Cambridge Water

South Staffs Water





















South Staffordshire Water PLC

Annual performance report

For the year ended 31 March 2022

Contents

The year at a glance

4th in the water sector for customer service and experience

Extra financial support for **58,611** customers

£88,000 of biodiversity community grants awarded

90% of leaks fixed within 5 days

On track to hit **15%** leakage reduction

Our biggest ever construction projects are **safeguarding customer supplies**

Investors in People accredited

About South Staffordshire Water

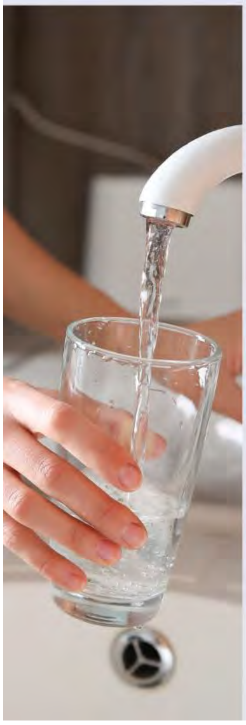
We operate South Staffs Water and Cambridge Water

We are a part of South Staffordshire Plc, an integrated services Group

We are a water only company, and do not take away your wastewater

We are regulated by Ofwat, the economic regulator of the water companies in England and Wales.

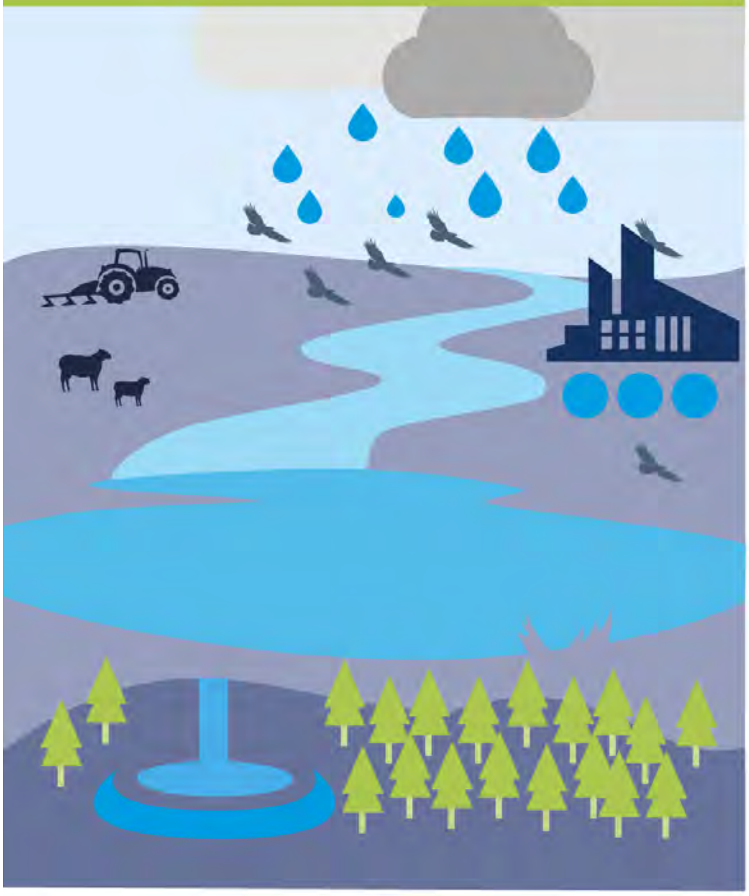
We measure our performance against 30 commitments which our customers helped set



We bill you for wastewater on behalf Severn Trent or Anglian Water

Our role

Collect and treat water

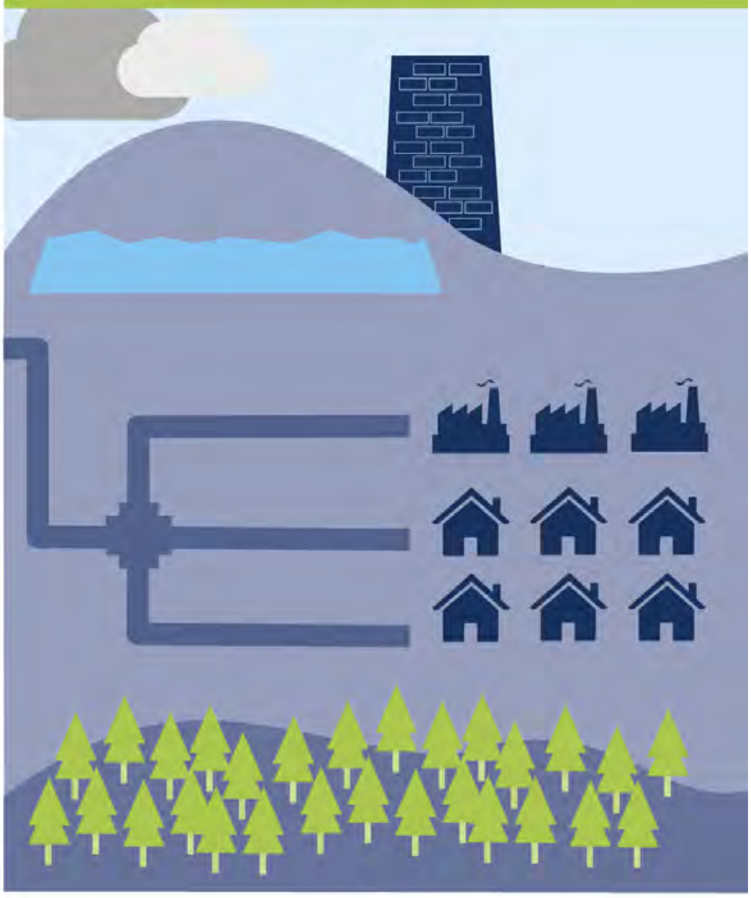


44 borehole sites

2 surface water reservoirs

40 water treatment works

Store and distribute water



69 service reservoirs and water towers

113 booster pumping stations

8,675km of pipes

707,463 residential connections

42,578 business connections

Our vision, purpose and core beliefs

Our vision

To deliver clean, affordable water every day

Our mission

To make sure:

- all our customers have access to high-quality and affordable drinking water every day; and
- we always empower our people to provide an excellent and trusted service.

Our purpose

For more than 150 years, we have provided an essential public service to customers in our South Staffs and Cambridge regions that enables them to go about their daily lives. So that we can keep delivering the things that matter most to our customers, now and in the future, we:

- actively work in partnership with local communities – playing our part to help them thrive;
- act as the guardians of our assets, while always working hard to protect the local environment;
- put the safety of our customers and our people at the heart of our decision making; and
- run an efficient business, which is in everyone's interests.

This is how we are delivering what matters.

Our core beliefs

Our mission and purpose are underpinned by our core beliefs, which focus on:

- preparing for the future;
- building resilience in the face of climate change;
- minimising waste in every area of our business operations;
- using water wisely;
- always looking for new ways to do things better and quicker;
- listening to customers;
- local issues; and
- working with partners to create better communities.

These core beliefs are reflected in our people's objectives and the work they do.

Chair's foreword

For both of the last two years we've all been fervently hoping that we would have leapt away from the embrace of COVID-19 by now. Sadly, not. It's still very much around, though its severity (for now at least) does seem to have diminished.

We've inevitably faced a range of problems that have come in train, over these two years: a seriously increased use of water in households, and a dip in use in business premises; the impact of COVID-19 on our staff, with the need to self-isolate for periods; and now the formidable cost of living increases – driven by COVID-19, Brexit and the war in Ukraine – that are causing many of our customers real difficulty in their household finances.

Through it all, our staff have worked their socks off to continue the essential task of ensuring clean water is delivered to every customer, every day. I'm truly grateful to them for their dedication and professionalism throughout the pandemic.

The cost of living crisis, and the affordability issues that have come with it, are causing real challenges for many of our customers. As a result, we have tried to keep our bills as low as possible for everyone, and we will continue to strive to do so. And we are making sure that arrangements can be made for particular support to be available for those customers who are genuinely struggling financially. The affordability of our water will be a major focus of our work through the coming year.

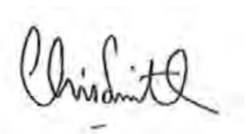
At the same time we are becoming ever more conscious of the challenge we have as stewards of our precious environment. We were reminded of this, of course, by the COP26 discussions in Glasgow last November. And we are now charged by the new Environment Act here in the UK to abstract less water in the future than we have in the past.

This will be especially important as an objective in the Cambridge area, where all water comes from below ground through boreholes, and the levels of groundwater below our feet are under threat. This is causing enormous concern for the survival of the unique chalk streams of the area; and we need to find ways of reducing our call on groundwater whilst at the same time catering for the dramatically growing number of people and businesses in the area.

Reducing our levels of abstraction is one major aspect of our need to face the climate crisis over the next few years. Reducing our carbon impact is another, and we are committed to achieving 'net zero' in carbon by the year 2030. There is much we are already doing, such as converting as many of our vans and vehicles to electric use as possible, or seeking to source our electricity from renewables. The deployment of pioneering ceramic-membrane technology at our Hampton Loade treatment plant beside the River Severn – which we are putting in at the moment – will also help to reduce our greenhouse gas emissions. But we still have a long way to go in order to fulfil our net zero commitment. We remain, however, firmly committed.

We recently marked the departure from our Board of Stephen Kay, who had been a stalwart champion of the water sector in Cambridge for decades. Stephen had been Managing Director of Cambridge Water over many years, and the knowledge and expertise he brought to the Board after he stepped down from his executive role were invaluable. We'll miss him.

Just after the end of the reporting year, we welcomed two new Board members – Professor Ian Barker and Ken Kagaya. Both bring a wide range of skills and experience to the Board and I look forward to working closely with them in the year ahead.



Lord Chris Smith

Managing Director's introduction

The end of each year is always a good time to reflect on our performance in providing the high quality and reliable water supply our customers expect and pay for, and to share where we've done well and where we've not quite met our own expectations. In this report we set out a summary of our perfromance, and I hope you find it useful.

When I joined the business in May 2020, we were in the grip of the first national COVID-19 lockdown. Who would have imagined that two years later, we'd still be dealing with the impact of the pandemic, which has affected every aspect of our daily lives. I'm immensely proud of the way our people have continued to pull together to ensure all our customers receive a seamless service. This is reflected in our performance, and I'm pleased to report that we've met or exceeded many of our targets during the year.

There's more about our performance in the following sections, but I did want to highlight a few things.

We're committed to making sure all our customers receive a good service and a great experience from us. Our regulator, Ofwat, measures this independently by surveying a quota of our customers four times a year, comparing our performance with that of the other water companies in England and Wales, through its C-MeX measure. Two years ago, we were ranked in 10th place out of 17 water companies, which is not where we wanted to be. I'm really pleased to announce that last year, we've improved significantly to 4th place, which is far more reflective of the level of service we want to provide and that our customers expect from us.

In these current tough times, it's been reassuring to see that we've been able to support more of our customers who've been struggling financially with their water bills, with more than 58,600 households receiving financial support from us. We continue to work really hard to make sure everyone is aware of all the help that's available, as we recognise this is more important than ever.

Finding and fixing leaks on our network is vitally important, as we continue to work together with all our customers to protect this precious resource. 'Waste not one drop' has become our mantra and featured in the TV messages we ran over Christmas. We're on track to hit our leakage reduction target of 15% in both our Cambridge and South Staffs operating areas by 2025.

While our performance this year has been really positive, we know there are some areas where we've not hit our targets, and where we need to improve. Once of these is our education outreach programme, where we share key water-saving messages to help our customers of the future 'use water wisely'. This has been affected by the COVID-19 pandemic, with schools having some restrictions in place for much of the year, and while we were able to offer remote sessions, we struggled to get the right level of traction.

We also failed to meet our targets for personal water consumption across our Cambridge and South Staffs operating areas. While more of us working from home during the pandemic will have impacted this, it's not the only factor. It's important we work together with all our customers in the year ahead to look to reduce water usage further to protect this essential resource for the future.

With the easing of COVID-19 restrictions, we turned our attention to the UK Government's green recovery initiatives. In July 2021, Ofwat confirmed its decision to support our proposals to bring investment forward from the next five-year planning period to enable us to install an innovative filtration system at Hampton Loade, the largest water treatment works in our South Staffs operating area. We were the only water only company to submit a bid to Ofwat for additional funding under the green recovery scheme. I'm proud of the leadership role we demonstrated with our submission; this is something I'm keen for us to build on in the future.

Another area where we've demonstrated our leadership within the water sector is regional water resources planning.

We're active members of the Water Resources East and Water Resources West regional planning groups – I sit on the Boards of both groups – and played a key role in the development of the emerging water resources plans for both regional groups. As we look to the year ahead, we will continue our involvement with both groups, producing long-term regional water resources plans that deliver the best outcomes for our customers and the environment.

Every so often, a situation arises that tests the strongest and most resilient of businesses. That happened to us in February with the publication of an article in The Guardian about levels of a chemical historically used in fire retardants in one of the water sources in our Cambridge operating area. The Guardian's article contained a number of inaccuracies and inconsistencies, and although we were able to have corrections made, this was not before the story had spread, causing an understandable level of concern among some of our customers.

Our main objective was to reassure them that their water is safe to drink. So we carried out additional quality testing at customers' taps and wrote to all the customers in the area that potentially could have been supplied by the source. We also shared information with MPs and local councils, and attended a Parish Council meeting in one of the villages mentioned in the original Guardian article. We're learning the lessons of this incident to ensure we continue to engage effectively with all our stakeholders in the right way, with the right information and at the right time.

Looking to the year ahead, our focus will be shifting to Ofwat's regulatory price review process – known as PR24. We've already started thinking about our plans, and have been finding out about our customers' priorities for the five years from 2025 to 2030 and beyond. We've also developed a number of ambition statements, which describe our direction of travel in the years ahead, and which will form the basis of our long-term strategy. We'll continue to share our plans with customers as we develop them.

I'll end with a thank you to the teams in our Cambridge and South Staffs operating areas who have, throughout the year, been dedicated and committed to providing an essential service to all our customers. We all recognise that they can't choose their water supplier and our people continue to put them at the heart of what we do and how we do it. We hold great pride in our responsibilities and the regions we serve.

Andy Willicott

About the annual performance report

We publish our annual performance report (APR) alongside our annual report and financial statements each year. It provides information about the appointed business in terms of our performance, regulatory accounts and additional regulatory information, and price review and segmental reporting.

Our APR comprises:

- an analysis of our performance during the 12 months covered by this report, including information about how we have performed against our key regulatory targets;
- case studies that illustrate different aspects of our performance;
- our regulatory accounts;
- narrative covering outcomes, totex and a reconciliation to price controls;
- a statement on the accuracy of data and information;
- a statement confirming our compliance with the ring-fencing conditions of our licence (F6A); and
- a risk and compliance statement confirming that we have a full understanding of, and are meeting, all our relevant statutory, licence and regulatory obligations.

Our statutory accounts on their own are considered insufficient to assess the performance of a vertically integrated, price-controlled monopoly such as South Staffordshire Water. This is particularly relevant in a water sector with long-life assets and where there is still an absence of competitive markets for different parts of the value chain. These regulatory accounting statements use audited information and comply with Ofwat's published regulatory accounting guidelines (RAGs), which can be found on its website. To avoid duplication, we have signposted some of the required disclosures in our annual report and financial statements. We present the APR to the Audit and Risk Assurance Committee and the Board for approval.

Assuring our APR

Our APR is a key document providing information to Ofwat on our performance for the year. Rating agencies and other stakeholders also use it to assess our performance. As with all publications, it is vital that the information it contains is accurate.

As in previous years, the financial information (regulatory accounts, and price review and segmental reporting) has been audited by our external auditors, Deloitte LLP, as required by Ofwat. Deloitte has also carried out agreed-upon procedures on the relevant cost allocation tables in the sections on price review and segmental reporting, and additional regulatory information.

There is also a section on ODIs and the indicators that carry a financial reward or penalty; Jacobs has audited this. A summary report is set out on page 55. The South Staffordshire Plc Group Internal Audit function has reviewed the remaining reputational ODIs and the summary report is set out on page 56. Jacobs has also audited the financial flows submission and our long-term viability statement.

Board leadership, transparency and governance

We believe that having strong and effective Board leadership is essential in ensuring we deliver the things our customers have told us are important to them. We are committed to Ofwat's Board leadership, transparency and governance principles, which are reflected in our own corporate governance code. We are also committed to making sure they are embedded in all our strategic thinking and decision-making.

This includes ensuring they are aligned with our purpose, which is to **deliver the things that matter most to our customers**, now and in the future, and to:

- actively work in partnership with local communities – playing our part to help them thrive;
- act as guardians of our assets, while always working hard to protect the local environment;
- put the safety of our customers and our people at the heart of our decision-making; and
- run an efficient business, which is in everyone's interests.

We developed our purpose in consultation with our people; it was further shaped by our Executive team and Board as a cornerstone of our strategy going forward. It is something that all our people live breathe and is reflected in the following, among others.

- Our award-winning community hub, where we work with a number of partner organisations to provide help and support to customers in one of our most socially and economically deprived communities.

- Our plans to ensure the long-term resilience of our assets, including the upgrade programme at our Hampton Loade and Seedy Mill water treatment works, and the construction of a larger storage reservoir at our Bourn site to serve an area with a growing population.

- Our focus on health and safety, with incidents reported to Board each month and regular site tours for all senior managers. Our ambition is to be a zero accident workplace.

- Our performance as upper quartile for efficiency at PR19.

It is also reflected in the promises we have made to our customers to 2025 and beyond, which are encapsulated in the following outcomes.

- **Our customers:** we will offer a great customer experience and get feedback to help us keep improving.

- **Our community:** we will offer our customers the right level of support for their individual needs and help everyone learn how to use water wisely.

- **Our service:** we will provide clean, high-quality and reliable water supplies now and in the future.

- **Our environment:** we will protect the environment, reduce leakage and support the building of water efficient homes.

- **Our business:** we will run an efficient business with happy employees, where our suppliers are treated fairly.

To ensure we maintain our customers' trust in us and continue to deliver value for money, it is important for us to deliver these promises. So within each outcome we have developed a number of performance commitments in the areas where our customers have said they want to hold us to account each year. We report on our performance against our outcomes and commitments on pages 13 to 29 of this document.

Underpinning our purpose and outcomes are our new values, which we launched during the reporting year and which focus on:

- **equality, diversity and inclusion**, which means embracing and valuing all our people, while adopting diverse and inclusive approaches;
- **excellence in service**, which means leading by example to improve ways of working, while going above and beyond for our customers;
- **responsibility,** which means being motivated to deliver high standards, while demonstrating ownership and responsibility for delivering business objectives; and
- **trust**, which means respecting and valuing those we work with, while building trusting relationships and empowering others to make decisions.

We have embedded these values within our appraisals process to ensure they are central to all our people's objectives. We believe this will help us to deliver our outcomes and achieve our purpose of always delivering the things that matter most to our customers. Our values are also reflected in our company policies and in our expectation that the values of our supplier and contractor partners align with these.

Below, we set out more information about how we have complied with Ofwat's principles of Board leadership, transparency and governance.

Ofwat's principle	How we have complied
Purpose, values and culture	The Board sets standards of conduct to promote our success, provide leadership and review our internal controls and governance structure. This includes using its strategy days each year to shape our **vision, mission statement and purpose**, which are underpinned by our core beliefs (see page 5). We have tested our vision, mission statement and purpose with our people to ensure they are embedded in our business, and with our customers to ensure they remain relevant and fit for purpose. During the reporting year, the Board has also been actively involved in shaping and developing our **long-term development strategy**, an intrinsic part of which is our long-term vision to 2050, which we are planning to publish later in the summer. Our new values, which we launched during the reporting year, were also shaped and driven by the Board. As described above, our values focus on the areas of equality, excellence, responsibility and trust, and are embedded in our appraisals process and reflected everyone's objectives. They are also reflected in the employee surveys we have run throughout the year. There is a **regular dialogue between the Board and investors** to ensure their objectives and priorities are carefully considered. This dialogue is achieved through Board meetings, with investors having representation on the Board, and through other communication channels. There is also a regular dialogue between the Board and our people, with our **regular Executive updates** giving our people the opportunity to learn more about the key areas where the Board is focusing its attention. During the reporting year, these have largely been held remotely because of the COVID-19 pandemic, but the plan for the year ahead is to hold more of these sessions face-to-face for smaller groups to enable more interaction and two-way discussion. Another way that the Board's work is shared and communicated across the business is through **team meetings and de-briefs**. Although it falls just outside the reporting year, for example, the Strategy and Regulation directorate held an away day in May to discuss our strategy, and to share ideas and thinking about our direction of travel going forward. The Board is responsible for **developing and implementing a company direction and performance statement** each year. This sets out the Board's key activities and any action it has taken to ensure our work is always aligned with our strategy and purpose (see page 35 for more information).
Stand-alone regulated company	As a regulated water company, we recognise the importance of having an effective Board that takes full responsibility for the strategic direction of our business. **Independent Non-executive Directors are the largest group on the Board**. The Board's role is to develop and implement our strategy, and to ensure we meet the needs of our customers, our people, our investors and other stakeholders, while also making sure we carry out our commitments to protect and enhance the environment. As well as approving all our major financial and investment decisions, **the Board monitors and evaluates our performance**, providing constructive challenge and continuing to promote our culture and values as the provider of an essential public service. The Board's business is carried out by the following three committees. • **Audit and Risk Assurance Committee**, which focuses on the company's processes to manage business and financial risk, and for compliance with the applicable legal, ethical and regulatory requirements, and on aspects of financial reporting. • **Environmental, Social and Governance (ESG) Committee**, which advises and assists the Board in managing matters relating to the company's ESG governance policies, initiatives, performance and reporting. • **Nomination and Remuneration Committee**, which focuses on our processes for appointing Board members and Executive team members, and on setting their remuneration packages. See pages 58 to 77 of the annual report and financial statements for more detail. During the reporting year, a new company structure was put in place to strengthen the regulatory ring fence (see pages 67 and 68 of the annual report and financial statements).

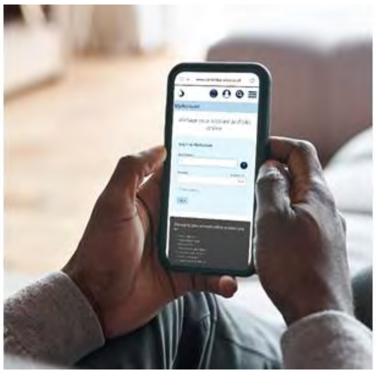
Ofwat's principle	How we have complied
Board leadership and transparency	To demonstrate **our transparency and engender trust among our customers and other key stakeholders**, we publish the following information in our annual report and financial statements each year. • Information about our shareholders (see page 67). • The structure of the South Staffordshire plc Group and South Staffordshire Water PLC (see page 68). • An explanation of our dividend policies and dividends paid, and how these take account of our performance in delivering for customers (see page 12). • An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed (see pages 36 to 45). • Board and committee membership, including the number of meetings, attendance at each meeting and where relevant, the outcome of votes cast (see pages 72 to 76). • An explanation of our executive pay policy, including how the criteria for awarding short- and long-term performance elements are linked to delivery for customers (see pages 78 to 82).
Board structure and effectiveness	The Board comprises: • the independent Chair; • the Managing Director; • the Group Chief Executive; and • six Non-executive Directors. During the reporting year, the largest group of Directors on the Board was that of Independent Non-executive Directors, including the Chair. We set out the **relevant skills and experience of each Board member** on pages 58 to 60 of the annual report and financial statements. We benefit from the Board's wide range of skills and expertise. Each year, the Chair carries out **a review of the effectiveness of the Board**, which considers the balance of skills, experience, independence and knowledge of each Board member, and how its objectives are met (see page 83). The Chair also interviews all prospective new Board members. A conflict of interest could arise where a Board member has an association with another company (either a sister company of South Staffordshire Water, or one that is completely separate) and for which a contract is awarded. All Directors must disclose details of all such interests to the Board in line with the provisions of the Companies Act 2006. We have policies in place to deal with such instances. Directors must declare an interest in any Board matter, take no further part in the discussions and be unable to vote on the matter. Other information on the Board structure and effectiveness can be found on pages 58 to 84 of the annual report and financial statements.

Performance against our targets

Outcome	Performance commitment	Unit of measurement	2020/21 target	2020/21 performance	2021/2022 target	2021/22 performance	Target met
Core outcomes	Delivering services that are value for money	% of satisfied customers	78	74	79	71	✗
	Making sure customers have a high level of trust in us	Score out of 10	8.10	8.16	8.15	7.85	✗
Our customers	Great customer service to our household customers	C-MeX score	Upper quartile	81.89	Upper quartile	83.38	✓
	Great customer service to our business market suppliers (retailers)	R-MeX score	93.3	76	93.3	87.3	✗
	Great service to developers	D-MeX score	Upper quartile	83.59	Upper quartile	84.4	✗
Our community	Financial support for household customers struggling to pay their bills	No. of customers helped	32,000	49,279	34,000	58,611	✓
	Extra Care support for customers who need assistance	% on PSR receiving extra care support	5.0	5.0	5.0	5.1	✓
	Education programme, working with schools about the need to use water wisely	No. of pupils engaged	6,000	297	6,000	2,284	✗
	Ensuring customers who need assistance are registered with us	% registered on Priority Services Register	6.1	5.8	6.6	8.7	✓
Our service	Delivering upgraded water treatment works	% completion	0	8	0	18	✓
	Always meeting water quality standards – drinking water quality	Compliance Risk Index (CRI) score (water quality measure)'	0	1.09	0	0.90	✗
	Always meeting water quality standards – taste, smell and colour	Contacts per 1,000 population	1.14	0.98	1.11	0.76	✓
	Maintaining a reliable supply – supply interruptions	Average interruptions in minutes and seconds	06:30	04:33	06:08	03:15	✓
	Maintaining a reliable supply – severe supply restrictions	% of customers at risk	0	0	0	0	✓
	Reducing the number of water production failures	Unplanned outage as a % of total production capacity	2.34	0.57	2.34	0.90	✓
	Finding and fixing visible leaks more quickly	% of visible leaks repaired within set no. of days	90% within six days	90% within six days	90% within five days	90% within five days	✓
	Reducing the number of burst mains	No. of bursts per 1,000 km of mains	129.6	130.0	127.8	109.6	✓

Outcome	Performance commitment	Unit of measurement	2020/21 target	2020/21 performance	2021/2022 target	2021/22 performance	Target met
Our environment	Reducing leakage levels – South Staffs region	% reduction from baseline	1.8	3.0	4.2	5.8	✓
	Reducing leakage levels – Cambridge region	% reduction from baseline	2.9	5.1	5.1	13.5	✓
	Reducing how much water each person uses (per capita consumption) – South Staffs region	% reduction from baseline	0.4	-5.9	0.5	-10.3	✗
	Reducing how much water each person uses (per capita consumption) – Cambridge region	% reduction from baseline	1.2	-3.2	2.5	-3.5	✗
	Not taking too much water from environmentally sensitive sites	Abstraction Incentive Mechanism (AIM) score	0	-0.07	0	0	✓
	Protecting wildlife, plants, habitats and catchments	Hectares of land managed	194	245.8	320	542	✓
	Supporting water-efficient house building	Volume of water saved (megalitres)	1.9	2.2	3.8	15.5	✓
	Reducing our carbon emissions	Kilograms per connected property	68	26.4	68	17.4	✓
	Delivering Water Industry National Environment Programme requirements	Milestones	Met	Not met	Met	Not met	✗
Our business	Making sure all our people love their jobs	Net Promoter Score (NPS)/Achieving Investors in People (IIP)	On track to gain IIP & 10pts increase in NPS from baseline	IIP achieved. NPS not achieved.	IIP achieved & 10pts increase in NPS from baseline	IIP achieved. NPS not achieved.	✗
	Treating all our suppliers fairly and paying small businesses quickly	% of small businesses paid within 30 days	100	29	100	69	✗
	Reducing our bad debt so customers do not pay more than they need to	Bad debt as a % of revenue	3.01	3.23	2.86	3.44	✗
	Making sure our property records are up to date	% validated	100	100	100	100	✓

Delivering for our customers



Our customer promise

We will offer a great customer experience and get feedback to help us keep improving

How we performed during 2021/22

We always strive to deliver the best for our customers. So having their trust and making sure we offer value for money for the bills they pay are extremely important to us.

