121.531	121.531	15.492	0.000		
4I.9	Cross currency swap EUR	0.000	11.440	0.000	11.440	9.064	0.000		
4I.10	Cross currency swap YEN	0.000	0.000	8.529	8.529	7.485	0.000		
4I.11	Cross currency swap Other	0.000	0.000	0.000	0.000	0.000	0.000		
4I.12	Total	0.000	11.440	130.060	141.500	32.041	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		
4I.14	Currency interest rate swaps EUR	0.000	0.000	0.000	0.000	0.000	0.000		
4I.15	Currency interest rate swaps YEN	0.000	0.000	0.000	0.000	0.000	0.000		
4I.16	Currency interest rate swaps Other	0.000	0.000	0.000	0.000	0.000	0.000		
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		
4I.19	Forward currency contracts EUR	0.000	0.000	0.000	0.000	0.000	0.000		
4I.20	Forward currency contracts YEN	0.000	0.000	0.000	0.000	0.000	0.000		
4I.21	Forward currency contracts CAD	0.000	0.000	0.000	0.000	0.000	0.000		
4I.22	Forward currency contracts AUD	0.000	0.000	0.000	0.000	0.000	0.000		
4I.23	Forward currency contracts HKD	0.000	0.000	0.000	0.000	0.000	0.000		
4I.24	Forward currency contracts Other	0.000	0.000	0.000	0.000	0.000	0.000		
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	-23.755	0.000		
F Total									
4I.27	Total financial derivatives	0.000	211.440	828.060	1,039.500	-80.587	0.000		

4J - Base expenditure analysis

(water resources and water network+)

Year ended 31 March 2021

Line description	Water resources	Water network+				Total		
		Raw water transport	Raw water storage	Water treatment	Treated water distribution			
		£m	£m	£m	£m			
A	Operating expenditure (excl. atypicals)							
4J.1	Power	8.357	12.335	0.000	4.186	34.107	58.985	
4J.2	Income treated as negative expenditure	-0.224	-0.001	0.000	-0.003	-0.010	-0.238	
4J.3	Bulk supply	6.518	0.000	0.000	4.634	0.227	11.379	
4J.4	Renewals expensed in year (infrastructure)	1.388	1.332	0.000	0.000	73.987	76.707	
4J.5	Renewals expensed in year (non-infrastructure)	0.013	0.261	0.000	0.001	0.000	0.275	
4J.6	Other operating expenditure	13.221	3.995	0.000	53.998	109.481	180.695	
4J.7	Local authority and Cumulo rates	4.510	2.405	0.231	7.696	37.379	52.221	
B	Service Charges							
4J.8	Canal & River Trust abstraction charges/ discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	
4J.9	Environment Agency / NRW abstraction charges/ discharge consents	11.549	0.000	0.000	0.398	0.000	11.947	
4J.10	Other abstraction charges/ discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	
C	Other operating expenditure							
4J.11	Costs associated with Traffic Management Act	0.003	0.000	0.000	0.002	2.302	2.307	
4J.12	Costs associated with lane rental schemes	0.000	0.000	0.000	0.000	0.000	0.000	
4J.13	Statutory water softening	0.000	0.000	0.000	0.000	0.000	0.000	
4J.14	Total base operating expenditure	45.335	20.327	0.231	70.912	257.473	394.278	
D	Capital expenditure							
4J.15	Maintaining the long term capability of the assets - infra	0.000	0.000	0.000	0.000	0.000	0.000	
4J.16	Maintaining the long term capability of the assets - non-infra	21.816	0.006	0.000	49.188	57.342	128.352	
4J.17	Total base capital expenditure	21.816	0.006	0.000	49.188	57.342	128.352	
E	Traffic Management Act	Units						
4J.18	Projects incurring costs associated with Traffic Management Act	nr	1	0	0	1	774	776

4K - Base expenditure analysis

(waste water network+ and bioresources)

Year ended 31 March 2021

Line description	Wastewater network+					Bioresources			Total £m		
	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										
4K.1	Power	6.365	1.834	1.216	34.261	1.331	0.019	-9.254	0.010	35.782	
4K.2	Income treated as negative expenditure	-0.003	-0.001	-0.001	-0.005	0.000	-0.001	-18.545	-1.637	-20.193	
4K.3	Bulk discharge	0.022	0.006	0.004	0.147	0.006	0.000	0.100	0.000	0.285	
4K.4	Renewals expensed in year (infrastructure)	50.588	6.821	6.821	0.014	0.000	0.000	0.000	0.000	64.244	
4K.5	Renewals expensed in year (non-infrastructure)	1.340	0.386	0.256	0.088	0.003	0.000	0.000	0.000	2.073	
4K.6	Other operating expenditure	36.008	10.376	6.882	79.794	3.100	14.709	24.082	11.462	186.413	
4K.7	Local authority and Cumulo rates	0.163	0.047	0.031	22.021	0.856	0.034	3.242	0.011	26.405	
B	Service Charges										
4K.8	Canal & River Trust discharge consents	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4K.9	Environment Agency / NRW discharge consents	3.473	1.001	0.664	5.382	0.209	0.000	0.000	0.000	10.729	
4K.10	Other discharge charges / permits	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
C	Other expenditure										
4K.11	Costs associated with Traffic Management Act	0.031	0.009	0.006	0.023	0.001	0.000	0.003	0.000	0.073	
4K.12	Costs associated with lane rental schemes	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4K.13	Costs associated with Industrial Emissions Directive	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
4K.14	Total base operating expenditure	97.987	20.479	15.879	141.725	5.506	14.761	-0.372	9.846	305.811	
D	Capital expenditure										
4K.15	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	0.000	
4K.16	Maintaining the long term capability of the assets - non-infra	20.355	2.544	2.544	55.313	0.000	0.000	82.893	0.000	163.649	
4K.17	Total base capital expenditure	20.355	2.544	2.544	55.313	0.000	0.000	82.893	0.000	163.649	
E	Traffic Management Act	Units									
4K.36	Projects incurring costs associated with Traffic Management Act	nr	10	3	2	8	1	0	0	0	24

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4L - Enhancement expenditure

(water resources and water network+)

Year ended 31 March 2021

Line description		Expenditure in		
		Water resources	Raw water transport	
		£m	£m	
A	EA/NRW environmental programme (WINEP/NEP)			
4L.1	Ecological improvements at abstractions	Capex	0.000	0.000
4L.2	Ecological improvements at abstractions	Opex	0.012	0.000
4L.3	Ecological improvements at abstractions	Totex	0.012	0.000
4L.4	Eels Regulations (measures at intakes)	Capex	8.205	0.000
4L.5	Eels Regulations (measures at intakes)	Opex	0.000	0.000
4L.6	Eels Regulations (measures at intakes)	Totex	8.205	0.000
4L.7	Invasive Non Native Species	Capex	0.000	0.000
4L.8	Invasive Non Native Species	Opex	0.000	0.000
4L.9	Invasive Non Native Species	Totex	0.000	0.000
4L.10	Drinking Water Protected Areas (schemes)	Capex	0.000	0.000
4L.11	Drinking Water Protected Areas (schemes)	Opex	0.000	0.000
4L.12	Drinking Water Protected Areas (schemes)	Totex	0.000	0.000
4L.13	Water Framework Directive measure	Capex	0.000	0.000
4L.14	Water Framework Directive measure	Opex	0.000	0.000
4L.15	Water Framework Directive measure	Totex	0.000	0.000
4L.16	Investigations	Capex	3.532	0.000
4L.17	Investigations	Opex	0.000	0.000
4L.18	Investigations	Totex	3.532	0.000
4L.19	Total environmental programme expenditure	Totex	11.749	0.000
B	Supply-demand balance			
4L.20	Supply-side improvements delivering benefits in 2020-2025	Capex	0.074	0.000
4L.21	Supply-side improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.22	Supply-side improvements delivering benefits in 2020-2025	Totex	0.074	0.000
4L.23	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Capex	0.000	0.000
4L.24	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Opex	0.000	0.000
4L.25	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Totex	0.000	0.000
4L.26	Leakage improvements delivering benefits in 2020-2025	Capex	0.000	0.000
4L.27	Leakage improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.28	Leakage improvements delivering benefits in 2020-2025	Totex	0.000	0.000
4L.29	Internal interconnectors delivering benefits in 2020-2025	Capex	0.000	0.000
4L.30	Internal interconnectors delivering benefits in 2020-2025	Opex	0.000	0.000
4L.31	Internal interconnectors delivering benefits in 2020-2025	Totex	0.000	0.000
4L.32	Supply demand balance improvements delivering benefits starting from 2026	Capex	0.000	0.000
4L.33	Supply demand balance improvements delivering benefits starting from 2026	Opex	0.000	0.000
4L.34	Supply demand balance improvements delivering benefits starting from 2026	Totex	0.000	0.000
4L.35	Strategic regional water resources	Capex	2.097	0.000
4L.36	Strategic regional water resources	Opex	0.000	0.000
4L.37	Strategic regional water resources	Totex	2.097	0.000
4L.38	Total supply demand expenditure	Totex	2.171	0.000

report year				Cumulative expenditure on schemes completed in the report year						
Water network+				Total	Water resources	Raw water transport	Network+			Total
Raw water storage	Water treatment	Treated water distribution	Raw water storage				Water treatment	Treated water distribution		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
0.000	3.807	0.148	4.029							
0.000	0.000	0.000	0.000							
0.000	3.807	0.148	4.029							
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	4.385	4.385							
0.000	0.000	0.000	0.000							
0.000	0.000	4.385	4.385							
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	2.097							
0.000	0.000	0.000	0.000							
0.000	0.000	0.000	2.097							
0.000	3.807	4.533	10.511							
0.000	0.000	0.000	0.073							
0.000	0.000	0.000	0.000							
0.000	0.000	0.000	0.073							
0.000	3.807	4.533	8.342							
0.000	0.000	0.000	0.000							
0.000	3.807	4.533	8.342							
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	0.000
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	2.096							
0.000	0.000	0.000	0.000							
0.000	0.000	0.000	2.096							
0.000	3.807	4.533	10.511							

4L - Enhancement expenditure

(water resources and water network+ cont.)

