

Progress report on delivery of our AMP8 enhancement programme

12th August 2025

WONDERFUL ON TAP



Executive Summary

We are pleased to present our first annual progress report on the delivery of our investment programme for the 2025 to 2030 period. Over the five-year period known as AMP8 (Asset Management Plan 8) we will be investing around £15 billion pounds to operate, maintain and enhance our assets to deliver better performance than ever before.

This progress report focusses on around £7 billion pounds of our programme which we're investing to drive improvements in performance across a range of activities including spills from sewers (known as storm overflows), reducing the amount of leakage from our pipes, creating new sources of water, increasing the capacity of our treatment works to deal with population growth, reducing the impact of our operations on the environment, improving security and preventing cyber-crime and making our network more resilient to the impacts of climate change.

The enhancement programme in AMP8 is our largest in history, and more than double what was approved for AMP7. Despite the challenge of delivering such a large programme we have worked hard to put ourselves and the supply chain in a good position by accelerating over £450m of investment known as transitional expenditure – giving us a fast start on critical programmes.

This first report is published just four months into the five-year delivery programme and represents our position for July 2025.

Alongside this summary we include a detailed set of data tables outlining the progress and forecasts by programme and a supporting commentary document that explains the underlying assumptions behind the data.

Making a fast start to delivery

We are moving forward at pace across all of our programmes. Our industry leading use of transitional expenditure has ensured that we are making a fast start on some of our most complex programmes as well as getting us on the right run rate ensuring we're capable of delivering around a £1.5 billion capital programme each year. This has significantly reduced the delivery risk as we know we have the resources both internally, and within our supply chain, operating at the pace needed for AMP8. Below we give a short update on the key activities to date:

- We're investing over £750m at our sewage treatment works to cope with increasing population. Our biggest investment is at our Wanlip sewage treatment works in Leicestershire where around £50m of transitional expenditure means we're already well into the construction project with old assets decommissioned and removed, new structures in place and delivery progressing well in advance of the 2027 target delivery date.
- Phosphorus is a key nutrient that contributes to river health, excess levels can lead to eutrophication that reduce the levels of oxygen in the water. Our sewage treatment works have to meet some of the strictest levels of phosphorus in the country, in part due to the fact we are the only land-locked company in England so don't get the benefits of increased dilution at coastal discharges. To meet the challenge we're investing around £600m to build new treatment processes at 125 of our works. This programme is an environmental priority, so we invested £50m through the transition programme ensuring all projects are promoted. Those with simple solutions are already being planned for delivery

whilst more complex projects progressing through feasibility and design with some solution designs almost complete. Our programme is expecting to deliver ahead of our statutory compliance dates.

- Our storm overflows programme will remove the harm from discharges at 583 named sites whilst reducing the number of spills from all of our assets by half from our 2023 position. This is our biggest programme with over £1.5 billion of investment in the next five years. We have already started to deliver solutions at sites where the activity is considered no regrets. We've also started the hydraulic modelling of our catchments which is essential to ensure the final solutions we design effectively deal with the issues in each catchment.
- We're committed to halve leakage by 2045, but our programme is delivering at a fast pace. This AMP we're stepping up our investment in our distribution mains to replace 1,389km by investing £408m in brand new pipework. To deliver this we're insourcing the capability to deliver this programme in-house by employing around 400 new technicians and support staff across the Severn Trent Group. This recruitment programme began early to ensure we are on the front foot for this key programme.
- Through the accelerated infrastructure investment programme, we sought to bring forward the delivery of 250,000 smart meters. This ambitious programme, alongside our Green Recovery metering programme, has given us a great insight into the complexities of delivering such a programme. Whilst we didn't quite hit our target for last year, we have reshaped the metering delivery programme and are currently finalising commercial contracts to both procure and deliver the metering programme ahead of the target dates.

Keeping customers and stakeholders informed

Since the confirmation of our AMP8 plan we have been communicating with customer and stakeholders via different methods. The first contact was directly via email to all customers about what the investment plans mean for their area and what key projects will be delivered. This was supported with bespoke regional media, followed by a digital newsletter per region and targeted investment messaging on bills.

We've continued to focus on targeted investment communications through our water saving and behavioural change messaging where we are letting customers know the specific projects that are happening to help with long term storage, demand, and leakage. Our customer communications in future will deliver local and direct messages to our customers focussing on what matters most to them.

In addition to our critical customer engagement, we work hard to keep key stakeholders such as NGOs, MPs and others fully informed about the vital work our front-line teams are doing. We regularly update our environmental NGO community through direct stakeholder engagement and communications and then through individual updates for their specific areas of specialism and to their County or area of the region.