We use the combined results of two surveys to derive our trust and value for money scores. Half the results come from an independent annual survey of 800 household customers. We take the other results from consumer watchdog CCW's Water Matters survey of 300 household customers. Both surveys include a representative sample of customers from our Cambridge and South Staffs operating areas. We calculate each score as follows.

- Our trust score is an average out of ten, calculated from the results across both surveys. We exclude 'Don't know' responses when calculating the score.

- Our value for money score is calculated from the percentage of customers who gave an 'agree' or 'strongly agree' response across both surveys that our service represents value for money. Again, we exclude 'don't know' responses. This is so we can be sure the survey results are directly comparable and match the way CCW reports its Water Matters results.

Unfortunately, our trust and value for money scores have both deteriorated slightly during the reporting year. While we recognise this change in sentiment reflects wider issues in the economy, we take our customers' views on this important issue very seriously and will be working hard to address their concerns. We will continue to track customers' views about these performance commitments and look at where we can drive improvements in the year ahead.

The main regulatory measure of customer experience and satisfaction is C-MeX. The aim of this measure is to drive us always to deliver excellent levels of service for all our household customers. It comprises the results of a survey with customers who recently contacted us about the service they received from us; and one with randomly selected members of the public about their experience of us as their water company.

In both cases, customers are asked how satisfied they are with the service we provide and how likely they would be to recommend us to their friends and families. We are very pleased to report that we ended the year in 4th place among the water companies in England and Wales, with an overall C-MeX score of 83.38. This is a significant improvement on our position in 2020/21 (10th) and is testament to the hard work of all the teams involved. We will continue to drive improvements in this area in the year ahead.

There is also a regulatory measure of customer experience for all our developer services customers – that is, large and small property developers, self-lay providers and water companies with new appointments and variations. Known as D-MeX, it comprises a survey of developer services customers that have recently completed a transaction with us and a measure of our performance against a set of service metrics developed by Water UK, the body that represents water companies. While we have seen some improvement in our D-MeX score during the year, our performance is still below the level at which we would like it to be. Our score of 84.40 is likely to place us 11th in the sector for the reporting year. We have put an action plan in place and are looking to improve our score in the year ahead.

We also have a third customer service performance commitment, which we call R-MeX. It measures business retailers' satisfaction in us as a wholesaler operating in a retail market. We use operating performance and market performance standards as the basis of R-MeX, combining them with our own retailer satisfaction survey. While we are disappointed to have missed our target during the reporting year, we are starting to see some improvement in this area, with a score 87.3 in our bespoke performance commitment and a rank of 11th in the February 2022 industry joint survey. Closer engagement with our business retailers is the main driver for this improvement and we will continue to build on this in the year ahead.

Delivering an enhanced customer experience

We recognise how crucial it is for our customers to have a good experience of the service they receive from us. Central to this is having the right systems in place to ensure a seamless service where problems are resolved first time, all the time. We have focused much of our attention during the reporting year on delivering an enhanced experience for all our household customers and driving improvements in our C-MeX score. This includes, for example, improving the process at every touch point of the customer journey.

> **"We are very pleased to report that we ended the year in 4th place among the water companies in England and Wales, with an overall C-MeX score of 83.38. This is a significant improvement on our position in 2020/21 (10th) and is testament to the hard work of all the teams involved"**

But to ensure we always deliver the best possible service for our customers, we also launched a major project to deliver a new billing system using a customer management product called Aptumo. This will enable us to bring all our billing and collection information together in one place, making it easier for us to manage and resolve customer contacts. We believe this solution will deliver a number of benefits for our customers and our business, including:

- giving us the ability to effectively tailor customers' bills and adopt more flexible payment approaches – what we are calling our 'any day, any way' approach;
- enabling improved cash payment collections;
- enhancing our digital capability, enabling us to offer more online services and choices for our customers; and
- supporting case management for complaints and complex cases.

We are due to complete the roll out of Aptumo across the business in summer 2022. We will report on the outcome of this project in next year's annual performance report.

Understanding what our customers want

Understanding the things that matter to our customers and the areas where they want to hold us to account is important to us. It helps to inform our planning and drive our decision-making. During the reporting year, for example, we continued to run our strategic customer priorities and customer promises trackers to ensure our action plans align with customers' priorities. This also enables us to track how well we are delivering against our business plan performance commitments. And it helps us to support the teams responsible for delivering our performance against the C-MeX, D-MeX and R-MeX measures of customer experience.

For example, we started work during the reporting year on delivering the customer insight and research programme to support our submissions as part of the 2024 regulatory price review process (PR24) and the water resources management planning (WRMP) process. In addition, we collaborated with other water companies to run joint research studies to understand how customers want us to tackle the big challenges facing the water sector – such as climate change, long-term water resources planning and achieving net zero carbon emissions by 2030.

For one of these projects, which started earlier this year, we have been working in partnership with Anglian Water, Affinity Water, Essex & Suffolk Water, and an independent research agency to develop water demand propositions in collaboration with non-household retailers and the business customers they serve. The outputs of this project will feed into the WRMP for our Cambridge operating area to help reduce the demand for water across Eastern England.

We also worked with the regulators Ofwat and the Environment Agency – and with CCW, the consumer watchdog – to ensure our research and engagement programme delivers against their expectations. Finally, we launched our new supplier framework for PR24, which includes seven research agencies. This is to ensure our insight and research programme follows best practice and delivers a positive experience for the customers and other stakeholders taking part.

Breaking into television

Our customer communication activity took an exciting turn in December when our first TV information campaign aired on Sky and Virgin in our Cambridge and South Staffs operating areas. The aim of the campaign was to raise awareness among customers of who we are and what we do. We also wanted them to think about us as the people who ensure clean, high quality water is available every time they turn on their taps. The campaign also contained a message to encourage customers to think about the value they place on the water they use; this is something we will be building on with future communication campaigns.

The campaign ran across both operating areas until the end of January. We received a number of positive comments from our customers, from CCW and from our Board members. In our South Staffs operating area the advert reached an impressive 79.6% of the target audience, while in our Cambridge operating area the reach was 74.3%.

"Our people continually strive to improve our customer experience for both household and non-household customers at every touch point, as evidenced by how we performed last year. From planning our work, fixing leaks, improving our network, talking to customers and driving through communities; we aim to get it right first time for every customer"

Dan Rhodes, Customer Delivery Director

Delivering for our communities

Our community promise

We will offer our customers the right level of support for their individual needs and help everyone learn how to use water wisely

How we performed during 2021/22

As the provider of an essential public service, we are committed to being embedded in the communities we serve. For us, this means more than just being visible in our communities. It also means being there to provide help and support to those customers who are struggling to pay their water bills or who may find themselves in circumstances that could make them vulnerable. And it means educating the next generation of water champions, encouraging them and their families to use water wisely.

We have a wide range of help available for those customers who are struggling to pay their water bills. This includes:

- our Assure social tariff, which aims to make our water bills affordable for customers on low incomes or those who receive Pension Credit or Universal Credit;
- the national WaterSure scheme, which is designed to help families save money if they have to use a lot of water – for example, because of medical reasons;
- payment breaks for customers, who are temporarily unable to pay their water bills; and
- flexible payment plans.

We are committed to helping those customers who, for whatever reason, find it difficult to pay their water bills. We saw another big jump in the number of customers we are supporting during the year – with 58,611 receiving some form of help from us, compared with our target for the year of 34,000.

One of the other ways we provide help and support to our customers is with our Priority Services Register (PSR). This a free service we offer customers who may need extra help because of, for example, age, medical reasons, or because they have learning or physical disabilities. This is another area where we performed well during the year. As well as extending our PSR reach to 8.7% of household customers, we also exceeded our target for the number of customers contacted during the year. And we met our target for the number of customers on our PSR who receive our 'Extra Care' support package, with 5.1% receiving additional help from us. We will continue to build on this success in the year ahead to ensure we always provide help and support to those customers who need it.

One area where our performance has not been as strong as we would have liked is our education outreach programme. We failed to meet our target for the year of engaging with 6,000 young people through our education programme, reaching 2,284 through our visits to schools in our Cambridge and South Staffs operating areas.

This is largely the result of a long-term impact of the COVID-19 pandemic, with restrictions on access within schools in place for most of the year. We have been exploring ways to increase the reach of our education outreach programme and will be linking it more closely to our wider community engagement work. We believe this will help us to get this performance commitment back on track in the year ahead.

Being at the heart of the communities we serve

At South Staffordshire Water, we place a strong emphasis on being a community-focused company. The reopening of the award-winning community hub in our South Staffs operating area following the lifting of COVID-19 restrictions was hugely important for us. It meant we were once again able to organise events and get involved in new local initiatives. As well as popular events such as the school uniform swap, we launched a 'baby bank' project to support families in need and a 'dress to impress' campaign for people needing smart clothes for job interviews. The team also launched a 'love my hub' campaign to help raise the profile of this initiative on social media. We celebrated the hub's fourth anniversary in April 2022 and are pleased to see it continue to go from strength to strength.

But our community engagement is about much more than our hub. In November, for example, we launched a new 'water on wheels' initiative in our Cambridge operating area. This mobile approach to community engagement gives customers the opportunity to speak to our people face to face about the services we provide and the support we can offer. We launched a dedicated page about this service on our website, which includes an interactive map so that customers can see the locations the water on wheels vehicle will be visiting each week.

> **"We are committed to helping those customers who find it difficult to pay their water bills. We saw another big jump in the number of customers we are supporting during the year – with 58,611 receiving some form of help from us, compared with our target for the year of 34,000"**

The relaxing of COVID-19 restrictions also meant that we were once again able to offer a range of volunteering opportunities for our people. We actively encourage our people to participate in our employee volunteer scheme (EVS), enabling them to take three days each year as volunteering days. During the reporting year, our people took part in a number of activities, including:

- helping out at the Institute of Water's Z-Fest event in our Cambridge operating area:
- restoring the gardens at Acorns Children's Hospice and taking charge of the water bar at the Lichfield Fuse Festival in our South Staffs operating area; and
- helping out at the Staffordshire County Show.

We will continue to offer volunteering opportunities to our people, as we believe this is one of the ways for us to demonstrate our commitment to being embedded in the communities we serve.

H2Online turns two!

H2Online – our online customer community – celebrated its second birthday in November. H2Online is a two-way research platform that enables our customers to give us their opinions and feedback about our services. It also gives us valuable insight, enabling us to build our customers' views into our decision-making. We update H2Online members regularly with the actions we have taken from their feedback and our wider engagement programme. At the end of the reporting year, we had 677 customers registered as members of our H2Online community (239 in our Cambridge operating area and 438 in our South Staffs operating area).

As well as the usual weekly programme of activities for discussion and engagement, we also launched a new 'community points' incentive scheme with H2Online members during the reporting year. As part of this initiative, members take part in a series of activities and polls to earn points. These points then contribute to an overall target – if the target is reached, we make a donation to a charity of their choosing.

Between January and March, and May and July H2Online members in our Cambridge operating area 'earned' 5,200 points, which resulted in us making a £500 donation to Jimmy's Night Shelter in Cambridge. We set a new community points target in October, with members earning points for Winter Comfort, a support hub for homeless people in the Cambridge area.

In our South Staffs operating area, H2Online members earned more than 5,000 points between May and July, and September and November. As a result, we were able to make a £500 donation to St Giles Hospice. We set a new community points target in January, with members earning points to support the Glebe Centre, which provides support to vulnerable adults in the Black Country.

Christmas tractors take to the road

In early December, we joined forces with Staffordshire Young Farmers' Clubs for the second annual tractor run across Staffordshire. In what must be one of the more unusual community activities in which we take part, the event saw around 100 festively decorated tractors take to the road in a charity Christmas convoy.

The tractors followed a 20-mile route through the villages of Hamstall Ridware, Blithbury, Abbots Bromley, Blithfield, Colton and Hill Ridware. Despite the chilly weather, there was an excellent turn out for the event, with a number of our people volunteering as stewards and bucket shakers. We raised just over £6,000, which was divided equally between Staffordshire Young Farmers' Clubs and the Midlands Air Ambulance. The event was first held in 2019, with 80 tractors joining the convoy – it was suspended in 2020 because of the COVID-19 pandemic.

"I'm proud of the engaging and personal service that we deliver to our communities. Our teams support our 'water on wheels' service and our award-winning community hub. They give tailored advice to support customers with their specific needs and provide additional services – such as our school uniform swap. We will continue to develop this relationship in the years ahead"

Dan Rhodes, Customer Delivery Director

Delivering a reliable service

Our service promise

We will provide clean, high quality and reliable water supplies now and in the future

How we performed during 2021/22

Our customers quite rightly expect always to receive water of the highest quality from us. We have a rolling programme of investment and maintenance that we carry out to ensure the long-term health of our network of pipes, pumping stations and treatment works across our Cambridge and South Staffs operating areas. The reporting year marks the second year of our ambitious £600 million investment programme, which will see us deliver a number of significant improvements across our network by 2025.

One area where we have continued to invest is in the quality of the water we supply to our customers. This is consistently a top priority for them and an area where they think it is important to hold us to account. During the reporting year, we saw strong outperformance in the acceptability of the water we supply to customers in terms of taste, smell and appearance, receiving only 0.76 contacts per thousand population against our target of 1.11 contacts per thousand population.

In addition, we continued to perform well against our Compliance Risk Index (CRI), the main regulatory measure of compliance with very stringent water quality standards. The upgrade programmes at the Hampton Loade and Seedy Mill water treatment works in our South Staffs operating area will ensure we continue to deliver reliable, high quality water supplies to our customers. Unfortunately, we had to stop work on these programmes for part of the year after our construction partner went into administration – see case study (right). We have now appointed new contractors to deliver the upgrade programmes and hope to get this work back on track in the year ahead.

We also performed well in terms of planned interruptions to supply, with performance in this area is being driven in part by improvements in our event handling processes. In terms of unplanned interruptions, we have again outperformed our performance commitment, mainly because of our continued focus on finding and fixing faults quickly. Similarly, we are also seeing the benefits of our ongoing mains renewal programme, having carried out nearly 25km of mains repairs and renewals during the year, while a mild winter meant we outperformed our target for mains bursts.

At the start of the current five-year planning period, we introduced a new target for visible leak repairs. This is another priority for our customers. When we introduced this target, we put in place new systems and processes to enable us to find and fix these leaks quickly, and encouraged customers to contact us if they came across any leaks in the road. During the reporting year, we fixed 90% of visible leaks in five days, which is an outstanding achievement, given how difficult it can be to fix leaks on public highways.

Building back better with green recovery funding

In July, Ofwat confirmed its decision to allow us additional funding of around £18 million under its post-COVID green recovery initiative to accelerate the installation of an innovative ceramic membrane filtration solution at our Hampton Loade water treatment works. We were the only water only company to submit a bid under this initiative – the others being Severn Trent Water, South West Water, Thames Water and United Utilities.

We believe the solution will provide enhanced water quality to around 700,000 customers in our South Staffs operating area, deliver a reduction in carbon emissions of around 1,000 tonnes a year and lead to improved operational flexibility and resilience. Once complete, it will be the largest deployment of ceramic membrane technology in the UK, and the first retrofit of its kind in an existing water treatment works.

As we mentioned above, our construction partner, NMCN, went into administration in October and work at the site came to a halt. Since then, we have been working to recruit another construction partner with the necessary experience and expertise to take over from NMCN. And although it falls just outside the reporting year, in May we announced Ross-Shire Engineering and Barhale as our new construction partners. Work has now started again at Hampton Loade. Further information on the progress of our green recovery programme can be found in the separate report published alongside this document. We will continue to report on our progress in next year's annual performance report.

We also welcomed Philip Dunne, Ludlow MP and Chair of the Environmental Audit Committee, to Hampton Loade earlier this year. Andy Willicott, our Managing Director, and Andrew Lobley, our Operations Director, gave Mr Dunne a guided tour of the site and updated him on the progress of the upgrade programme.

> **"We continued to perform well against our Compliance Risk Index (CRI), with a score within acceptable levels. CRI is the main regulatory measure of compliance with very stringent water quality standards"**

Construction work at Bourn reservoir

One of the commitments in our business plan for 2020 to 2025 was to construct a new eight million litre reinforced concrete storage reservoir at the Bourn site in our Cambridge operating area. This new resource will replace and expand an existing reservoir at the site to accommodate the increased demand for water in the area as a result of population growth.

We started demolition work at the site in 2020, leaving only one active reservoir (Bourn 3), which supplies around 14,000 households. Once all the appropriate planning proposals had been submitted and approved, construction at the site finally got under way earlier this year. Our partners in this project, Stonbury, will be overseeing the build on our behalf. We are due to complete this project later this year.

Dealing with service issues

While we endeavour always to deliver a seamless service to all our customers, we know that problems can occasionally occur on our network. When this happens, our priority is to minimise the impact of an event or incident on our customers and return the service to normal as quickly as possible.

In October, for example, we identified a leak on a 24-inch trunk main as it passed over a freight rail line in Streetly in our South Staffs operating area. The main is critical to the supply of around 15,000 customers, which meant it could not be isolated without significant planning and preparation.

We used line stop technology to isolate the main before making the repair. This involves inserting a mechanical plug into the main to stop the water flow at the location of the leak so that the repair can be made. Although there was considerable disruption for customers in the vicinity of the leak – for example, in terms of the impact on local traffic – we only received one written customer complaint. We believe this is because of the proactive way we engaged the local community and kept them informed about the progress of the repair.

And in February, we faced a different type of incident following the publication of an article in The Guardian about levels of a chemical historically used in fire retardants in one of the water sources in our Cambridge operating area. The article contained a number of inaccuracies and inconsistencies, and while we were able to get corrections made, this was not before the story had spread, causing an understandable level of concern among some of our customers. Our focus was on rebuilding trust and on reassuring them about the safety of their drinking water. To reinforce this message, we carried out additional quality testing at customers' taps and wrote to every household in the area that potentially could have been supplied by the source. We also shared information with MPs and local councils, and attended a Parish Council meeting in one of the villages mentioned in the original Guardian article.

We will report on any specific learnings from this incident as appropriate in next year's annual performance report.

"We're really proud of our performance in many of the areas that we know are important to our customers This includes safeguarding drinking water quality, minimising interruptions to customers' water supplies and driving down leakage. These achievements are the result of the hard work and dedication of our teams, who deliver essential services in our communities every day"

Andrew Lobley, Operations Director

Delivering for the environment

Our environment promise

We will protect the environment, reduce leakage and support the building of water efficient homes

How we performed during 2021/22

We are very mindful of the impact our activities can have on the environment and work hard to ensure we minimise that impact. We take our environmental stewardship role seriously.

One area where we are continuing to outperform our target is in delivering environmental improvements and biodiversity benefits across both of our Cambridge and South Staffs operating areas. Our PEBBLE biodiversity fund and SPRING catchment management programme are key to driving our performance in this area – by the end of the reporting year we had helped to protect or enhance the environment across 542 hectares in both operating areas, outperforming our target by 222 hectares. We will continue to demonstrate our environmental stewardship by expanding our biodiversity and catchment management programmes in the year ahead.

Another area where we have continued to perform well is in reducing leakage from our network of pipes. This is an important environmental commitment for us because reducing the volume of water leaking from our pipes means more water is left in the environment. It is also a key priority for our customers and an area where they expect us always to make year-on-year improvements. The 2021/22 reporting year is no exception – we ended the year on track to deliver a reduction in leakage of around 15% across both our Cambridge and South Staffs operating areas by the end of the current planning period.

We also continued to manage the volumes of water we abstract from the environment, despite the challenges we faced with the sustained high demand we have seen since the start of the COVID-19 pandemic in 2020. This is especially important for our Cambridge operating area and the impact abstracting water from the environment can have on the rare and precious chalk streams that are a prominent feature of the region. Once again, we delivered our performance commitment in this area, and did not have to trigger the regulatory abstraction incentive mechanism (AIM).

Along with the rest of the UK water sector, we have an ambitious target to achieve net zero operational carbon emissions by 2030.

We have committed to play our part to deliver this and have a performance commitment to reduce carbon emissions to 61kg per connected property by the end of the current reporting period. We achieved our target for the year primarily by switching to renewable energy sources at all our operational sites. But we know we have much more to do if we are to reach our net zero target by 2030. So we developed a net zero strategy during the year, which describes how we will continue to target energy efficiency across all our assets and operations.

One area where we have again failed to meet our target for the year is personal water consumption. We are still seeing very high levels of individual demand for water across both our Cambridge and South Staffs operating areas. In particular, we are seeing high levels of demand among our South Staffs household customers, where we are 11% above our target. For our Cambridge operating area, we are 6% above our target. We have set out an action plan for this target in the supplementary information that accompanies this document.

We are looking very carefully at the reasons why water use by individuals and households has remained consistently high since the start of the COVID-19 pandemic. We are also focusing our attention on changing our customers' attitudes towards water and considering ways to encourage them to value it more as a precious and finite resource. We will report on the progress we have made to get this target back on track in next year's annual performance report.

Creating a ripple with PEBBLE

Every year, we make grants available for projects that deliver biodiversity benefits and positive community impacts. Charities, community groups and other organisations can apply for grants of up to £10,000 from our PEBBLE biodiversity fund. During the reporting year, we awarded more than £88,000 to 21 charities and community groups for projects that will enhance the environment in around 18 hectares across both our operating areas.

In our Cambridge operating area, we awarded grants of around £39,700 to 10 organisations for a range of projects, including:

> **"…by the end of the reporting year we had helped to protect or enhance the environment across 542 hectares in both operating areas, outperforming our target by 222 hectares"**

- restoration work at Coldhams Brook, a chalk stream in the centre of Cambridge;
- creating wildflower areas on the East Road Estate and at five schools in Cambridge;
- refurbishing a pond in Barrington by reinstating and reshaping the banks; and
- developing a wetland and reed bed at the Mill River Reserve to improve water quality and provide additional wildlife habitats.

In our South Staffs operating area, we awarded grants totalling more than £48,400 to 11 charities and community groups for projects that include:

- monitoring the presence of skylarks in the area around our Blithfield reservoir;
- creating a community green space in a neglected area in Dudley;
- eradicating Himalayan Balsam from a site in Kinver; and
- providing more habitats for bees at the Grenfell Road Allotments in Walsall.

Since we first launched our PEBBLE fund in 2016, 54.7 hectares of land (the equivalent of nearly 55 rugby pitches) across both our Cambridge and South Staffs operating areas have been improved thanks to the biodiversity projects we have supported.

Planning water resources for the long term

As the provider of an essential public service, we understand how crucial it is for us to ensure water is available every time our customers turn on their taps. Following the publication of the Environment Agency's National Framework for Water Resources in 2020, we have been working with other water companies and stakeholders to develop long-term regional water resources plans as key members of Water Resources East (WRE) in our Cambridge operating area and Water Resources West (WRW) in our South Staffs operating area. The regional water resources plans are due to be finalised in 2023 and seek to:

- increase levels of resilience for all water users;
- ensure that water (either too much or not enough) is not a barrier to economic development; and
- protect and enhance the environment.

Along with the other regional groups, in January WRE and WRW launched consultations on their emerging long-term water resources plans. The plans set out each regional group's initial thinking on how they will meet the needs for all water users, including how they will tackle the effects of climate change and protect the environment. The consultations closed in March and work is now under way to develop the formal consultations on each region's plan. These will be published in the autumn.

The regional water resources plans will inform our own water resources management plans (WRMP) for the Cambridge and South Staffs operating areas. These plans set out, in detail, how we will provide customers with high quality, sustainable and resilient water supplies over a 25-year period.

We started work to develop our latest WRMPs during the reporting year. We are due to submit our draft plans to the Secretary of State for Environment, Food and Rural Affairs in October. As part of this work, we published pre-consultation information for both the Cambridge and South Staffs operating areas, setting out our early thinking about the scale of the challenge we are facing and the potential solutions we are developing. We will report on the progress of these plans in next year's annual performance report.

Being animated about leakage

We are always looking for different ways to share information with our customers about the wide range of work we carry out. In May, for example, we launched a new animation – produced entirely in house by our Communications team – that explains our leakage repair process. The one-minute video captures the key processes we carry out from when a leak has been detected up to the point of repair. The aim is to show our customers the complexities sometimes associated with repairing leaks, as well as to encourage them to report any leaks they see in the public highway.

"We're fortunate to work for a company that gives us the opportunity to enhance our environment – such as helping schools to develop conservation areas, or by protecting the sources from where we take our water. Our green spaces are important and I'm proud that one of our core ambitions is to always leave the environment in a better state than when we started"

Caroline Cooper, Strategy and Regulation Director

Delivering for our business

Our business promise

We will run an efficient business with happy employees, where our suppliers are treated fairly

How we performed in 2021/22

In our business plan for 2020 to 2025 we committed to run an efficient business with people who are happy in their jobs, where our customers pay their fair share, and where we treat our suppliers fairly and in line with the Prompt Payment Code.

To ensure we deliver for our people we have a specific performance commitment for employee engagement and have focused much of our attention over the past year on improving the channels we use to communicate with and engage our people. This includes:

- holding induction sessions for people returning to the office after COVID-19 restrictions were lifted;
- using regular communication emails to share updates and information;
- setting up WhatsApp groups to communicate with our field-based teams and enable them to keep up to date with news; and
- relaunching our monthly employee newsletter, giving it a vibrant new look and name.

We also sought the opinions of our people during the reporting year. For example, we ran a number of viewpoint surveys at a water company and Group level, on a range of topics, including returning to the office, and mental health and wellbeing. And we continued to deliver against our Investors in People action plan (IIP), which we mentioned in last year's annual performance report. As part of this, we launched four new values for the business, which focus on the following.

- **Equality, diversity and inclusion** – embracing and valuing all our people, while adopting diverse and inclusive approaches.
- **Excellence in service** – leading by example to improve ways of working, while going above and beyond for our customers.
- **Responsibility** – being motivated to deliver high standards, while demonstrating ownership and responsibility for delivering business objectives.
- **Trust** – respecting and valuing those we work with, while building trusting relationships and empowering others to make decisions.

We have embedded the values within our appraisals process – and will continue to ensure they are central to all our people's objectives. We believe this will help us to deliver the outcomes our customers have told us are important to them and meet the targets set out in our performance commitments in the year ahead.

We know how important it is for our customers, suppliers and other stakeholders to trust us. Without this trust, our legitimacy as the provider of an essential public service is broken. One of the ways we are building this trust is by making sure everyone who should be paying a bill is doing so. During the reporting year, we continued with our void property checks to ensure fairness across charges and delivered against our performance commitment target.

One of the other ways we engender trust is by treating our suppliers fairly and paying them in a timely manner. This is particularly important for small businesses and for those that are critical to our day-to-day operations. In our business plan, we committed to paying companies with turnover less than £6.5 million within 30 days of receiving their invoice. Unfortunately, we missed our target in this area and are exploring ways we can improve on this in the year ahead. For example, we published a Supplier Code of Conduct in March, which outlines our expectation of how our suppliers, and their supply chain partners, should act when providing us with goods and services.

New Cambridge Water logo launched

In August, we launched a new logo in our Cambridge operating area as part of an exercise to strengthen our brand and create greater continuity between Cambridge Water and South Staffs Water. We tested the design for the new logo with members of our H2Online community based in our Cambridge operating area, with 64% saying they preferred it to the old version, and also that it was more modern and easier to read on screen.

Our Communications team developed the new logo in house. We were keen to acknowledge the history of Cambridge Water, while at the same time recognising its place within the South Staffordshire Plc group of companies. To that end, we retained the iconic Cambridge Water light blue, but adopted the style of logo used by South Staffs Water. To minimise any potential impact on customers and keep costs low, we took a phased approach to rolling out the new logo across our Cambridge Water operating area, starting with our digital channels.

> **"We have embedded our values within our appraisals process – we will continue to ensure they are central to all our people's objectives. We believe this will help us to deliver the outcomes our customers have said are important to them"**

Alongside the new Cambridge logo, we also produced new brand guidelines for all our people across both the Cambridge and South Staffs operating areas to follow, covering things like email signatures, letterheads, corporate publications, uniforms and company vehicles. The aim is to present everything we do in a clearly defined and consistent way – an approach that is integral to building a strong brand identity that resonates with our customers.

