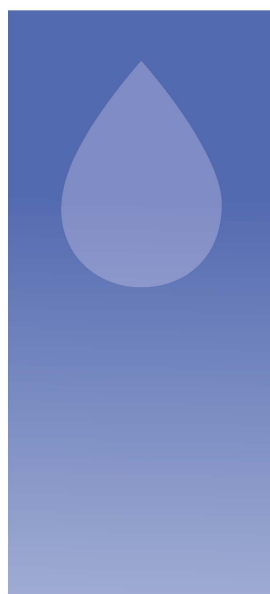
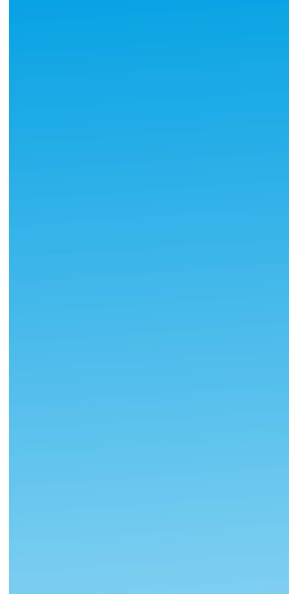




Cambridge Water



South Staffs Water



South Staffordshire Water PLC

Annual performance report

For the year ended 31 March 2024

Contents

About this document

This document sets out South Staffordshire Water PLC's annual performance report for the year ended 31 March 2024.

You can click on any of the chapter headings in the contents to go straight to that chapter.

There are also other clickable links throughout the document, which will give you more information. These are underlined and highlighted in blue to make them easy to find in the text.

If you want to learn more about the work we do every day to deliver for our customers and the environment, there are a number of ways you can engage with us.



Registered Office:

Green Lane
Walsall
West Midlands
WS2 7PD

Registered in England and Wales,
number 02662742.

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About South Staffordshire Water

We operate
Cambridge Water
and South Staffs
Water



We are part of the South
Staffordshire Plc group of
companies

We are a water only
company, and do
not take away and
treat waste water



We are regulated
by Ofwat, the
Environment
Agency and the
Drinking Water
Inspectorate



We have been a successful,
privately-run business for
170 years. We have never
been in public ownership



We provide clean
water to more
than 1.7 million
people and
42,000 businesses
every day



Our vision, purpose and values

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

Over the past 170 years, we have provided high-quality water supplies to customers in our Cambridge and South Staffs regions. So that we can keep providing this essential public service, we:

- put customers' needs at the heart of all our decision making;
- actively work in partnership with local communities;
- act as the guardians of our assets, building resilience with regular investment;
- work hard to protect and enhance the natural environment; and
- run an efficient business, in everyone's interests.

This is how we are **securing the water future** – for our customers, our communities, the environment and our people.



Our values

Our mission and purpose are underpinned by our values.

- Professional
- Trusted
- Impactful
- Community focused

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



Our business model

Collect water

We collect water from 2 surface water reservoirs and 43 borehole sites across our Cambridge and South Staffs regions