Year ended 31 March 2021

Line description		Expenditure in	
		Water resources £m	Raw water transport £m
C	Metering		
4L.39	New meters requested by existing customers (optants)		Capex
4L.40	New meters requested by existing customers (optants)		Opex
4L.41	New meters requested by existing customers (optants)		Totex
4L.42	New meters introduced by companies for existing customers		Capex
4L.43	New meters introduced by companies for existing customers		Opex
4L.44	New meters introduced by companies for existing customers		Totex
4L.45	New meters for existing customers - business		Capex
4L.46	New meters for existing customers - business		Opex
4L.47	New meters for existing customers - business		Totex
4L.48	Total metering expenditure		Totex
D	Other enhancement		
4L.49	Improvements to taste, odour and colour	Capex	0.000
4L.50	Improvements to taste, odour and colour	Opex	0.000
4L.51	Improvements to taste, odour and colour	Totex	0.000
4L.52	Meeting lead standards	Capex	0.000
4L.53	Meeting lead standards	Opex	0.000
4L.54	Meeting lead standards	Totex	0.000
4L.55	Addressing raw water deterioration	Capex	0.000
4L.56	Addressing raw water deterioration	Opex	0.000
4L.57	Addressing raw water deterioration	Totex	0.000
4L.58	Improvements to river flow	Capex	0.000
4L.59	Improvements to river flow	Opex	0.000
4L.60	Improvements to river flow	Totex	0.000
4L.61	Enhancing resilience to low probability high consequence events	Capex	0.960
4L.62	Enhancing resilience to low probability high consequence events	Opex	0.000
4L.63	Enhancing resilience to low probability high consequence events	Totex	0.960
4L.64	Security - SEMD	Capex	0.000
4L.65	Security - SEMD	Opex	0.000
4L.66	Security - SEMD	Totex	0.000
4L.67	Security - Non-SEMD	Capex	0.000
4L.68	Security - Non-SEMD	Opex	0.000
4L.69	Security - Non-SEMD	Totex	0.000
4L.70	Reservoir Safety	Capex	8.125
4L.71	Reservoir Safety	Opex	0.000
4L.72	Biodiversity (Water)	Capex	0.000
4L.73	Biodiversity (Water)	Opex	2.678
4L.80	Total other enhancement expenditure	Totex	11.763
E	Total enhancement		
4L.81	Total enhancement expenditure	Capex	22.993
4L.82	Total enhancement expenditure	Opex	2.690
4L.83	Total enhancement expenditure	Totex	25.683

report year				Cumulative expenditure on schemes completed in the report year						
Water network+				Total	Water resources	Network+				Total
Raw water storage	Water treatment	Treated water distribution	Raw water transport			Raw water storage	Water treatment	Treated water distribution		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
		7.026	7.026							
		0.000	0.000							
		7.026	7.026							
		10.759	10.759							
		0.000	0.000							
		10.759	10.759							
		0.000	0.000							
		0.000	0.000							
		0.000	0.000							
		17.785	17.785							
0.000	0.001	0.002	0.003							
0.000	0.000	0.000	0.000							
0.000	0.001	0.002	0.003							
0.000	0.019	2.426	2.445							
0.000	0.000	0.000	0.000							
0.000	0.019	2.426	2.445							
0.044	4.956	0.036	5.036							
0.000	1.517	0.000	1.517							
0.044	6.473	0.036	6.553							
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	14.621	39.581	67.633							
0.000	0.000	0.000	0.000							
0.000	14.621	39.581	67.633							
0.000	2.219	0.521	2.794							
0.000	0.000	0.000	0.000							
0.000	2.219	0.521	2.794							
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	2.570	10.695							
0.000	0.000	0.000	0.000							
0.000	0.000	0.000	0.000							
0.000	0.145	0.007	2.830							
0.044	23.478	45.143	92.953							
0.044	25.712	67.454	128.728							
0.000	1.665	0.019	4.374							
0.044	27.377	67.473	133.102							

4M - Enhancement expenditure

(waste water network+ and bioresources)

Year ended 31 March 2021

Line description	Expenditure in report						
	Wastewater network+					Bioresources	
	Sewage collection		Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	
	Foul	Surface water drainage					
£m	£m	£m	£m	£m	£m	£m	
A	EA/NRW environmental programme (WINEP/NEP)						
4M.1	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.2	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.3	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.4	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.5	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.6	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.7	Flow monitoring at sewage treatment works	0.666	0.083	0.083	0.294	0.000	0.000
4M.8	Flow monitoring at sewage treatment works	0.000	0.000	0.000	0.000	0.000	0.000
4M.9	Flow monitoring at sewage treatment works	0.666	0.083	0.083	0.294	0.000	0.000
4M.10	Schemes to increase flow to full treatment	0.000	0.000	0.000	2.892	0.000	0.000
4M.11	Schemes to increase flow to full treatment	0.000	0.000	0.000	0.000	0.000	0.000
4M.12	Schemes to increase flow to full treatment	0.000	0.000	0.000	2.892	0.000	0.000
4M.13	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.14	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.15	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.16	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.040	0.000	0.000	0.000	0.000	0.000
4M.17	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.000	0.000	0.000	0.000	0.000	0.000
4M.18	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.040	0.000	0.000	0.000	0.000	0.000
4M.19	Chemical removals schemes	0.000	0.000	0.000	0.359	0.000	0.000
4M.20	Chemical removals schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.21	Chemical removals schemes	0.000	0.000	0.000	0.359	0.000	0.000
4M.22	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.903	0.000	0.000
4M.23	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.000	0.000	0.000
4M.24	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.903	0.000	0.000
4M.25	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.26	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.27	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.28	Phosphorus removal	0.041	0.000	0.000	37.790	0.000	0.000
4M.29	Phosphorus removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.30	Phosphorus removal	0.041	0.000	0.000	37.790	0.000	0.000
4M.31	Reduction of sanitary parameters	0.000	0.000	0.000	2.289	0.000	0.000
4M.32	Reduction of sanitary parameters	0.000	0.000	0.000	0.000	0.000	0.000
4M.33	Reduction of sanitary parameters	0.000	0.000	0.000	2.289	0.000	0.000
4M.34	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.35	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.36	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.37	Investigations	1.001	0.000	0.000	0.000	0.000	0.000
4M.38	Investigations	0.000	0.000	0.000	0.000	0.000	0.000
4M.39	Investigations	1.001	0.000	0.000	0.000	0.000	0.000
4M.40	Total environmental programme expenditure	1.748	0.083	0.083	44.527	0.000	0.000

4M - Enhancement expenditure

(waste water network+ and bioresources cont.)

Year ended 31 March 2021

Line description		Expenditure in report					
		Wastewater network+				Bioresources	
		Sewage collection			Sewage treatment and disposal	Sludge liquor treatment	Sludge transport
		Foul	Surface water drainage	Highway drainage			
£m	£m	£m	£m	£m	£m		
B	Other enhancement						
4M.41	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	13.356	0.000	0.000
4M.42	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	0.000	0.000	0.000
4M.43	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	13.356	0.000	0.000
4M.44	Reduce flooding risk for properties	19.210	6.059	6.048	12.201	0.000	0.000
4M.45	Reduce flooding risk for properties	0.000	0.000	0.000	0.000	0.000	0.000
4M.46	Reduce flooding risk for properties	19.210	6.059	6.048	12.201	0.000	0.000
4M.47	First time sewerage	2.174	0.000	0.000	0.000	0.000	0.000
4M.48	First time sewerage	0.000	0.000	0.000	0.000	0.000	0.000
4M.49	First time sewerage	2.174	0.000	0.000	0.000	0.000	0.000
4M.50	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.51	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.52	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.53	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.54	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.55	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.56	Odour	0.000	0.000	0.000	0.301	0.000	0.000
4M.57	Odour	0.000	0.000	0.000	0.000	0.000	0.000
4M.58	Odour	0.000	0.000	0.000	0.301	0.000	0.000
4M.59	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.60	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.61	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.62	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.63	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.64	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.65	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.66	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.67	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.68	Reservoirs Act [1975] legislative requirements [Wastewater]	0.000	0.000	0.000	0.095	0.000	0.000
4M.69	Reservoirs Act [1975] legislative requirements [Wastewater]	0.000	0.000	0.000	0.000	0.000	0.000
4M.70	Transferred private drains and sewers	0.961	0.120	0.120	0.000	0.000	0.000
4M.71	Transferred private drains and sewers	0.000	0.000	0.000	0.000	0.000	0.000
4M.72	Biodiversity (Waste water)	0.000	0.000	0.000	0.000	0.000	0.000
4M.73	Biodiversity (Waste water)	0.000	0.046	0.000	2.025	0.000	0.000
4M.78	Total other enhancement expenditure	22.345	6.225	6.168	27.978	0.000	0.000
C	Total enhancement						
4M.79	Total enhancement expenditure	24.093	6.262	6.251	70.480	0.000	0.000
4M.80	Total enhancement expenditure	0.000	0.046	0.000	2.025	0.000	0.000
4M.81	Total enhancement expenditure	24.093	6.308	6.251	72.505	0.000	0.000

4P - Expenditure on non-price control diversions

Year ended 31 March 2021

Line description	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
A Connections volume data					
4P.1 Diversions - NRSWA	0.000	5.810	0.958	0.000	6.768
4P.2 Diversions - other non-price control	0.000	4.022	5.033	0.000	9.055
4P.3 Total expenditure on non-price control diversions	0.000	9.832	5.991	0.000	15.823

4Q - Developer services - new connections, properties and mains

Year ended 31 March 2021

Line description	Water nr	Waste water nr	Total nr
A Connections volume data			
4Q.1 New connections (residential - excluding NAVs)	21,744	20,092	41,836
4Q.2 New connections (business - excluding NAVs)	1,296	842	2,138
4Q.3 Total new connections served by incumbent	23,040	20,934	43,974
4Q.4 New connections - SLPs	11,910		
B Properties volume data			
4Q.5 New properties (residential - excluding NAVs)	26,317	24,556	50,873
4Q.6 New properties (business - excluding NAVs)	1,526	1,072	2,598
4Q.7 Total new properties served by incumbent	27,843	25,628	53,471
4Q.8 New residential properties served by NAVs	343	343	686
4Q.9 New business properties served by NAVs	0	0	0
4Q.10 Total new properties served by NAVs	343	343	686
4Q.11 Total new properties	28,186	25,971	54,157
4Q.12 New properties - SLP connections	11,910		
C New water mains data			
4Q.13 Length of new mains (km) - requisitions	58		
4Q.14 Length of new mains (km) - SLPs	132		

4R - Connected properties, customers and population

Year ended 31 March 2021

Line description	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
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A Customer numbers - average during the year					
4R.1	Residential water only customers	142.953	155.147	298.100	18.761
4R.2	Residential wastewater only customers	426.227	316.723	742.950	56.349
4R.3	Residential water and wastewater customers	1,573.893	1,459.449	3,033.342	158.424
4R.4	Total residential customers	2,143.073	1,931.319	4,074.392	233.534
4R.5	Business water only customers	1.000	37.151	38.151	8.858
4R.6	Business wastewater only customers	17.308	26.851	44.159	4.983
4R.7	Business water & wastewater customers	7.500	105.633	113.133	36.556
4R.8	Total business customers	25.808	169.635	195.443	50.397
4R.9	Total customers	2,168.881	2,100.954	4,269.835	283.931

Line description	Unmeasured 000s	Measured 000s	Total 000s	Water		Wastewater	
				Unmeasured 000s	Measured 000s	Unmeasured 000s	Measured 000s

A Property numbers - average during the year							
4R.10	Residential properties billed	1,716.847	1,614.596	3,331.443	2,000.120	1,776.172	3,776.292
4R.11	Residential void properties			177.184			214.773
4R.12	Total connected residential properties			3,508.627			3,991.065
4R.13	Business properties billed	8.501	142.784	151.285	24.808	132.484	157.292
4R.14	Business void properties			45.414			41.539
4R.15	Total connected business properties			196.699			198.831
4R.16	Total connected properties			3,705.326			4,189.896

Line description	Unmeasured				Water				Total 000s
	No meter 000s	Basic meter 000s	Smart meter 000s	Total 000s	Measured				
					No meter 000s	Basic meter 000s	Smart meter 000s		

A Property and meter numbers - at end of year										
4R.17	Total new residential properties connected in year	0.000	0.000	0.000	0.000	0.000	20.541	5.776	26.317	26.317
4R.18	Total new business properties connected in year	0.000	0.000	0.000	0.000	0.000	1.050	0.476	1.526	1.526
4R.19	Residential properties billed at year end	1,710.301	0.000	0.000	1,710.301	0.000	624.266	1,020.001	1,644.267	3,354.568
4R.20	Residential void properties at year end					75.093			71.889	146.982
4R.21	Total connected residential properties at year end				1,785.394				1,716.156	3,501.550
4R.22	Business properties billed at year end	8.709	0.000	0.000	8.709	0.000	102.503	51.719	154.222	162.931
4R.23	Business void properties at year end					2.450			31.979	34.429
4R.24	Total connected business properties at year end				11.159				186.201	197.360
4R.25	Total connected properties at year end				1,796.553				1,902.357	3,698.910

Line description	Water 000s	Wastewater 000s
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A Population data			
4R.26	Resident population	8,712.638	9,296.705
4R.27	Business population		50.552