Focus on apprenticeships

In our business plan for 2020 to 2025, we committed to recruit between 25 and 30 apprentices over the five-year planning period. Our apprenticeship scheme gives young people across our Cambridge and South Staffs operating areas opportunities to gain the skills and knowledge they need to work in a wide range of roles across our business.

Since we launched our apprenticeship programme in 2016, we have recruited 17 apprentices across both operating areas. Six of our original cohort are now in permanent roles within the business. At the time of writing, we have nine young people currently progressing through their apprenticeships.

We believe our commitment to our apprenticeship programme delivers a number of benefits – for us and our apprentices. It gives them an opportunity to learn all the skills they need for their future career, including studying for recognised qualifications while earning a salary and gaining valuable work experience.

For our part, we see our apprentices as an important part of our succession planning, helping us to build the highly skilled work force that we will need in the future. It is for that reason that we make sure there is a permanent role within the business when our apprentices complete their studies. So, they benefit from having job security and we benefit from the skills they have learned.

Preventing illegal water use

One of the ways we protect our customers' interests and demonstrate our responsibility as a business is by taking action against companies and organisations that take water from our network illegally, typically through the unauthorised use of standpipes. It is an offence under section 174 of the Water Industry Act 1991 to make any connection to our network without our prior agreement or authorisation. When companies do this, it can compromise the quality and pressure of the water we supply to our customers. So it is an issue we take seriously. During the reporting year, we took action against five companies in our South Staffs operating area for illegally taking water from our network (none in our Cambridge operating area). In total, these companies were ordered by the Courts to pay us nearly £32,000 in fines and legal costs. We will continue to take action in this way to discourage other companies from acting irresponsibly in the future.

"We're committed to running an efficient and sustainable business for all our customers. This includes implementing a strategy to achieve net zero operational carbon emissions by 2030. We're also focused on delivering our largest-ever capital investment programme, a key part of which is the upgrade of two of our largest water treatment works – Hampton Loade and Seedy Mill – which we're on track to deliver in line with our regulatory targets"

Tom Fewster, Asset Management & Investment Delivery Director

Performance against our resilience action plan

In August 2019, we published our resilience action plan. This outlined how we were developing an integrated, systems-based approach to ensure we delivered resilient services to our customers now and in the long term.

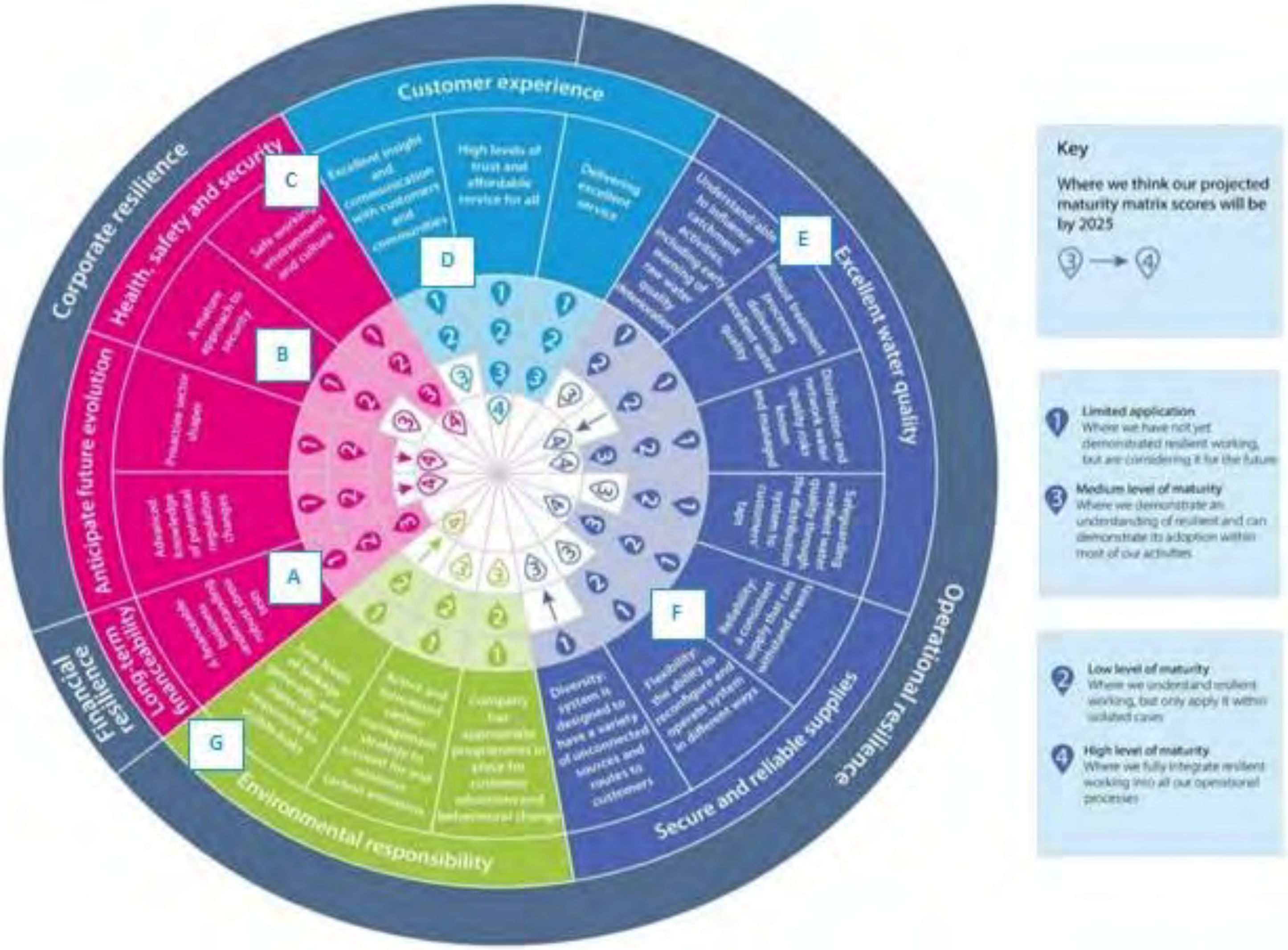
We committed to being resilient 'in the round', meaning we had:

- **financial resilience** – the ability to avoid, cope with and recover from any disruption to our finances now and over the long term;
- **corporate resilience** – the ability of our governance, accountability and assurance processes to avoid, cope with and recover from disruption of all types; and
- **operational resilience** – the ability of our infrastructure to avoid, cope with and recover from any disruption, and ensure we continue to deliver secure and reliable water supplies.

We have been working hard to complete the actions we set out in the plan and improve our long-term resilience in each of these areas.

Our resilience lens and progress against our plan

We created our resilience lens as a structured and robust way to assess our overall resilience, scoring ourselves on our resilience security against each of our desired states.



Linked to the resilience lens, we outline below the actions we have completed and the progress we have made in delivering against our resilience action plan since 2020.

Financial resilience

Ref	Business outcome	Desired state	Action	Update
A	Long-term financeability	A financeable business understanding robust stress tests	Commit to demonstrating in our next long-term viability statement that our assessment of financial resilience extends beyond 2025	We have revisited our **long-term viability over a ten-year period** and have continued to build on our approach to modelling financial resilience. See pages 46 to 51 in our annual report and financial statements for more information. In addition, a **new Group structure has been put in place**, which ring-fences the regulated liquidity of South Staffordshire Water from other non-regulated activities within the South Staffordshire Plc Group. As part of the restructure, we have received the repayment of a £25m outstanding intercompany loan, which has significantly reduced our external debt requirements during the reporting year. See pages 67 and 68 of the annual report and financial statements for more information.

Corporate resilience

Ref	Business outcome	Desired state	Action	Update
B	Health, safety and security	A mature approach to security	Continue to ensure security matters are at the heart of all our decision-making, business planning and processes	Ensuring that everyone goes home safely at the end of the working day is paramount to us. During the reporting year, we focused our efforts on the most **critical safety risks to our business** as part of an ongoing review. This includes providing training for our people on cyber awareness, and making sure all our data is backed up and that regular recovery tests are carried out. We also continued to work hard to make our approaches to **health, safety and wellbeing** even more robust. During the reporting year, we focused specifically on the risks our operational teams manage on a daily basis, including around working in confined spaces and near pressurised systems.
C	Health, safety and security	Safe working environment and culture	Achieve Investors in People (IIP) accreditation during 2020/21	We achieved IIP accreditation at the Standard level in December 2020 and have continued to deliver against the action plan. This includes, for example, relaunching our values, which focus on **equality, excellence, responsibility and trust**. We have embedded these values in our appraisals process to ensure they are reflected in all our people's objectives. See page 10 for more information. We have also refreshed our approach to how we view health and safety across our business. This includes reporting to the Board on high-potential (HiPo) incidents. These are any events with the potential to result in a life-threatening injury. This could be an accident or a near miss. We have continued to **raise awareness among our people of the importance of health and safety** within the work place, reminding them of the ways they can mitigate any risk associated with their roles. We aspire to be a zero injury work place.

Ref	Business outcome	Desired state	Action	Update
D	Customer experience	Excellent insight and communication with customers and communities	Set up an online community panel to track customer priorities and give us regular insight across a range of topics	Our H2Online customer community, which we launched in our Cambridge and South Staffs operating areas in 2019, is continuing to go from strength to strength. **H2Online is a two-way research and engagement platform** that enables our customers to give us their options and feedback about our services. It also gives us valuable insight, enabling us to **build our customers' views into our decision-making**. We update H2Online members regularly with the actions we have taken from their feedback and our wider engagement programme. At the end of the reporting year, we had 677 customers registered as members of our H2Onlone community (239 in our Cambridge operating area and 438 in our South Staffs operating area). See pages 19 and 20 for more information This **proactive approach to customer engagement**, coupled with innovations like our customer promises and customer priorities trackers, has contributed to our upper-quartile C-MeX performance during the reporting year. See page 16 for more information.

Operational resilience

Ref	Business outcome	Desired state	Action	Update
E	Excellent water quality	Robust treatment processes delivering excellent water quality	Upgrade our water treatment works at Hampton Loade and Seedy Mill by introducing an additional treatment stage and dual streaming	We started work on the upgrade programme at Hampton Loade and Seedy Mill during 2020/21. We submitted a successful bid to Ofwat's green recovery initiative to install an innovative ceramic membrane based filtration system at Hampton Loade. We **remain on track to deliver this ambitious upgrade programme** at our two largest water treatment works in line with our performance commitment targets, despite our construction partner, NMCN, going into administration in October. We have successfully appointed new contractors at both sites (Ross-Shire Engineering and Barhale at Hampton Loade, and Galliford Try at Seedy Mill). See page 22 for more information
F	Secure and reliable supplies	Flexibility: the ability to reconfigure and operate our system in different ways	Continue with our proactive control systems and processes replacement programme	We have launched a **smart networks project** to provide a proactive approach to managing the supply and distribution system. This will better enable us to **share information with customers** before they contact us and throughout any change in their supply. Our smart network will include additional sensors, changing the way data is transferred into the business and giving us a situational tool that **enables us to visualise where there are changes** on the network. We are taking a **phased approach** to implementing our smart network, incorporating different sensor types to identify: • leakage; • changes in customer behaviour; and • changes to the supply and distribution system. We are also incorporating **near-real time network modelling** into the smart network programme to ensure accurate predictive modelling.

Ref	Business outcome	Desired state	Action	Update
G	Environmental responsibility	Low levels of leakage generally. And especially responsive to visible leaks	Reduce leakage by at least 15% in our Cambridge and South Staffs operating areas	We remain on target to achieve our stretching target to reduce leakage by 15% across both our Cambridge and South Staffs operating areas by 2025. See page 25 for more information.

Next steps

We are continuing to work towards improving our resilience maturity across all areas of our operations. We are in the process of delivering a number of other actions and will report on our progress in next year's annual performance report.

Long-term viability statement

The Directors' full assessment of financial viability can be found on pages 46 to 52 of the South Staffordshire Water PLC annual report and financial statements. The Directors have assessed the company's viability over a ten-year period to 2032, 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 2032.

Company direction and performance statement

This short statement sets out how we are delivering for our customers and how they are central to everything we do, including our aspirations for the future and how we set our targets for delivery.

Our vision is to ensure we **deliver clean, affordable water every day**. This is so that we can make sure our customers always have access to high-quality drinking water, and that our people are empowered to provide an excellent and trusted service.

As a business that has provided an essential public service in our Cambridge and South Staffs operating areas for nearly 170 years, we recognise the importance of delivering the things that matter most to our customers, now and in the future. To achieve this, we actively work in partnership with local communities and play our part to help them thrive. We also act as the guardians of our assets and work hard to protect the local environment. And we are a responsible company that puts the safety of our customers and our people at the heart of all our decision-making. This helps us to run an efficient business that is in everyone's interests.

Our overarching vision and purpose are underpinned by our core beliefs, which are that:

- preparing for the future is essential;
- building resilience in the face of climate change is vital;
- minimising waste in every area of our business operations is crucial;
- using water wisely is important;
- we are always looking for new ways to do things better and quicker;
- listening to customers is critical;
- our focus is on local issues; and
- working with partners creates better communities.

These core beliefs are underpinned by our values of equality, excellence, responsibility and trust, which are reflected in our people's objectives and the work they do.

Our **main operational targets are broadly those we put forward to Ofwat in our business plan for 2020 to 2025**, and approved as part of our final determination, which we received in December 2019. Our customers have shaped these targets and we have grouped them into five outcomes – these are the promises we have made on the services they want us to deliver. To ensure we maintain our customers' trust in us, it is vital that we deliver these promises. So we have developed 30 performance commitments, which are the areas where our customers have said they want to hold us to account. We have set stretching targets, known as 'outcome delivery incentives' (ODIs), for each of these commitments so that customers can measure our performance and see how we are doing. We publish our progress on meeting these targets in an open and transparent way each year; we also publish key performance data each month on our dashboard. In addition, in this APR and in our annual report and financial statements we make further disclosures around:

- gender, equality and diversity;
- corporate governance;
- Executive pay and remuneration;
- shareholder dividends; and
- our ownership structure.

Our ODI targets feed into our financial and operating budget setting process each year and ensure that we maintain our ability to meet our customers' needs now and over the long term. We are required to outperform these targets while also delivering sustainable returns for our shareholders and making sure that capital investment takes place, and that we are operating efficiently across our wholesale and household retail price controls. We also have some non-regulated aspects to our business, which are managed under a similar framework. The Board, which is led by an Independent Non-executive Chair, uses its expertise and insight to challenge these targets and ensure there are plans in place to get back on track if there are any shortfalls.

During the year, **our focus was firmly on delivering for our customers**. We made considerable improvements in C-Mex, the key regulatory measure for customer experience and were ranked 4th in the sector overall, compared with 10th in the previous year. We have also extended our financial support to customers, recognising the impact on them from the current squeeze in living standards. Last year, we helped more than 58,600 customers, significantly above our target of 34,000. We also continued to extend the reach of our Priority Services Register (PSR) for our most vulnerable customers, and have met our target of having 5% of our customers on our 'Extra Care' support package.

Andy Willicott, Managing Director
30 June 2022

Statement of Directors' responsibilities for regulatory information

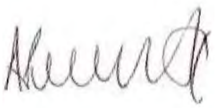
Further to the requirements of company law, the Directors are required to prepare accounting statements, which comply with the requirements of Condition F of the Instrument of Appointment of the company as a water and sewerage undertaker under the Water Industry Act 1991 and regulatory accounting guidelines (RAGs) issued by Ofwat.

This additionally requires the Directors to:

- confirm that, in their opinion, the company has sufficient financial resources and facilities, management resources, and methods of planning and internal control 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;
- confirm that, in their opinion, the company has contracts with any associated company with the necessary provisions and requirements concerning the standard of service to be supplied to ensure compliance with the company's obligations as a water and sewerage undertaker;
- report to Ofwat 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 of the company's Instrument of Appointment.

These responsibilities are additional to those already set out in the statutory financial statements.

This Directors' responsibilities statement was approved at a meeting of Directors held on 30 June 2022 and duly signed on its behalf.



Andy Willicott
Managing Director
30 June 2022

Ring-fencing certificate

The company is required by Ofwat to produce and submit a ring-fencing certificate (RFC), also known as a certificate of adequacy. The RFC confirms that, in the opinion of the Board, the company will have available to it: sufficient financial resources and facilities; management resources, and systems of planning and internal control; and rights and resources, other than financial resources, to enable it to carry out the regulated activities for at least 12 months from the date the certificate is submitted to Ofwat.

The company also has to confirm that all contracts between it and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to the company, to ensure it is able to carry out the regulated activities.

Deloitte has performed assurance procedures on certain items of the certificate and its report has been submitted to Ofwat.

Main factors the Board has considered

The Board has considered a wide range of factors and evidence to satisfy the Directors that they can approve the RFC. The areas covered are set out in the following sections.

Financial resources and facilities

Factor considered	Sufficiency of evidence
Financial position	During the year an intercompany loan of £25m from South Staffordshire Water to Hydriades IV Limited, one of the Group holding companies, was repaid. This loan had previously been approved by Ofwat and was not otherwise due to be repaid until 2053. This voluntary step has helped to strengthen financial resilience by reducing borrowing requirements. As a result, our balance sheet on 31 March 2022 showed net cash of £49.6m. This provides sufficient headroom for at least the next 12 months.
Credit ratings and compliance	The latest published credit ratings from Moody's (as at January 2022) and from S&P (as at December 2021) remain well within investment grade. The actual and forecast borrowing covenants all maintain significant headroom to allow us to operate.
Performance against our PR19 final determination	We have outperformed our totex allowance (excluding rates, abstraction licence fees and costs not subject to cost sharing) by £1.4 million, once timing differences are taken into account. Excluding per capita consumption (PCC), which will be assessed at PR24 as a result of the impact of the COVID-19 pandemic, our performance commitments are in reward by £1.8 million.
Budgets and plans	Our budget for 2022/23 and the associated investment programme has been reviewed, challenged and approved by the Board. Base plans used for the long-term viability statement cover the period 2022 to 2032. This is set out on pages 46 to 51 of our annual report and financial statements, along with the stress tests applied, the results of those tests and the mitigations considered. The Audit and Risk Assurance Committee has reviewed the long-term viability statement on behalf of the Board; it considers that the company will continue to operate for at least the next ten years.

Management resources

Factor considered	Sufficiency of evidence
Management skills, experience and qualifications	Many key managers have been with the company for a number of years and have gained a significant level of experience in their relevant areas. Key technical managers are suitably qualified and continually developed to ensure their skills are up to date.
Recruitment process and employee management	All job vacancies are gender neutral and focus on skills, abilities and opportunities for development. We also work proactively with local schools, colleges and universities – attending careers fairs and engaging with young people about the opportunities we have to offer. All employees have two formal appraisals a year. This enables managers to review performance, progress against objectives set for the year and behaviour against company values. Appraisals also consider future aspirations and training needs.
Succession planning	Succession planning in recent years has focused on recruiting apprentices and training them in key roles, such as leakage detection and repair.
Training and development	All new starters attend a formal induction, and health and safety presentation. Where identified, a formal training and development plan is agreed to ensure employees become fully competent in their roles. These plans are reviewed on a regular basis against specific milestones. We achieved Investors in People (IIP) standard accreditation in 2020/21. This is a measure of people investment that offers accreditation to organisations that adhere to specific standards and recognise the importance of employee engagement.
Board culture and independence	The Chair has carried out a review of Board effectiveness and compliance with Ofwat's principles. More details are set out on page 83 of our annual report and financial statements. The largest single group of Directors on the Board during the year was that of Independent Non-executive Directors, including the Independent Chair.

System of planning and internal control

Factor considered	Sufficiency of evidence
Risk management	The Audit and Risk Assurance Committee reviews the risk management process on behalf of the Board and every six months presents it with the key risks facing the business, the impact assessment and the controls in place to mitigate them. This is set out on pages 35 to 45 of the annual report and financial statements.
Internal/external audit	The Audit and Risk Assurance Committee reviews and challenges papers and feedback from senior management, external auditors' reports and reports from Group Internal Audit. During the year the Committee reviewed our assurance plan before we published it for consultation.
Business continuity	Each department reviews and updates its business continuity plans every year. These plans consider how we would operate in the event of a significant incident. They cover the ability to work remotely, disaster recovery and how we would ensure a continued service to customers.
Fraud prevention, unethical behaviour and whistleblowing	The Board, supported by the Audit and Risk Assurance Committee, attaches considerable importance to our system of internal control and reviews its effectiveness. This includes making sure reasonable steps are taken to safeguard our assets, and to prevent and detect fraud and other irregularities. The internal control system can provide only reasonable and not absolute assurance against material mis-statement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. We have an established internal control framework that is continually reviewed and updated, taking into account the nature of our operations.
Risk and compliance statement	The Board reviews and approves the risk and compliance statement as set out on pages 42 to 44. This includes a statement that the company has sufficient processes and internal systems of control to meet its statutory obligations.

Other rights and resources

<table>
<tr><th>Factor considered</th><th>Sufficiency of evidence</th></tr>
<tr><td>Corporate purpose and values</td><td>As part of Ofwat's principles on Board leadership, transparency and governance, the Board is required to monitor to assess values and culture to satisfy itself that behaviour throughout the business aligns with the company's purpose. This is set out on pages 10 to 12.</td></tr>
<tr><td>Technology, systems and security</td><td>We have reinstated the Information Security Steering Group (ISSG) and are introducing other business Information Security Forums that will feed into the ISSG. The ISSG works in tandem with our fellow Group companies to focus on protecting the business and driving improvements through:
• having a compliance framework in place for Security of Network & Information Systems Regulation (NIS);
• having ISO 27001 certification for all Group IT operations;
• having managing services for monitoring and security operations centre (SOC) provision in place;
• having a privacy team and Data Protection Officer in place, and implementing a sustainability plan;
• making sure high availability architecture and monitoring is built into core systems such as firewalls, networks, switches and servers;
• setting up a Technical Design Authority to review all new technology solutions are implemented as designed and meeting security requirements;
• continued engagement in national and international industry forums;
• providing information security awareness training for our people; and
• collaboration with others across the water sector.</td></tr>
<tr><td>Policies to encourage and integrated approach and 'systems thinking'</td><td>We have developed and implemented a framework that demonstrates an integrated approach and systems thinking, which underpins all its operations. This is published as part of our resilience action plan, which is available on our website.</td></tr>
<tr><td>Planning systems</td><td>As part of our published resilience action plan, we have set out seven principles of systems planning that have been linked to its business outcomes. These are:
• resilience in the round;
• a naturally resilient water sector;
• customer engagement;
• consideration of intervention options;
• delivering best value solutions for customers;
• having an outcomes and customer-focused approach; and
• Board assurance and sign off.</td></tr>
<tr><td>Asset maintenance and insurance factors</td><td>We have a number of assets that are critical to the provision of clean, safe and high-quality drinking water. The reliability and resilience of these assets could cause risks around our delivery capacity, with loss of supplies.
We have considered our long-term plans in the context of managing and maintaining our assets and supply capabilities. We have also carried out:
• significant investment on our key water treatment works; and
• a risk-based review of all our assets to ensure we are ready and capable of delivering clean, safe and high-quality drinking water.
We have a comprehensive insurance policy that covers:
• public liability;
• employee liability; and
• business interruption.
We review the policy each year to ensure it provides appropriate cover.</td></tr>
</table>

Contracting

Factor considered	Sufficiency of evidence
Status of key contracts	For most key contracts, regular dialogue takes place to identify any potential supply issues at an early stage. We use multiple suppliers for critical items. We also hold additional stocks where there is a limited number of suppliers.
Contracts with associated companies comply with licence conditions	There are defined procedures to ensure contracts with associated companies are at arm's length, either through competitive tender or at cost. These are set out on pages 52 to 54. We ensure the Board has visibility of our trading arrangements with associated companies, and present a paper that sets out the current arrangements in place and any risks of non-compliance. This paper also sets out the total value of transactions in the year compared with the previous year and shows them in the context of total category spend.
Details of transactions between the appointed company and associates	These are set out on page 54 and show the: • service supplied; • value of transactions in the year; and • terms by which the contract operates.
Loans, guarantees and transfers of assets by the appointed company	No new loans, guarantees or transfers were issued during the reporting year.

Material issues or circumstances

There were no material issues in 2021/22.

Procedures followed to satisfy the Board that the evidence is sufficient

The Board has to satisfy itself that the evidence set out above is sufficient to be able to reach the conclusion it can make the required declaration in the RFC.

During the year, the Board discusses a wide range of agenda items. Examples of these are set out on page 40. A number of these items cover the factors considered above and allow the Directors to gain an overall picture in respect of the sufficiency of resources.

For example, the Board has been fully engaged in the formulation of the company's budget and longer-term plans. As part of the process, several key meetings were held with Board members to allow early discussion and challenge. The process culminated in the approval of the final budget at a Board meeting in March 2022.

In addition, the Audit and Risk Assurance Committee is responsible for reviewing and monitoring the company's financial statements, internal controls and systems for mitigating the risk of financial and non-financial loss. This includes:

- assessing the integrity of the financial statements;
- considering changes to accounting policies;
- reviewing financial reporting procedures;
- risk management processes; and
- monitoring systems.

The Audit and Risk Assurance Committee reports back to the full Board on the key work carried out.

Board declaration

The Directors declare that in their opinion:

a) The company will have available to it sufficient financial resources and facilities to enable it to carry out its regulated activities, for at least the 12-month period following the date on which this certificate is submitted.

b) The company will have available to it sufficient management resources, and systems of planning and internal control to enable it to carry out its regulated activities, for at least the 12-month period following the date on which this certificate is submitted.

c) The company has available to it sufficient rights and resources other than financial resources, as required by paragraph 14 of its licence.

d) All contracts entered into between the company and any associated company include the necessary provisions and requirements in respect of the standard of service to be supplied to the appointee, to ensure that it is able to carry out its regulated activities.

In making this declaration, the Directors have considered the main factors set out above.

This ring-fencing certificate was approved at a meeting of Directors held on 30June 2022 and duly signed on its behalf.

Andy Willicott
Managing Director, South Staffordshire Water PLC

Lord Chris Smith
Chair, South Staffordshire Water PLC

Catherine May
Senior Independent Non-executive Director

Alice Cummings
Independent Non-executive Director

Professor Ian Barker
Independent Non-Executive Director

Keith Harris
Non-Executive Director

Peter Antolik
Non-Executive Director

Ken Kagaya
Non-Executive Director

Risk and compliance statement

South Staffordshire Water has a number of statutory and regulatory obligations as a water undertaker. These obligations are predominantly laid down in the Water Industry Act 1991 and its Instrument of Appointment (the 'licence'). The purpose of the risk and compliance statement is to demonstrate that the company fully complies with these obligations.

Ofwat's guidance requires the company to confirm that it has:

- a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations;
- taken steps to understand and meet customers' expectations;
- satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
- appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

Each of these is considered below, along with a view of how the company has satisfied itself that it can confirm the obligations have been met.

1. The company confirms that it has a full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations

Each year the company considers its obligations as a water undertaker and that it understands and complies with them. This is done in a number of different ways, including by:

- assessing the impact of any licence changes or changes to the Water Industry Act made during the year and making sure any new obligations are adopted;
- reviewing and publishing relevant documents as required under the licence;
- using the appropriate assurance where required, either through internal audit or external technical audit;
- requiring Board sign off of all significant obligations – for example, customers' charges and the APR; and
- the Audit and Risk Assurance Committee carrying out an annual review of compliance.

At a meeting of Directors held on 30 June 2022 the Board confirmed that the company has taken the following steps.

- Has adequate financial resources and facilities, management resources and systems of internal control (including those needed to manage risk) to enable it to carry out its regulated activities (including the investment programme necessary to fulfil its obligations under its Instrument of Appointment).
- Has maintained an investment grade rating from both Moody's and S&P.
- Can confirm there are sufficient rights and assets available to enable a special administrator to run the business.
- Has ensured that Executive Directors' remuneration packages are linked to the performance of the business, taking account of both financial and service performance.
- Has ensured that each Director has confirmed that, in accordance with the Companies Act 2006, as far as they are aware, there is no relevant audit information of which the company's auditors are unaware. The Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the company's auditors are aware of that information.
- Complies with Condition F of its licence. The Board can also confirm the company's compliance with the objectives and principles of RAG 5.07, namely that transactions with associate companies are at arm's length and that cross-subsidy is not occurring.