Treat water

We treat the water we collect at 41 water treatment works

Test water

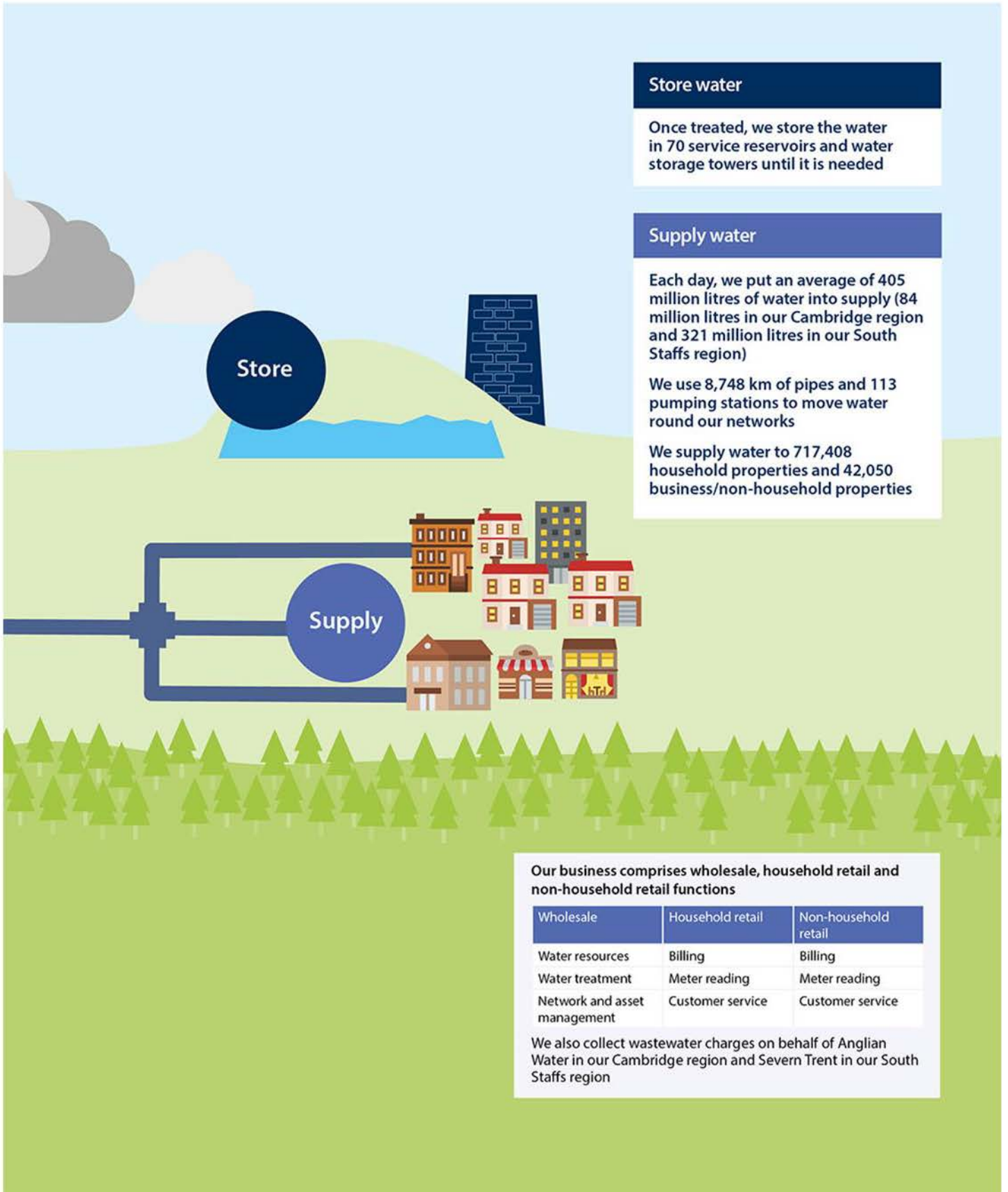
Each year, we carry out tests on more than 15,500 compliance samples.

This is to ensure the water we supply to our customers is always of the highest quality

Every day, our people work hard to deliver outcomes for our customers, our communities, our service, the environment and our business, in accordance with our vision, purpose and values.

Collect

Treat



Store water

Once treated, we store the water in 70 service reservoirs and water storage towers until it is needed

Supply water

Each day, we put an average of 405 million litres of water into supply (84 million litres in our Cambridge region and 321 million litres in our South Staffs region)

We use 8,748 km of pipes and 113 pumping stations to move water round our networks

We supply water to 717,408 household properties and 42,050 business/non-household properties

Our business comprises wholesale, household retail and non-household retail functions

Wholesale	Household retail	Non-household retail
Water resources	Billing	Billing
Water treatment	Meter reading	Meter reading
Network and asset management	Customer service	Customer service

We also collect wastewater charges on behalf of Anglian Water in our Cambridge region and Severn Trent in our South Staffs region

The year at a glance

Produced an ambitious
£819 million
investment plan
for 2025/30



Provided financial
support serves to
61,752
customers



Launched new
family-friendly
policies to create
a more inclusive
work place

Delivered 100% of our
regulatory environmental
obligations

Launched our
'Can for the Cam'
campaign to
reduce seasonal
high water
demand in our
Cambridge region



90%

of visible network
leaks fixed within
4 days

More than 11%
of our household customers
registered on our
Priority Service Register
to receive additional help



Engaged
6,324
young people
through our
education outreach
programme

Introduction from the Chair and Managing Director



Welcome to this review of South Staffordshire Water's performance for the financial year ended 31 March 2024. It covers the fourth year of AMP7 – the five-year planning period to 2025.

It highlights some of the initiatives we've carried out during the year. And it looks ahead to the next planning period, which covers the five years from 2025 to 2030.