5A - Water resources asset and volumes data

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Water resources			
5A.1	Water from impounding reservoirs	ML/d	2	183,481.34
5A.2	Water from pumped storage reservoirs	ML/d	2	10,2691.59
5A.3	Water from river abstractions	ML/d	2	233,013.35
5A.4	Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	ML/d	2	233,805.52
5A.5	Water from artificial recharge ('AR') water supply schemes	ML/d	2	0.00
5A.6	Water from aquifer storage and recovery ('ASR') water supply schemes	ML/d	2	0.00
5A.7	Water from saline abstractions	ML/d	2	0.00
5A.8	Water from water reuse schemes	ML/d	2	0.00
5A.9	Number of impounding reservoirs	nr	0	16
5A.10	Number of pumped storage reservoirs	nr	0	6
5A.11	Number of river abstractions	nr	0	6
5A.12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	0	106
5A.13	Number of artificial recharge ('AR') water supply schemes	nr	0	0
5A.14	Number of aquifer storage and recovery ('ASR') water supply schemes	nr	0	0
5A.15	Number of saline abstraction schemes	nr	0	0
5A.16	Number of reuse schemes	nr	0	0
5A.17	Total number of sources	nr	0	134
5A.18	Total number of water reservoirs	nr	0	22
5A.19	Total volumetric capacity of water reservoirs	ML	0	249,872
5A.20	Total number of intake and source pumping stations	nr	0	238
5A.21	Total installed power capacity of intake and source pumping stations	kW	0	53,247
5A.22	Total length of raw water abstraction mains and other conveyors	km	2	136.88
5A.23	Average pumping head – raw water abstraction	m.hd	2	23.74
5A.24	Energy consumption - raw water abstraction	MWh	3	84,267.127
5A.25	Total number of raw water abstraction imports	nr	0	0
5A.26	Water imported from 3rd parties' raw water abstraction systems	ML/d	2	0.00
5A.27	Total number of raw water abstraction exports	nr	0	0
5A.28	Water exported to 3rd parties' from raw water abstraction systems	ML/d	2	0.00
5A.29	Water resources capacity (measured using water resources yield)	ML/d	2	2,167.43

5B - Water resources operating cost analysis

Year ended 31 March 2021

Line description	Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Artificial Recharge ('AR') water supply schemes	Aquifer Storage and Recovery ('ASR') water supply schemes	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m

A Connections volume data									
5B.1	Power	0.236	0.438	2.582	5.101	0.000	0.000	0.000	8.357
5B.2	Income treated as negative expenditure	-0.224	0.000	0.000	0.000	0.000	0.000	0.000	-0.224
5B.3	Abstraction charges / discharge consents	2.376	0.000	6.353	2.820	0.000	0.000	0.000	11.549
5B.4	Bulk supply	6.518	0.000	0.000	0.000	0.000	0.000	0.000	6.518

A Other operating expenditure									
5B.5	Renewals expensed in year (Infrastructure)	1.388	0.000	0.000	0.000	0.000	0.000	0.000	1.388
5B.6	Renewals expensed in year (Non-Infrastructure)	0.013	0.000	0.000	0.000	0.000	0.000	0.000	0.013
5B.7	Other operating expenditure excluding renewals - direct	1.002	0.289	1.309	1.493	0.000	0.000	0.000	4.093
5B.8	Other operating expenditure excluding renewals - indirect	2.236	0.645	2.920	3.330	0.000	0.000	0.000	9.131
5B.9	Local authority and Cumulo rates	2.138	0.998	1.151	0.222	0.000	0.000	0.000	4.509
5B.10	Total operating expenditure (excluding 3rd party)	15.683	2.370	14.315	12.966	0.000	0.000	0.000	45.334

6A - Raw water transport, raw water storage and water treatment data

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Raw water transport and storage			
6A.1	Total number of balancing reservoirs	nr	0	10
6A.2	Total volumetric capacity of balancing reservoirs	ML	0	7,475
6A.3	Total number of raw water transport stations	nr	0	6
6A.4	Total installed power capacity of raw water transport pumping stations	kW	0	3,835
6A.5	Total length of raw water transport mains and other conveyors	km	2	555.39
6A.6	Average pumping head - raw water transport	m.hd	2	29.14
6A.7	Energy consumption - raw water transport	MWh	3	127,981.625
6A.8	Total number of raw water transport imports	nr	0	1
6A.9	Water imported from 3rd parties' raw water transport systems	ML/d	2	291.43
6A.10	Total number of raw water transport exports	nr	0	1
6A.11	Water exported to 3rd parties' raw water transport systems	ML/d	2	57.33
6A.12	Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	2	65.15

Line	Item description	Water treated	Number of works	Water treated	Number of works
	Units	ML/d	nr	ML/d	nr
	DPs	2	0	2	0

A	Water treatment - treatment type analysis				
6A.13	All SD simple disinfection works	0.00	0	121.19	33
6A.14	W1 works	0.00	0	27.07	6
6A.15	W2 works	0.00	0	14.01	2
6A.16	W3 works	190.45	2	0.00	0
6A.17	W4 works	1,111.84	14	292.07	60
6A.18	W5 works	151.45	3	82.07	10
6A.19	W6 works	0.00	0	0.00	0

Line	Item description	% of total	Number of works
	Units	DI	nr
	DPs	1	0

A	Water treatment - works size		
6A.20	WTWs in size band 1	0.7	25
6A.21	WTWs in size band 2	1.8	19
6A.22	WTWs in size band 3	6.4	30
6A.23	WTWs in size band 4	10.1	25
6A.24	WTWs in size band 5	11.7	16
6A.25	WTWs in size band 6	12.7	7
6A.26	WTWs in size band 7	13.9	4
6A.27	WTWs in size band 8	42.7	4

Line	Item description	Units	DPs	Input
A	Raw water transport and storage			
6A.28	Total water treated at more than one type of works	ML/d	2	0.00
6A.29	Number of treatment works requiring remedial action because of raw water deterioration	nr	0	0
6A.30	Zonal population receiving water treated with orthophosphate	000's	3	7,656.568
6A.31	Average pumping head - water treatment	m.hd	2	11.63
6A.32	Energy consumption - water treatment	MWh	3	51,244.802
6A.33	Total number of water treatment imports	nr	0	0
6A.34	Water imported from 3rd parties' water treatment works	ML/d	2	0.00
6A.35	Total number of water treatment exports	nr	0	0
6A.36	Water exported to 3rd parties' water treatment works	ML/d	2	0.00

6B - Treated water distribution - assets and operations

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Assets and operations			
6B.1	Total installed power capacity of potable water pumping stations	kW	0	116,539
6B.2	Total volumetric capacity of service reservoirs	ML	1	3,041.7
6B.3	Total volumetric capacity of water towers	ML	1	9.0
6B.4	Distribution input	ML/d	2	1,980.51
6B.5	Water delivered (non-potable)	ML/d	2	0.49
6B.6	Water delivered (potable)	ML/d	2	1,658.88
6B.7	Water delivered (billed measured residential)	ML/d	2	498.49
6B.8	Water delivered (billed measured business)	ML/d	2	278.23
6B.9	Total annual leakage	ML/d	2	411.46
6B.10	Distribution losses	ML/d	2	299.48
6B.11	Water taken unbilled	ML/d	2	85.43
6B.12	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.254
6B.13	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.139
6B.14	Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.339
6B.15	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge ('MAR') water supply schemes	Propn 0 to 1	3	0.268
6B.16	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	3	0.000
6B.17	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	3	0.000
6B.18	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	3	0.000
6B.19	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	3	0.000
6B.20	Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	0	723
6B.21	Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	0	107
6B.22	Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	0	17
6B.23	Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	0	599
6B.24	Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0	0
6B.25	Total number of service reservoirs	nr	0	491
6B.26	Number of water towers	nr	0	18
6B.27	Energy consumption - treated water distribution	MWh	3	298,322.262
6B.28	Average pumping head - treated water distribution	m.hd	2	94.98
6B.29	Total number of treated water distribution imports	nr	0	94
6B.30	Water imported from 3rd parties' treated water distribution systems	ML/d	2	53.70
6B.31	Total number of treated water distribution exports	nr	0	74
6B.32	Water exported to 3rd parties' treated water distribution systems	ML/d	2	15.15

6C - Mains, communication pipes and other data (water network+)

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Treated water distribution - mains analysis			
6C.1	Total length of potable mains as at 31 March	km	1	47,354.0
6C.2	Total length of potable mains relined	km	1	0.0
6C.3	Total length of potable mains renewed	km	1	43.8
6C.4	Total length of new potable mains	km	1	87.6
6C.5	Total length of potable water mains (≤320mm)	km	1	43,445.2
6C.6	Total length of potable water mains >320mm and ≤ 450mm	km	1	1,970.2
6C.7	Total length of potable water mains >450mm and ≤610mm	km	1	902.6
6C.8	Total length of potable water mains > 610mm	km	1	1,035.9
B	Communication pipes			
6C.9	Number of lead communication pipes	nr	0	631,262
6C.10	Number of galvanised iron communication pipes	nr	0	159,737
6C.11	Number of other communication pipes	nr	0	2,907,911
C	Treated water distribution - mains age profile			
6C.12	Total length of potable mains laid or structurally refurbished pre-1880	km	1	35.5
6C.13	Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	1	244.9
6C.14	Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	1	3,907.6
6C.15	Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1	4,930.8
6C.16	Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	1	5,007.2
6C.17	Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1	9,797.1
6C.18	Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1	15,412.7
6C.19	Total length of potable mains laid or structurally refurbished post 2001	km	1	7,901.5
D	Other			
6C.20	Company area	km ²	0	17,692
6C.21	Number of lead communication pipes replaced for water quality	nr	0	1
6C.22	Supply-side improvements delivering benefits in 2020-25	ML/d	2	0.00
6C.23	Demand-side improvements delivering benefits in 2020-25 (excluding leakage and metering)	ML/d	2	2.98
6C.24	Leakage improvements delivering benefits in 2020-25	ML/d	2	-24.47
6C.25	Internal interconnectors delivering benefits in 2020-25	ML/d	2	0.00
6C.26	Event Risk Index	nr	0	73

6D - Demand management - metering and leakage activities

Year ended 31 March 2021

Line	Item description	Units	DPs	Basic meter	Smart meter	
A Metering activities - Totex expenditure						
6D.1	New optant meter installation	£m	3	0.016	6.989	
6D.2	New selective meter installation	£m	3	0.115	10.643	
6D.3	New business meter installation	£m	3	0.000	0.022	
6D.4	Residential meters renewed	£m	3	0.067	8.710	
6D.5	Business meters renewed	£m	3	0.001	0.019	
C Metering activities - Explanatory variables						
6D.6	New optant meters installed	000s	3	0.054	23.751	
6D.7	New selective meters installed	000s	3	0.636	58.833	
6D.8	New business meters installed	000s	3	0.000	0.074	
6D.9	Residential meters renewed	000s	3	0.785	101.632	
6D.10	Business meters renewed	000s	3	0.006	0.227	
6D.11	New residential meters installation – supply-demand balance benefit	ML/d	2	0.00	0.00	
6D.12	New business meters installation – supply-demand balance benefit	ML/d	2	0.00	0.00	
6D.13	Residential meters renewed - supply-demand balance benefit	ML/d	2		0.00	
6D.14	Business meters renewed - supply-demand balance benefit	ML/d	2		0.00	
6D.15	Residential properties - meter penetration	%	1	18.6	30.4	
				Maintaining leakage	Reducing leakage	Total
D Leakage activities - Totex expenditure						
6D.16	Total leakage activity	£m	3	149.135	4.385	153.520
D Per capita consumption (excluding supply pipe leakage)						
6D.17	Per capita consumption (measured customers)	l/h/d	2	119.74		
6D.18	Per capita consumption (unmeasured customers)	l/h/d	2	160.77		