Based on the work carried out during the year, the company has not identified any exceptions and can confirm that it has a full understanding of and is meeting all its relevant statutory, licence and regulatory obligations. The company confirms that it has taken steps to understand and meet customers' expectations.

2. The company confirms that it has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations

The company has a number of outcomes that reflect what its customers have expressed as important to them. These outcomes have performance commitments attached that customers can expect it to achieve. Each year the company publishes a summary of its performance for customers and makes it available on its website.

The company believes it is important to be transparent with its customers and other stakeholders, and regularly shares information about its performance. In addition, it reports operational performance to customers through its accessible dashboard. The company also makes further disclosures around remuneration, governance, tax and its ownership structure, as it knows these are important matters for customers.

The company uses insight from customers to help shape its day-to-day and long-term plans. In particular, it has taken the following steps.

- Carried out its largest-ever customer research programme to gain a robust understanding of customers' preferences for the investments required to ensure a reliable, long-term supply of high-quality water to 2050 and beyond. This has involved engaging with an ongoing forum of household and non-household customers across the company's Cambridge and South Staffs operating areas, covering a range of topics from smart metering, views on water transfers and reservoirs, and how far the company should go to protect and improve the water environment. The company has also been working collaboratively with other water companies to engage with customers across the Water Resources East and Water Resources West regional supply areas to ensure consistency in the engagement approach and to share expertise and costs to the benefit of customers. The insight programme has continued into the 2022/23 financial year and will help ensure customers' voices have influenced the decisions made in the draft water resources management plans (WRMPs) that will be submitted to the Department for Environment, Food and Rural Affairs (Defra) in October 2022.

- Continued to track household and non-household customers' perceptions of the company's service delivery and brand experience to ensure action plans are focused on the areas in need of most improvement. More than 800 customers took part in 2021/22.

- Engaged with household and non-household customers to understand the priority they place on different aspects of their water service. These priorities are being tracked and reviewed each year throughout AMP7 to ensure the company quickly identifies any changes in customers' priorities and understands what has driven these changes. This insight will help ensure the company can better adapt its plans to meet customers' needs.

- Continued to engage on a weekly basis with customers who are members of its H2Online community in the Cambridge and South Staffs operating areas. During the reporting year members engaged on more than 50 topics related to their water service, which has driven a wide range of tactical improvements in website content and design, communications campaigns, as well as informing strategic decisions around metering and branding. The community now has more than 670 registered members and continues to grow.

- Developed our customer survey platform, providing customers with the opportunity to feed back on their experience following a contact more quickly (often the same day) and offering an improved survey experience. The enhanced reporting functionality also allows the company to follow up any customer dissatisfaction quickly and resolve the issue, as well as to identify trends and themes that will help the relevant teams put actions plans in place to improve the day-to-day service based on customers' feedback.

- Started to implement a segmentation of the company's household customer database to ensure that communications can be personalised to the customer. This is now helping to ensure the company's communications are more effective and enable customers to be more aware of, better understand and make use of the services and support offered. The company has received mainly positive feedback from customers about its email campaigns to support them during 2021/22.

- Continued to regularly benchmark the company's performance against best practice engagement within and outside the water sector to ensure new ideas are built into actions plans to improve the service delivered to customers.

- Set up a new reporting approach that more effectively triangulates customer insights with the insight sources listed above and benchmarks from the wider sector for the majority of its performance commitment during AMP7. This report from April 2021 will provide the Executive and senior leadership teams with a clear view of how effectively the company is delivering against its customers' priorities and expectations, viewed through a 'customer' lens, and to ensure the actions plans in place are driving positive benefits for customers.

- Established a research supplier framework to ensure high-quality customer engagement to support the development of the PR24 business plan and continue to deliver best practice approaches to engagement for the business-as-usual insight programme.

The company has used the insight gathered from its customers to help shape the services it delivers, which has been more important than ever with the additional challenge of the COVID-19 pandemic. This includes:

- updating the website to provide more information in a straightforward way, including a dedicated COVID-19 page providing essential information, a financial support page, and updates to information on water efficiency and benefits of having a water meter;
- launching several new financial support options for customers, including payment breaks, help for anyone waiting for their Universal Credit applications to be approved, a payment matching scheme to support those customers already in debt to the company, and a dedicated COVID-19 social tariff; and
- increasing the number of customer who are benefitting from the Priority Services Register (PSR) by more than 23,000. The company has also set up an additional 'Extra Care' service for those customers on the PSR who need the most support, which includes proactive engagement with customers to determine the levels of help and support it may need to provide.

The company can therefore confirm that it has taken steps to understand and meet customer expectations.

3. The company confirms that it has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks

The company has a number of processes and controls in place to ensure it delivers its statutory, licence and regulatory obligations.

The Board, supported by the Audit and Risk Assurance Committee, attaches considerable importance to the company's system of internal control and reviews its effectiveness. This includes making sure reasonable steps are taken to safeguard the company's assets, and to prevent and detect fraud and other irregularities.

The Audit and Risk Assurance Committee is closely involved in challenging the company's processes for identifying, evaluating and managing significant risks and there is an established internal control framework that is continually reviewed and updated. This process includes identifying, evaluating and managing the significant risks faced by the company is described below.

Alongside this, the company also has robust and transparent assurance processes in place as set out in its assurance framework.

The company benefits from independent reviews of performance by an internal audit function operated by its parent company. This service is dedicated to ensuring internal control activities remain a priority within the company. This includes consideration of the statutory and regulatory obligations to ensure compliance.

Based on this, the company is satisfied that it has sufficient processes and internal systems of control to fully meet its obligations.

4. The company confirms that it has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks

The company recognises that risks exist in all businesses. Its approach to risk reflects its status as a regulated and licensed water undertaker providing an essential public service. The company accepts that not all risks can be mitigated entirely, but its aim is to ensure that risk management activities reduce the overall estimated impact of risks to a level that is considered to be acceptable and that does not impact on its long-term viability.

Risk management is embedded in the company's day-to-day business activities. To facilitate the risk management process, every six months the Executive team reviews the principal business risks as identified and documented by senior managers. They consider the risks on the whole business, as well as the proposed mitigating controls and procedures that are designed to reduce risks to an acceptable level. These risks are then presented to the Audit and Risk Assurance Committee for review, which challenges and comments on behalf of the Board, with any agreed actions passed on to the relevant senior manager, and any significant issues escalated to the Board.

The objectives of this risk management process are to:

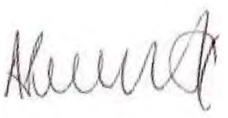
- ensure the Executive team is able to identify and prioritise all key business risks;
- implement appropriate procedures and controls to mitigate risks to an acceptable level; and
- enable senior managers to highlight, document, prioritise and execute any identified actions.

The key risks, as identified using the process described above, and details about what each risk means for the company, the actions it is taking to mitigate the impacts and any changes in risk are set out on pages 35 to 45 of the annual report and financial statements.

The company stress tests its financial projections against a number of plausible scenarios, taking into account these key risks and the impact they could have on customers and other stakeholders. This is set out in the long-term viability statement on pages 46 to 51 of the annual report and financial statements.

Overall, the company is satisfied that it has appropriate systems and processes in place to allow it to identify, manage and review its risks.

This risk and compliance statement was approved at a meeting of Directors held on 30 June 2022 and duly signed on their behalf.



Andy Willicott
Managing Director
South Staffordshire Water PLC

Lord Chris Smith
Independent Chair
South Staffordshire Water PLC

Board statement on accuracy and completeness of data and information

Each year the company publishes a wide range of information for stakeholders (regulators, customers and other bodies), about how it runs its business and the service standards it achieves. It is important that this information can be trusted to be accurate and complete, so the company carries out a range of assurance processes to give customers, regulators and other stakeholders confidence that the information is robust.

The company is required by Ofwat to provide a statement, signed by, or on behalf of the Board, stating that the data and information which the company has provided to Ofwat in the reporting year and/or which it has published in its role as water undertaker was accurate and complete and setting out any exceptions to this which should be clearly explained.

Main factors the Board has considered

The Board has considered a wide range of factors and evidence to satisfy the Directors that they can approve the statement. The areas covered are set out in the following sections.

1. How the Board has engaged and challenged on the assurance approaches that have been taken

Each year, the company's assurance plans are presented for review, challenge and approval.

This plans set out in detail the process the company has been through to understand the regulatory reporting risks and the plan it proposes to put in place to ensure those risks are controlled. This review results in a number of 'targeted areas' and are intended to ensure that areas of higher risk or significant change are given appropriate focus during assurance activity. The Board agreed the following targeted areas for the 2021/22 reporting year.

- COVID-19.
- Developer charges.
- Annual customer charges.
- Annual performance report.
- Performance commitments between 2020 and 2025.
- Preparations for PR24.
- Supporting effective markets.

The company consulted with stakeholders on its 2022/23 draft plans in November 2021 and incorporated feedback into the final plan published on the company's website in March 2022.

2. How the Board has taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed

Jacobs carried out a detailed and extensive review for the 2021 APR. The company engaged closely with this review and built on its successes from the previous year to significantly reduce its assurance risk. This was demonstrated in the high-quality scores the company received against the majority of its performance commitments and other data items. Jacobs highlighted the following three key issues in its review of the company's performance commitments (PC).

- The **education outreach PC**, which was severely impacted by COVID-19 in 2020/21 and 2021/22 where alternative activity deviated from the original PC definition. Non-compliance against this commitment was driven by the COVID-19 restrictions that limited the company's ability to carry out any school visits. Despite representations to Ofwat that the company had put in place an alternative online programme, the regulator applied its final decision to the original PC definition, which resulted in a penalty. The company has now re-stated its education outreach PC for the year in line with the original definition.

- The **leakage and per capita consumption PCs** not being fully compliant with the convergent methodology and therefore not making it possible to accurately backcast for the three-year average. The leakage PC performance was also driven by COVID-19 restrictions as the company was unable to meet its full installation programme for new logged non-household meters. The company completed this programme during the reporting year and is now compliant with the required methodology.

- The **risk of restriction to severe drought PC** not being compliant with the guidance. The company has continued to review its approach to reporting against this PC. It continued to report this measure consistently, by reporting the value aligned to its final water resources plan delivery. To do otherwise would mean that the company's business plan targets are not set on a consistent definition. The company welcomes further dialogue with Ofwat on the issue, if required.

The Audit and Risk Assurance Committee challenged the company's Executive team and senior managers to provide an action plan to address any outstanding issues next year's annual performance report.

3. How the Board has satisfied itself that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas

As outlined above, the Board reviewed the risk assessment process set out in the company's assurance plan to determine the minimum level of assurance for a piece of information or data.

Different data may have different risks associated with its compilation or accuracy, and different consequences depending on the purpose of the data.

The company scores assurance risk by looking across several factors that influence the likelihood that the data may contain an error; and the impact that inaccurate, incomplete or late data may have on the recipient or other parties.

It then calculates an assurance risk score by multiplying the maximum scores from the likelihood assessment and the impact assessment, and uses this score to derive the minimum level of assurance required as follows.

More details of the company's process and the risk scoring of all the information it publishes can be found in its assurance framework.

Category	Low assurance risk	Medium assurance risk	High assurance risk	Critical assurance risk
Planning	Methodology statement required for all data			
Audit	Second person review	Independent internal assurance	Third party assurance	Third party assurance
Sign off	Manager sign off	Second manager sign off	Director sign off	Board sign off

4. How the Board utilised individual directors and committees in carrying out its activities in this area

The Board utilises the Audit and Risk Assurance Committee to carry out the activities described above. This is set out in the key terms of reference for the Audit and Risk Assurance Committee on page 72 of the annual report and financial statements. Specific areas of review during the year included the following.

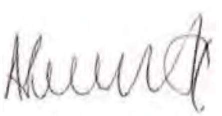
- Review of the APR datatables.
- Review of progress towards full compliance of PC reporting.
- Intercompany transactions.

In addition, individual Board members have been used to review specific areas in the year, including:

- the assumptions used for the annual customer charges – in particular, how this took account of the uncertainty around consumption as a result of the COVID-19 pandemic; and
- the approach to our long-term viability statement assumptions and outputs, including the use of Monte Carlo analysis.

Overall, the Board is satisfied that the data and information which the company has provided to Ofwat in the reporting year and/or which it has published in its role as water undertaker was accurate and complete.

This statement on the accuracy and completeness of data and information was approved at a meeting of Directors held on 30 June 2022 and duly signed on their behalf.



Andy Willicott
Managing Director
30 June 2022

Accounting disclosures

Board agendas for the year ended 31 March 2022

The Board met ten times during the year; among other things, it discussed the following key items.

- Statutory accounts, APR and external assurance (including long-term viability testing).
- Budget approval.
- Pay award and recognition.
- Green recovery programme.
- Review of delegated authorities and internal control manual.
- Refurbishment of Crumpwood pumping station.
- Enhanced disinfection installation at Fleam Dyke pumping station.
- Approval of year 3 catchment management expenditure.
- Generator replacement at Ashwood.
- Deep dives – CRI, C-MeX, leakage and PCC.
- Cambridge operating area property strategy.
- Smart network transformation.

Relationship between Directors' remuneration and standards of performance

We have an obligation under Section 35A of the Water Industry Act 1991 to make a statement in relation to remuneration that is linked to standards of performance. Please refer to pages 78 to 82 of the annual report and financial statements for full details of the relationship between Directors' remuneration and standards of performance.

Disclosure of information to auditors

The Directors confirm that as far as they are aware, there is no relevant audit information of which the company's auditor is unaware and that the Board has taken all reasonable steps to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approach to taxation

Please refer to page 12 of the annual report and financial statements for full details of our approach to taxation.

Dividend policy and framework

Our dividend policy aims to ensure that we distribute dividends that reflect the equity value created by the business, subject to:

- meeting the range of outputs promised to customers and required by regulators;
- credit quality metrics that are consistent with a Baa1 credit rating; and
- there being sufficient liquidity to meet investment and operational needs for the foreseeable future.

The Board has considered the following areas, in line with our dividend policy, when determining the level of dividend to be paid. We have included the 2020/21 dividend breakdown for comparison.

Policy consideration	Adjustment	2021/22	2020/21
Base allowance dividend as per our PR19 final determination	The allowed base dividend yield at PR19 was 2.16%.	£4.5m	£3.1m
Performance for customers – projected rewards from performance commitments, understanding rewards earned and timing of cash collected	We delivered a strong performance for customers during the year, achieving an overall in-period reward of £2.5m in outturn prices (including our estimated C-MeX reward for the year). It should be noted that this excludes the forecast penalty associated with per capita consumption (PCC). Ofwat has agreed to review the water sector's PCC position as part of the next price review process (PR24) to enable it to fully reflect the impact of the COVID-19 pandemic.	£2.5m	£1.1m

Policy consideration	Adjustment	2021/22	2020/21
Gearing capacity and credit quality	Net debt has fallen significantly compared with the previous year as a result of the repayment of a £25m intercompany loan. Our net debt at 31 March 2022 for covenant reporting purposes is £231.0m (2021: £246.4m). This provides a low level of leverage of around 51% (2021: 61%) of the year-end RCV of £450m (2021: £403m). The book debt ratio is also below the gearing outperformance sharing mechanism threshold for 2021/22 of 73% (2021:74%). There have been no changes in the ratings, with S&P and Moody's maintaining their ratings. Our S&P rating is BBB+, with the outlook upgrade to stable; our Moody's rating is Baa2. Both ratings are within the required investment grade.	No adjustment required under the policy	No adjustment required under the policy
Covenants compliance – under all significant debt, including the index-linked Artesian loan and bond, there are various conditions that need to be met before a dividend can be paid	Significant headroom exists within our business compared with the lowest covenant on borrowings at 75% net debt to RCV. Under all debt facilities there are various conditions that need to be met before a dividend can be paid. We can confirm that no event has occurred or is likely to occur following payment of the proposed returns in March 2022 that would lead to a breach in any of these conditions.	No adjustment required under the policy	No adjustment required under the policy
Intercompany loans – a proportion of the dividend is to enable intercompany interest to be paid to the business, and Ofwat notes that this should be disclosed	An intercompany loan with South Staffordshire Water's holding company, Hydriades IV Limited, was repaid in January 2022. So part of the dividend reflects the intercompany interest received during the reporting year. This will not apply in future years.	£1.5m	£1.8m
Totex outperformance (including pension deficit repair costs) – adjusted to reflect acceleration of delay as a result of timing differences	Our actual totex subject to cost sharing adjusted for timing differences outperforms our final determination allowances in the reporting year by £1.4m; 55% of which will be returned to customers with the remaining 45% available for distribution. There have been no pension deficit repair costs over the period as the latest actuarial valuation shows a small surplus. We review this each year. During the reporting year we have outperformed the price review assumption on pension deficit repair costs by £2.1m.	£2.7m	£2.1m
Liquidity – available working capital, liquidity and undrawn committed facilities to meet forward-looking business plan requirements for the next 12-18 months	Significant and sufficient headroom exists in our current borrowing facilities. We are currently £75m ahead of the cash budget. This is partly the result of re-profiling expenditure compared with our final determination, the phasing of new debt issued in the year and the repayment of the £25m intercompany loan with Hydriades IV Limited.	No adjustment required under our policy	No adjustment required under our policy
Company law – statutory accounting distributable reserves	The approved and audited statutory accounts at 31 March 2022 include distributable reserves of £34.1m, which are sufficient to enable us to pay a dividend.	No adjustment required under our policy	No adjustment required under our policy

Policy consideration	Adjustment	2021/22	2020/21
Reputational factors – customer service standards in period, any significant health and safety incidents, pension obligations and employee considerations	We have maintained customer service standards and there have been no significant health and safety incidents, new pension obligations or other employee considerations.	No adjustment required under our policy	No adjustment required under our policy
Total dividend per dividend policy		**£11.2m**	**£8.1m**
Actual appointed dividend paid		**£9.0m**	**£4.6m**

Condition P

In the opinion of the Directors, the company was in compliance with paragraph 14 of Condition P (formerly paragraph 3.1 of Condition K) of its Instrument of Appointment as at 31 March 2022.

Accounting policies

Accounting policy for price control segments

The regulatory accounts have been prepared in accordance with RAG 2 ('Guideline for the classification of costs across price controls'). They follow our accounting separation methodology statement, which is available on our website.

Data for accounting separation is taken predominately from our financial system, through downloads into spreadsheets. The financial information is captured at a location and activity level. Account codes are used to classify the expenditure to the correct cost lines within the relevant tables in section 2 and section 4 of this APR. Costs and assets are then attributed directly to business units in line with the RAGs.

For general and support expenditure, a number of cost drivers have been identified for allocation of costs into the relevant business units. These include:

- headcount;
- number of vehicles;
- floor space; and
- asset values.

Revenue recognition

In the regulatory accounts, income is based on the value of bills and accrued income for measured customers raised in the year in line with the RAGs. This is in line with the statutory accounting policy.

For metered consumption not yet billed, an accrual is estimated. Where a property is unoccupied and fully furnished, charges are still applicable. Charges are also applicable where a property is renovated.

Charges may be waived in special circumstances – for example, because of hospitalisation, probate or incarceration. Where a property is believed to be occupied, but the occupier details are not known, the income is not recognised until the occupant details are obtained. We use internal mailing campaigns, third party credit rating agency information and void inspector visits to ascertain the identity of any occupier. We do not bill unmetered void properties speculatively to 'the occupier'.

Void inspectors visit properties to confirm that a property is unoccupied. For void metered properties, where consumption has been measured and the identity of the customer is not known these will follow the voids with consumption process to identify the occupier before the charges are raised.

The first bill for a new connection is based on an actual meter reading. Where a customer has been connected during the year but has not had a meter reading, an estimate of the income is accrued based on the average household consumption.

Charges on income include charging orders and attachment of earnings. Cash received is applied against the outstanding debt, with income being recognised from the billing date.

Income recognised during the year is based on the value of bills raised. For metered consumption not yet billed, an accrual is estimated based on historical average daily consumption for each customer. The measured income accrual at March 2022 was £13.6m compared with £12.7m in the previous year. Following comparison to the income actually billed for these customers in the year there are no significant differences to report.

Capitalisation policy

Capital expenditure results in the acquisition of an asset for continuing use within the business with a view to earning income or making profits from its use, either directly or indirectly.

Operating expenditure is incurred either for the purpose of the day-to-day running of the business or to maintain the existing capacity of fixed assets.

Costs are allocated between operating and capital expenditure in accordance with our accounting policies and applicable accounting standards. The de minimis level for capitalisation is £1,000 for minor assets and £5,000 for buildings.

Bad debt policy

Before passing an account for write-off, we pursue all debts through every available recovery method. This usually includes attempts by the Sheriffs' Office or debt collection agencies. Only where it is impossible, impractical or inefficient to collect debt, will we make a recommendation for write-off.

Below we summarise the range of circumstances when it will be necessary to write off irrecoverable debts.

Absconded

- Where returned mail is received on accounts, no forwarding details are available and a final account is created, and where all recovery options have been exhausted.
- Where a debt has been passed to a 'trace and collect agency' and that agency is unable to trace the customer and therefore is unable to collect the outstanding debt.
- Where the total debt is less than £50, it is uneconomic to pass for trace and collection and therefore the outstanding debt is unable to be collected.
- Where a customer has debt greater than six years old and no billing activity or correspondence has been received in this period (statute barred).

Bankruptcy

- A household customer where official and final notification has been received from the courts or a check has been made with the online insolvency website service.

Deceased

- Where the balance outstanding is less than £25, the amount is written off immediately.
- Where the balance outstanding is greater than £25, the estate is approached. Where written confirmation has been received in writing that the estate has insufficient funds, the balance is written off.
- In circumstances where a joint tenancy liability exists, the remaining party is pursued for the whole amount of the arrears.
- Where attempts to contact the executors (or next of kin) have failed to produce a response, balances under £100 are written off after a period of six months.

Liquidation

- A commercial customer where final notification has been received from an Official Receiver, Insolvency Practitioner or Liquidator that the company has been liquidated.
- Debts where a company has ceased to trade, leaving no assets.

Uneconomic to collect

- Final debt more than four years old will be written off where evidence exists that it has become non-collectable. A minimum of three attempts to contact a customer by phone and/or letter in the prior 12 months has proved to be ineffective and there has been no payment or contact in the preceding 12 months.
- The debtor’s age, health or other social factors make it inappropriate to pursue the debt.
- Sums of less than £25 will be written off as they are deemed to be uneconomic to collect.

Transactions between the appointed company and associated companies

We have a duty to trade at arm's length and ensure there is no cross-subsidy with respect to transactions with associated companies or between price control units. Our licence conditions require that all such transactions must be disclosed. In line with RAG 3.13, no single transaction exceeding £100,000 has been aggregated.

Loans by or to the appointed company

During the year, a £25m intercompany loan with Hydriades IV Limited was repaid early. Interest received for the part of the year the loan was in place amounted to £1.476m.

Dividends paid to associated companies

As a wholly owned subsidiary, South Staffordshire Water paid dividends of £9.0m in the year to our holding company, South Staffordshire Plc. This included £1.5m to enable it to pay intra-Group loan interest to the company. The remaining £7.5m is from the appointed business.

Guarantees or other forms of security by the appointed company

We confirm that there are no guarantees or other forms of security with any associated companies.

Transfers of any asset or liability by or to the appointed company

During the reporting year, we transferred no assets or liabilities to an associated company and did not receive any from an associate.

Transfers of any corporation tax group losses by or to the appointed company

South Staffordshire Water has surrendered losses of £1,147,641 (2021: nil) to another group company, for which it will receive full compensation for the tax value of £218,052 (£1,147,641 x 19%).

Other transactions

We can confirm that there has been no omission to exercise a right as a result of which the value of our net assets is decreased and that there has been no waiver of any consideration, remuneration or other payment by us.

Supply of services by or to the appointed company

All supplies of services by associated companies comply with the objectives and principles of RAG 5.07. Transactions with associated companies are at arm's length, either through competitive tender or at cost, and cross-subsidy is not occurring.

Competitive tenders

Whenever a tender process is carried out and could potentially involve an associated business, we apply the following procedures.

- The procurement team must be involved from an early stage to ensure a proper tender process is carried out. Where required, this must comply with Utilities Contracts Regulations 2016 and the 'Find a Tender' process.
- The tender process must be fully documented. This is to ensure that it is auditable and that the details can be reported in the APR.
- Appropriate approval of the award of contract must be given, usually through a meeting of the Executive team or the Board of Directors. Any Director of the water company who is also a Director of an associated company tendering is not involved in the procurement process and must declare an interest, take no part in the discussions and have no vote in the matters discussed.
- Once the award of contract to an associated business is approved, all transactions must be in line with the contract. Any variations to the contract must be approved separately.
- All transactions under a contract with an associated company must be signed off by the appropriate manager to confirm that it is in line with the contract terms.
- On all key supplier relationships where we use the parties in the appointed business, we require that there is at least one other framework supplier to ensure ongoing competitive procurement.

‘At cost’ transactions

If work is carried out by an associated company at cost, we take the following guidelines into account.

- All ‘at cost’ contracts are approved by the Executive team or the Board of Directors every 12 months. The approval should outline why the contract should continue at cost (for example, performance of the associate during the year or strategic reasons).
- All transactions under the ‘at cost’ contract must be signed off by the appropriate project manager.
- The cost allocation of the associated company must be fully auditable to show that it is ‘at cost’. Sample audits are carried out by the Group Internal Audit function.

Benchmarking

For certain small value transactions, we benchmark prices to ensure that we are paying a fair price. We used benchmarking for the following services during the year.

- Billing software.
- Lightning protection.
- Water coolers.

The outcome of the benchmarking showed that we were paying comparable prices to other companies in 2021/22.

Transactions between price controls

From 2020, we are required to report our costs split between three separate price controls; water resources, network plus and residential retail. These are set out in tables 2b and 2c. We have followed the RAGs to ensure that costs are correctly allocated between price controls. The tables and our accompanying cost allocation methodology statement have been externally reviewed by Deloitte. The following transactions occurred during the 12 months to 31 March 2022.

Services supplied to the appointee by associated companies

Services supplied to the appointee by associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Onsite	79.179	Mainlaying and repair of water mains	16.118	Competitive tendering
		Mains Rehabilitation	4.323	Competitive tendering
		Minor Civils	2.144	Competitive tendering
		Metering	1.191	Competitive tendering
		Reservoir Refurbishment	0.976	Competitive tendering
		Patch Lining	0.009	Competitive tendering
		Reinsatment Fines	(0.378)	Cost
		CCTV & JETTING	0.015	Competitive tendering
		Drainage Surveys	0.038	Competitive tendering
Integrated Water Services Limited	36.995	Water Treatment	0.033	Cost
		Mechanical and Electrical Services	0.490	Cost
		Capital Works	5.394	Competitive tendering
		Hv Works Callout	0.001	Cost
		Mechanical and Electrical Services	0.001	Cost
		Mechanical and Electrical Other Services	0.027	Benchmarking
		Topographical Survey	0.001	Cost
SSI Services UK Limited	0.163	Motor vehicle repair and maintenance	0.574	Cost
Hydrosave (UK) Limited	22.228	Leakage detection	0.083	Competitive tendering
Echo Managed Services Limited	27.200	Customer Services	6.705	Cost
		Billing Software	2.061	Benchmarking
		Secondment of staff	0.022	Cost
		New Billing System	0.322	Benchmarking
		IT support	0.016	Cost

South Staffordshire Plc	-	Management services	0.707	Cost
	-	Legal Services	0.122	Cost
	-	Payroll Services	0.104	Cost
	-	IT Networks, Operations, Development and Telephony	2.627	Cost
	-	Finance, Treasury, Internal Audit and Accounts Payable	0.292	Cost
Office Water Coolers	5.797	Water Coolers	0.002	Benchmarking
Omega Red	16.693	Lightning Protection	0.050	Benchmarking
South Staffs Water Non appointed	6.184	Emergency water Supply tankers	0.017	Cost
		Total services supplied to the appointee by associated companies	**44.087**	

Services supplied by the appointee to associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Echo Managed Services Limited	27.200	Sewerage collections support	0.235	Cost
		Site Services	0.169	Cost
		Recharges for the use of appointed assets	0.076	Cost
South Staffordshire Plc	-	Communications and media support	0.041	Cost
Echo Managed Services Limited	27.200	Operational training	0.000	Cost
Hydrosave (UK) Limited	22.228	Operational training	0.002	Cost
Integrated Water Services Limited	36.995	Operational training	0.000	Cost
Onsite	79.179	Operational training	0.001	Cost
	-	Standpipe Hire	0.004	Cost
		Total services supplied by the appointee to associated companies	**0.529**	

Services supplied by the appointee to the non-appointed business

Associate	**Turnover of Associate £m**	**Service**	**Value £m**	**Terms of Supply**
South Staffs Water Non appointed	6.184	Recharges for the use of appointed assets	0.003	Cost
		Management fees	0.192	Cost
		Operational training	0.002	Cost
		Total services supplied by the appointee to non appointee	**0.196**	

External assurance of financial outcome delivery incentives

Jacobs' technical assurance report is set out on the following pages. Our response to the Jacobs report can be found on page 80.