Investing customers' money wisely

We understand how important it is to spend customers' money wisely and show value for money across all of our investment programmes. We're committed to deliver the ambitious programme within the expenditure allowance agreed with Ofwat. To do this will require innovative thinking and new ways of working. By standardising assets, reducing the volume of materials and simplifying the installation processes we believe we can find the level of efficiency needed across the programme. For example:

- The use of artificial intelligence in our design processes allowing us to optimise solutions for sites by reconfiguring initial designs multiple times. This process results in a solution that minimises the material use, reduces the footprint of assets on site and minimises the amount of embedded carbon.

- We're taking a manufacturing process mindset to some of our assets. This approach creates a more standardised asset with a catalogue of options. The asset is then built and tested offsite and delivered to site ready to go with a simpler installation process.

In this progress update we are reporting that the majority of programmes will spend in line with their allowance. At this point in the programme these programmes are still at a very early stage of delivery, and we do not yet have final designs or have entered contract negotiations which will give us a better indicator of the final costs.

Where we do have this level of detail because programmes are well advanced, we are indicating that two programmes are likely to cost more than the allowance. We are still committed to deliver the overall programme within the funding allowed and are currently working hard to identify further efficiencies across all programmes to offset this cost pressure.

Programme	FD allowance	Forecast	Variance to FD	Explanation
STW growth – 69 named sites	£690m	£780m	(£90m)	Complex solutions, including the major project at Wanlip sewage treatment works, are likely to result in a programme cost around £90m more than the allowance.
Phosphorus removal – 125 named sites	£531m	£590m	(£59m)	Key cost pressures include the need to build a solution to transfer sewage away from our Packington works which increases costs by £67m. Efficiencies in other solutions leave the programme around £59m overspent against the allowance.

Key Programme Risks

We are on track to deliver all of the obligations we have committed to by 2030. Below we outline the three most important company level risks and what actions are being taken to mitigate them.

Risk	Mitigating Action
The required pace of delivery on our phosphorus removal programme is significantly more challenging than our statutory compliance dates. We believe the top-down target profiles set by Ofwat included an error which has resulted in an unachievable profile. Critically this misleads customers as the data suggests we are behind schedule whilst actually delivering the programme ahead of the statutory delivery dates. Our programme is dominated by three sites (2%) that makes up 40% of the output.	<ul style="list-style-type: none"> - Utilised transition expenditure to invest £50m before the start of the AMP - Promoted all schemes into initial design - Scheduling the programme to deliver around 80% of sites by 2028 - Ongoing engagement with Ofwat to correct the error in the baseline.
The storm overflows programme is complex and relies on hydraulic modelling to be completed prior to final interventions being understood and delivered.	<ul style="list-style-type: none"> - Hydraulic modelling of solution design underway - No regrets solutions are being progressed at pace, including the delivery of over 2,000 additional solutions to target spill reduction
Outputs currently require sign off of the WINEP obligations despite significant effective storage capacity being installed incrementally through the AMP.	<ul style="list-style-type: none"> - Engagement with the Environment Agency and Ofwat on signing off partial solution delivery to account for effective storage which is in operational use.

Overall programme cost for materials and labour in the construction market is driving cost increases across the programmes. We are balancing the need to progress at pace whilst managing the cost pressure.

- Early engagement with key suppliers including agreeing contract terms of key programmes (eg metering)
- Insourcing resources in our mains renewal programme to reduce the risk of delivery cost risk
- Efficiency programmes initiated to find new and innovative ways to drive down cost

High priority schemes

Our delivery plan includes a number of high priority named schemes which we will report on individually. Our progress report shows the current cost forecast for each site compared to the allowance as well as a view of project delivery through the interim milestone dates. The following schemes were defined by Ofwat:

- Wanlip sewage treatment works growth
- Three resilience interconnector schemes
- The large, gated Bathing Rivers programme at Shrewsbury and Telford
- All sewage treatment work growth projects >£10m
- Climate change resilience projects >£1m

In addition, we have included the following groups of projects as high priority and will report on progress against the individual schemes:

- Five environmental sites to reduce phosphorus and sanitary determinants (ammonia) that have material costs;
- Four storm overflows sites that have complex engineering solutions;
- Two supply interconnector schemes that have material costs;
- Two water treatment works expansion schemes that are critical to balance supply and demand; and
- Other programmes at Wanlip that are interdependent with the growth project.

Assurance of this progress report

In producing this progress update we have sought to provide a robust, clear and transparent view. To ensure this we have subjected it to rigorous internal review and challenge as well as engaging our independent, third-party assurance providers – Jacobs.

Jacobs were asked to provide an initial critical friend review of our developing plan and internal controls in the early stages. The final report has then been subjected to our three lines of assurance model and independent sampling and checks. Where necessary we have documented any key assumptions within our detailed commentary document published alongside this summary.

Next steps

Our next formal update on progress with the delivery plan will be in July 2026 at which point we will have delivered the first outputs of our programme including:

- Over 200km of renewed distribution mains;
- Over 400,000 smart meters;
- The first of our sewage treatment growth programmes; and
- Over 500 environmental investigations.