The 12 months covered by this review have been as busy as ever for us. As a business, we've focused much of our attention on delivering our latest business plan proposals as part of our regulator Ofwat's PR24 price review process. At the same time, we've continued to work hard to deliver for our customers, our local communities and the environment we all rely on and enjoy. And while we've experienced many successes during the year, some of which we outline in this review, we know there is still much we want to achieve.

We remain acutely aware of the impact the ongoing war in Ukraine has had on the economy. Rising energy costs and high inflation over the past couple of years has resulted in a cost-of-living crisis

that has affected the ability of some customers to pay their bills.

Alongside this, water companies in England and Wales have been the focus of much public criticism, and increased scrutiny by regulators and parliamentarians.

“At the same time, we've continued to work hard to deliver for our customers, our local communities and the environment we all rely on and enjoy”

Against this backdrop, we've continued to deliver the services our customers expect and pay for. We strive to do the best for all our customers. So, it's always disappointing when we miss some of our key performance targets. And it's fair to

say that our performance during the reporting year has been mixed. We've performed very well in some areas, such as the number of customers we're helping with our financial and other support schemes. And in delivering 100% of our regulatory environmental obligations.

But there are other areas where we know we need to do more to meet our customers' – and our – expectations. A top priority for our customers is the delivery of high-quality drinking water. So, we're disappointed to have failed this important target. The main cause of this was a small number of significant compliance failures at our Hampton Loade and Seedy Mill water treatment works. But we're confident that our upgrade programmes at both works will ensure high-quality drinking water over the long term.

Another area where we need to do more is C-MeX. This is the main regulatory measure of household customer

experience. Again, we're disappointed to have fallen short in this area, especially as we achieved our upper quartile target earlier in the current five-year planning period. We're aware of the need to improve in these areas in the coming year. And we have plans in place to help us achieve our targets in the year ahead.

As well as continuing to deliver reliable and affordable services for our customers, we've also launched a number of exciting projects and initiatives during the year.

One of these is our innovative 'Water efficiency in faith and diverse communities' project', for which we were awarded £270,000 through Ofwat's Innovation Fund. The project aims to understand how water is used and valued in different faiths and cultures within the communities we serve. To deliver this project, we're working with faith groups, experts and a range of different organisations. We think this project will deliver a number of objectives, including the development of a more inclusive water efficiency framework and toolkit. This toolkit will be adaptable and scalable across the England and Wales water sector.

One of the major issues we face is the long-term sustainability of water resources in our Cambridge region, which is located in one of the driest parts of the country. We're conscious of the work we

need to do to sustain water supplies in the future, and in protecting the precious chalk stream habitats that are a feature of the region.

So, to help address this, we ran a successful behavioural change campaign during the summer in our Cambridge region – 'Can for the Cam'.

“... our focus is to make sure we continue to provide our customers with high-quality drinking water and improve the experience our customers have with us”

The aim was to encourage customers to switch from using a hosepipe to a watering can when watering their gardens. This resulted in customers using 940,000 fewer litres of water a day than they would've done without the campaign. This is a fantastic result.

It makes us immensely proud to share the news that this initiative has been shortlisted for two awards: Water Efficiency Project of the Year at the Water Industry Awards – the water sector's

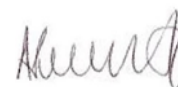
'Oscars' – and Behavioural Change Campaign at the UK Green Business Awards. And although it falls just outside the reporting year, we're delighted to report that in June 2024 the campaign received a 'Highly Commented' at the UK Green Business Awards. We'll share more updates with you in next year's annual performance report.

Looking ahead, our focus is to make sure we continue to provide our customers with high-quality drinking water. We'll also continue working hard to improve the experience customers have with us. And we're keen to take a leadership role in building back trust in the water sector. This includes working with stakeholders to dispel some of the misconceptions we face as the provider of an essential public service.

Finally, we want to recognise our people. Our hard-working people have played a crucial role in helping us overcome the various challenges we've faced over the past year. They always strive to deliver for our customers, keeping them at the heart of all our decision-making. We want to thank all our people for delivering our values by always being impactful, community focused, trusted and professional. We look forward to achieving more together in the next year.



Lord Chris Smith
Chair



Andy Willicott
Managing Director

About the annual performance report

We publish our annual performance report (APR) alongside the 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 the following.