APR22 Technical Assurance Report

Document no: v2.2
Revision no: Final

South Staffordshire Water

APR22 Technical Assurance
14 July 2022

APR22 Technical Assurance Report

Client name:	South Staffordshire Water		
Project name:	APR22 Technical Assurance		
Client reference:	-	Project no:	B2443000
Document no:	v2.2	Project manager:	Zac Alexander
Revision no:	Final	Prepared by:	Zac Alexander
Date:	12 July 2022	File name:	APR22 Technical Assurance Report - South Staffs Final: - 12July22

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
V1.0	28/06/22	Initial draft for client comment	FI	AKM	AKM	ZA
V2.0	11/07/22	Final following client comment	FI	ZA	AKM	ZA
V2.1	12/07/22	Revised final following further client comment	FI	ZA	AKM	ZA
V2.2	14/07/22	Revised final following further client comment	GG	ZA	ZA	ZA

Jacobs U.K. Limited

7th Floor, 2 Colmore Square
38 Colmore Circus, Queensway
Birmingham, B4 6BN
United Kingdom

T +44 (0)121 237 4000
www.jacobs.com

Important note about your report

This document has been prepared by a division, subsidiary or affiliate of Jacobs U.K. Limited ("Jacobs") in its professional capacity as consultants in accordance with the terms and conditions of Jacobs' contract with the commissioning party (the "Client"). Regard should be had to those terms and conditions when considering and/or placing any reliance on this document. No part of this document may be copied or reproduced by any means without prior written permission from Jacobs. If you have received this document in error, please destroy all copies in your possession or control and notify Jacobs.

Any advice, opinions, or recommendations within this document (a) should be read and relied upon only in the context of the document as a whole; (b) do not, in any way, purport to include any manner of legal advice or opinion; (c) are based upon the information made available to Jacobs at the date of this document and using a sample of information since an audit is conducted during a finite period of time and with finite resources. No liability is accepted by Jacobs for any use of this document, other than for the purposes for which it was originally prepared and provided.

This document has been prepared for the exclusive use of the Client and unless otherwise agreed in writing by Jacobs, no other party may use, make use of or rely on the contents of this document. Should the Client wish to release this document to a third party, Jacobs may, at its discretion, agree to such release provided that (a) Jacobs' written agreement is obtained prior to such release; and (b) by release of the document to the third party, that third party does not acquire any rights, contractual or otherwise, whatsoever against Jacobs and Jacobs, accordingly, assume no duties, liabilities or obligations to that third party; and (c) Jacobs accepts no responsibility for any loss or damage incurred by the Client or for any conflict of Jacobs' interests arising out of the Client's release of this document to the third party.

Contents

Appendices

1. Introduction

South Staffordshire Water (SSC) has compiled its Annual Performance Report for the period 1 April 2021 to 31 March 2022, which is the second year of the 2020-25 (AMP7) regulatory period. SSC has 30 Performance Commitments (PCs) for the AMP7 period defined in Ofwat's PR19 Final Determination dated December 2019. SSC's Senior Management and Directors have monitored and measured the Company's performance throughout the year.

SSC requested Jacobs to audit and assure technical elements of the 2021/22 APR to include the Company's performance against the PCs which are derived from data contained in Ofwat's APR22 data tables. The purpose of the audits was to review the methodologies for compiling the information, trace information back to source, provide an opinion on the accuracy, reliability, and completeness of the data, and ultimately provide independent assurance to the Board of SSC that the reported data is an accurate account of SSC's performance.

Our audits commenced in May 2022 for information reported on a financial year basis. These were completed as planned, in line with the agreed programme. Most audits took place remotely via Microsoft Teams with a few taking place in person in the Green Lane office.

SSC's staff have been flexible at working remotely with collaboration throughout the process.

2. Scope and approach

Ofwat's expectations and requirements for 2022 APR reporting are contained in an Information Notice dated March 2022: "IN 22/01 Expectations for monopoly company annual performance reporting 2021-22". The other key documents relevant to APR reporting are:

- RAG 4.10 – Guideline for the table definitions in the annual performance report (Ofwat, November 2021).
- RAG Query Log.
- PR19 final determinations: South Staffs Water – Outcomes performance commitment appendix (Ofwat, December 2019).

South Staffordshire Water asked us to undertake combined process and data audits across a range of reporting data. Our assurance activities included:

- Audits of 22 out of the 30 Performance Commitments contained in Ofwat's Final Determination and reported in Part 3 of the APR.
- Audits of selected data reported in Parts 4-9 of the APR.

A list of the reported lines we assured is included in Appendix B. The calculation of any rewards or penalties was outside the scope of our audit.

We reviewed the processes, procedures, systems, data and analysis in place to gather and report performance information in line with Ofwat's prescribed definitions (RAG 4.10) and the required format in the data tables.

We met with data owners to obtain evidence of documented procedures and methodologies which describe the data sources, systems and processes in place. We sampled information and traced it back to source to confirm that the stated processes were being followed and that internal checks were in place to verify the information.

Specifically, we applied the following 12 audit tests, covering aspects of process and data, for each area of data. The result of our approach is a risk-based assessment of A, B, C or D, with A being low risk and D being high risk[1] for each test. The overall score for each audit is based on the lowest of the test scores. We produced a summary of the main findings from each audit.

1. Is the methodology compliant with external requirements including compliance with definitions from final determination and RAG 4?
2. Is the methodology adequate to provide reliable data, including assumptions?
3. Are the data stated in the tables supported by audit trails which are reliable, accurate and complete?
4. Have any changes to the methodology been signed off?
5. Does the reporting process include sufficient opportunity to challenge classifications and exclusions?
6. Have findings from internal checks and assurance been addressed?

[1] The scoring criteria are shown in Table 1 of Appendix A.

7. Have the recommendations been addressed from the previous audits?
8. Have changes from previous reported data been adequately explained?
9. Is data for publication in the correct format?
10. Is the commentary accurate and suitable for publication?
11. Does data combine South Staffordshire Water and Cambridge Water appropriately? Are there any differences in methodologies or other inconsistencies?
12. We also made other observations and recommendations where we considered this necessary or useful.

3. Observations and findings

3.1 General observations

We are pleased to confirm that progress has been made since the APR21 audits to align reporting processes in the Cambridge and South Staffordshire regions. We note that some measures and Performance Commitments still lack documented reporting methodologies, and there is no standardised way to document these across the Company.

We observed improvements in internal checks and validation (first and second line assurance) in some instances. However, this has not been applied to all the reported information, or always formally documented. We note that in some instances our third line assurance appears to be the only checking which has taken place. Since our assurance is risk and sample based and designed to complement your own internal assurance this sometimes leaves a gap in your process. We also observed that there was limited senior management sign-off of the data presented.

We had sufficient access to South Staffordshire Water's staff, systems and data. We are grateful for the cooperation and flexibility of all staff in accommodating our audits.

All scores and summary findings are presented in Appendix A. An overview of the areas of material concern is provided below.

3.2 Material issues

3.2.1 Performance Commitments

At the end of our audits we had scored 2 Performance Commitments as C indicating there is a medium to high risk associated with the reported data. For one of these PCs the issues are largely associated with upstream controls and data validation; and for the other one, alignment with the PR19 FD definition and data availability. Subsequent to our audits you have reviewed our feedback and provided additional information. We have reviewed this and updated our audit scores accordingly. There is one remaining medium to high risk item. Table 3.1 sets out our key audit findings for medium to high risk PCs after audit, your subsequent actions and any revision to the score.

Table 3.1: Material issues with the performance commitment data

AMP7 PC Code	Performance Commitment	Score	Summary of audit findings	Post audit update
PR19SSC_D4	Mains repairs	~~C~~ B Revised post audit	Our original audit found that there were no controls in place to ensure that miscoded repair jobs were reported. This presented a potential risk that the reported figures were incorrect. The materiality of this could not be determined without a further investigation of the data.	A follow-up audit was conducted on 21/06/22. The team presented further data and updated the reporting figure to reflect a small number of jobs that had not initially been reported (approximately 1 in 30 repairs had been missed). An up-to-date methodology document was also provided including details of this process.
PR19SSC_B1	Financial Support	C	It is not clear whether the inclusion of additional financial assistance schemes within the reported figure is consistent with the PR19 FD definition for this PC.	The team explained that what they set the target on and what they have been reporting against are consistent but that the FD definition does not fully reflect the definition submitted at PR19. As the reporting is not exactly in line with the FD definition there remains a reporting risk. We recommend the

AMP7 PC Code	Performance Commitment	Score	Summary of audit findings	Post audit update
				team confirm their understanding with Ofwat.

3.2.2 RAG 4.10 tables and other data

At the end of our audits we had scored 4 of 10 reporting categories as C or D indicating there is a medium to high or high risk associated with the reported data. One of these related to data availability and the remaining three to checks and controls within the process. Subsequent to our audits you have reviewed our feedback and provided additional information. We have reviewed this and updated our audit scores accordingly. There is one remaining medium to high risk item which is associated with the process of checks and controls and evidence of these.

Table 3.2 sets out our key audit findings for medium to high and high risk data and your subsequent actions.

Table 3.2: Material issues with the RAG-4.10 tables and other data

RAG 4.10 Tables & Other Data	Score	Summary findings	Post audit update
Mains lengths, profiles, CPs: Table 5A.22; 6A.5; and 6C.1-21	~~C~~ B revised post audit	We identified two issues: • The figures for the number of lead and galvanised communications pipes replaced were based partly on an average of previous years, although last year's data was directly available. • The estimated number of lead communication pipes relies on the broad assumption that communication pipes of unknown material connected to a pre-1973 main are lead. This may be resulting in over-reporting of the number of lead pipes.	The team collated the available data for 2021-22 to make an estimate of the number of lead and galvanised communication pipes replaced during rehabilitation. This replaced the average of previous years. Evidence of this process was provided, and the audit score has been updated to reflect this change in the data capture process. The estimated number of lead pipes remains a potential source of inaccuracy and will be investigated by the team over the coming year.
Distribution Input: Table 6B.4.	~~D~~ B Revised following re-audit for South Staffs region	This is a combined score for both regions as DI is reported as a combined figure. During initial audits in June there were a significant number of material process risks identified for the South Staffs region and a score of D was given. A re-audit was arranged 8th July and focused on the material issues noted. The original 'D' scoring was based on a number of areas within the DI process which the team couldn't explain. Understanding and ownership of the entire process was not clear in the initial audit. However, generally, we found the process for the Cambridge region was better managed and controlled than for the South Staffs region. For SST, the process is fragmented and has no clear ownership. We found a lack of understanding of the end-to-end process as well as of some individual data sources and parts of the process. Significantly, the team was unable to confirm the source data. They were also unable to confirm whether pumped to waste volumes are correctly accounted for. We recommend a deep dive into the DI process in advance of APR23 reporting.	For the re-audit a different team was present which was able to demonstrate as part of the audit all the various data validation stages and quality assurance checks. We were also able to trace data back to source showing the full data integrity process. There are still a number of outstanding issues which affect both regions around full process documentation and ownership which should be addressed as soon as possible. We recommend a half year deep dive audit to review progress with this. The overall score was revised from D (initial audit) to B (re-audit).

RAG 4.10 Tables & Other Data	Score	Summary findings	Post audit update
Production operational data: Table 5A; 6A; and 6B	C	Some of the data is subject to separate audit before it is processed for reporting in these tables. However, there is a significant level of manual processing of this data to aggregate it for these metrics. There is no process documentation, and various exclusions/ assumptions are only documented within comments made in cells in the calculation spreadsheet. The process relies heavily on a single team member's knowledge of the asset base. There was no evidence of checks or controls or management sign-off of data. The score of C reflects the risks within the process around lack of checks and controls, although we note we found only two errors within the sampling of the data we covered in the audit (corrected in the audit).	The team proposes to address process concerns in advance of next year's audit.
CCW complaints data	~~C~~ B Revised following further information	The team described the process for categorising contacts as complaints. Contacts which are categorised as complaints are reviewed fortnightly and changes are logged in the database. The team was not able to demonstrate that contacts deemed not to be complaints were categorised correctly.	The team provided evidence of the regular review process for contacts (complaints and non-complaints) as well as the scripts given to customer service agents to ensure complaints are classified in accordance with CCW guidance.

4. Conclusion

At the end of our assurance work, with respect to the Performance Commitments and other data covered, and other than where indicated in our findings, we consider:

- Data to be competently sourced and processed.
- Data collection and reporting has not been impacted by Covid-19.
- SSC's staff demonstrated good understanding of the Ofwat guidance.
- The reported performance is a fair and accurate account of the SSC's performance between 1st April 2021 and 31 March 2022.

As noted last year, we have been impressed by the open and collaborative approach of South Staffordshire Water's staff.

Appendix A. Summary of assessments

As we note in the report above, our assurance approach focuses on the level of risk associated with reporting the PCs and other data. The result of our approach is a score of A, B, C or D for each detailed feedback to explain our assessment. In assessing your data, we used a standard scoring framework to produce results that are comparable across the measures. Table 1 below summarises this framework.

Table 1. Summary of scoring framework for our assurance

Score	Meaning for score
A	Low risk – no weaknesses in the methodology and no weaknesses or deviations from methodology in production of data.
B	Low to medium risk - no material weaknesses in the methodology and no material weaknesses or deviations in production of data.
C	Medium to high risk - material weakness in the methodology (or number of minor ones with material effect) and material weakness or unjustified deviations (or number of minor ones with material effect).
D	High risk – multiple material weaknesses in the methodology and material weakness or deviation (or number of minor ones with material effect).

Table 2. 'AMP7 PC Summary' sets out the results of our assessment of the data and summarises our rationale. We consider the summary rationale consistent with the feedback we provided to your teams.

Table 3. 'AMP7 APR Table Audit Summary' reports on the audits carried out on the APR tables and other data. The score and rationale behind our assessment is included.

Table 2. AMP7 PC Summary

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
PR19SSC_C1	Leakage (South Staffs region)	B	For both regions, AMP7 baseline and 2020-21 performance is being restated this year due to new night use monitor data. 2021-22 performance is on the basis of the new methodology. The leakage process in both regions is well understood and known. The updates to non-household night use have improved the calculation and helped align the process to AMP7 reporting. Evidence of checks and controls of data should be incorporated into the process.	4.2% reduction in Ml/d	In–Year: 67.4 Ml/d 3– Year: 68.2 Ml/d: 5.8%
PR19SSC_C2	Leakage (Cambridge region)			5.1% reduction in Ml/d	In–Year: 12.5 Ml/d 3– Year: 13.6 Ml/d: 12.8%
PR19SSC_C3	Per capita consumption (South Staffs region)	B	The process for calculating PCC for both regions is well known and understood. For APR22 the WRMP24 forecast data has been used for the population. The team stated the likelihood of change is very low, however the WRMP24 is still in the draft stages and has the potential to change until submission. For SST, the PCC baseline and 2020-21 performance is being restated as the new night use data is used within the domestic consumption monitor.	0.5% reduction in litres/person/day (l/p/d)	In–Year: 148.8 l/h/d 3– Year: 141.9 l/h/d: -10.34%
PR19SSC_C4	Per capita consumption (Cambridge region)			2.5% reduction in l/p/d	In–Year: 141.0 l/h/d 3– Year: 139.3 l/h/d: -3.41%
PR19SSC_D1 and Table 6C 22	Water quality compliance (CRI)	B	The method is straightforward, and the auditee demonstrated good knowledge of the method and data set. A decision is required as to whether to align the method for calculating population across the South Staffs and Cambridge region. Either maintaining the same method or aligning the methods can be justified. We understand the assessment of one incident included in CRI had not been confirmed by the DWI at the time of the audit. A written commentary should be provided to support the data spreadsheets. A record of internal company checks should be incorporated into the spreadsheets for a complete audit trail.	CRI score: 0.00	SST CRI score: 1.136 CAM CRI score: 0.00
PR19SSC_D2	Supply interruptions	B	The team understands the reporting requirements for supply interruptions, and the targets set out in the 2019 Final Determination. The data were traceable to source and have been correctly combined from each region to form the company totals. We found one discrepancy in the samples taken. The team is to confirm the start time of an unplanned interruption in the Cambridge region (Stow Cum Quy, 16/04/21). The methodology requires updating to reflect the common process in both regions effective for the current reporting year (22/23).	Average supply interruption per property per year (HH:MM:SS): 00:06:08	Average supply interruption per property per year(HH:MM:SS): 00:03:15 (No of properties 750,041)

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
PR19SSC_D4	Mains repairs	~~C~~ B Revised following re-audit	An initial audit took place on the 09/06/22 in which we found a high risk associated with the reported figure. This was due to a lack of controls in place to ensure that miscoded repair jobs were captured within the data. We recommended that the team perform a keyword search to extract jobs with a high risk of being miscoded and validate the data accordingly. Following the audit, the team completed this data validation process. A follow-up audit was conducted on 21/06/22. The team explained the process and logic that was applied to the data in line with our recommendation. The figure was updated to reflect 38 jobs that had not initially been reported, bringing the total from 918 to 952 repairs. An up-to-date methodology document was also provided, including details of this process. The team confirmed that they would continue to apply this additional control on the data going forward. In advance of next year's audit we recommend documenting all internal checks and controls on the data, including challenges to item classification and senior management sign off.	127.8 repairs per 1,000km	109.6 repairs per 1,000km
PR19SSC_D5	Unplanned outage	B	*Unplanned Outage* There is a significant outperformance on this measure. The team was able to explain some of this outperformance, but no commentary has been produced to explain the outperformance in detail. The Ofwat guidance is open to some interpretation and therefore the commentary should explain exclusions made. This is a well-managed process. The process has been documented, including details on exclusions, which the team explained to us in detail. We note that this measure relies on Distribution Input data, which we identified as being at high risk due to lack of controls on the process in our initial audit. A subsequent DI audit resolved the material issues.	2.34% of PWPC	0.90% of PWPC
		B	*PWPC* The reported figures reflect a marginal uplift in PWPC within the reporting year, though no material changes in capacity have been observed. The reporting process is also unchanged from the previous year. The written methodology covers only the Cambridge area. The team has limited or no visibility over the data validation performed on telemetry data within SCADA and PI Waterstats. We note that this measure relies on Distribution Input data, which we identified as being at high risk due to lack of controls on the process.	N/A	597.55 Ml/d

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
PR19SSC_C5	Environmentally sensitive water abstraction	B	The team demonstrated the process to derive the reported number. They described checks and controls but had not recorded these. We recommend that the process includes recording of evidence of checks for next year.	Normalised AIM performance: 0.00 Ml	Normalised AIM performance: 0.00 Ml
PR19SSC_C7	Protecting wildlife, plants, habitats and catchments	B	The team understands the reporting requirements for biodiversity and the targets set out in the 2019 Final Determination. The team demonstrated the process to derive the reported number. They described checks and controls but had not recorded these. We recommend that the process includes recording of evidence of checks for next year.	320.0 hectares	542.0 hectares
PR19SSC_B3	Education activity	B	This is a simple process and the team understands the guidance in the Final Determination well. The level of evidence provided could be improved as most of the schedules and forms gave the length of session but not the number of students attending. During the audit we identified one log entry with a note indicating that two classes had been combined into one. The team verified this with the school and revised the number reported accordingly.	No. of people receiving education services: 6,000	No. of people receiving education services: 2,284
PR19SSC_A1	C-MeX	B	This audit is to confirm the data extract to send to Ofwat for the sampling for the survey, not the C-Mex score itself. The process for capturing the customer data is not documented but appears to be in line with the reporting requirements. The team stated that the billing submission spreadsheet is cross checked with the data extract each month. The operational submission is checked in the same way. A second staff member also performs a cross check. This sign-off is not officially documented. The Company would benefit from clearer documentation of data checking and management review/approval.	N/A	C-MeX score: 83.38
PR19SSC_B4	Priority services for customers in vulnerable circumstances	B	The internal procedures associated with the priority services register (PSR) and Extra Care assistance are in line with the relevant guidance. However, there is no documented methodology or record of checks undertaken.	Reach: 6.6 % Actual Contact: 35.0% Attempted Contact: 90.0%	Reach: 8.7% Actual Contact: 39.7% Attempted Contact: 94.3%
PR19SSC_B2	Extra care assistance			Extra Care: 5.0%	Extra Care: 5.1%
PR19SSC_B1	Financial support	C	The data are captured using SQL queries, that are unchanged from the previous reporting year. The auditee ran the queries during the audit to demonstrate the process, and the data was captured as expected.	No. of customers receiving financial assistance: 34,000	No. of customers receiving financial assistance: 58,611

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
			Two key issues were identified during the audit as raising a risk of non-compliance with the reporting guidance. These concerned the inclusion of additional financial assistance schemes within the reported figure, and no accounting for customers in receipt of financial assistance part way through the reporting year. In light of these issues, we recommend the following actions: • The Company should confirm with Ofwat that the inclusion of Stepchange Referral, Low Value Plan and DWP Direct Deductions was part of their target setting and reporting so far. If not previously secured, the Company should also seek clarification from CCWater and its customer challenge group over the inclusion of Stepchange Referral, Low Value Plan and DWP Direct Deductions within the reported figure. • The company may wish to consider a process for identifying customers that are in receipt of a form of financial help for only part of the financial year. We note that in any case the Company will meet its target for 21/22. In addition to the above actions, we recommend that the company updates its methodology in advance of next years' audit to describe the reporting process in more detail. The company would benefit from formal documentation of checks and controls made on the data, including senior management sign off.		
PR19SSC_E2	Residential void properties and gap sites	B	SSC has met the Performance Commitment to validate 100% of its void properties. We have not seen a written methodology for the process this year.	100% properties verified	100% properties verified
PR19SSC_A2	D-MeX	B	The reporting process is mostly unchanged from the previous year. The job management system (Maximo) is now used in the Cambridge region aligning the region to the process in South Staffordshire. The original process in Cambridge has been run in parallel with Maximo for the year to ensure consistency of data. The methodology in both regions will be fully aligned for FY 22/23. No material issues were identified during the audit. While there is a high level of manual processing of the D-MeX data, around 80% is subject to monthly internal audit and assurance. This process is thorough and well documented. The team agreed to provide the following documents after the audit: • Maximo screenshots to complete the sample checks undertaken during the audit • Evidence of senior management sign-off • Performance commentary on the reported figures *Post audit update 21/06/22:*	N/A	D-MeX score: 84.385% (11th position) Quantitative score: 97.78% Qualitative score: 70.99%

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
			Screenshots from Maximo were provided. The dates recorded in Maximo align to the dates in the summary spreadsheet. This closes the first bullet point above.		
PR19SSC_D7	Visible leak repair time	B	This is a simple measure, defined as the number of days that the company takes to repair 90% of reported and visible leaks on its network, measured from the time the leak is found or reported. The team uses Power BI to calculate this measure, a tool which pulls data on individual jobs from Maximo and compiles it in a reporting dashboard. We found no material issues to the process or data. However, there is no documented process methodology.	5 days	5 days
PR19SSC_D8	Water treatment works delivery programme	A	The Company is reporting a zero return for the 2021-22 period. This is in line with the performance commitment level outlined in the final determination and agrees with the team's report of progress. The audit served as a progress review of the Hampton Loade and Seedy Mill schemes against two key milestones – the installation of a second stage of filtration at each site by 31/03/23 and 31/03/25 respectively. The team is forecasting that both schemes will be completed on schedule, in accordance with the performance commitment requirements.	0.0% scheme completion	0.0% scheme completion
PR19SSC_C8	Carbon emissions	B	The team demonstrated a good understanding of the GHG accounting process and the prescribed methodology has been followed. They also showed a good awareness of issues within the Carbon Accounting Workbook (CAW) that Ofwat requires to be used. A small number of data errors (mainly transcription) were identified and amended in the audit. However, this did not have a significant impact on the overall figures reported (0.7% change in Gross Operational Emissions; 1.2% change in Net Operational Emissions). The audit focus was on the CAW/Table 11 Ofwat reporting values as these have superseded the PC in importance in GHG reporting. The PC value reported in the audit was calculated pre audit using the CAW v.15 (due to team being unable to access the CAW v.16 at time of calculation); this will need to be updated using the values in the post audit CAW 16 but still exceeds target (62.7 kgCO_2e/connected property).	68.0 kgCO2e per connected property	CAW v.15 60.0 kgCO2e per connected property CAW v.16 62.7 kgCO2e per connected property
PR19SSC_D3	Risk of severe restrictions in a drought	A	There has been no change in the process since last year and the numbers are lifted from the published WRMP19 tables. We checked alignment with the WRMP19 tables and found no issues.	Population at risk: 0.0%	Population at risk: 0.0%

AMP7 PC Code	Performance Commitment	Score	Summary	2021/22 FD target	2021/22 Performance
PR19SSC_D6	Customer contacts about water quality	B	The PC methodology document was provided before the audit and outlines the processes underpinning the data. We did not identify any anomalies with the data we sampled. The data that provides the numerator for this measure is robust. The score of "B" solely reflects the calculation of the denominator. The team confirmed the differing population assessment methodologies remain in place between the South Staffordshire Water region (SST) and Cambridge Water Company region (CAM), although a plan is in place to align the regions to a single consistent methodology. The company is transparent with the DWI regarding the difference in approach between the two regions.	1.11 contacts per 1,000 population	0.76 contacts per 1,000 population

Table 3. AMP7 APR Table Audit Summary

RAG-4.10 Tables & Other Data	Score	Summary	2021/22 Performance Figure
Properties and population: Table 4R	B	Property and population reporting follow the established methodologies. All data were traceable to source and have been correctly combined from each region to form the company totals. There is a minor unexpected discrepancy in the new connection numbers where the outturn is some 1,300 properties short of that forecast. SSC is investigating why this is the case.	Multiple
Water balance: RAG compliance; backcasting; and table 6B	B	*Water Balance* *CAM* The water balance for the Cambridge region is currently reporting a < 2% water balance gap with all the current updates applied this year including non-household night use. The compliance RAGs have been assessed as all green for leakage and PCC. We did not review every element of the RAG - our review focussed on those area that the team told us had changed for APR22. There are several historic assumptions (such as on illegal use of standpipes) which should be investigated to see if they are still applicable. *SST* For the South Staffs region, the water balance gap is currently greater than 2%, giving an amber score in the compliance RAG for leakage. One of the elements of the RAG for DI is also amber but the overall DI component is green. We have provided separate detailed feedback for DI. Other improvements have been reflected in the updated RAGs for leakage and PCC. We did not review every element of the RAG - our review focussed on those area that the team told us had changed for APR22.	CAM *Consumption (In Year)* Measured HH: 32.38 Ml/d Unmeasured HH: 15.63 Ml/d Measured NHH: 21.64 Ml/d Unmeasured NHH: 1.01 Ml/d DSOU: 0.07 Ml/d WTIU: 0.10 Ml/d WTLU: 0.26 Ml/d *SST* *Consumption (In Year)* Measured HH: 73.98 Ml/d Unmeasured HH: 130.71 Ml/d Measured NHH: 51.30 Ml/d

RAG-4.10 Tables & Other Data	Score	Summary	2021/22 Performance Figure
			Unmeasured NHH: 1.42 Ml/d DSOU: 0.48 Ml/d WTIU: 0.31 Ml/d WTLU: 0.95 Ml/d
		Bottom Up Leakage *Both Regions* For APR22, both regions have included a new non household night use figure which has been derived from a new convergence model developed by Artesia. The resulting figures are lower than previous years, resulting in a higher leakage figure. The process is well defined for both regions and well understood but we identified some areas for improvement regarding version control. Throughout the audit process several items were amended without recording a history. We recommend reviewing the reporting process and using a shared centralised area and version control of documents to ensure consistency. There are also still outstanding non-material actions from APR21. *SST* In the South Staffs region, no issues were identified within the sample checks back to source data / systems. *CAM* No issues identified with the sample checks conducted for the CAM region. During the audit we noted that the method of assessing trunk mains leakage for one trunk main area had been changed from flow balance to BABE. Whilst the difference was not material, we recommended that the team should maintain the assessment method for each zone for consistency. This was reverted to flow balance during the audit. The team explained they had used a threshold of 90% for data availability for flow balance. We recommend reviewing this data availability threshold. It was also noted that the team presented additional drop test data at the second audit. These were missed previously. In future this could be mitigated by utilising a shared storage area to capture all relevant data.	SST Pre MLE Leakage (Zonal) • 50.00 Ml/d • 0.00 Ml/d – Trunk Main • 0.00 Ml/d – SRV Losses CAM Pre MLE Leakage (DMA Level) • 8.62 Ml/d • 1.13 Ml/d – Trunk Main • 0.08 Ml/d – SRV Losses
		Leakage Backcasting The proposed non household night use change has a material impact to the leakage calculation for both regions. However, this is a methodology improvement and allows SSC to be compliant with the latest guidance. The stated backcasting approach allows all reporting years to be consistent and compliant for AMP7 moving forward. We found no material issues with the implementation of the change.	