7A - Functional expenditure

(waste water network+)

Year ended 31 March 2021

Line	Item description	£'000
A	Costs of STWs in size bands 1 to 5	
7A.1	Direct costs of STWs in size band 1	4,456.086
7A.2	Direct costs of STWs in size band 2	2,011.026
7A.3	Direct costs of STWs in size band 3	8,130.450
7A.4	Direct costs of STWs in size band 4	14,474.886
7A.5	Direct costs of STWs in size band 5	14,877.275
7A.6	General & support costs of STWs in size bands 1 to 5	10,915.133
7A.7	Functional expenditure of STWs in size bands 1 to 5	54,864.856
B	Costs of large STWs (size band 6)	
7C.1	Service charges for STWs in size band 6	2,215.547
7C.2	Estimated terminal pumping costs size band 6 works	0.000
7C.3	Other direct costs of STWs in size band 6	53,942.613
7C.4	Direct costs of STWs in size band 6	56,158.161
7C.5	General & support costs of STWs in size band 6	14,778.964
7C.13	Functional expenditure of STWs in size band 6	70,937.125
C	Costs of STWs - all sizes	
7C.1	Total Functional expenditure for Sewage treatment	125,801.981

7B - Large sewage treatment works - (waste water network+)

Year ended 31 March 2021

Line description	Units	Large STW1	Large STW2	Large STW3	Large STW4	Large STW5	Large STW6	Large STW7	Large STW8
A Sewage treatment works - Explanatory variables									
Works name (existing works)	text	ABBEEY LATHE - MALTBY (STW)	ALFRETON (STW)	BARNHURST (STW)	BARSTON (STW)	Beeston - Lilac Grove STW	BELPER (STW)	BRANCOTE (STW)	BROMSGROVE (STW)
7B.1 Works name (new works)	text								
Works name	text	ABBEEY LATHE - MALTBY (STW)	ALFRETON (STW)	BARNHURST (STW)	BARSTON (STW)	Beeston - Lilac Grove STW	BELPER (STW)	BRANCOTE (STW)	BROMSGROVE (STW)
7B.2 Classification of treatment works	text	Tertiary B2	Tertiary B2	Tertiary A2	Tertiary A2	0	0	Tertiary B2	Tertiary A2
7B.3 Population equivalent of total load received	000s	40.60	31.68	148.97	62.64	0.00	0.00	76.03	60.04
7B.4 Suspended solids consent	mg/l	20	25	15	25	0	0	45	20
7B.5 BOD5 consent	mg/l	10	15	10	10	0	0	25	10
7B.6 Ammonia consent	mg/l	5	5	3	1	0	0	5	3
7B.7 Phosphorus consent	mg/l	2	2	1	0	0	0	1	2
7B.8 UV consent	mW/s/cm2	0	0	0	0	0	0	0	0
7B.9 Load received by STW	kgBOD5/d	2,436	1,901	8,938	3,758	0	0	4,562	3,602
7B.10 Flow passed to full treatment	m3/d	8,552	9,707	53,892	19,970	0	0	27,819	15,843

B Sewage treatment works - Functional expenditure									
7B.11 Service charges	£000	21	22	132	32	0	0	21	21
7B.12 Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
7B.13 Other direct expenditure	£000	324	337	1,739	820	0	0	477	619
7B.14 Total direct expenditure	£000	345	360	1,871	852	0	0	498	640
7B.15 General and support expenditure	£000	89	92	477	225	0	0	131	170
7B.16 Functional expenditure	£000	433	452	2,348	1,077	0	0	629	809

Line description	Units	Large STW21	Large STW22	Large STW23	Large STW24	Large STW25	Large STW26	Large STW27	Large STW28
A Sewage treatment works - Explanatory variables									
Works name (existing works)	text	EARL SHILTON STW	EVESHAM STW	GAINSBOROUGH LEA ROAD	GOSCOTE (STW)	HAYDEN (STW)	HEANOR-MILNE HAY (STW)	HINCKLEY (STW)	ILKESTON - HALLAM FIELDS (STW)
7B.1 Works name (new works)	text								
Works name	text	EARL SHILTON STW	EVESHAM STW	GAINSBOROUGH LEA ROAD	GOSCOTE (STW)	HAYDEN (STW)	HEANOR-MILNE HAY (STW)	HINCKLEY (STW)	ILKESTON - HALLAM FIELDS (STW)
7B.2 Classification of treatment works	text	Tertiary A2	Tertiary B2	Tertiary A2	Tertiary A2	Tertiary A2	Tertiary B2	Tertiary B2	Tertiary A2
7B.3 Population equivalent of total load received	000s	26.86	29.02	28.79	114.60	123.86	33.32	49.99	50.65
7B.4 Suspended solids consent	mg/l	25	45	60	30	20	20	30	20
7B.5 BOD5 consent	mg/l	15	25	25	10	10	10	10	10
7B.6 Ammonia consent	mg/l	1	0	0	1	3	5	5	5
7B.7 Phosphorus consent	mg/l	1	2	2	0	1	2	1	2
7B.8 UV consent	mW/s/cm2	0	0	0	0	0	0	0	0
7B.9 Load received by STW	kgBOD5/d	1,612	1,741	1,727	6,876	7,432	1,999	2,999	3039
7B.10 Flow passed to full treatment	m3/d	5,360	7,262	7,915	32,280	44,943	10,875	17,912	12,924

B Sewage treatment works - Functional expenditure									
7B.11 Service charges	£000	22	31	21	38	38	22	23	21
7B.12 Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
7B.13 Other direct expenditure	£000	218	241	333	1,313	821	517	436	458
7B.14 Total direct expenditure	£000	240	273	354	1,351	859	540	459	479
7B.15 General and support expenditure	£000	60	66	91	360	225	142	119	125
7B.16 Functional expenditure	£000	300	339	445	1,710	1,084	682	578	604

Large STW9	Large STW10	Large STW11	Large STW12	Large STW13	Large STW14	Large STW15	Large STW16	Large STW17	Large STW18	Large STW19	Large STW20
BURNTWOOD (STW)	CANNOCK (STW)	CHECKLEY (STW)	CLAYMILLS (STW)	COALPORT (STW)	COLESHILL (STW)	COVEN HEATH (STW)	COVENTRY - FINHAM (STW)	CRANKLEY POINT (STW)	DERBY (STW)	DINNINGTON STW	DROITWICH-LADYWOOD (STW)
BURNTWOOD (STW)	CANNOCK (STW)	CHECKLEY (STW)	CLAYMILLS (STW)	COALPORT (STW)	COLESHILL (STW)	COVEN HEATH (STW)	COVENTRY - FINHAM (STW)	CRANKLEY POINT (STW)	DERBY (STW)	DINNINGTON STW	DROITWICH-LADYWOOD (STW)
Tertiary B1	Tertiary A2	Tertiary A2	Tertiary A2	Secondary AS	Tertiary A2	Tertiary B2	Tertiary A2	Tertiary A2	Tertiary A2	Tertiary A2	Tertiary A2
46.93	63.01	50.49	261.10	72.86	232.81	28.08	484.16	66.73	313.55	29.30	29.73
45	25	25	45	45	40	15	20	45	30	30	45
25	15	15	25	25	20	10	15	25	20	13	25
15	5	5	10	10	5	3	3	15	3	3	10
0	1	1	1	0	1	0	0	2	1	0	2
0	0	0	0	0	0	0	0	0	0	0	0
2,816	3,781	3,029	15,666	4,372	13,969	1,685	29,050	4,004	18,813	1,758	1,784
9,026	19,026	15,778	44,259	22,449	75,133	7,646	142,098	9,362	101,791	7,491	9,402
21	24	20	38	22	65	22	39	21	67	23	21
0	0	0	0	0	0	0	0	0	0	0	0
155	489	605	1052	376	1,090	355	2,676	712	1,987	370	519
177	513	624	1,089	398	1,155	377	2,715	733	2,054	392	540
43	134	166	288	103	299	97	733	195	544	101	142
219	647	790	1,377	501	1,453	474	3,448	929	2,598	494	683
Large STW29	Large STW30	Large STW31	Large STW32	Large STW33	Large STW34	Large STW35	Large STW36	Large STW37	Large STW38	Large STW39	Large STW40
KIDDERMINSTER OLDINGTON (STW)	KIRKBY IN ASHFIELD (STW)	LEEK (STW)	LICHFIELD (STW)	LONG EATON-TOTON (STW)	LOUGHBOROUGH (STW)	LOWER GORNAL (STW)	MALVERN (STW)	MANSFIELD-BATH LANE (STW)	MELTON (STW)	MILE OAK STW	MINWORTH (STW)
KIDDERMINSTER OLDINGTON (STW)	KIRKBY IN ASHFIELD (STW)	LEEK (STW)	LICHFIELD (STW)	LONG EATON-TOTON (STW)	LOUGHBOROUGH (STW)	LOWER GORNAL (STW)	MALVERN (STW)	MANSFIELD-BATH LANE (STW)	MELTON (STW)	MILE OAK STW	MINWORTH (STW)
Tertiary A2	Tertiary A2	Tertiary A1	Tertiary B2	Tertiary B2	Tertiary A2	Tertiary B2	Secondary Biological	Tertiary A2	Tertiary A2	0	Tertiary A2
103.58	29.06	53.05	38.74	66.75	72.50	39.47	35.25	93.10	57.94	0.00	1,785.37
30	25	30	60	25	30	45	45	20	45	0	25
20	15	20	10	15	20	25	25	10	20	0	15
10	5	3	1	5	5	10	15	3	5	0	3
1	2	0	0	1	2	2	0	1	2	0	1
0	0	0	0	0	0	0	0	0	0	0	0
6,215	1,744	3,183	2,324	4,005	4,350	2,368	2,115	5,586	3,476	0	107,122
30,534	6,645	9,684	9,570	22,871	23,279	8,499	13,318	28,954	14,993	0	559,989
38	22	21	22	21	38	21	22	3	21	0	118
0	0	0	0	0	0	0	0	0	0	0	0
743	410	640	434	334	684	461	198	657	456	0	6,497
781	433	661	457	355	722	482	221	660	477	0	6,615
204	112	175	119	91	187	126	54	180	125	0	1,780
984	545	837	576	446	909	608	275	840	602	0	8,395

7B - Large sewage treatment works - (waste water network+ cont.)