- An **analysis of our performance** during the 12 months covered by the 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 about our **outcomes, total expenditure (totex) and a reconciliation to price controls**.
- A statement about the **accuracy of data and information**.
- A statement confirming our **compliance with the ring-fencing conditions of our licence (F6A)**.
- 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 [regulatory accounting guidelines](#) (RAGs). To avoid duplication, we have signposted some of the required disclosures in our annual report and financial statements. We present this APR to the Audit and Risk Committee and the Board for approval.

Assuring our APR

Our APR is a key document providing information to Ofwat on our performance for the reporting 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, Ernst & Young LLP, as required by Ofwat. Ernst & Young LLP 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 our outcome delivery incentives (ODIs) and the indicators that carry a financial reward or penalty; our technical auditor Jacobs has audited this. A summary report is set out on page 103. Jacobs has also audited the financial flows submission and our long-term viability statement (see pages 76 to 80 of the annual report and financial statements for the full statement).

Board leadership, transparency and governance

We consider 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 making sure 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 the Executive team and Board as a cornerstone of our business 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 structurally challenged communities.
- Our **plans to ensure the long-term resilience of our assets**, including the upgrade programmes at our Hampton Loade and Seedy Mill water treatment works in our South Staffs region, and the construction of a large storage reservoir at the Bourn site in our Cambridge region to serve an area with a growing population.
- Our **focus on health and safety**, with incidents reported to Board each month and training for our senior managers on human and organisational performance.

- Our performance as **upper quartile for efficiency at PR19**.

It is also reflected in the promises we have made to our customers to 2025, 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 15 to 34 of this document.

Underpinning our purpose and outcomes are our values. During the year, people from across our business took part in a series of workshops alongside other South Staffordshire Plc Group companies. The

aim was to find out what working for South Staffordshire Plc meant for us all and what it stood for. One of the main outcomes of these workshops was a set of four new values, which were launched across the Group in March. The new values are as follows.

- **Impactful:** together, we create a positive impact through our proactive, agile and adaptable approach. We pride ourselves on our ability to be bold, innovative and industry leading in all that we do. Through this, we have a lasting legacy for our people, clients, customers and the environment.
- **Community focused:** our community matters; our people, clients, customers and our wider networks. Embracing the power of a strong and diverse community, we grow together through collaboration and being helpful, caring, and approachable. As one Group, we create partnerships and make a difference.
- **Trusted:** we are trustworthy. Our clients, customers and wider networks can rely on us. We deliver a responsive, dependable and consistent service which we recognise is critical for the sectors we serve. We are ethical, honest, straightforward and are always accountable.
- **Professional:** we are a team of professionals. As knowledgeable experts, we deliver quality, safe and efficient services. We operate with high standards in everything we do. We invest in and develop our people to be the best they can be.

In the year ahead, we will embed these values into our work and into our people's objectives, with the aim of making them fundamental to everything we do.

We think 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.

Principle 1: purpose, value and culture

"The Board of the Appointee establishes the company's purpose, strategy, and values, and is satisfied that these and its culture reflect the needs of all those it serves."

How we have complied

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 the Group's values (see above).

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. In November 2022, we published '[Looking to the future](#)', our long-term vision to 2050. This ambitious vision aims to demonstrate our value to our customers and society, and our commitment to protecting and enhancing the environment. It is based on delivering the priorities customers and stakeholders have told us about through our ongoing engagement with them.

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 regular dialogue between the Board and our people, with our regular Executive roadshows giving our people the opportunity to learn more about the key areas where the Board is focusing its attention.

"The Board sets standards of conduct to promote our success, provide leadership and review our internal controls and governance"

Another way that the Board's work is shared and communicated across the business is through team meetings and debriefs. This allows teams and departments 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 13 for more information).

Principle 2: stand-alone regulated company

"The Appointee has an effective Board with full responsibility for all aspects of the Appointee's business for the long term."

How we have complied

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 committees.

- **Audit and Risk 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 policies, initiatives, performance and reporting.
- **Nomination Committee**, which focuses on our processes for appointing Board members and Executive team members.
- **Remuneration Committee**, which focuses on setting the remuneration packages for Board and Executive team members.
- **PR24 Committee**, which focuses on strategic matters relating to the regulator Ofwat's periodic review of price controls (PR24).

See pages 107 to 112 of the annual report and financial statements for more information about these Committees.

Principle 3: Board leadership and transparency

“The Board of the Appointee’s leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions.”