RAG-4.10 Tables & Other Data	Score	Summary	2021/22 Performance Figure
		The additional changes in the Cambridge region for trunk mains losses and DSOU are further methodology improvements to ensure a consistent approach across leakage baseline and AMP7 reporting. We found no material issues with these changes. During our APR21 assurance work we identified material issues in the process for deriving Distribution Input in the South Staffs region (see summary below).	
Distribution Input: Table 6B.4	~~D~~ B Revised following re-audit	*SST* During initial audits in June there were a significant number of material process risks identified and a score of D was given. DI is reported as a combined figure across both the South Staffs and Cambridge regions and therefore was given one overall score, however, the material issues related to the risks within the process for deriving South Staffs DI. A re-audit was arranged 8th July and focused on the material issues noted. The original 'D' scoring was based on a number of areas within the DI process which the team couldn't explain around: • Data validation • Process ownership • Run to waste • Data integrity from source to DI reporting. Understanding and ownership of the entire process was not clear in the initial audit. For this re-audit a different team was present and they were able to demonstrate as part of the audit all the various data validation stages and quality assurance checks. They also addressed the question over accounting for pumped top waste volumes. We were also able to trace data back to source showing the full data integrity process. There are still a number of outstanding issues which affect both regions around full process documentation and ownership which should be addressed as soon as possible. We recommend a half year deep dive audit to review progress with this. The overall score was revised from D (initial audit) to B (re-audit). *CAM (from audit in June)* The process for deriving Distribution Input is more streamlined within the CAM region than in SST. The front end of the process managing raw data from telemetry and in BOWARD is understood and largely owned by one staff member. Whilst this demonstrates ownership it does present a risk of single point of failure in the process. The team provided evidence of data verification processes and data cleansing which had been undertaken. Data is handed to the water balance team who were initially unclear on the steps they applied to this data before use in the MLE. This was clarified within the audit. During the audit we identified a number of material issues: • The team was not able to demonstrate that the data correctly reflected the point of measurement (i.e. need for adjustment for pumping to waste).	*SST* Bulk imports = 0.02Ml/d Bulk exports = 0.91Ml/d Water from own works to own customers = 325.06Ml/d Demand by own customers = 325.08Ml/d TWOU = 1.143Ml/d Pre MLE DI = 323.94Ml/d Water balance Pre MLE DI = 323.94Ml/d Post MLE DI = 326.40Ml/d (from water balance feedback) *CAM* Water from own works = 83.50Ml/d Bulk imports = 0.075Ml/d Bulk exports = 0.15Ml/d Pre MLE DI = 83.43Ml/d Water balance Pre MLE DI = 83.44Ml/d (rounding) Post MLE DI = 83.62Ml/d (from water balance feedback)

RAG-4.10 Tables & Other Data	Score	Summary	2021/22 Performance Figure
		In the second audit (10th June) the team presented data to confirm the non-materiality of this for APR22. They also confirmed this is not accounted for in the process and has not been part of the process previously. We recommend this should be embedded in the process going forwards. • There was no evidence of internal assurance and sign-off of the proposed figure. • There is some documentation setting out the high level process, but this does not cover the entire end to end process and does not set out roles and responsibilities.	
Mains lengths, profiles, CPs: Table 5A.22; 6A.5; and 6C.1-21	~~C~~ B Updated following updated data	The process and data for most of the lines covered are sound, but we identified some concerns: • The figures for the number of lead and galvanised communications pipes replaced were based partly on an average of previous years, rather than available data. • The number of lead communication pipes relies on the broad assumption that communication pipes of unknown material connected to a pre-1973 main are lead. This may be resulting in over-reporting of the number of lead pipes. We did not see a written methodology or management sign-off for any of the lines in the audit, or evidence of any internal checks or quality control. There was a minor discrepancy between the GIS data source and the reported figure for the length of raw water mains. The team was not able to explain this, which appears to be because the GIS database does not adequately log changes. We recommend this is addressed in future GIS system development. *Post audit update (21/06/22):* The team has collated the available data to more accurately estimate the number of lead and galvanised communication pipes replaced during rehabilitation. Evidence of this process was provided, and the audit score has been updated to reflect this change.	Multiple
Production operational data: Table 5A; 6A; and 6B	C	The production data is all kept in one large spreadsheet, and various filters/ sums are used to calculate the various lines in tables 5A, 6A and 6B. There is no process documentation, and various pointers on the methodology such as exclusions to a sum are noted in comments on the cells. The process relies on the one team member's knowledge of the asset base. There is a moderate risk of error in calculation within this spreadsheet and our audit uncovered two instances where proportions of volumes had been misallocated. Whilst there are medium to high risks within the process we did not find outstanding issues with the data. Our key recommendation is to implement documentation of the process to calculate each line, introduce a change log, incorporate first and second line checks and management sign-off.	Multiple
Average pumping head: Table 5A.23; 6A.6; 6A.31; and 6B.28	B	There are two separate processes for calculating APH in the two different regions due to legacy telemetry. The two values are then combined using a weighted average based on the DIs of the two regions. The SST spreadsheet is mostly automated to read telemetry data from Pi and requires limited manual use, however the methodology is not documented and therefore can be hard to follow. The CAM spreadsheet relies on manual transference of input data so there is an inherent risk of human error.	5A.23 – 32.24 m.hd 6A.6 – 22.63 m.hd 6A.31 – 2.33 m.hd 6B.28 – 128.56 m.hd

RAG-4.10 Tables & Other Data	Score	Summary	2021/22 Performance Figure
		We note that during audit we were not able to trace data back to source but that this was provided post audit and we found no issues.	
ERI: Table 6C.23	B	The process recommendations made for CRI, detailed in the water quality compliance PC summary, also apply to ERI calculation. Specifically, in regard to reaching a decision over the method for calculating population across the South Staffs and Cambridge regions, as well as providing a written commentary and records of internal checks on the data. We also recommend preparing a formal company methodology for ERI to assist in an unexpected role handover and for process repeatability.	SSC ERI Score: 29.495
CCW complaints data	~~C~~ B Updated following further information	The process for deriving the complaints data is not documented but appears to be in line with the reporting requirements. The team stated that contacts classified as complaints are reviewed on a fortnightly basis, and screenshots evidencing this process were provided after the audit. Evidence of the guidance/scripts used to ensure complaints are reported by customer service agents was also provided. The data owner referred to a monthly review process of call agents, yet there was no evidence of checks or internal assurance to ensure that agents report all complaints in line with the guidance/scripts they are provided. It was also unclear what checks and controls are undertaken by Echo MS themselves to ensure that all complaints are reported. The Company would benefit from formal documentation of all internal checks and controls on the data, as well as evidence of the quality assurance performed by Echo MS. We also recommend preparing a written methodology in advance of next year's audit.	Written (1st stage): 947 Written (2nd stage): 23 Non-written: 296
Energy consumption: Table 11A & APR commentary/CAW B	B	The team demonstrated a good understanding of the GHG accounting process and the prescribed methodology has been followed. They also showed a good awareness of issues within the Carbon Accounting Workbook (CAW) that Ofwat require to be used. A small number of data errors (mainly transcription) were identified and amended in the audit however, this did not have a significant impact on the overall figures reported (0.7% change in Gross Operational Emissions; 1.2% change in Net Operational Emissions).	Gross operational emissions (LB) = 47,042.51 tCO_2e Net operational emissions (LB) = 26,315.121 tCO_2e
Financial flows: Table 1F	A	The team talked us through its workings for tables 1F, 4C, the in-period adjustment model and the company's long term viability statement. We did not identify any issues. We completed desktop reviews of the workings for Table 1F, 4C and the company inputs for the in-period adjustment model. We identified some minor amendments through this process and the team provided updated data for Table 1F and the in-period adjustment model.	Not applicable.

Appendix B. List of audited data

	AMP7 PC Code	Performance Commitment Title
1	PR19SSC_D1	Water quality compliance (CRI)
2	PR19SSC_D2	Water supply interruptions
3	PR19SSC_C1	Leakage (South Staffs region)
4	PR19SSC_C2	Leakage (Cambridge region)
5	PR19SSC_C3	Per capita consumption (South Staffs region)
6	PR19SSC_C4	Per capita consumption (Cambridge region)
7	PR19SSC_D4	Mains repairs
8	PR19SSC_D5	Unplanned outage
9	PR19SSC_D3	Risk of severe restrictions in a drought
10	PR19SSC_B4	Priority services for customers in vulnerable circumstances
11	PR19SSC_A1	C-MeX
12	PR19SSC_A2	D-MeX
13	PR19SSC_B1	Financial support
14	PR19SSC_B2	Extra care assistance
15	PR19SSC_B3	Education activity
16	PR19SSC_C5	Environmentally sensitive water abstraction
17	PR19SSC_C7	Protecting wildlife, plants, habitats and catchments
18	PR19SSC_C8	Carbon emissions
19	PR19SSC_D6	Customer contacts about water quality
20	PR19SSC_D7	Visible leak repair time
21	PR19SSC_D8	Water treatment works delivery programme
22	PR19SSC_E2	Residential void properties and gap sites
Other APR data		
	APR Table	**Data description**
	1F	Financial flows
	4R	Properties, customers and population
	5A, 6A and 6C	Mains length
	5A, 6A and 6B	Production operational data
	5A, 6A and 6B	Average pumping head
	6B	Treated water distribution - DI
	6B	Treated water distribution – water delivered volumes (including RAG)
	6C	ERI
	11A	Energy consumption
Other data		
	1	CCW complaints

We did not audit the following PCs

	AMP7 PC Code	Performance Commitment Title
1	PR19SSC_A3	Retailer measure of experience
2	PR19SSC_C6	Supporting water efficient house building
3	PR19SSC_E1	Bad debt level
4	PR19SSC_E3	Employee engagement
5	PR19SSC_E4	Treating our suppliers fairly
6	PR19SSC_F1	Trust
7	PR19SSC_F2	Value for money
8	PR19SSC_NEP01	Delivery of Water Industry National Environment Programme requirements

Our response to Jacobs' technical assurance report

Our technical assurer, Jacobs, is tasked with reviewing our processes and audit trails for a range of performance commitments and other tabular reporting data in the APR submission, to identify any risks with our processes that could compromise the robustness of reported data.

We are grateful to Jacobs for the rigour with which it conducts its assurance; its feedback each year helps us strive for process improvement and helps ensure our high standards of reporting do not slip. As a smaller company that sometimes experiences resource constraints, we try to empower our employees to take ownership of data and processes to which they are assigned.

However, in some cases this can mean that risks are identified by our third party assurer on some data. While we clearly hope that audits run smoothly in all cases, we still very much see identification of risks by Jacobs as a valuable outcome of our assurance and shows the process has continued to offer value in improving the robustness of our reporting, which is our overall goal.

Mains repairs

During the audit, Jacobs challenged us to demonstrate that work orders from our Maximo works management system that were not coded as burst mains, had been checked. This request needed some additional preparation time. So the audit was postponed and we carried out this additional check, which identified a small number of incorrectly coded work orders. This was not material, however, being within the 5% confidence grade we would assign to the measure. Going forward, we will be making this check a routine part of our normal validation process, ensuring we detect any miscoded work orders at source in future.

Financial support

Jacobs expressed a potential risk that the Ofwat PR19 final determination definition for PC PR19SSC_B1, Financial Support, does not explicitly list all of the types of support we offer customers, which we count within this measure. The Ofwat definition states that we should liaise with CCW when any new support measures are added.

However, we can be clear in stating that we have not added in any new support measures into this PC since our Assure tariff in 2016, and that the measures we include have been unchanged since this time and were those on which our PR19 performance commitment were based. Primarily due to the huge success of our Assure social tariff, we are significantly outperforming our performance commitment for financial support, and we are extremely pleased with the level of help we are able to offer customers both in this measure and through our PSR offerings, which we have accelerated significantly since 2020.

Distribution input

As a result of some internal role changes, we did not fully prepare for our initial audit of distribution input (DI) with Jacobs, which led to some process and ownership risks being identified during the audit. These were quickly rectified in a follow-up audit, which demonstrated the input data and resulting reported value were robust and provided the initially missing process documentation. To ensure the ownership issues have been rectified fully, we have committed to a half-year review with Jacobs, which we will carry out in November 2022.

Production operational data used to populate cost assessment tables 5A, 6A and 6B

As we have two separate operating areas, we bring data for these tables together into a spreadsheet process that uses formulae to aggregate the various input data for population of reporting table data lines. The spreadsheet we use is well established and unchanged from previous years.

However, Jacobs highlighted that the process is managed by a single individual and input data changes are tracked by means of cell comments within the spreadsheet rather than within a separate process document. We agree these improvements would help with transparency of the information and ensure continuity of reporting. So we will be improving the process in line with Jacobs' recommendations this year. The data itself that we are reporting for all these tables is robust and consistent with previous years.

CCW complaints data

This year we asked Jacobs to separately audit our complaints information. This was in preparation for a separate review being carried out by CCW. Jacobs identified that we rely on call agent training to ensure the correct coding of complaints at source, validated through a line manager quality assurance procedure. This is in line with CCW's complaints handling guidance.

However, we were not able to demonstrate this procedure sufficiently at first audit and so we provided the information post-audit.

Internal independent assurance of reputational outcome delivery incentives and other regulatory information

As the South Staffordshire Group Internal Audit Manager (with more than 25 years' experience of working within the water industry), Internal Audit was requested to perform an independent review of the reporting of the following reputational performance commitments and regulatory information.

- Trust.
- Value for Money.
- Supporting water efficient housebuilding.
- Employee engagement
- Treating suppliers fairly
- Meter optant numbers and cost breakdown

The audit work carried out sought to review the methodology supporting the calculations to ensure accuracy, consistency and validity of the numbers provided. Internal Audit has confirmed that that the figures reported have been validated and checked to supporting information.

Glyn Palmer BA (Hons) FCA
Group Internal Audit Manager
30 June 2022

Independent Auditor's report to Ofwat and the Directors of South Staffordshire Water PLC

The independent audior's report is set out on the following pages.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of South Staffordshire Water PLC

Opinion

We have audited the sections of South Staffordshire Water PLC's Annual Performance Report for the year ended 31 March 2022 ("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.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for 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.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 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 4U, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, South Staffordshire Water PLC's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.13, RAG 4.10 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, appendix 2), set out on page 53.

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(s), as defined in RAG 3.13, 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. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. 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 36 to 77 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:

- Assessing Management's financing facilities including nature of facilities, repayment terms and covenants;
- Assessing Management's projected cash flow and performing sensitivity analysis;
- Assessing the assumptions used in establishing the liquidity position throughout the going concern period, with reference to forecast income and expenses; and
- Evaluating the appropriateness of the disclosures 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, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.13, 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[s] 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 WRSA, 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 and external 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 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 2022 on which we reported on 15th July 2022, 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

Deloitte LLP
London, United Kingdom
18 July 2022

Section 1 – regulatory accounts primary statements

1a) Income statement for the 12 months ended 31 March 2022

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Revenue	140.108	-	8.522	(8.522)	131.586
Operating costs	(114.400)	0.437	(6.625)	7.062	(107.338)
Other operating income	7.485	(7.336)	-	(7.336)	0.149
Operating profit	33.193	(6.899)	1.897	(8.796)	24.397
Other income	-	7.336	0.135	7.201	7.201
Interest income	1.797	-	-	-	1.797
Interest expense	(19.265)	-	(0.008)	0.008	(19.257)
Other interest expense	(0.172)	-	-	-	(0.172)
Profit before tax and fair value movements	15.553	0.437	2.024	(1.587)	13.966
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	15.553	0.437	2.024	(1.587)	13.966
UK Corporation tax	1.098	(0.083)	(0.385)	0.302	1.400
Deferred tax	(19.442)	-	-	-	(19.442)
Profit for the year	(2.791)	0.354	1.639	(1.285)	(4.076)
Dividends	(10.675)	-	(1.640)	1.640	(9.035)
Tax analysis					
Current year	(1.543)	0.083	0.385	(0.302)	(1.845)
Adjustments in respect of prior years	0.445	-	-	-	0.445
UK Corporation tax	(1.098)	0.083	0.385	(0.302)	(1.400)

Analysis of non-appointed revenue	
Imported sludge	-
Tankered waste	-
Other non-appointed revenue	8.522
Revenue	8.522

1a) Income statement (continued)

Activities outside of the appointed business include:

- Aqua Direct spring water business;
- commission from sewerage collection;
- property searches;
- sailing and fisheries;
- rental income from non-appointed properties; and
- energy generation.

Non-appointed operational costs include the cost of providing these services, including a share of depreciation to the non-appointed business for the use of assets owned by the wholesale business.

In line with the RAGs, we have completed the following adjustments between the statutory financial statements and regulatory reporting.

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Profit for the year £m	Tax £m
Rental income	-	-	(0.462)	0.462	-	-
Amortisation of capital contributions	-	-	(3.356)	3.356	-	-
Infrastructure renewals contributions	-	-	(3.518)	3.518	-	-
Remove Innovation Funding in year	-	0.436	-	-	0.436	-
Remove Innovation Tax in year	-	(0.083)	-	-	-	(0.083)
Net adjustments	-	0.353	(7.336)	7.336	0.436	(0.083)

Analysis of interest charges

	2022 £m
Interest charged on external borrowings	19.292
Bond discount / premium on issue	(0.353)
Bond costs	0.245
Amortisation of debt issuance costs	0.073
Total interest charge per table 1A line 7	19.257
Amounts recycled through hedging reserve	(0.172)
Total interest charge per table 1A line 8	(0.172)

Reconciliation of appointed current taxation to standard tax rate

This reconciliation of the appointed current tax charge results from applying the standard tax rate to the profit before tax as shown in table 1a.

	2022 £m		Current Tax £m
PBT			
Appointed	17.637		1.400
Non appointed	2.024		(0.385)
Total	**19.661**		**1.015**
Appointed Profit on ordinary activities	**17.637**		
Appointed profit before tax at standard UK corporation tax rate of 19%	2.654		
Expenses not deductible for tax purposes		0.158	
Capital allowances super deduction 30% element		(0.725)	
Transfer pricing adjustments		(0.191)	
Capital allowances less than depreciation		(3.774)	
Other timing differences		0.033	
Adjustments in respect of prior years		0.445	
	(4.054)		
Appointed current tax charge	**(1.400)**		
Appointed total current tax charge allowed in price limits	0.347		
Impact of difference between tax rate used in price limits (17%) and actual tax rate (19%)		0.041	
Differences in profit before tax		1.521	
Taxable interest income for which no tax allowance given in price limit		0.280	
Expenses not deductible for tax purposes		(0.018)	
Transfer pricing adjustment		(0.191)	
Capital allowances in advance of depreciation		(4.286)	
Pension contributions		0.383	
Other timing differences		0.078	
	(2.192)		
Current year	**(1.845)**		
Adjustments in respect of prior years	0.445		
Appointed current tax charge	**(1.400)**		

The current tax charge in respect of the year at £-1.8m was lower than that allowed in price limits by £2.2m and was offset by adjustments from prior years of £0.4m.

1b) Statement of comprehensive income – for the 12 months ended 31 March 2022

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Profit for the year	(2.791)	0.354	1.639	(1.285)	(4.076)
Actuarial gains/(losses) on post-employment plans	-	-	-	-	-
Other comprehensive income	2.239	-	-	-	2.239
Total Comprehensive income for the year	(0.552)	0.354	1.639	(1.285)	(1.837)

Other comprehensive income relates to the movement in the hedging reserve net of deferred tax.

1c) Statement of financial position – as at 31 March 2022

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Non-current assets					
Fixed assets	597.728	-	1.446	(1.446)	596.282
Intangible assets	-	-	-	-	-
Investments - loans to group companies	-	-	-	-	-
Investments - other	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-
Total	597.728	-	1.446	(1.446)	596.282
Current assets					
Inventories	3.072	-	0.041	(0.041)	3.031
Trade & other receivables	39.094	6.454	10.994	(4.540)	34.554
Financial instruments	-	-	-	-	-
Cash & cash equivalents	50.135	-	0.527	(0.527)	49.608
Total	92.301	6.454	11.562	(5.108)	87.193
Current liabilities					
Trade & other payables	(59.048)	(5.584)	(5.264)	(0.320)	(59.368)
Capex creditor	(18.657)	-	-	-	(18.657)
Borrowings	-	-	-	-	-
Financial instruments	-	-	-	-	-
Current tax liabilities	(1.378)	(0.165)	-	(0.165)	(1.543)
Provisions	-	-	-	-	-
Total	(79.083)	(5.749)	(5.264)	(0.485)	(79.568)
Net Current assets/(liabilities)	13.218	0.705	6.298	(5.593)	7.625
Non-current liabilities					
Trade & other payables	(10.265)	-	-	-	(10.265)
Borrowings	(292.672)	-	-	-	(292.672)
Financial instruments	(0.057)	-	-	-	(0.057)
Retirement benefit obligations	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred income - G&C's	(168.703)	-	(0.005)	0.005	(168.698)
Deferred income - adopted assets	-	-	-	-	-
Preference share capital	-	-	-	-	-
Deferred tax	(65.707)	-	-	-	(65.707)
Total	(537.404)	-	(0.005)	0.005	(537.399)
Net assets	73.542	0.705	7.739	(7.034)	66.508
Equity					
Called up share capital	2.123	-	-	-	2.123
Retained earnings & other reserves	71.419	0.705	7.739	(7.034)	64.385
Total Equity	73.542	0.705	7.739	(7.034)	66.508

1c) Statement of financial position (continued)

See table 1a for a list of activities outside of the appointed business. The statement of financial position reflects the balance sheet as at 31 March 2022. Both statutory financial statements and regulatory reporting are based on FRS 102, with the following adjustments to reflect the RAGs.

	Investments - loans to group companies £m	Trade & other receivables £m	Trade & other payables £m	Current tax liabilities £m	Retained earnings & other reserves £m	Net assets £m
Inter company alignments	-	6.454	(6.454)	-	-	-
Remove Innovation Funding accrual year to date	-	-	0.870	-	(0.870)	-
Remove Innovation Funding year to date tax effect	-	-	-	0.165	(0.165)	-
Net adjustments	-	6.454	(5.584)	0.165	(1.035)	-

1d) Statement of cash flows – for the 12 months ended 31 March 2022

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Operating activities					
Operating profit	33.193	(6.899)	1.897	(8.796)	24.397
Other income	-	7.336	0.135	7.201	7.201
Depreciation	25.475	-	0.205	(0.205)	25.270
Amortisation - G&C's	(3.356)	-	-	-	(3.356)
Changes in working capital	1.595	(0.437)	0.415	(0.852)	0.743
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	(0.149)	-	-	-	(0.149)
Cash generated from operations	56.758	0.000	2.652	(2.652)	54.106
Net interest paid	(7.817)	-	(0.008)	0.008	(7.809)
Tax paid	0.600	-	(0.385)	0.385	0.985
Net cash generated from operating activities	49.541	0.000	2.259	(2.259)	47.282
Investing activities					
Capital expenditure	(46.945)	-	(0.046)	0.046	(46.899)
Grants & Contributions	8.727	-	-	-	8.727
Disposal of fixed assets	0.223	-	-	-	0.223
Other	25.000	-	-	-	25.000
Net cash used in investing activities	(12.995)	-	(0.046)	0.046	(12.949)
Net cash generated before financing activities	36.546	0.000	2.213	(2.213)	34.333
Cashflows from financing activities					
Equity dividends paid	(10.675)	-	(1.640)	1.640	(9.035)
Net loans received	19.958	-	(0.047)	0.047	20.005
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	9.283	-	(1.687)	1.687	10.970
Increase (decrease) in net cash	45.829	0.000	0.526	(0.526)	45.303

Capital expenditure relates to the cash paid out in the year in relation to fixed asset additions. The difference in what was paid for in the appointed business (£46.899m) and additions reported in the fixed assets in note 2d (£54.145m) is due to an increase in year of creditors relating to capital purchases of £7.246m.

1d) Statement of cash flows (continued)

	Operating profit	Other income	Changes in working capital	Increase / (decrease) in net cash
	£m	£m	£m	£m
Revenue not recognised under FRS102	-	-	-	-
Rental income	(0.462)	0.462	-	-
Amortisation of capital contributions	(3.356)	3.356	-	-
Remove Innovation Funding in year	0.437	-	(0.437)	-
Net adjustments	(3.381)	3.818	(0.437)	-

1e) Net debt analysis – as at 31 March 2022

Interest rate risk profile			
Fixed rate	Floating rate	Index linked	Total

			RPI	CPI/CPIH	
	£m	**£m**	**£m**	**£m**	**£m**
Borrowings (excluding preference shares)	51.519	-	241.153	-	292.672
Preference share capital					-
Total borrowings					292.672
Cash					(49.608)
Short term deposits					-
Net Debt					**243.064**
Gearing					54.07%
Adjusted Gearing					51.50%
Full year equivalent nominal interest cost	1.582	-	14.718	-	16.300
Full year equivalent cash interest payment	1.582	-	7.623	-	9.206
Indicative interest rates					
Indicative weighted average nominal interest rate	3.07%	0.00%	6.10%	0.00%	5.57%
Indicative weighted average cash interest rate	3.07%	0.00%	3.16%	0.00%	3.15%
Weighted average years to maturity	6.998	-	24.750	-	21.625

Net debt comprises the book value of debt excluding accrued interest as defined by the RAGs. In addition to the coupons payable, interest costs include the impact of hedging.

During the year, the Company adopted a more simplified approach to accounting for index-linked debt where finance costs are accrued by reference to actual RPI rather than a long-term forecast of inflation. More information is provided in the note to table 1F.

The adjusted gearing of 51.5% is based on the company's covenant net debt of £231.5m, which differs to the book net debt by £11.6m. Covenant debt is the key metric used by the Board, investors, lenders and rating agencies in assessing gearing.

We set out a full reconciliation between book net debt and covenant net debt below.

The difference between book net debt in table 1e of £243.1m and that stated in the table below at £243.0m is in relation to accrued interest of £0.152m, which is not recognised as part of net debt in accordance with the RAGs. The regulatory gearing ratio is at 54.1% (54.1% using statutory book debt below and 51.5% using covenant debt).

The difference between covenant and book net debt includes £12.8m, which relates to the unamortised premium and costs on issuance of the company's debt.

The table below explains the book net debt and net debt reported for borrowing covenants.