Year ended 31 March 2021

Line description	Units	Large STW41	Large STW42	Large STW43	Large STW44	Large STW45	Large STW46	Large STW47	Large STW48
A Sewage treatment works - Explanatory variables									
Works name (existing works)	text	MONKMOOR (STW)	NETHERIDGE (STW)	NEWTHORPE - STW	NUNEATON-HARSHILL - STW	PACKINGTON (STW)	RAINWORTH (STW)	RAY HALL (STW)	REDDITCH (SPERNAL) WRW
7B.1 Works name (new works)	text								
Works name	text	MONKMOOR (STW)	NETHERIDGE (STW)	NEWTHORPE - STW	NUNEATON-HARSHILL - STW	PACKINGTON (STW)	RAINWORTH (STW)	RAY HALL (STW)	REDDITCH (SPERNAL) WRW
7B.2 Classification of treatment works	text	Secondary Activated Sludge	Secondary Activated Sludge	Tertiary B2	Tertiary A2	0	0	Tertiary B2	Tertiary A2
7B.3 Population equivalent of total load received	000s	94.29	196.81	47.39	94.48	0.00	0.00	124.96	80.29
7B.4 Suspended solids consent	mg/l	45	45	20	30	0	0	45	25
7B.5 BOD5 consent	mg/l	25	25	10	15	0	0	25	15
7B.6 Ammonia consent	mg/l	10	15	3	5	0	0	3	5
7B.7 Phosphorus consent	mg/l	0	0	2	1	0	0	1	2
7B.8 UV consent	mW/s/cm2	0	0	0	0	0	0	0	0
7B.9 Load received by STW	kgBOD5/d	5,657	11,809	2,843	5,669	0	0	7,498	4,817
7B.10 Flow passed to full treatment	m3/d	30,076	59,733	12,685	33,304	0	0	27,769	23,971

B Sewage treatment works - Functional expenditure									
7B.11 Service charges	£000	76	39	23	36	0	0	36	38
7B.12 Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
7B.13 Other direct expenditure	£000	632	1,539	313	876	0	0	668	754
7B.14 Total direct expenditure	£000	708	1,577	336	912	0	0	705	792
7B.15 General and support expenditure	£000	173	422	86	240	0	0	183	207
7B.16 Functional expenditure	£000	881	1,999	422	1,152	0	0	888	998

Line description	Units	Large STW61	Large STW62	Large STW63	Large STW64	Large STW65	Large STW66	Large STW67	Large STW68
A Sewage treatment works - Explanatory variables									
Works name (existing works)	text	STRONGFORD (STW)	SUTTON IN ASHFIELD (STW)	TAMWORTH (STW)	Tenbury STW	TEWKESBURY STW	TOTON (STW)	TRESCOTT (STW)	UTTOXETER (STW)
7B.1 Works name (new works)	text								
Works name	text	STRONGFORD (STW)	SUTTON IN ASHFIELD (STW)	TAMWORTH (STW)	Tenbury STW	TEWKESBURY STW	TOTON (STW)	TRESCOTT (STW)	UTTOXETER (STW)
7B.2 Classification of treatment works	text	Tertiary A2	Tertiary A2	Secondary Biological	0	0	0	Tertiary B2	0
7B.3 Population equivalent of total load received	000s	353.64	33.76	93.55	0.00	0.00	0.00	35.43	0.00
7B.4 Suspended solids consent	mg/l	30	15	50	0	0	0	50	0
7B.5 BOD5 consent	mg/l	12	10	25	0	0	0	25	0
7B.6 Ammonia consent	mg/l	3	2	10	0	0	0	1	0
7B.7 Phosphorus consent	mg/l	1	2	0	0	0	0	0	0
7B.8 UV consent	mW/s/cm2	0	0	0	0	0	0	0	0
7B.9 Load received by STW	kgBOD5/d	21,218	2,026	5,613	0	0	0	2,126	0
7B.10 Flow passed to full treatment	m3/d	140,291	8,082	27,167	0	0	0	7,696	0

B Sewage treatment works - Functional expenditure									
7B.11 Service charges	£000	65	22	36	0	0	0	22	0
7B.12 Estimated terminal pumping expenditure	£000	0	0	0	0	0	0	0	0
7B.13 Other direct expenditure	£000	2,223	579	228	0	0	0	306	0
7B.14 Total direct expenditure	£000	2,287	600	264	0	0	0	328	0
7B.15 General and support expenditure	£000	609	159	62	0	0	0	84	0
7B.16 Functional expenditure	£000	2,896	759	326	0	0	0	412	0

7C - Sewer and volume data

(waste water network+)

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Wastewater network			
7C.1	Connectable properties served by s101A schemes completed in the report year	nr	0	0
7C.2	Number of s101A schemes completed in the report year	nr	0	0
7C.3	Total pumping station capacity	kW	0	105,151
7C.4	Number of network pumping stations	nr	0	4,623
7C.5	Total number of sewer blockages	nr	0	32,429
7C.6	Total number of gravity sewer collapses	nr	0	560
7C.7	Total number of sewer rising main bursts	nr	0	155
7C.8	Number of combined sewer overflows	nr	0	2,637
7C.9	Number of emergency overflows	nr	0	722
7C.10	Number of settled storm overflows	nr	0	324
7C.11	Sewer age profile (constructed post 2001)	km	0	7,107
7C.12	Volume of trade effluent	ML/yr	2	26,126.64
7C.13	Volume of wastewater receiving treatment at sewage treatment works	ML/yr	2	1,138,126.87
7C.14	Length of gravity sewers rehabilitated	km	0	79
7C.15	Length of rising mains replaced or structurally refurbished	km	0	7
7C.16	Length of foul (only) public sewers	km	0	24,290
7C.17	Length of surface water (only) public sewers	km	0	16,647
7C.18	Length of combined public sewers	km	0	12,109
7C.19	Length of rising mains	km	0	2,403
7C.20	Length of other wastewater network pipework	km	0	150
7C.21	Total length of "legacy" public sewers as at 31 March	km	0	55,599
7C.22	Length of formerly private sewers and lateral drains (s105A sewers)	km	0	36,804

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7D - Sewage treatment works data

(waste water network+)

Year ended 31 March 2021

Line description	Unit	Treatment categories								Total	Phosphorus	
		Primary	Secondary Activated Sludge	Biological	A1	A2	B1	B2	<=0.5mg/l		>0.5 to <=1mg/l	
A	Load received at sewage treatment works											
7D.1	Load received by STWs in size band 1	kg BOD ₅ /day	77	138	774	115	15	724	48	1,891.000	0	51
7D.2	Load received by STWs in size band 2	kg BOD ₅ /day	0	45	469	28	0	1,143	172	1,857.000	19	20
7D.3	Load received by STWs in size band 3	kg BOD ₅ /day	0	539	2203	352	388	4,196	3,111	10,789.000	565	1,054
7D.4	Load received by STWs in size band 4	kg BOD ₅ /day	0	2,347	8,308	213	5,155	5,118	16,154	37,295.000	2,142	8,588
7D.5	Load received by STWs in size band 5	kg BOD ₅ /day	0	4,954	3,559	1,308	24,509	0	19,140	53,470.000	11,758	7,318
7D.6	Load received by STWs above size band 5	kg BOD ₅ /day	0	35,284	7,727	3,183	405,343	2,816	60,924	515,277.000	56,786	340,262
7D.7	Total load received	kg BOD₅/day	77.000	43,307.000	23,040.000	5,199.000	435,410.000	13,997.000	99,549.000	620,579.000	71,270.000	357,293.000
7D.8	Load received from trade effluent customers at treatment works	kg BOD ₅ /day								59,743		

B	Number of sewage treatment works											
7D.9	STWs in size band 1	nr	66	31	228	18	1	99	4	447.000	0	4
7D.10	STWs in size band 2	nr	0	2	23	1	0	53	8	87.000	1	1
7D.11	STWs in size band 3	nr	0	6	34	5	4	77	46	172.000	8	15
7D.12	STWs in size band 4	nr	0	10	32	1	19	20	49	131.000	8	29
7D.13	STWs in size band 5	nr	0	5	4	1	26	0	20	56.000	13	9
7D.14	STWs above size band 5	nr	0	5	2	1	35	1	21	65.000	9	20
7D.15	Total number of works	nr	66.000	59.000	323.000	27.000	85.000	250.000	148.000	958.000	39.000	78.000

Line description	Unit	Current year	
C	Population equivalent		
7D.16	Current population equivalent served by STWs	000	10,292.420
7D.17	Current population equivalent served by filter bed or activated sludge STWs with tightened/new P consents	000s	0.000
7D.18	Current population equivalent served by STWs with tightened/new N consents	000s	0.000
7D.19	Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	0.536
7D.20	Current population equivalent served by STWs with tightened/new UV consents	000s	0.000
7D.21	Population equivalent treatment capacity enhancement	000s	19.089
7D.22	Current population equivalent served by STW with tightened / new consents for chemicals	000s	0.000
7D.23	Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	000s	0.000
7D.24	Additional storm tank capacity provided at STWs	000s	0.000
7D.25	Additional volume of network storage at CSOs etc to reduce spill frequency	000s	0.000

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	1,814	1,891.000	0	28	229	881	754	1,892.000	0	0	373	247	1,271	1,891.000
171	1,646	1,856.000	0	47	591	1,132	87	1,857.000	0	72	541	385	860	1,858.000
1,490	7,678	10,787.000	0	783	4,500	5,466	39	10,788.000	0	343	5,663	1,745	3,036	10,787.000
5,845	20,721	37,296.000	0	6,163	18,838	12,295	0	37,296.000	427	4,275	2,3240	4,210	5,144	37,296.000
20,671	13,723	53,470.000	0	11,330	24,701	17,439	0	53,470.000	1,389	10,783	31,459	3,903	5,936	53,470.000
67,535	50,695	515,278.000	0	115,434	268,155	131,689	0	515,278.000	9,820	277,707	190,181	34,101	3,468	515,277.000
95,738.000	96,277.000	620,578.000	0.000	133,785.000	317,014.000	168,902.000	880.000	620,581.000	11,636.000	293,180.000	251,457.000	44,591.000	19,715.000	620,579.000
2	441	447.000	0	2	28	114	303	447.000	0	0	46	27	374	447.000
7	78	87.000	0	3	26	53	5	87.000	0	3	26	17	41	87.000
23	126	172.000	0	13	69	89	1	172.000	0	4	82	32	54	172.000
16	78	131.000	0	21	67	43	0	131.000	1	15	82	14	19	131.000
20	14	56.000	0	11	26	19	0	56.000	1	11	33	5	6	56.000
26	10	65.000	0	17	26	22	0	65.000	4	18	33	8	2	65.000
94.000	747.000	958.000	0.000	67.000	242.000	340.000	309.000	958.000	6.000	51.000	302.000	103.000	496.000	958.000

7E - Wastewater network+ - energy consumption and other data

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Other			
7E.1	Total sewerage catchment area	km ²	0	2,472
7E.2	Designated coastal bathing waters	nr	0	0
7E.3	Number of intermittent discharge sites with event duration monitoring	nr	0	99
7E.4	Number of monitors for flow monitoring at STWs	nr	0	0
7E.5	Number of odour related complaints	nr	0	137
B	Other			
7E.6	Energy consumption - sewage collection	MWh	3	51,304.81
7E.7	Energy consumption - sewage treatment	MWh	3	369,062.103
7E.8	Energy consumption - wastewater network +	MWh	3	420,366.913

8A - Bioresources sludge data

Year ended 31 March 2021

Line	Item description	Unit	DPs	Current year
8A.1	Total sewage sludge produced, treated by incumbents	ttds/ year	1	251.0
8A.2	Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/ year	1	0.0
8A.3	Total sewage sludge produced	ttds/ year	1	251.0
8A.4	Total sewage sludge produced from non-appointed liquid waste treatment	ttds/ year	1	3.8
8A.5	Percentage of sludge produced and treated at a site of STW and STC co-location	%	2	74.32
8A.6	Total sewage sludge disposed by incumbents	ttds/ year	1	154.8
8A.7	Total sewage sludge disposed by 3rd party sludge service provider	ttds/ year	1	0.0
8A.8	Total sewage sludge disposed	ttds/ year	1	154.8
8A.9	Total measure of intersiting 'work' done by pipeline	ttds*km/ year	0	5
8A.10	Total measure of intersiting 'work' done by tanker	ttds*km/ year	0	1,594
8A.11	Total measure of intersiting 'work' done by truck	ttds*km/ year	0	180
8A.12	Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/ year	0	1,779
8A.13	Total measure of of intersiting 'work' done by tanker (by volume transported)	m ³ *km/yr	0	30,002,529
8A.14	Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/ year	0	0
8A.15	Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/ year	0	0
8A.16	Total measure of 'work' done in sludge disposal operations by truck	ttds*km/ year	0	5,291
8A.17	Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/ year	0	5,291
8A.18	Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m ³ *km/yr	0	0
8A.19	Chemical P sludge as % of sludge produced at STWs	%	2	49.83