How we have complied

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 on our shareholders** (see page 101).
- The **structure** of the South Staffordshire plc Group and South Staffordshire Water PLC (see pages 101 to 102).
- An **explanation of the dividends paid**, and how these take account of our performance in delivering for customers (see page 24).
- An **explanation of the principal risks** to the future success of the business, and how these risks have been considered and addressed (see pages 70 to 75).

- **Board and Committee membership**, including the number of meetings and attendance at each meeting (see pages 107 to 112).
- 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 114 to 118).

Principle 4: Board structure and effectiveness

“The Board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.”

How we have complied

The Board comprises:

- the independent Chair;
- the Managing Director;
- the Group Chief Executive; and
- five 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 experience and skills of each Board member on pages 87 to 89 of the annual report and financial statements. We benefit from the Board’s wide range of skills and expertise.

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 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, in which they have an interest.

Other information on the Board’s structure and effectiveness can be found on pages 86 and 94, respectively, of the annual report and financial statements.

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. This includes our aspirations for the future and how we set our targets for delivery. We publish more detail on our strategic direction of travel in our annual report and financial statements.

Our vision is to ensure we deliver clean, affordable water every day. This is so 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 regions for 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 values. This is to ensure we always act in a ways that is:

- impactful;
- community focused;
- trusted; and
- professional.

These values 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 are a responsible company that puts the safety of our customers and our people at the heart of all our decision-making"

We publish our progress on meeting these targets in an open and transparent way each year. 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 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, and which has a majority of members who are independent, 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.

A critical programme for us during the reporting year has been the culmination of our work to develop our [business plan for 2025 to 2030](#) ('AMP8') as part of the regulator Ofwat's PR24 price review process.

Subject to Ofwat's approval, over the five years to 2030, we'll invest and spend around £819 million on services that exceed customers' expectations and infrastructure that is resilient to a changing climate and a growing population. At the same time, we'll continue to enhance and protect the environment that we all rely on and enjoy.

For the first time, we have set our five-year business plan within the context of a 25-year [long-term delivery strategy](#). The aim was to enable us to outline the long-term outcomes we plan to deliver, and how we will deliver them in a range of plausible futures.

We have also continued to focus our attention on delivering for our customers and the environment. We have had something of a mixed year in terms of our performance against our key regulatory targets.

We have performed exceptionally well with the number of customers we are helping through our financial assistance schemes, reaching 61,752 customers against our target for the year of 38,000.

We are also typically one of the best performers in the sector for how we manage supply interruptions. We always

work hard to keep any disruptions to our customers to a minimum. And we have achieved our ambitious target of fixing 90% of visible leaks in four days.

But there are some key targets where our performance has fallen short of our – and our customers’ – expectations. Key among these is our compliance with drinking water quality regulations. We have failed our Compliance Risk Index (CRI) target, mainly because of a small number of significant compliance failures at our Hampton Loade and Seedy Mill water treatment works. We are confident the upgrade programmes at the works will help us to ensure our water treatment processes remain highly effective.

Another area where we need to deliver an improved performance is C-Mex – the principal regulatory measure of household customer experience. We have put an improvement plan in place and have strengthened our Customer Service team, bringing in new resource and expertise to help us drive improvements in this business critical area going forward.

As well as delivering for our customers, we are committed to shaping a culture within our business that attracts talent and nurtures the continued development of all our people. During the reporting year, we

started work to develop a new people strategy built on the foundations of:

- great people;
- operational excellence;
- customer focus; and
- trusted partnerships.

“We recognise the importance of supporting all our people, whatever their life stage or place within their careers”

In developing our strategy, we have focused our attention on the themes of:

- talent acquisition and onboarding;
- employee voice;
- talent management;
- diversity, equity and inclusion;
- reward and recognition; and
- HR governance.

Looking ahead, we will make sure that leaders across the business receive the training and development they need to enable them to deliver our people strategy.

We recognise the importance of supporting all our people, whatever their life stage or place within their careers. During the reporting year, we initiated a new people plan to enhance the employee experience for all our people.




As part of this, we have:




- revamped our HR policies and procedures;
- improved our family benefits offering;
- implemented a standardised job description format; and
- implemented more robust recruitment processes to reduce our reliance on external agency staff.

We are committed to creating a positive culture around physical and mental health, and have focused our attention during the year on advocating good mental health and wellbeing practices among all our people. We have also refreshed our approach to employee engagement, adopting more two-way communication, and making sure our people feel their voices have been heard and that their opinions are valued.