	£'000	**Gearing %**
Book net debt - statutory accounts	(243.064)	54.07%
Exclude accrued interest	0.152	(0.03%)
Book net debt (as reported above)	(242.912)	54.03%
Exclude book premium on issue of index linked debt	12.803	(2.85%)
Difference between long-term RPI assumption and actual RPI inflation	0.000	0.00%
Exclude unamortised issue costs	(1.416)	0.31%
Net debt reported for borrowing covenants	(231.525)	51.50%

1f) Financial flows – for the 12 months ended 31 March 2022

	Units	DP	12 months ended 31 March 2022 % Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	£m Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	157.736	157.736	162.907			
Return on regulatory equity								
Return on regulatory equity	%	2	4.17%	4.30%	4.17%	6.571	6.787	6.787
Financing								
Impact of movement from notional gearing	%	2	0.00%	-0.14%	-0.04%	0.000	(0.215)	(0.073)
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	0.77%	0.74%	0.000	1.209	1.209
Group relief	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Cost of debt	%	2	0.00%	-2.30%	-2.18%	0.000	(3.628)	(3.547)
Hedging instruments	%	2	0.00%	-0.35%	-0.34%	0.000	(0.555)	(0.555)
Return on regulatory equity including Financing adjustments	%	2	4.17%	2.28%	2.35%	6.571	3.598	3.821
Operational Performance								
Totex out / (under) performance	%	2	0.00%	0.12%	0.12%	0.000	0.194	0.194
ODI out / (under) performance	%	2	0.00%	-0.47%	-0.45%	0.000	(0.741)	(0.741)
C-Mex out / (under) performance	%	2	0.00%	-0.05%	-0.05%	0.000	(0.080)	(0.080)
D-Mex out / (under) performance	%	2	0.00%	-0.05%	-0.04%	0.000	(0.073)	(0.073)
Retail out / (under) performance	%	2	0.00%	-1.88%	-1.82%	0.000	(2.969)	(2.969)
Other exceptional items	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Operational performance total	%	2	0.00%	-2.33%	-2.25%	0.000	(3.669)	(3.669)
RoRE (return on regulatory equity)	%	2	4.17%	-0.05%	0.09%	6.571	(0.072)	0.152
RCV growth	%	2	6.20%	6.20%	6.20%	9.778	9.778	10.098

Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	10.36%	6.15%	6.29%	16.349	9.706	10.250
Dividends								
Gross Dividend	%	2	2.16%	5.28%	5.11%	3.402	8.324	8.324
Interest Receivable on Intercompany loans	%	2	0.00%	-0.86%	-0.83%	0.000	(1.360)	(1.360)
Retained Value	%	2	8.21%	1.74%	2.02%	12.947	2.742	3.286
Cash impact of 2015-20 performance adjustments								
Totex out / under performance	%	2	0.00%	0.01%	0.01%	0.000	0.012	0.012
ODI out / under performance	%	2	0.00%	0.34%	0.33%	0.000	0.530	0.530
Total out / under performance	%	2	0.00%	0.34%	0.33%	0.000	0.542	0.542

1f) Financial flows –for the price review to date

	Units	DP	Average 2020-25 % Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	£m Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	154.38	154.38	146.89			
Return on regulatory equity								
Return on regulatory equity	%	2	4.15%	3.94%	4.15%	6.400	6.090	6.090
Financing								
Impact of movement from notional gearing	%	2	0.00%	0.20%	0.07%	0.000	0.310	0.101
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	0.25%	0.26%	0.000	0.384	0.384
Group relief	%	2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of debt	%	2	0.00%	-1.88%	-2.03%	0.000	(2.897)	(2.977)
Hedging instruments	%	2	0.00%	-0.36%	-0.38%	0.000	(0.554)	(0.554)
Return on regulatory equity including Financing adjustments	%	2	4.15%	2.16%	2.07%	6.400	3.333	3.043
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-0.35%	-0.37%	0.000	(0.548)	(0.548)
ODI out / (under) performance	%	2	0.00%	-0.38%	-0.40%	0.000	(0.582)	(0.582)
C-Mex out / (under) performance	%	2	0.00%	-0.03%	-0.03%	0.000	(0.040)	(0.040)
D-Mex out / (under) performance	%	2	0.00%	-0.02%	-0.02%	0.000	(0.036)	(0.036)
Retail out / (under) performance	%	2	0.00%	-1.14%	-1.20%	0.000	(1.764)	(1.764)
Other exceptional items	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Operational performance total	%	2	0.00%	-1.92%	-2.02%	0.000	(2.970)	(2.970)
RoRE (return on regulatory equity)	%	2	4.15%	0.24%	0.05%	6.400	0.363	0.073
RCV growth	%	2	3.61%	3.61%	3.61%	5.566	5.566	5.297

Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	7.75%	3.84%	3.66%	11.967	5.930	5.370
Dividends								
Gross Dividend	%	2	2.16%	4.13%	4.34%	3.329	6.377	6.377
Interest Receivable on Intercompany loans	%	2	0.00%	-0.99%	-1.04%	0.000	(1.524)	(1.524)
Retained Value	%	2	5.59%	0.70%	0.35%	8.637	1.078	0.517
Cash impact of 2015-20 performance adjustments								
Totex out / under performance	%	2	0.00%	0.01%	0.01%	0.000	0.012	0.012
ODI out / under performance	%	2	0.00%	0.34%	0.36%	0.000	0.522	0.522
Total out / under performance	%	2	0.00%	0.35%	0.36%	0.000	0.534	0.534

Commentary to the financial flows

The financial flows tables above are based on book debt rather than covenant debt to be consistent with Ofwat's guidance.

As per RAG 4.10, totex performance has been adjusted for timing differences and the company cost sharing ratio with customers.

The actual shareholder return based on actual regulatory equity is 6.29%, 4.07% below the notional return of 10.36% in our final determination. The main variances are as follows.

- Lower returns from lower gearing (-0.04%) using the average book debt of 58.8% compared with the notional gearing of 60.0%.
- Higher returns from a lower tax charge (+0.74%).
- Lower returns from a higher actual cost of debt (-2.18%).The main driver is the difference between the interest rate assumed by Ofwat and the actual higher interest rate on our borrowings which is predominantly made up of long-term RPI index-linked debt
- Outperformance on totex (+0.12%). We achieved an efficiency of £1.4m in relation to base costs. Net totex not subject to cost sharing was £0.5m higher than allowed. In our final determination, £4.6m of costs for HS2 were incorrectly omitted, of which we spent £2.8m. Ofwat has confirmed that this will be corrected at PR24. This was partly offset by lower income offset payments of £2.6m, due to the impact of COVID-19 on housebuilding.
- Retail costs (-1.82%), predominantly in relation to revised reporting requirements on accounting for Software-as-a-Service (SaaS) as part of cloud technology. This resulted in £1.8m being charged to retail costs rather than being capitalised and depreciated over a useful life.
- ODIs (-0.45%), which includes an underperformance on PCC of £2.6m as a result of the impact of COVID-19 on household consumption. Excluding PCC, we would have an out-performance of 1.11%.

Based on book debt, actual dividend yield net of intercompany interest is 4.27%, which is 2.11% above our final determination of 2.16%. Using covenant debt, the dividend yield is 4.21%.

Our final determination dividend yield of 2.16% is below the notional dividend yield for the sector. This is the result of the high level of RCV growth over the five-year period from 2020 to 2025.

During the year, in view of the continued gap in the carrying value of the index-linked debt between book value and covenant value, the directors decided to undertake a review of the accounting treatment adopted. While it is possible to adopt an approach of applying future forecast inflation, a weakness was identified concerning the frequency of re-evaluation of RPI for the future cash flows within the debt models. Having reviewed the requirements of FRS 102, the Directors have decided to adopt a more simplified approach to the accounting whereby the finance costs will be accrued by reference to actual RPI in any given period. The Directors also consider that this treatment is more aligned to comparators. As a result of this restatement, it has been necessary to restate the financial flows table for 2020/21 to ensure that the reporting during the price control period is consistent. The impact on the components of the financial flows calculation is set out below.

	2020/21 as reported	**2020/21 restated**	**Movement**	**Explanation**
Net Debt	268.846	258.343	(10.503)	To restate our book debt using actual inflation rather than a long-term projection
Interest expense	(14.878)	(11.785)	3.093	Restated using actual inflation rather than a long-term projection
Current tax	(0.654)	(1.242)	(0.588)	Additional taxation on higher profit before tax at 19%
Regulated equity	134.357	144.860	10.503	To restate our book debt using actual inflation rather than a long-term projection
Gearing	66.7%	64.1%	-2.60%	Reduction due to lower reported book debt
RORE (actual returns, notional equity)	-0.60%	0.53%	1.13%	Increase driven by higher regulated equity and lower cost of debt

Section 2 – price review and segmental reporting

2a) Segmental income statement – for the 12 months ended 31 March 2022

	Residential retail £m	Business retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Revenue - price control	12.453	-	10.201	107.206	129.860
Revenue - non price control	-	-	0.036	1.690	1.726
Operating expenditure - excluding PU recharge impact	(14.695)		(8.324)	(59.049)	(82.068)
PU opex recharge	(0.041)		(0.000)	0.041	(0.000)
Operating expenditure - including PU recharge impact	(14.736)	-	(8.324)	(59.008)	(82.068)
Depreciation - tangible fixed assets	(0.835)	-	(0.763)	(23.672)	(25.270)
Amortisation - intangible fixed assets	-	-	-	-	-
Other operating income	-	-	-	0.149	0.149
Operating profit	(3.118)	-	1.150	26.365	24.397
Surface water drainage rebates	0	0	0	0	0

2b) Totex analysis for the 12 months ended 31 March 2022 – wholesale

	Water resources £m	Water Network+ £m	Total £m
Base operating expenditure			
Power	2.584	10.743	13.327
Income treated as negative expenditure	-	-	-
Service charges/ discharge consents	3.102	0.117	3.219
Bulk Supply/Bulk discharge	0.006	0.045	0.051
Renewals expensed in year (Infrastructure)	-	12.622	12.622
Renewals expensed in year (Non-Infrastructure)	-	-	-
Other operating expenditure (including Location specific costs & obligations)	2.387	28.620	31.007
Local authority and Cumulo rates	0.215	4.893	5.108
Total base operating expenditure	8.294	57.040	65.334
Other operating expenditure			
Enhancement operating expenditure	-	-	-
Developer services operating expenditure	-	0.224	0.224
Total operating expenditure excluding third party services	8.294	57.264	65.558
Third party services	0.030	1.744	1.774
Total operating expenditure	8.324	59.008	67.332
Grants and contributions			
Grants and contributions - operating expenditure	-	3.518	3.518
Capital expenditure			
Base capital expenditure	0.950	20.761	21.711
Enhancement capital expenditure	2.314	17.498	19.812
Developer services capital expenditure	-	12.126	12.126
Total gross capital expenditure excluding third party services	3.264	50.385	53.649
Third party services	-	-	-
Total gross capital expenditure	3.264	50.385	53.649
Grants and contributions			
Grants and contributions - capital expenditure	-	8.728	8.728
Net totex	11.588	97.147	108.735
Cash expenditure			
Pension deficit recovery payments	-	-	-
Other cash items	-	-	-
Totex including cash items	11.588	97.147	108.735

2c) Cost analysis for the 12 months ended 31 March 2022 – retail

	Residential £m	Business £m	Total £m
Operating expenditure			
Customer services	5.276	-	5.276
Debt management	0.871	-	0.871
Doubtful debts	3.588	-	3.588
Meter reading	0.798	-	0.798
Services to developers	-	-	-
Other operating expenditure	4.038	-	4.038
Local authority and Cumulo rates	0.125	-	0.125
Total operating expenditure excluding third party services	14.695	-	14.695
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.056	-	0.056
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.779	-	0.779
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	-	-	-
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.009	-	0.009
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-	-	-
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.032	-	0.032
Income from wholesale assets acquired after 1 April 2015 principally used by retail	-	-	-
Net recharges costs	0.041	-	0.041
Total retail costs excluding third party and pension deficit repair costs	15.571	-	15.571
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair costs	15.571	-	15.571
Debt written off			
Debt written off	0.106	-	0.106
Capital expenditure			
Capital expenditure	0.497	-	0.497

Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale	
Demand-side water efficiency - gross expenditure	0.051
Demand-side water efficiency - expenditure funded by wholesale	0.039
Demand-side water efficiency - net retail expenditure	0.012
Customer-side leak repairs - gross expenditure	0.494
Customer-side leak repairs - expenditure funded by wholesale	0.494
Customer-side leak repairs - net retail expenditure	-
Comparison of actual and allowed expenditure	
Cumulative actual retail expenditure to reporting year end	28.386
Cumulative allowed expenditure to reporting year end	23.434
Total allowed expenditure 2020-25	61.496

Total retail operating costs (before depreciation charges) of £14.7m compared with £11.7m allowed in price limits for the year. The overspend is predominantly in relation to revised reporting requirements on accounting for Software-as-a-Service (SaaS) as part of cloud technology. This resulted in £1.8m being charged to retail costs rather than being capitalised and depreciated over a useful life. Further details can be found in our accounting separation methodology.

2d) Historic costs analysis of tangible fixed assets at 31 March 2022

`

			Wholesale		
	Residential Retail £m	Business Retail £m	Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2021	13.922	-	24.108	1,005.678	1,043.708
Disposals	(5.776)	-	-	(2.307)	(8.083)
Additions	0.497	-	3.264	50.385	54.146
Adjustments	-	-	-	-	-
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2022	8.643	-	27.372	1,053.756	1,089.771
Depreciation					
At 1 April 2021	(11.336)	-	(4.048)	(460.842)	(476.226)
Disposals	5.776	-	-	2.231	8.007
Adjustments	-	-	-	-	-
Charge for year	(0.835)	-	(0.763)	(23.672)	(25.270)
At 31 March 2022	(6.395)	-	(4.811)	(482.283)	(493.489)
Net book amount at 31 March 2022	2.248	-	22.561	571.473	596.282
Net book amount at 1 April 2021	2.586	-	20.060	544.836	567.482
Depreciation charge for year					
Principal services	(0.835)	-	(0.763)	(23.672)	(25.270)
Third party services	0.042	-	-	(0.042)	-
Total	(0.793)	-	(0.763)	(23.714)	(25.270)

The net book value includes £45.825m in respect of assets in the course of construction.

2e) Analysis of grants and contributions for 12 months ended 31 March 2022

	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
	£m	£m	£m	£m
Grants and contributions - water resources				
Diversions - s185	-	-	-	-
Other contributions (price control)	-	-	-	-
Price control grants and contributions	-	-	-	-
Diversions - NRSWA	-	-	-	-
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	-	-
Total grants and contributions	-	-	-	-
Value of adopted assets	-	-	-	-
Grants and contributions - water network+				
Connection charges	-	3.345	-	3.345
Infrastructure charge receipts – new connections	-	1.506	-	1.506
Requisitioned mains	-	2.559	-	2.559
Diversions - s185	0.336	-	-	0.336
Other contributions (price control)	-	1.236	-	1.236
Price control grants and contributions before deduction of income offset	0.336	8.646	-	8.982
Income offset	-	1.116	-	1.116
Price control grants and contributions after deduction of income offset	0.336	7.530	-	7.866
Diversions - NRSWA	0.605	-	-	0.605
Diversions - other non-price control	2.577	-	-	2.577
Other contributions (non-price control)	-	1.199	-	1.199
Total grants and contributions	3.518	8.729	-	12.247
Value of adopted assets	-	-	-	-

	Water resources	Water network+	Total
	£m	£m	£m
Movements in capitalised grants and contributions			
b/f	-	163.325	163.325
Capitalised in year	-	8.729	8.729
Amortisation (in income statement)	-	(3.356)	(3.356)
c/f	-	168.698	168.698

Contributions in relation to Severn Trent Water's share of the treatment works upgrade at Hampton Loade are split in the table above between other contributions (price control) and other contributions (non-price control) in the agreed percentages as set out in our green recovery plan final determination. Price control contributions are 57% (£1.235m) and non-price control contributions are 43% (£0.932m).

2f) Residential retail for the 12 months ended 31 March 2022

	Revenue	Number of customers	Average residential revenues
	£m	000s	£
Residential revenue			
Wholesale revenue	91.842	-	-
Retail revenue	12.453	-	-
Total residential revenue	104.295	-	-
Retail revenue			
Revenue Recovered ("RR")	12.453	-	-
Revenue sacrifice	-	-	-
Actual revenue (net)	12.453	-	-
Customer information			
Actual customers ("AC")	-	672.935	-
Reforecast customers	-	676.645	-
Adjustment			
Allowed revenue ("R")	13.334	-	-
Net adjustment	0.881	-	-
Other residential information			
Average household retail revenue per customer	-	-	18.505

Household retail revenues are £0.9m lower than that assumed in our final determination.

2g) Non-household water – revenues by tariff type

This table is not applicable as we exited the non-household retail market in April 2017. Our wholesale revenue relating to non-household was £25.565m for the year, including rechargeable works.

2i) Revenue analysis for the 12 months ended 31 March 2022

	Household	Non-household	Total	Water resources	Water network+	Total
	£m	£m	£m	£m	£m	£m
Wholesale charge - water						
Unmeasured	46.727	0.998	47.725	4.246	43.479	47.725
Measured	45.115	23.564	68.679	5.955	62.724	68.679
Third party revenue	-	1.003	1.003	-	1.003	1.003
Total wholesale water revenue	91.842	25.565	117.407	10.201	107.206	117.407
Retail revenue						
Unmeasured	7.506	-	7.506			
Measured	4.947	-	4.947			
Other third party revenue	-	-	-			
Retail Total	12.453	-	12.453			
Third party revenue - non-price control						
Bulk supplies - water			0.429			
Other third party revenue			1.080			
Principal services - non-price control						
Other appointed revenue			0.217			
Total appointed revenue			131.586			

2j) Infrastructure network reinforcement costs for the 12 months ended 31 March 2022

	Network reinforcement capex £m	On site / site specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	1.498	-
Pumping and storage facilities	1.580	-
Other	-	-
Total	3.078	-

2k) Infrastructure charges reconciliation for the 12 months ended 31 March 2022

	Water £m
Impact of infrastructure charge discounts	
Infrastructure charges	1.506
Discounts applied to infrastructure charges	(0.077)
Gross Infrastructure charges	1.429
Comparison of revenue and costs	
Variance brought forward	2.110
Revenue	1.506
Costs	(3.078)
Variance carried forward	0.538

The variance carried forward on infrastructure charge revenues compared with costs as at March 2022 is £0.5m compared with £2.1m in the previous year. The infrastructure charge is based on a five-year average forecast of network reinforcement expenditure. This expenditure varies each year. We undertook significant investment in the reporting year. This is projected to continue to 2025 such that the remaining over-recovery will reverse as this investment is made.

2l) Analysis of land sales for the 12 months ended 31 March 2022

There were no land sales for the 12 months ended 31 March 2022.

2m) Revenue reconciliation for the 12 months ended 31 March 2022 – wholesale

`	Water resources £m	Water network+ £m	Total £m
Revenue recognised	-	-	-
Wholesale revenue governed by price control	10.201	107.206	117.407
Grants & contributions (price control)	-	7.866	7.866
Total revenue governed by wholesale price control	10.201	115.072	125.273
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	9.934	102.462	112.396
Allowed grants & contributions before adjustments (or modified by CMA)	-	9.771	9.771
Revenue adjustment	-	-	-
Other adjustments	-	0.983	0.983
Revenue cap	9.934	113.216	123.150
Calculation of the revenue imbalance			
Revenue cap	9.934	113.216	123.150
Revenue Recovered	10.201	115.072	125.273
Revenue imbalance	(0.267)	(1.856)	(2.123)

Total wholesale revenues were £2.1m higher than that assumed in the wholesale price control.

The revenue cap includes the 2019/20 blind year adjustments for the wholesale forecasting revenue incentive mechanism (WRFIM) and totex uplifted to outturn prices. Of the £1.0m, £2.4m relates to the under-recovery of wholesale revenues, which is offset by an over-recovery of £1.6m of developer contributions. This was set out in our July 2020 blind year submission to Ofwat.

Wholesale revenue including associated blind year adjustment was £2.2m higher than allowed. This was driven by a continued increase in household revenues following the COVID-19 pandemic as people worked from home. This over-recovery will be returned to customers in future years.

Price control contributions were £0.4m lower than allowed. Contributions from Severn Trent Water for the joint investment at Hampton Loade was £2.5m lower because of a delay in the project while we considered an alternative solution for the treatment works. We submitted a green recovery proposal to secure additional funding, which was allowed by Ofwat in July 2021.

Overall, developer contributions were £2.1m higher than allowed as housebuilding recovered after the pandemic.

The above table includes rechargeable works, which were not included within price control revenue in our final determination.

Ofwat has requested that companies include this income and associated allowed revenues within price control income and it will be reconciled at PR24. Actual rechargeable income was £1.0m compared with £0.8m in our final determination. The variance was driven by additional costs of fluoridation for the Public Health Authority. For the first two years of the current price control period, rechargeable income is £0.4m above our final determination.

2n) Residential retail – social tariffs

	Revenue £m	Number of customers 000s	Average amount per customer £
Number of residential customers on social tariffs	-	-	-
Residential water only social tariffs customers	-	48.371	-
Residential wastewater only social tariffs customers	-	-	-
Residential dual service social tariffs customers	-	-	-
Number of residential customers not on social tariffs			
Residential water only no social tariffs customers	-	624.564	-
Residential wastewater only no social tariffs customers	-	-	-
Residential dual service no social tariffs customers	-	-	-
Social tariff discount			
Average discount per water only social tariffs customer	-	-	64.005
Average discount per wastewater only social tariffs customer	-	-	-
Average discount per dual service social tariffs customer	-	-	-
Social tariff cross-subsidy - residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	3.096	-	-
Total customer funded cross-subsidies for wastewater only social tariffs customers	-	-	-
Total customer funded cross-subsidies for dual service social tariffs customers	-	-	-
Average customer funded cross-subsidy per water only social tariffs customer	-	-	4.601
Average customer funded cross-subsidy per wastewater only social tariffs customer	-	-	-
Average customer funded cross-subsidy per dual service social tariffs customer	-	-	-
Social tariff cross-subsidy - company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	-	-	-
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	-	-	-
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	-	-	-
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer	-	-	-
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer	-	-	-
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer	-	-	-
Social tariff support - willingness to pay			
Level of support for social tariff customers reflected in business plan	-	-	3.000
Maximum contribution to social tariffs supported by customer engagement	-	-	3.000

2o) Historic cost analysis of intangible fixed assets

	Residential Retail	Business Retail	Water Resources	Water Network+	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2021	-	-	-	-	-
Disposals	-	-	-	-	-
Additions	-	-	-	-	-
Adjustments	-	-	-	-	-
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2022	-	-	-	-	-
Amortisation					
At 1 April 2021	-	-	-	-	-
Disposals	-	-	-	-	-
Adjustments	-	-	-	-	-
Charge for year	-	-	-	-	-
At 31 March 2022	-	-	-	-	-
Net book amount at 31 March 2022	-	-	-	-	-
Net book amount at 1 April 2021	-	-	-	-	-
Amortisation for year					
Principal services	-	-	-	-	-
Third party services	-	-	-	-	-
Total	-	-	-	-	-

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

Section 3 – performance summary

3a) Outcome performance

		Unit	Performance Level (actual)- Current reporting year	PCL met?	Outperformance or underperformance payment £m	Forecast of total 2020-25 outperformance or underperformance payment £m
Common PCs - Water (Financial)						
Water quality compliance (CRI)	PR19SSC_D1	number	0.90	No	-	(0.70)
Water supply interruptions	PR19SSC_D2	hh:mm:ss	0.00	Yes	0.49	1.74
Leakage South Staffs region	PR19SSC_C1	%	5.80	Yes	0.24	0.45
Leakage Cambridge region	PR19SSC_C2	%	13.46	Yes	0.19	0.25
Per capita consumption South Staffs region	PR19SSC_C3	%	(10.34)	No	-	(7.01)
Per capita consumption Cambridge region	PR19SSC_C4	%	(3.49)	No	-	(0.95)
Mains repairs	PR19SSC_D4	number	109.62	Yes	0.34	-
Unplanned outage	PR19SSC_D5	%	0.90	Yes	0.25	1.01
Bespoke PCs - Water and Retail (Financial)						
Financial support	PR19SSC_B1	nr	58,611	Yes	-	-
Extra Care assistance	PR19SSC_B2	%	5.1	Yes	-	-
Education activity	PR19SSC_B3	nr	2,284	No	(0.056)	(0.142)
Environmentally sensitive water abstraction	PR19SSC_C5	number	-	Yes	-	-
Protecting wildlife, plants, habitats and catchments	PR19SSC_C7	nr	542.0	Yes	0.0	0.2
Customer contact about water quality	PR19SSC_D6	nr	0.76	Yes	0.32	0.64
Visible leak repair time	PR19SSC_D7	text	5.000	Yes	-	-
Water treatment works delivery programme	PR19SSC_D8	%	18.900	Yes	-	-
Residential void properties and gap sites	PR19SSC_E2	%	100.000	Yes	-	-

Financial water performance commitments achieved	%		76
Overall performance commitments achieved (excluding C-MEX and D-MEX)	%		63

We discuss outcomes, ODIs, performance commitments and financial incentives in more detail on pages 13 to 29. We also summarise our performance in the customer-facing summary that is published alongside this APR. In addition, please refer to our supplementary appendix for further information on leakage and PCC and other metrics.

3c) Customer measure of experience (C-MeX)

	Unit	Value
Annual customer satisfaction score for the customer service survey	Number	83.21
Annual customer satisfaction score for the customer experience survey	Number	83.54
Annual C-MeX score	Number	83.38
Annual net promoter score	Number	43.50
Total household complaints	Number	1,243
Total connected household properties	Number	707,463
Total household complaints per 10,000 connections	Number	17.570
Confirmation of communication channels offered	TRUE or FALSE	TRUE

3d) Developer Services measure of experience (D-MeX)

	Unit	Value
Qualitative component annual results	Number	70.99
Quantitative component annual results	Number	97.80
D-MeX score	Number	84.40
Developer services revenue (water)	£m	8.904

Calculating the D-MeX quantitative component

Water UK performance metric	**Reporting period (1 April to 31 March) %**	**Quantitative score (annual) %**
W1.1 Pre-development enquiry – reports issued within target	92.00%	
W3.1 s45 quotations - within target	98.00%	
W4.1 s45 service pipe connections - within target	96.00%	
W6.1 Mains design <500 plots - quotations within target	94.00%	
W7.1 Mains design >500 plots - quotations within target	0%	
W8.1 Mains construction within target	100.00%	
W17.1 Mains diversions (without constraints) - quotations within target	92.00%	
W17.2 Mains diversions (with constraints) - quotations within target	0%	
W18.1 Mains diversions - construction/commissioning within target	100.00%	
W20.1 Self-lay Point of Connection report < 500 plots etc - reports issued within target	0.00%	
W21.1 Self-lay Point of Connection reports >500 plots etc - reports issued within target	0%	
W23.1 Sel-lay design and terms request <500 plots etc - quotations within target	0.00%	
W24.1 Self-lay design and terms request >500 plots etc - quotations within target	0%	
W26.1 Self-lay water for pressure/bacteriological testing - provided within target	100.00%	
W27.1 Self-lay permanent water supply - provided within target	100.00%	
W30.1 Self-lay plot references and costing details - issued within target	0.00%	
WN1.1 % of confirmations issued to the applicant within target period	95%	
WN2.2 % Bulk supply offer letters issued to the applicant within target period	97%	
WN4.1 % of main laying schemes constructed and commissioned within the target period	100%	
WN4.2 % of testing supplies provided within target period	0%	
WN4.3 % of permanent supplies made available within the target period	100%	

	Unit	Reporting period	Annual
D-MeX quantitative score (for the reporting period)	%	97.80%	
D-MeX quantitative score (annual)	Number		0.978

3e) Outcome performance – non-financial performance commitments

	Unit	Performance Level (actual)- Current reporting year	PCL met?
Common			
Risk of severe restrictions in a drought	%	0.00	Yes
Priority services for customers in vulnerable circumstances - PSR reach	%	8.72	Yes
Priority services for customers in vulnerable circumstances - Attempted contacts	%	94.29	Yes
Priority services for customers in vulnerable circumstances - Actual contacts	%	39.65	Yes
Bespoke PCs			
Retailer measure of experience	%	87.30	No
Supporting water efficient housebuilding	nr	15.50	Yes
Carbon emissions	nr	17.40	Yes
Bad debt level	%	3.44	No
Employee engagement	score	Not met	No
Treating our suppliers fairly	%	69.00	No
Trust	nr	7.85	No
Value for money	%	71.00	No
WINEP Delivery	text	Not met	No
Non-financial performance commitments achieved	%	46	

3f) Underlying calculations for common performance commitments – water and retail

This table is set out here.