8B - Bioresources operating expenditure analysis

Year ended 31 March 2021

Line	Item description	Unit	Pipeline	Tanker	Truck	Total
A	Sludge transport method					
8B.1	Power	£m	0.000	0.017	0.002	0.019
8B.2	Income treated as negative expenditure	£m	0.000	-0.001	0.000	-0.001
8B.3	Discharge consents	£m	0.000	0.000	0.000	0.000
8B.4	Bulk discharge	£m	0.000	0.000	0.000	0.000

B	Other operating expenditure					
8B.5	Renewals expensed in year (Infrastructure)	£m	0.000	0.000	0.000	0.000
8B.6	Renewals expensed in year (Non-Infrastructure)	£m	0.000	0.000	0.000	0.000
8B.7	Other operating expenditure excluding renewals - direct	£m	0.033	10.255	1.197	11.485
8B.8	Other operating expenditure excluding renewals - indirect	£m	0.009	2.878	0.336	3.223
8B.9	Total functional expenditure	£m	0.042	13.149	1.535	14.726
8B.10	Local authority and Cumulo rates	£m	0.000	0.031	0.004	0.035
8B.11	Total operating expenditure (excluding 3rd party)	£m	0.042	13.180	1.539	14.761

C	Sludge treatment type	Untreated sludge	Raw sludge liming	Conventional AD	Incineration of raw sludge	Incineration of digested Sludge	Photo-conditioning/composting	Advanced Anaerobic Digestion	Other	Total
8B.12	Power	£m	0.000	0.000	-6.287	0.000	0.000	-2.967	0.000	-9.254
8B.13	Income treated as negative expenditure	£m	0.000	0.000	-2.837	0.000	0.000	-15.708	0.000	-18.545
8B.14	Discharge consents	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.15	Bulk discharge	£m	0.000	0.000	0.057	0.000	0.000	0.043	0.000	0.100

D	Other operating expenditure									
8B.16	Renewals expensed in year (Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.17	Renewals expensed in year (non-Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.18	Other direct operating expenditure	£m	0.000	0.000	11.440	0.000	0.000	8.552	0.000	19.992
8B.19	Other indirect operating expenditure	£m	0.000	0.000	2.342	0.000	0.000	1.751	0.000	4.093
8B.20	Total functional expenditure	£m	0.000	0.000	4.715	0.000	0.000	-8.329	0.000	-3.614
8B.21	Local authority and cumulo rates	£m	0.000	0.000	1.855	0.000	0.000	1.387	0.000	3.242
8B.22	Total operating expenditure (excluding third party services)	£m	0.000	0.000	6.570	0.000	0.000	-6.942	0.000	-0.372

E	Sludge disposal route	Landfill, raw	Landfill, partly treated	Land restoration/reclamation	Sludge recycled to farmland	Other	Total
8B.23	Power	£m	0.000	0.000	0.000	0.010	0.010
8B.24	Income treated as negative expenditure	£m	0.000	0.000	-0.005	-1.632	-1.637
8B.25	Discharge consents	£m	0.000	0.000	0.000	0.000	0.000
8B.26	Bulk discharge	£m	0.000	0.000	0.000	0.000	0.000

F	Other operating expenditure						
8B.27	Renewals expensed in year (Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000
8B.28	Renewals expensed in year (Non-Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000
8B.29	Other operating expenditure excluding renewals - direct	£m	0.000	0.000	0.031	10.343	10.374
8B.30	Other operating expenditure excluding renewals - indirect	£m	0.000	0.000	0.003	1.085	1.088
8B.31	Total functional expenditure	£m	0.000	0.000	0.030	9.806	9.835
8B.32	Local authority and Cumulo rates	£m	0.000	0.000	0.000	0.011	0.011
8B.33	Total operating expenditure (excluding 3rd party)	£m	0.000	0.000	0.030	9.817	9.846

8C - Bioresources energy and liquors analysis

Year ended 31 March 2021

Line	Item description	Electricity MWh	Heat MWh	Biomethane MWh	Total MWh	Electricity £m	Heat £m	Biomethane £m	Total £m
A	Energy								
8C.1	Energy consumption - bioresources								14.130
8C.2	Energy generated by and used in bioresources control	43,944	126,405	0	170,349	5.340	2.190	0.000	7.530
8C.3	Energy generated by bioresources and used in network plus control	112,762	0	0	112,762	13.700	0.000	0.000	13.700
8C.4	Energy generated by bioresources and exported to the grid or third party	19,243	0	116,379	135,622	0.710	0.000	1.180	1.890
8C.5	Energy generated by bioresources that is unused	0	68,064	0	68,064				
8C.6	Energy bought from grid or third party and used in bioresources control	41,185	62,959	0	104,144	5.000	1.090	0.000	6.090

Line	Item description	Unit	DPs	Value
B	Income from renewable energy subsidies			
8C.7	Income claimed from Renewable Energy Certificates (ROCs)	£m	3	9.380
8C.8	Income claimed from Renewable Heat Incentives (RHIs)	£m	3	6.700
8C.9	Income claimed from [other renewable energy subsidy (1)]	£m	3	0.000
8C.10	Income claimed from [other renewable energy subsidy (2)]	£m	3	0.000
8C.11	Income claimed from [other renewable energy subsidy (3)]	£m	3	0.000
8C.12	Total income claimed from renewable energy subsidies	£m	3	16.080
8C.13	% of total number of renewable energy subsidies due to expire in the next 2 financial years	%	0	0.000
8C.14	This year's value of renewable energy subsidies due to expire in the next 2 financial years	£m	3	0.000

C	Bioresources liquors treated by network plus			
8C.15	BOD load of liquor or partially treated liquor returned from bioresources to network plus	kg/d		46,216
8C.16	Ammonia load of liquor or partially treated liquor returned from bioresources to network plus	kg Amm -N/d		12,779
8C.17	Recharge to Bioresources by network plus for costs of handling and treating bioresources liquors	£m		13.108

8D - Bioresources sludge treatment and disposal data

Year ended 31 March 2021

Line	Item description	by Incumbent	by 3rd party sludge service providers
		%	%
A	Sludge treatment process		
8D.1	% Sludge - untreated	0.0	0.0
8D.2	% Sludge treatment process - raw sludge liming	0.0	0.0
8D.3	% Sludge treatment process - conventional AD	60.9	0.0
8D.4	% Sludge treatment process - advanced AD	39.1	0.0
8D.5	% Sludge treatment process - incineration of raw sludge	0.0	0.0
8D.6	% Sludge treatment process - other (specify)	0.0	0.0
8D.7	% Sludge treatment process - Total	100.0	0.0
B	(Un-incinerated) sludge disposal and recycling route		
8D.8	% Sludge disposal route - landfill, raw	0.0	0.0
8D.9	% Sludge disposal route - landfill, partly treated	0.0	0.0
8D.10	% Sludge disposal route - land restoration/ reclamation	0.3	0.0
8D.11	% Sludge disposal route - sludge recycled to farmland	99.7	0.0
8D.12	% Sludge disposal route - other (specify)	0.0	0.0
8D.13	% Sludge disposal route - Total	100.0	0.0

9A - Innovation competition

Year ended 31 March 2021

Line	Item description	Current year £m
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A Allowed		
9A.1	Allowed innovation competition fund price control revenue	6.013

B Revenue collected for the purposes of the innovation competition		
9A.2	Price control revenue collected from customers	6.013
9A.3	Non-price control revenue (e.g. royalties)	0.000
9A.4	Revenue collected from customers and transferred into the innovation competition fund	0.000

Item description	Bids accepted and awarded funding for innovation competition nr	Forecast expenditure on innovation projects funded through the innovation competition £m	Actual expenditure on innovation projects funded through the innovation competition in year £m	Difference between actual and forecast expenditure £m	Cumulative spend on innovation projects £m	Allowed future expenditure on innovation projects funded through the innovation competition £m	Expenditure on innovation projects funded by shareholders £m
9A.5 Innovation project 1				0			
9A.20 Total	0	0.000	0.000	0.000	0.000	0.000	0.000

C Administration		Value £m
9A.21	Administration charge for innovation partner	0.000

In the financial year 2020/21, £6.013 million has been collected from customers. We have an obligation to fund projects or compensate companies as innovation competition funding is ordered, and so we have provided for the full amount. This funding is to be used for the sole purpose of the innovation competition.

The project table above is a nil return as no projects were awarded in 2020/21.

Supplementary disclosures

Year ended 31 March 2021

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	399.854	LIBOR + 0.525%	52.075
Hafren Dyfrdwy Cyfyngedig	4.750	3.635%	-
Water Plus Group Limited	1,092.021	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	185.400	LIBOR + 0.725%	-
Hafren Dyfrdwy Cyfyngedig	0.952	3.635%	32.941
Hafren Dyfrdwy Cyfyngedig	29.750	LIBOR + 1.500%	3.341
Water Plus Group Limited	1,191.700	LIBOR + 1.600%	-

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	0.035
Pass through of management charges	Midlands Land Portfolio Limited	–	Cost	0.604
Pass through of management charges	Severn Trent Plc	–	Cost	1.472
Pass through of management charges	Severn Trent Green Power Limited	18.635	Cost	3.275
Pass through of management charges	Severn Trent Services Operations UK Limited	38.986	Cost	1.024
Pass through of management charges	Severn Trent Wind Power Limited	2.693	Cost	0.076
Pass through of management charges	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	1.381
Retail support services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	0.095
Wholesale support services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	1.441
Bulk water supplies	Hafren Dyfrdwy Cyfyngedig	32.101	Tariff	3.262
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	32.101	Tariff	0.036
Records management	Severn Trent Data Portal Limited	1.063	Market tested	0.531
Water supply and waste disposal	Severn Trent Services Defence Limited	53.401	Tariff	0.059
Sale of crops	Severn Trent Green Power Limited	18.635	Cost	0.677
Water operational services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	1.434
Waste water operational services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	1.346
Treatment of imported sludge	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	0.366
Tankering fleet services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	0.293
Wholesale charge	Water Plus Select Limited	722.587	Tariff	0.216
Technology services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	0.616
Technology services	Severn Trent Services Operations UK Limited	38.986	Cost	0.610
				18.831

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	32.101	Tariff	0.788
Bulk waste water supplies	Hafren Dyfrdwy Cyfyngedig	32.101	Tariff	0.035
Supply of electricity	Severn Trent Green Power Limited	18.635	Market tested	1.718
Supply of electricity	Severn Trent Wind Power Limited	2.693	Market tested	0.130
Pass through of management charges	Severn Trent Plc	–	Cost	0.811
Water operational services	Hafren Dyfrdwy Cyfyngedig	32.101	Cost	1.022
				4.504

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	0.019
Treatment of tankered waste	Direct and indirect costs including use of asset and financing charges	7.092
Property searches services	Direct and indirect costs including use of asset and financing charges	0.017
Sewer blockages	Direct and indirect costs only (assets provided by contractor)	0.017
Other water companies billing activities	Direct and indirect costs including use of asset and financing charges	1.046
Plumbing and drainage insurance introducer services	Direct and indirect costs including use of asset and financing charges	0.214
Rental income	Direct and indirect costs including use of asset and financing charges	0.049
Community Dividend	Direct and indirect costs including use of asset and financing charges	2.233
		10.687

* 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 (2020/21 – 19%).

Company	Turnover of associate in the period £m	Terms of supply	Value £m
Etwall Land Ltd	–	cost	0.012
Hafren Dyfrdwy Cyfyngedig	32.101	cost	1.723
Severn Trent (W&S) Limited	–	cost	6.256
Severn Trent Draycote Limited	–	cost	0.000
Severn Trent Finance Holdings Limited	–	cost	3.421
Severn Trent Green Power (CW) Limited	(0.000)	cost	0.001
Severn Trent Green Power (RBWM) Limited	–	cost	0.001
Severn Trent Green Power Biogas Limited	–	cost	0.149
Severn Trent Green Power Composting Limited	0.007	cost	0.023
Severn Trent Green Power Group Limited	4.218	cost	0.049
Severn Trent Green Power Limited	18.635	cost	0.662
Severn Trent Holdings Limited	–	cost	0.287
Severn Trent Investment Holdings Limited	–	cost	3.102
Severn Trent LCP Limited	–	cost	0.910
Severn Trent Plc	–	cost	0.597
Severn Trent Reservoirs Limited	–	cost	0.423
Severn Trent Retail and Utility services Limited	0.059	cost	0.005
Severn Trent Utilities Finance Plc	–	cost	0.000
Severn Trent WWIF Limited	–	cost	0.032
			17.653

Appendix A: APR assurance approach and outputs

Appendix A: Our assurance approach and outputs

In this appendix you will find:

- The APR assurance approach during COVID-19**
- APR specific governance approach**
- How we approach APR assurance**
- Outcome of assurance**

A.1 The APR assurance approach during COVID-19

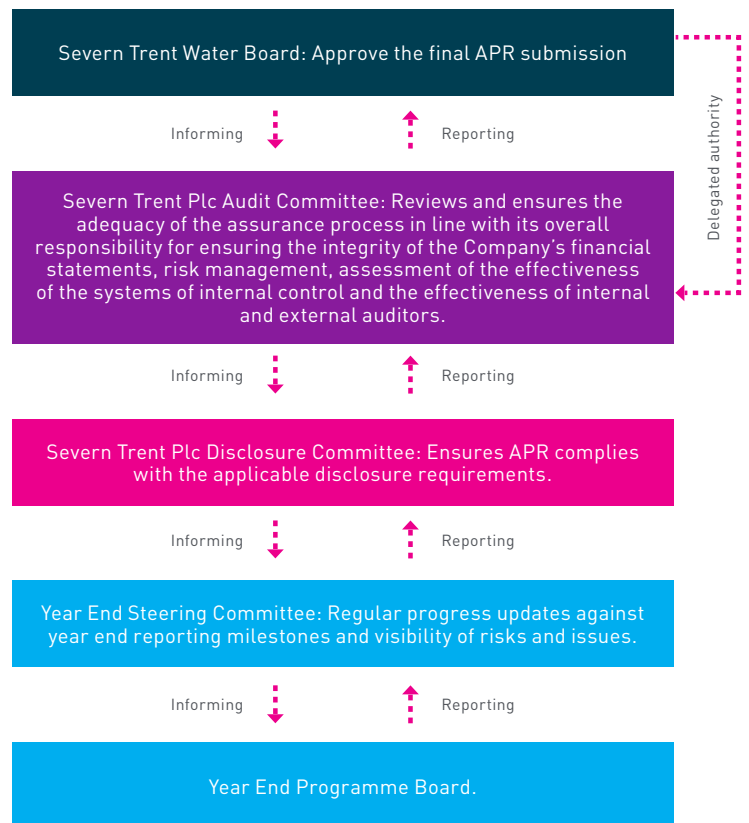
The 2020/21 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our Company governance and assurance frameworks in our [Risks, Strengths and Weaknesses statement and Assurance Plan](#). Please note, this document will be known as our Regulatory Reporting and Assurance document from September 2021 onwards.

The ongoing impact of COVID-19 is significant, and as for all organisations the pandemic has caused a shift in the way we operate. From an assurance perspective, we have worked with our internal first and second line assurance providers, and our external assurance providers to overcome the practical and technical challenges created by the pandemic. This is to ensure that we deliver our programme of assurance without any compromise to the integrity or objectivity of the assurance undertaken. Various technological tools, including Microsoft Teams and broader Office365 applications have meant that we have been able to deliver our 2020/21 assurance plan with no significant impact. That means our APR assurance this year is just as robust, despite COVID-19. We have worked with, and continue to engage across the sector to share best practice assurance approaches throughout the pandemic.

A.2 APR specific governance approach

Our compliance framework incorporates Ofwat’s most recent APR and regulatory reporting requirements, the 2020/21 revised RAGs, and wider company duties.

The below diagram demonstrates the specific governance applied for the approval and publication of the APR.



A.3 How we approach APR assurance

Each line of the APR data tables are risk assessed centrally using an established framework to ascertain the level of assurance required; first, second, or third line assurance. Once the level of assurance is identified, the Group Compliance and Assurance Team co-ordinates and schedules the full assurance programme throughout the year and at year end with data and methodology producers and assurance providers.

As part of our performance reporting we are required 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 including 'RAG 2.08 - 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, our licence places an obligation on us 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 and Condition P). This also applies to the appointed and non-appointed activity within the Appointee. We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance team are part of our established third line assurance processes (the approach and outcome are explained on page 186). This area remains a focus for us with the introduction of new price controls this year, and to make sure that we allocate the correct costs to the correct areas of the Severn Trent Group.

A.3.1 First line assurance

A key part of our assurance framework is the first and second line assurance activities that are undertaken throughout the year.

Each line of the APR data tables are reviewed by our first line of assurance. This activity is undertaken by the teams 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. They are also responsible for maintaining effective internal controls, implementing corrective actions to address process and control deficiencies if identified.

Each reporting line of the APR data tables are assigned to a responsible manager who reviews and approves the data, process documentation and commentaries, forming an integral part of the assurance approach. An approval process is followed with final sign off for both the data and commentary at Director level.

A.3.2 Second line assurance

For our higher risk measures the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operate correctly, confirming that documented processes have been followed, and complete checks and controls to ensure the integrity and reliability of the data and information we publish.

Where it is identified that third line assurance is required, the Assurance Team liaise with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are no material issues. This year the team worked closely with reporting teams on a number of the new performance commitments ('PC's) as the processes matured during the year.

A.3.3 Third line assurance

Our most critical areas are subject to third line assurance. Internal Audit provide comprehensive assurance based on the highest level of independence within the Company. In addition, we use external financial and technical auditors who are independent of the Company and provide objective assurance of our data and information to management and our Board.

The following details the activities for each of our third line providers:

Internal Audit

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.]

Deloitte financial audit opinion

Deloitte provided financial audit 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 2019 Final Determination.

As in previous years, Deloitte have informed Ofwat that a number of lines in Table 1F will not be subject an audit opinion. They have carried out agreed upon procedures on the following lines: 1F.9, 1F.16, 1F.17, 1F.19, 1F.22 and 1F.25. Deloitte have not performed any procedures on lines 1F.4, 1F.7, 1F.10, 1F.11, 1F.15, 1F.20 and 1F.21 as these are not within their scope.

This is detailed in Deloitte's audit opinion on page 71.

Jacobs technical assurance

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. Jacobs provided a staged approach to technical assurance on the elements of the APR that are tabled below. Stages one and two focused on documentation and process and were undertaken on new measures or where there had been changes to processes. During stage one, Jacobs reviewed the process description templates ('PDT's) which are followed to report against PCs. Stage two included interviews conducted virtually via Microsoft Teams. 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 are appropriate checks and controls identified.

Stage three focussed on the data produced. Data audits were completed virtually through Microsoft Teams and data provision via SharePoint. The audits ensured:

- 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 assurance approach is summarised over the next few pages.

Regulatory Accounts

		Methodology & Process	Data
1A	Income statement	Deloitte	Deloitte
1B	Statement of comprehensive income	Deloitte	Deloitte
1C	Statement of financial position	Deloitte	Deloitte
1D	Statement of cash flows	Deloitte	Deloitte
1E	Net debt analysis	Deloitte	Deloitte
1F*	Financial flows	Deloitte / Jacobs	Deloitte / Jacobs
2A	Segmental income	Jacobs	Deloitte
2B	Totex analysis (wholesale)	Jacobs	Deloitte
2C	Operating cost analysis - retail	Jacobs	Deloitte
2D	Historic cost analysis of tangible fixed assets	Jacobs	Deloitte
2E	Analysis of grants and contributions (water resources, water network+ and waste water network+)	Jacobs	Deloitte
2F	Residential retail	Jacobs	Deloitte
2G	Non-household water - revenues by tariff type	Jacobs	Deloitte
2H	Non-household waste water - revenues by tariff type	Jacobs	Deloitte
2I	Revenue analysis	Jacobs	Deloitte
2J	Infrastructure network reinforcement costs	Jacobs	Deloitte
2K	Infrastructure charges reconciliation	Jacobs	Deloitte
2L	Analysis of land sales	Jacobs	Deloitte
2M	Revenue reconciliation	Jacobs	Deloitte
2N	Residential retail - social tariffs	Jacobs	Deloitte
2O	Historic cost analysis of intangible fixed assets	Jacobs	Deloitte

*See note on Deloitte financial audit opinion for 1F on page 71 and page 184.

Performance Summary

		Methodology, Process & Data
3A	Outcome performance - Water common performance commitments	Jacobs
3B	Outcome performance - Waste water common performance commitments	Jacobs
3C	Customer measure of experience ('C-MeX') table	Jacobs
3D	Developer services measure of experience ('D-MeX') table	Jacobs
3E	Outcome performance - Non-financial performance commitments	Jacobs
3F	Underlying calculations for common performance commitments - water and retail	Jacobs
3G	Underlying calculations for common performance commitments - waste water	Jacobs
3H	Summary information on outcome delivery incentive payments	Jacobs
3I	Supplementary outcomes information	Jacobs

Additional regulatory information - service level

		Methodology & Process	Data
4A	Water bulk supply information	2nd Line	2nd Line
4B	Analysis of debt	Internal Audit	Internal Audit
4C	Impact of price control performance to date on RCV	Jacobs	Jacobs
4D	Totex analysis - water resources and water network+	Internal Audit	Internal Audit
4E	Totex analysis - waste water network+ and bioresources	Internal Audit	Internal Audit
4F	Major project expenditure for wholesale water by purpose	Internal Audit	Internal Audit
4G	Major project expenditure for wholesale waste water by purpose	Internal Audit	Internal Audit
4H	Financial metrics	Internal Audit / Jacobs	Internal Audit / Jacobs
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water resources and water network+	Internal Audit	Internal Audit
4K	Base expenditure analysis - waste water network + and bioresources	Internal Audit	Internal Audit
4L	Enhancement expenditure - water resources and water network+	Internal Audit	Internal Audit
4M	Enhancement expenditure - waste water network+ and bioresources	Internal Audit	Internal Audit
4N	Developer services expenditure - water resources and water network+	Internal Audit	Internal Audit
4O	Developer services expenditure - waste water network+ and bioresources	Internal Audit	Internal Audit
4P	Expenditure on non-price control diversions	Internal Audit	Internal Audit
4Q	Developer services - Non-financial information	Jacobs	Jacobs
4R	Properties, customers and population - non-financial information	Jacobs	Jacobs

Additional regulatory information - water resources

		Methodology & Process	Data
5A	Water resources asset and volumes data	Jacobs / 2nd Line	Jacobs / 2nd Line
5B	Water resources operating cost analysis	Internal Audit	Internal Audit

Additional regulatory information - water network plus

		Methodology & Process	Data
6A	Raw water transport, raw water storage and water treatment data	Jacobs	Jacobs
6B	Treated water distribution - assets and operations	Jacobs / 2nd Line	Jacobs / 2nd Line
6C	Water network+ - Mains, communication pipes and other data	Jacobs / 2nd Line	Jacobs
6D	Demand management - Metering and leakage activities	Jacobs / 2nd Line / Internal Audit	Jacobs / 2nd Line / Internal Audit

Additional regulatory information - waste water network plus

		Methodology & Process	Data
7A	Waste water network+ - Functional expenditure	Internal Audit	Internal Audit
7B	Waste water network+ - Large sewage treatment works	2nd Line / Internal Audit	2nd Line / Internal Audit
7C	Waste water network+ - Sewage treatment works data	2nd Line	Jacobs / 2nd Line
7D	Waste water network+ - Sewage treatment works data	Jacobs / 2nd Line	Jacobs / 2nd Line
7E	Waste water network+ - Energy consumption and other data	Jacobs / 2nd Line	Jacobs / 2nd Line

Additional regulatory information - bioresources

		Methodology & Process	Data
8A	Bioresources sludge data	2nd Line	Jacobs
8B	Bioresources operating expenditure analysis	Internal Audit	Internal Audit
8C	Bioresources energy and liquors analysis	Jacobs / Internal Audit	Jacobs / Internal Audit
8D	Bioresources sludge treatment and disposal data	2nd Line	Jacobs

Additional regulatory information - innovation competition

		Methodology & Process	Data
9A	Innovation competition	Internal Audit	Internal Audit

A.4 Outcome of assurance

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included letters of assurance from our technical assurers, Jacobs on page 35 of the APR. Deloitte provide an audit opinion on the Regulatory Accounting Statements on page 71.