3h) Summary information on outcome delivery incentive payments

	Initial calculation of performance payments (excluding CMEX and DMEX) £m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	0.043
Water network plus	1.767
Residential retail	-
Business retail	-
Dummy control	-
Initial calculation of end of period revenue adjustment by price control	
Water resources	-
Water network plus	(2.552)
Residential retail	-
Business retail	-
Dummy control	-
Initial calculation of end of period RCV adjustment by price control	
Water resources	-
Water network plus	-
Residential retail	-
Business retail	-
Dummy control	-

3i) Supplementary outcomes information

This table is set out here.

Section 4 – additional regulatory information

4a) Water bulk supply information for the 12 months ended 31 March 2022

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Non-qualifying bulks (pre 2015)	468.928	0.320	0.429
Total bulk supply exports	468.928	0.320	0.429
Bulk supply imports			
Non-qualifying bulks (pre 2015)	38.662	0.050	-
Total bulk supply imports	38.662	0.050	-

4b) Analysis of debt

This table is set out here.

4c) Impact of price control performance to date on RCV

	12 months ended 31 March 2021		Price control period to date	
	Water resources £m	Water network plus £m	Water resources £m	Water network plus £m
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	7.811	100.652	17.107	193.456
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	8.097	89.145	15.469	170.269
Transition expenditure	-	-	-	-
Disallowable costs	-	-	-	-
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	8.097	89.145	15.469	170.269
Variance	0.286	(11.507)	(1.638)	(23.187)
Variance due to timing of expenditure	0.286	(10.089)	(1.638)	(21.314)
Variance due to efficiency	(0.000)	(1.418)	-	(1.873)
Customer cost sharing rate - outperformance	54.9%	54.9%	54.9%	54.9%
Customer cost sharing rate - underperformance	0.451	0.451	0.451	0.451
Customer share of totex overspend	-	-	-	-
Customer share of totex underspend	(0.000)	(0.778)	-	(1.028)
Company share of totex overspend	-	-	-	-
Company share of totex underspend	(0.000)	(0.640)	-	(0.845)
Totex - business rates and abstraction licence fees				
Final determination allowed totex - business rates and abstraction licence fees	3.464	5.330	6.805	10.471
Actual totex - business rates and abstraction licence fees	3.317	5.010	6.509	10.130
Variance - business rates and abstraction licence fees	(0.147)	(0.320)	(0.296)	(0.341)
Customer cost sharing rate - business rates	0.750	0.750	0.750	0.750
Customer cost sharing rate - abstraction licence fees	0.750	0.750	0.750	0.750
Customer share of totex over/underspend - business rates and abstraction licence fees	(0.110)	(0.240)	(0.222)	(0.256)
Company share of totex over/underspend - business rates and abstraction licence fees	(0.037)	(0.080)	(0.074)	(0.085)
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	0.007	1.465	0.013	2.285
Actual totex - not subject to cost sharing	0.174	1.844	0.234	4.207
Variance - 100% company allocation	0.167	0.379	0.221	1.922
Total customer share of totex over/under spend	(0.110)	(1.018)	(0.222)	(1.284)
RCV				
Total customer share of totex over/under spend	(0.110)	(1.018)	(0.222)	(1.284)
PAYG rate	63.0%	61.1%	58.6%	62.0%
RCV element of cumulative totex over/underspend	(0.041)	(0.396)	(0.092)	(0.488)
Adjustment for ODI outperformance payment or underperformance payment	-	-	-	-
Green recovery	-	-	-	1.148
RCV determined at FD at 31 March	-	-	21.637	427.919
Projected 'shadow' RCV	-	-	21.545	428.579

In the reporting year, net totex subject to cost sharing was £11.2m lower than allowed in our final determination. The majority of the underspend is in relation to enhancement expenditure and is due to the upgrade of the Hampton Loade water treatment works. This was delayed as we explored an alternative solution, which was approved for funding under Ofwat's green recovery proposals and will be recovered by the end of AMP7. There is an efficiency of £1.4m in relation to base totex.

Net totex not subject to cost sharing was £0.5m higher the allowed in our final determination. In our final determination, £4.6m of costs for HS2 were incorrectly omitted, of which we spent £2.8m. Ofwat has confirmed that this will be corrected at PR24. This was partly offset by lower income offset payments of £2.6m because of the impact of COVID-19 on housebuilding.

In the prior year, innovation funding was accrued as a cost. As per Ofwat's latest guidance, this should be excluded. We have therefore restated the prior year to remove this cost which ensures the price control period to date is in line with latest guidance. Actual water resources totex for 2020/21 has reduced from £7.459m to £7.372m and network plus totex has reduced from £81.384m to £81.124m. As the innovation funding is regarded as timing, this adjustment has no impact on the overall outperformance reported for the previous year and therefore does not affect table 1f.

4d) Totex analysis for the 12 months ending 31 March 2022 – water resources and water network plus

	Water resources	Network+				Total
		Raw water transport	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m
Operating expenditure						
Base operating expenditure	8.294	1.586	0.008	7.602	47.844	65.334
Enhancement operating expenditure	-	-	-	-	-	-
Developer services operating expenditure	-	-	-	-	0.224	0.224
Total operating expenditure excluding third party services	8.294	1.586	0.008	7.602	48.068	65.558
Third party services						
Total operating expenditure	0.030	0.007	0.000	0.766	0.971	1.774
	8.324	1.593	0.008	8.368	49.039	67.332
Grants and contributions						
Grants and contributions - operating expenditure	-	-	-	-	3.518	3.518
Capital expenditure						
Base capital expenditure	0.950	0.035	-	5.366	15.360	21.711
Enhancement capital expenditure	2.314	-	-	13.227	4.271	19.812
Developer services capital expenditure	-	-	-	-	12.126	12.126
Total gross capital expenditure excluding third party services	3.264	0.035	-	18.593	31.757	53.649
Third party services	-	-	-	-	-	-
Total gross capital expenditure	3.264	0.035	-	18.593	31.757	53.649
Grants and contributions						
Grants and contributions - capital expenditure	-	-	-	2.346	6.382	8.728
Net totex	11.588	1.628	0.008	24.615	70.896	108.735
Cash expenditure						
Pension deficit recovery payments	-	-	-	-	-	-
Other cash items	-	-	-	-	-	-
Totex including cash items	**11.588**	**1.628**	**0.008**	**24.615**	**70.896**	**108.735**
Atypical expenditure						
Item 1	-	-	-	-	-	-
Item 2	-	-	-	-	-	-
Total atypical expenditure	-	-	-	-	-	-

4f) Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2022

The company did not have any major projects in the year as defined within RAG 4.10.

4h) Financial metrics for the 12 months ended 31 March 2022

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	243.064	
Regulatory equity	£m	206.492	
Regulatory gearing	%	54.07%	
Post tax return on regulatory equity	%	8.75%	
RORE (return on regulatory equity)	%	-0.05%	0.24%
Dividend yield	%	4.38%	
Retail profit margin - Household	%	-2.90%	
Retail profit margin - Non household	%	0.00%	
Credit rating - Fitch	Text	N/A	
Credit rating - Moody's	Text	Baa2 (stable)	
Credit rating - Standard and Poor's	Text	BBB+ (Stable)	
Return on RCV	%	7.71%	
Dividend cover	dec	-0.451	
Funds from operations (FFO)	£m	46.539	
Interest cover (cash)	dec	6.01	
Adjusted interest cover (cash)	dec	2.79	
FFO/Net debt	dec	0.1915	
Effective tax rate	%	-13.21%	
Retained cash flow (RCF)	£m	37.504	
RCF/Net debt	dec	0.154	
Borrowings			
Proportion of borrowings which are fixed rate	%	17.60%	
Proportion of borrowings which are floating rate	%	0.00%	
Proportion of borrowings which are index linked	%	82.40%	
Proportion of borrowings due within 1 year or less	%	0.00%	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	9.98%	
Proportion of borrowings due in more than 2 years but no more than 5 years	%	0.00%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	6.66%	
Proportion of borrowings due in more than 20 years	%	83.35%	

RORE for 2021/22 under actual returns and notional equity was -0.05%. This is 4.22% lower than that allowed in our final determination of 4.17%. The main driver for this is the difference between the interest rate assumed by Ofwat and the actual higher interest rate on our borrowings (which is predominantly made up of long-term RPI index-linked debt). This has reduced RORE by 2.30%. In addition, we had an underperformance on retail costs (-1.88%) predominantly in relation to revised reporting requirements on accounting for Software-as-a-Service (SaaS) as part of cloud technology. This resulted in £1.8m being charged to retail costs rather than being capitalised and depreciated over a useful life. ODIs also showed an underperformance (-0.47%) which includes the impact of PCC (£2.6m) as a result of the impact of COVID-19 on household consumption. Excluding PCC, we would have an outperformance of 1.11%

Average RORE for the first two years of the price control period is 0.24%, 3.93% below our final determination. This is predominantly driven by the impacts in the year highlighted above.

4i) Financial derivatives

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2021)	
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
Interest rate swap (sterling)									
Floating to fixed rate	-	-	30.000	-	30.000	(0.056)	-6%	2%	0%
Floating from fixed rate	-	-	-	-	-	-	0%	0%	0%
Floating to index linked	-	-	-	-	-	-	0%	0%	0%
Floating from index linked	-	-	-	-	-	-	0%	0%	0%
Fixed to index-linked	-	-	-	-	-	-	0%	0%	0%
Fixed from index-linked	-	-	-	-	-	-	0%	0%	0%
Index-linked to index-linked	-	-	-	-	-	-	0%	0%	0%
Total	-	-	30.000	-	30.000	(0.056)	-6%	0%	0%
Foreign Exchange									
Cross currency swap USD	-	-	-	-	-	-	0%	0%	0%
Cross currency swap EUR	-	-	-	-	-	-	0%	0%	0%
Cross currency swap YEN	-	-	-	-	-	-	0%	0%	0%
Cross currency swap Other	-	-	-	-	-	-	0%	0%	0%
Total	-	-	-	-	-	-	0%	0%	0%
Currency interest rate									
Currency interest rate swaps USD	-	-	-	-	-	-	0%	0%	0%
Currency interest rate swaps EUR	-	-	-	-	-	-	0%	0%	0%
Currency interest rate swaps YEN	-	-	-	-	-	-	0%	0%	0%
Currency interest rate swaps Other	-	-	-	-	-	-	0%	0%	0%
Total	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts									
Forward currency contracts USD	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts EUR	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts YEN	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts CAD	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts AUD	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts HKD	-	-	-	-	-	-	0%	0%	0%
Forward currency contracts Other	-	-	-	-	-	-	0%	0%	0%
Total	-	-	-	-	-	-	0%	0%	0%
Other financial derivatives									
Other financial derivatives	-	-	-	-	-	-	0%	0%	0%
	-	-	-	-	-	-	0%	0%	0%
Total financial derivatives	-	-	30.000	-	30.000	(0.056)	-6%	0%	0%

Nominal values (net) above represent the nominal value of the interest rate swap of £30.0m, which hedges the interest rate payments on £30.0m of bank loans. This does not equal the value reflected in total financial instruments in table 1c of £0.056m as the balance sheet value of the swap is recorded at mark to market value as described above. The fixed payable element of the interest rate swap is 2.10% and the receivable floating rate element is three-month LIBOR, shown above as the average for the 12 months to 31 March 2022 of 0.10%. The receivable floating rate element of the swap exactly offsets the payable floating rate element (three-month LIBOR interest payment) of the related £30.0m bank loan. The effect of this is that the interest payable on the loan, when combined with the cash flows on the swap, is fixed to 2.10% a year plus the agreed fixed bank margin percentage per annum.

4j) Base expenditure analysis for the 12 months ended 31 March 2022 – water resources and water network+

	Water resources	Water network+				Total
		Raw water distribution	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m
Operating expenditure						
Power	2.584	0.817	0.001	0.897	9.028	13.327
Income treated as negative expenditure	-	-	-	-	-	-
Bulk Supply/Bulk discharge	0.006	0.002	-	0.009	0.034	0.051
Renewals expensed in year (infrastructure)	-	-	-	-	12.622	12.622
Renewals expensed in year (non-infrastructure)	-	-	-	-	-	-
Other operating expenditure	2.387	0.538	0.007	6.073	21.272	30.277
Local authority and Cumulo rates	0.215	0.229	-	0.506	4.158	5.108
Service Charges						
Canal & River Trust abstraction charges/ discharge consents	-	-	-	0.021	-	0.021
Environment Agency / NRW abstraction charges/ discharge consents	3.102	-	-	0.089	-	3.191
Other abstraction charges/ discharge consents	-	-	-	0.007	-	0.007
Location specific costs & obligations						
Costs associated with Traffic Management Act	-	-	-	-	0.459	0.459
Costs associated with lane rental schemes	-	-	-	-	0.271	0.271
Statutory water softening	-	-	-	-	-	-
Total base operating expenditure	8.294	1.586	0.008	7.602	47.844	65.334
Capital expenditure	-	-	-	-	-	-
Maintaining the long term capability of the assets - infra	-	-	-	-	-	-
Maintaining the long term capability of the assets - non-infra	0.950	0.035	-	5.366	15.360	21.711
Total base capital expenditure	0.950	0.035	-	5.366	15.360	21.711
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act	-	-	-	-	4,117	4,117

4l) Enhancement expenditure for the 12 months ended 31 March 2022 – water resources and water network+

This table is set out here.

4n) Developer services expenditure for the 12 months ended 31 March 2022– water resources and water network+

	Water network+ Treated water distribution		
	Capex £m	Opex £m	Totex £m
New connections	3.510	-	3.510
Requisition mains	4.529	-	4.529
Infrastructure network reinforcement	3.078	-	3.078
s185 diversions	-	0.224	0.224
Other price controlled activities	1.009	-	1.009
Total developer services expenditure	12.126	0.224	12.350

Other price controlled activities of £1.009m relate to self-lay asset payments.

4p) Expenditure on non-price control diversions for 12 months ended 31 March 2022

Totex	Water resources £m	Water network+ £m	Total £m
Costs associated with NSWRA diversions	-	0.498	0.498
Costs associated with other non-price control diversions	-	2.867	2.867
Other developer services non-price control totex	-	-	-
Developer services non-price control totex	-	3.365	3.365

4q) Developer services – new connections, properties and mains

	Water nr
Connections volume data	
New connections (residential – excluding NAVs)	4555
New connections (business – excluding NAVs)	146
Total new connections served by incumbent	4701
New connections – SLPs	1806
Properties volume data	
New properties (residential - excluding NAVs)	4571
New properties (business - excluding NAVs)	146
Total new properties served by incumbent	4717
New residential properties served by NAVs	132
New business properties served by NAVs	0
Total new properties served by NAVs	132
Total new properties	4849
New properties – SLP connections	1806
New water mains data	
Length of new mains (km) - requisitions	19
Length of new mains (km) - SLPs	27

4r) Connected properties, customers and population

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers - average during the year				
Residential water only customers	342.634	330.301	672.935	32.615
Residential wastewater only customers	0.000	0.000	0.000	0.000
Residential water and wastewater customers	0.000	0.000	0.000	0.000
Total residential customers	342.634	330.301	672.935	32.615
Business water only customers	3.349	35.088	38.437	4.207
Business wastewater only customers	0.000	0.000	0.000	0.000
Business water & wastewater customers	0.000	0.000	0.000	0.000
Total business customers	3.349	35.088	38.437	4.207
Total customers	345.983	365.389	711.372	36.822

	Unmeasured 000s	Measured 000s	Total 000s
Property numbers - average during the year			
Residential properties billed	342.634	330.301	672.935
Residential void properties			32.615
Total connected residential properties			705.551
Business properties billed	3.349	35.088	38.437
Business void properties			4.207
Total connected business properties			42.644
Total connected properties			748.194

	Unmeasured						Measured						Unbilled			Total
	No meter	**Basic meter**	**AMR meter**	**AMI meter (capable)**	**AMI meter (active)**	**Total**	**No meter**	**Basic meter**	**AMR meter**	**AMI meter (capable)**	**AMI meter (active)**	**Total**	**Uneconomic to bill**	**Other**	**Total**	
Property and meter numbers - at end of year (31 March)																
Total new residential properties connected in year	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	4.571	0.000	0.000	4.571	0.000	0.000	0.000	4.571
Total number of new business properties connections	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.146	0.000	0.000	0.146	0.000	0.000	0.000	0.146
Residential properties billed at year end	337.778	0.825	2.039	0.000	0.000	340.642	4.086	110.994	219.597	0.000	0.000	334.677	0.000	0.000	0.000	675.319
Residential properties unbilled at year end	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
Residential void properties at year end	0.000	0.000	0.000	0.000	0.000	19.624	0.000	0.000	0.000	0.000	0.000	12.520	0.000	0.000	0.000	32.144
Total connected residential properties at year end	0.000	0.000	0.000	0.000	0.000	360.266	0.000	0.000	0.000	0.000	0.000	347.197	0.000	0.000	0.000	707.463
Business properties billed at year end	3.340	0.000	0.000	0.000	0.000	3.340	0.000	23.630	11.610	0.000	0.000	35.240	0.000	0.000	0.000	38.580
Business properties unbilled at year end	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
Business void properties at year end	0.000	0.000	0.000	0.000	0.000	1.119	0.000	0.000	0.000	0.000	0.000	2.879	0.000	0.000	0.000	3.998
Total connected business properties at year end	0.000	0.000	0.000	0.000	0.000	4.459	0.000	0.000	0.000	0.000	0.000	38.119	0.000	0.000	0.000	42.578
Total connected properties at year end	0.000	0.000	0.000	0.000	0.000	364.725	0.000	0.000	0.000	0.000	0.000	385.316	0.000	0.000	0.000	750.041

Population **data**	**Water 000s**
Resident population	1716.183
Non-resident population **(wastewater)**	1716.183

Household **population data**	Water **Resident** population	**Non-resident** population	Total
Household population	1716.183	0.000	1716.183
Household measured **population (water only)**	921.709	0.000	921.709
Household unmeasured population (water only)	794.474	0.000	794.474

4s) Green recovery expenditure for the 12 months ended 31 March 2022

		Expenditure in report year						Cumulative expenditure on schemes completed in the report year					
		Water resources	Water network+				Total	Water resources	Water network+				Total
			Raw water transport	Raw water storage	Water treatment	Treated water distribution			Raw water transport	Raw water storage	Water treatment	Treated water distribution	
Green recovery programme													
Using ceramic membrane at Hampton Loade (South Staffs share only)	Capex	0.000	0.000	0.000	1.148	0.000	1.148	0.000	0.000	0.000	0.000	0.000	0.000
Green recovery line 1	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Green recovery line 1	Totex	0.000	0.000	0.000	1.148	0.000	1.148	0.000	0.000	0.000	0.000	0.000	0.000
Total green recovery programme capex	Capex	0.000	0.000	0.000	1.148	0.000	1.148	0.000	0.000	0.000	0.000	0.000	0.000
Total green recovery programme opex	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total green recovery programme expenditure	Totex	0.000	0.000	0.000	1.148	0.000	1.148	0.000	0.000	0.000	0.000	0.000	0.000

The table shows the net totex after deducting Severn Trent's share of funding. The totex is included in table 4l under improvements to taste, odour and colour.

4u) Impact of green recovery on RCV

	12 months ended 31 March 2022		Price control period to date	
	Water resources	Water network plus	Water resources	Water network plus
Totex - Green recovery				
Approved bid	0	0.483	0	2.146
Actual totex	0.000	1.148	0.000	1.148
Variance	0.000	0.665	0.000	-0.998
Variance due to timing of expenditure	0.000	0.665	0.000	-0.998
Variance due to efficiency	0.000	0.000	0.000	0.000
Customer cost sharing rate - outperformance	90.0%	90.0%	90.0%	90.0%
Customer cost sharing rate - underperformance	45.0%	45.0%	45.0%	45.0%
Customer share of totex - outperformance	0.000	0.000	0.000	0.000
Customer share of totex - underperformance	0.000	0.000	0.000	0.000
Company share of totex - outperformance	0.000	0.000	0.000	0.000
Company share of totex - underperformance	0.000	0.000	0.000	0.000
Increase / decrease in shadow RCV	0.000	1.148	0.000	1.148
In period funding	0.000	0.000	0.000	0.000
Net increase / decrease in shadow RCV	0.000	1.148	0.000	1.148

Section 5 – additional regulatory information (water resources)

The relevant tables are set out here.

Section 6 – additional regulatory information (network plus)

The relevant tables are set out here.

Section 9 – additional regulatory information (innovation competition)

9a) Innovation competition

		Current year £m
Allowed		
Allocated innovation competition fund price control revenue		2.284
Revenue collected for the purposes of the innovation competition		
Innovation fund income from customers		0.868
Income from customers to fund innovation projects the company is leading on		-
Income from other water companies to fund innovation projects the company is leading on		-
Income from customers that is transferred to other companies as part of the innovation fund		0.022
Non-price control revenue (e.g. royalties)		-
Administration		
Administration charge for innovation partner	0.020	

The cash balance of £49.608m reported in table 1c includes £0.868m of revenue collected for the purposes of innovation competition offset by payments to winning bidders of £0.022m. There are two competitions, Innovation in Water Challenge (IWC) and the Water Breakthrough Challenge (WBC). Payments of £0.022m were made to winning bidders of the IWC during the year. The WBC winners were announced in autumn 2021. The payments to the winning teams of £0.369m were made in April 2022.

Section 11 – additional regulatory reporting (greenhouse gas emissions)

11a) Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2022

	Water tCO_2e	Wastewater tCO_2e	Total tCO_2e
Scope one emissions			
Burning of fossil fuels	20,089.048	-	20,089.048
Process and fugitive emissions	2,712.873	-	2,712.873
Vehicle transport	1,678.940	-	1,678.940
Total scope one emissions	**24,480.861**	**-**	**24,480.861**
Scope one emissions; GHG type CO_2	21,666.774	-	21,666.774
Scope one emissions; GHG type CH_4	1,481.240	-	1,481.240
Scope one emissions; GHG type N_2O	1,291.110	-	1,291.110
Scope two emissions			
Purchased electricity - location based	20,727.380	-	20,727.380
Purchased electricity - market based	-	-	-
Purchased heat	-	-	-
Electric vehicles	-	-	-
Removal of electricity to charge electric vehicles at site	-	-	-
Total scope two emissions	**20,727.380**	**-**	**20,727.380**
Scope two emissions; GHG type CO_2			
Scope two emissions; GHG type CH_4			
Scope two emissions; GHG type N_2O			
Scope three emissions			
Business travel	-	-	-
Outsourced activities	-	-	-
Purchased electricity; transmission and distribution - location based	1,834.260	-	1,834.260
Purchased electricity; transmission and distribution - market based	-	-	-
Purchased heat; transmission and distribution	-	-	-
Total scope three emissions	1,834.260	-	1,834.260
	-	-	-
Scope three emissions; GHG type CO_2	1,815.710	-	1,815.710
Scope three emissions; GHG type CH_4	6.830	-	6.830
Scope three emissions; GHG type N_2O	11.710	-	11.710
Gross operational emissions (Scope 1,2 and 3)			
Gross operational emissions - location based	47,042.501	-	47,042.501
Gross operational emissions - market based	26,315.121	-	26,315.121
Emissions reductions			
Exported renewables	-	-	-
Exported biomethane	-	-	-
Green tariff electricity offsets	-	-	-
Other emissions reductions	-	-	-
Total emissions reductions	**-**	**-**	**-**

Net annual emissions			
Net annual emissions - location based	47,042.501	-	47,042.501
Net annual emissions - market based	26,315.121	-	26,315.121
Net annual emissions	**-**	**-**	**-**

	Water kgCO2e/Ml	**Wastewater kgCO2e/Ml**
GHG intensity ratios		
Emissions per Ml of treated water	0.159	-
Emissions per Ml of sewage treated (flow to full treatment)	-	-
Emissions per Ml of sewage treated (water distribution input)	-	-

We have produced a SWOT analysis on our carbon emissions that this can be found within our supplementary regulatory information publication that can be found here.

Appendix 1: Information sources – performance against our targets

Information for the content on pages 13 to 29 has come from the following sources. Additional information has also come from the South Staffordshire Water internal communications portal and internal briefings.

Page no.	Story	Source
16	Delivering an enhanced customer experience	News Splash e-newsletter (internal communication) – July 2021
17	Understanding what our customers want	Conduit e-newsletter (forerunner to News Splash) – April 2021 News Splash – September 2021
17	Breaking into television	News Splash – December 2021, January 2022
19	Being at the heart of the communities we serve	Conduit – May 2021, June 2021 News Splash – July 2021, August 2021, September 2021, November 2021
19	H2Online turns two!	Conduit – April 2021, May 2021 News Splash – August 2021, December 2021
20	Christmas tractors take to the road	News Splash – September 2021, December 2021 News stories – 'Festive tractors take to the road in second charity event, 7 December 2021 Festive tractor run (south-staffs-water.co.uk); 'Festive tractors taking to the road for charity, 26 November 2021 https://www.south-staffs-water.co.uk/news/festive-tractors-taking-to-the-road-for-charity
22	Building back better with green recovery funding	News stories – 'MP visits Hampton Loade treatment plant', 8 April 2022 MP visits our Hampton Loade water treatment plant (south-staffs-water.co.uk); 'Innovative investment for water treatment works', 18 August 2021 Innovative investment for water treatment works (south-staffs-water.co.uk); 'Ofwat approve our bid to the Green Recovery Fund', 17 May 2021 Ofwat approves our bid to the Green Recovery Fund (south-staffs-water.co.uk)
22	Construction work at Bourn reservoir	News Splash – January 2022
22	Dealing with service issues	Internal briefing from the Operations Director News story – 'Statement on water quality in Stapleford and Great Shelford', 18 February 2022 https://www.cambridge-water.co.uk/news/statement-on-water-quality-in-stapleford-and-great-shelford
25	Creating a ripple with PEBBLE	News stories – 'Boost for biodiversity and community groups', 16 December 2021 Boost for biodiversity and community groups (cambridge-water.co.uk) and Boost for biodiversity and community groups (south-staffs-water.co.uk)

Page no.	Story	Source
25	Planning resources for the long term	Environment Agency – 'National framework for water resources', March 2020 Meeting our future water needs: a national framework for water resources - GOV.UK (www.gov.uk) News stories – 'Consultation on emerging water resources plan for Eastern England launched, 17 January 2022 Consultation on emerging water resources plan for Eastern England launched (cambridge-water.co.uk); 'Have your say on the future of water in our region, 20 January 2022 https://www.south-staffs-water.co.uk/news/have-your-say-on-the-future-of-water-in-our-region WRMP pre-consultation information – How to use this template (cambridge-water.co.uk); How to use this template (south-staffs-water.co.uk). Water Resources East – Water Resources East - Safeguarding a sustainable supply of water (wre.org.uk) Water Resources West – https://waterresourceswest.co.uk/
26	Being animated about leakage	Conduit – May 2021
28	New Cambridge Water logo launched	News Splash – August 2021, September 2021 News story – 'New logo launched after positive feedback', 23 August 2021 https://www.cambridge-water.co.uk/news/new-logo-launched-following-positive-customer-feedback
28	Focus on apprenticeships	'Making water count' – South Staffordshire Water's business plan for 2020/25 south-staffs-water-final-business-plan-2020-to-2025-for-submission-1-apr-2019.pdf News story – 'Apprentices – building the future', 7 February 2022 Apprentices - building the future (south-staffs-water.co.uk)
29	Preventing illegal water use	News stories – 'Successful prosecution for illegally taking water in Barton-under-Needwood, 30 April 2021 Successful prosecution for taking water in Barton under Needwood (south-staffs-water.co.uk); '… in Alrewas', 13 May 2021 Successful prosecution for taking water in Alrewas (south-staffs-water.co.uk); '…in Tamworth and Drayton in the Clay', 30 June 2021 Successful prosecutions for illegally taking water (south-staffs-water.co.uk); '… in Lichfield', 13 August 2021 Successful prosecutions for illegally taking water (south-staffs-water.co.uk)

Cambridge Water

90 Fulbourn Road
Cambridge
CB1 9JN

Tel: +44 (0)1223 706050

www.cambridge-water.co.uk

South Staffs Water

Green Lane
Walsall
WS2 7PD

Tel: +44 (0)1922 638282

www.south-staffs-water.co.uk