Internal Audit outcome

Internal Audit confirmed, that no material issues had been found and that *'all supporting evidence and answers to any queries raised were provided'*.

Deloitte audit opinion

Deloitte's audit opinion, covering table 1A-1E; table 1F lines 1F.1 to 1F.3, 1F.5 to 1F.6, 1F.8, 1F.12 to 1F.14, 1F.18 and 1F.23 to 1F.24; and tables 2A to 20, confirms that:

- [The company's regulatory accounting statements covered by the opinion have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issues by the WRSA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12);
- 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.]



Jacobs' assurance outcome

Cost Allocation

Requirements

We are required to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of costs 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, including 'RAG 2.08 – Guideline for classification of costs across the price controls' and 'RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors'.

Our licence also places an obligation on us 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 and Condition P). This also applies to the appointed and non-appointed activity within the Appointee. Ofwat expects transactions between STW and HD to be at arm's length.

Assurance undertaken

We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:

- Allocations across price controls within STW and HD;
- Allocations between appointed and non-appointed activity within STW and HD; and
- 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;
- How those costs are recharged, allocated and why; and
- How our approach is compliant with the RAG.

Assurance outcome

Overall, based on our scope we consider:

- the Company has a full understanding of, and meets all of its relevant statutory, licence and regulatory obligations in all material respects;
- the Company has sufficient processes and internal systems of control to fully meet its obligations; and
- Systems and processes are in place to ensure that the Company undertakes transactions entered into by the appointed business with or for the benefit of associated companies, or other businesses or activities, or activities of the appointed business at arm's length.'

Jacobs concluded 'we identified areas where the teams could improve the documentation of their cost allocation processes in the PDTs and provide better justification to demonstrate how the cost allocation methods comply with the requirements of RAG 2.08 and 5.07. When we reviewed the processes face to face with teams, we found generally that the processes were robust and the teams were able to justify their choice of cost drivers.

ACTION: Sufficient explanation and justification for chosen cost driver to be included in PDTs.

Full - Year Performance Commitments (PCs)

Requirements

Jacobs reviewed the PCs set out in our Final Determination and the processes that were used to produce the figures.

Assurance undertaken

Jacobs' scope of assurance work included reviewing 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; and
- Data is competently sourced, processed and reported and fit for purpose.

Assurance outcome

Jacobs concluded 'During our assurance activities we observed robust processes and reporting procedures and we identified no material issues. We therefore conclude that in all material respects:

- 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 internal system of control; and
- data is competently sourced, processed and reported and fit for purpose'.

Full - Year Non-Financial

Requirements

We continue to develop and improve our reporting processes. Throughout the year we have been monitoring progress against our higher risk measures and at year end Jacobs carried out assurance against the majority of the Section 4-9 non-financial measures.

Assurance undertaken

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; and
- The Company has a full understanding of their regulatory obligations.

Assurance outcome

Jacobs concluded 'We note there are no outstanding material issues and so conclude that in all material respects:

- 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 your regulatory obligations;
- the processes are managed with a system of governance that demonstrates a sufficient internal system of control;
- the data reviewed is competently sourced, processed and reported and fit for purpose;
- you have a full understanding of your regulatory obligations; and
- systems and processes are in place to ensure that transactions entered into by the appointed business with or for the benefit of associated companies, or other businesses or activities, or activities of the appointed business, are undertaken at arm's length.'

Appendix B: Greenhouse Gas ('GHG') emissions reporting for 2020/21

Appendix B: Greenhouse Gas ('GHG') emissions reporting for 2020/21

This appendix provides reporting for operational emissions. Reporting for this year is voluntary, with the intention for reporting to become more standardised and mandatory in future Annual Performance Reports.

Operational emissions

We have a strong track record of operational carbon reporting, disclosure and reduction. We first began to inventorise and report our carbon emissions in 2002 and have reported consistently on our operational carbon emissions since 2007. We achieved the Carbon Trust Standard in 2009 which is an external recognition of our approach to measuring, reporting and reducing carbon emissions and have held that standard continuously since. We have also reported and publicly disclosed emissions and climate change data to the CDP every year since 2006.

We follow the principles of the International GHG protocol and Defra guidance in our carbon accounting and use the industry standard Carbon Accounting Workbook for our reporting. This tool is reviewed and updated annually to reflect changes in guidance and emissions factors. Our data and processes are

subject to external assurance every year. This year Jacobs undertook this work. Our approach to Scope 1 and Scope 2 emissions is to use the financial control boundary. This means we report on emissions from the assets we own.

Our targets and ambitions are set at a Group level, so Severn Trent Plc is our most important business unit for emissions reporting. We are able to split this data into the appointed business units and the SVE / HDD data reflects these business units, rather than our Group total. We have committed to Science Based Targets and have submitted our baseline and targets for verification. In future years we will be reporting our net operational GHG emissions and emissions against the Science Based Target methodology.

This year in our [ARA](#) and separate [Sustainability Report](#), we disclosed more carbon information than ever before, including progress against our 2030 'triple carbon pledge', our net operational GHG and a wider range of Scope 3 emissions from our supply chain. We are improving our estimation and collection of Scope 3 emissions data across our value chain and will be able to report on a wider set of Scope 3 emissions from next year.



Strengths

- Clear and ambitious Group targets on carbon (2030 triple carbon pledge and Science Based Targets).
- Strong leadership commitment and support from stakeholders and customers.
- Strong track record of carbon accounting, reporting and reduction.
- Collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.
- Best practice energy management approach with dedicated expertise and efficiency investment.
- Lead the sector in renewable generation across our appointed and non-appointed businesses, including in food waste generation.
- Lead the sector in our approach to measuring and understanding process emissions - our most significant Scope 1 emissions source.

Weaknesses

- Beginning to collect regular information on Scope 3 emissions in our supply chain and have yet to set clear targets with suppliers for carbon reduction. This includes for the embedded carbon of capital projects.
- Process emissions from sewage and sludge are estimated and improvement in our understanding and data gathering is needed to properly reflect the emissions from our assets and operations and enable improvements to be made. There appear to be very few cost-effective alternative methods for meeting service and quality requirements in waste with lower process emissions and there are very few economic drivers to act in this area.

Opportunities

- Increased focus and ambition on carbon emissions presents opportunities.
- Government policy to achieve net zero across the economy presents opportunities for us to move quicker.
- Changing markets will enable us to take advantage of new technologies and products to reduce our emissions cost-effectively. This has been seen most successfully in electricity, which has seen successful decarbonisation over the past decade and we are seeing similar changes in transport options as manufacturers improve their products.
- Emerging markets for different carbon offsets potentially open up more ways to capture or reduce carbon and move investment into lower-carbon technologies.
- Considering PAS2080 standards could identify areas of improvement in our processes.

Threats

- Climate change, rising water demand, increasingly stringent quality requirements, resilience improvements and other service improvements potentially could require more carbon-intensive solutions, which makes our challenge to make less carbon-intensive solutions ever more difficult.
- Local environmental improvement requirements rarely take carbon into account. We cannot achieve net zero and Science Based Targets alone. We need suppliers, stakeholders, government and regulators working towards the same aims especially where lower carbon options are more costly or higher risk.

Focus	Water (tCO ₂ e)	Waste water (tCO ₂ e)	Total
Scope 1 emissions			
Direct emissions from burning of fossil fuels	6,395	20,602	
Process and fugitive emissions	428	109,532	
Transport: Company owned or leased vehicles	7,923	7,923	
Total Scope one emissions	14,746	138,057	
Total Scope one emissions by GHG type		CO ₂	42,401
		CH ₄	59,007
		N ₂ O	51,395
Scope 2 emissions			
Grid electricity used by Company (including Combined Heat and Power (CHP) electricity purchased). Location-based method	116,063	61,245	
Scope 3 emissions			
Business travel on public transport and private vehicles used for company business	171	171	
Outsourced sludge tanker activity	1,670	1,756	
Electricity transmission and distribution ('T&D')	9,981	5,267	
Total Scope three emissions	11,822	7,194	
Total Scope three (from business travel, outsourced sludge tankers and electricity T&D) emissions split by GHG type		CO ₂	18,743
		CH ₄	86
		N ₂ O	188
Gross operational emissions (Scope 1, 2 and 3)			
By area (water and/or waste water)	142,632	206,497	
Overall total			
Exported renewables (generated onsite and exported)	-917	-25,841	
Emissions reduction from purchased renewable energy (market-based carbon accounting benefit)	-116,063	-61,245	
Total net operational emissions	25,652	119,411	
	Water	Waste water	
Annual operational GHG intensity ratio values	185.89	137.73	
Units	kgCO ₂ e/ML DI	kgCO ₂ e/ML FFT	

Please note these figures represent the figures from the 'Defra report' section of the workbook. This gives intensity metrics including additional Scope 3 emissions and does not take into account the market-based benefit so are higher than other potential intensity metrics but give a more representative view of physical emissions per unit supplied and treated based on the data we have available.

Embedded emissions

We have recently submitted Science Based Targets for verification and this includes emissions from our supply chain. Our most significant category of emissions in our supply chain is 'capital goods and services' which we take to mean the same as 'embedded emissions' (i.e. the carbon emitted as a result of the materials and construction activities involved in delivering a capital project up to the point it is commissioned, also termed 'cradle to gate'). We have carried out our initial baseline quantification of these emissions using capital expenditure data and the advice of expert consultants Small World Consulting, who have developed emissions factors based on 'input output analysis'. We have now developed our own capital carbon calculator which is now a standard requirement for all of our capital schemes. This allows us to estimate the capital carbon associated with each scheme option, using materials quantities from the design and delivery stages. Our plan is to capture data over the coming years and report this as the best available quantification of our embedded emissions. This will be part of our requirement against Science Based Targets and will form the basis of an absolute supply chain carbon reduction target by 2025.

Strengths

- Approximate baseline quantification for capital goods and services using expenditure.
- Development of a carbon calculator which allows us to quantify and compare carbon emissions of different solutions. This is now standard across our capital projects and we will gain increased insight over future years.

Weaknesses

- Recent deployment of our calculator, which means we do not have a complete dataset of emissions from our existing capital programme and this will take time to build up.
- Inconsistent approach to using carbon as a decision making factor in capital selection to date. We generally focus on lowest whole life cost which, while often aligned with lowest carbon cost, is not always.

Opportunities

- Growing the data set will allow us much more understanding on the choices available and will allow improved quantification.
- Including carbon as a decision-making factor may encourage more innovative thinking and options to be considered.
- Making this data available will allow us to challenge our suppliers in a more informed way, including by potentially setting carbon targets over the life of a capital project.

Threats

- Additional administrative burden and the cost impact of this in our supply chain is yet to be understood and could be significant.
- Relatively high uncertainty in quantification for embedded emissions means there is margin for error. Our constrained cost frameworks and low margin for risk on environmental and service requirements might not allow lowest carbon choices to be selected.