We will continue to build on this strong foundation in the year ahead,

Performance against our targets

Outcome	Performance commitment	Unit of measurement	2020/21 performance	2021/22 performance	2022/23 performance	2023/24 target	2023/24 performance	Target met
Our customers 	Great customer service to our household customers	C-MeX score	81.89	83.38	79.87	Upper quartile	76.29	✗
	Great service to developers	D-MeX score	83.59	84.4	87.57	Upper quartile	88.48	✗
	Great customer service to our business market suppliers (retailers)	R-MeX score	76	87.3	82.2	93.3	85.1	✗
Our community 	Financial support for household customers struggling to pay their bills	No. of customers helped	49,279	58,611	55,993	38,000	61,752	✓
	Ensuring customers who need assistance are registered with us	% registered on Priority Services Register	5.8	8.7	10.6	7.5	11.6	✓
	Extra Care support for customers who need assistance	% on PSR receiving extra care support	5.0	5.1	4.7	5.0	5.1	✓
	Education programme, working with schools about the need to use water wisely	No. of pupils engaged	297	2,284	3,672	6,000	6,310	✓
Our service 	Delivering upgraded water treatment works	% completion	8	18	63.2	55.1	92.1	✓
	Always meeting water quality standards – drinking water quality	Compliance Risk Index (CRI) score (water quality measure)	1.09	0.90	1.39	0	10.90	✗
	Always meeting water quality standards – taste, smell and colour	Contacts per 1,000 population	0.98	0.76	0.65	0.95	0.59	✓
	Maintaining a reliable supply – supply interruptions	Average interruptions in minutes and seconds	04:33	03:15	04:29	05:23	03:32	✓
	Maintaining a reliable supply – severe supply restrictions	% of customers at risk	0	0	0	0	0	✓
	Reducing the number of water production failures	Unplanned outage as a % of total production capacity	0.57	0.90	1.47	2.34	1.60	✓
	Finding and fixing visible leaks more quickly	% of visible leaks repaired within set no. of days	90% within six days	90% within five days	90% within four days	90% within four days	90% within four days	✓
	Reducing the number of burst mains	No. of bursts per 1,000 km of mains	130.0	109.6	150.8	124.2	113.3	✓

Outcome	Performance commitment	Unit of measurement	2020/21 performance	2021/22 performance	2022/23 performance	2023/24 target	2023/24 performance	Target met
Our environment 	Reducing leakage levels – Cambridge region	% reduction from baseline	5.1	13.5	16.7	10.9	18.6	✓
	Reducing leakage levels – South Staffs region	% reduction from baseline	3.0	5.8	9.4	11.4	10.2	✗
	Reducing how much water each person uses (per capita consumption) – Cambridge region	% reduction from baseline	-3.2	-3.5	-5.6	5.0	2.0	✗
	Reducing how much water each person uses (per capita consumption) – South Staffs region	% reduction from baseline	-5.9	-10.3	-14.9	0.8	-11.2	✗
	Not taking too much water from environmentally sensitive sites	Abstraction Incentive Mechanism (AIM) score	-0.07	0	0.19	0	-0.6	✓
	Delivering Water Industry National Environment Programme requirements	Milestones	Not met	Not met	Met	Met	Met	✓
	Protecting wildlife, plants, habitats and catchments	Hectares of land managed	245.8	542	783	592	840	✓
	Supporting water-efficient house building	Volume of water saved (megalitres)	2.2	15.5	16.6	15.3	29.1	✓
	Reducing our carbon emissions	Kilograms per connected property	35.5	46.7	40.5	64.0	47.4	✓
Our business 	Treating all our suppliers fairly and paying small businesses quickly	% of small businesses paid within 30 days	29	69	69	100	79	✗
	Making sure our property records are up to date	% validated	100	100	100	100	100	✓
	Reducing our bad debt so customers do not pay more than they need to	Bad debt as a % of revenue	3.23	3.44	2.52	2.76	3.04	✗
	Making sure all our people love their jobs	Net Promoter Score (NPS)/ Achieving Investors in People (IIP)	IIP achieved. NPS not achieved.	IIP achieved. NPS not achieved.	IIP achieved. NPS not achieved.	IIP achieved & 10pts increase in NPS from baseline	IIP achieved. NPS not achieved.	✗
Core outcomes 	Delivering services that are value for money	% of satisfied customers	74	71	75	83	63	✗
	Making sure customers have a high level of trust in us	Score out of 10	8.16	7.85	7.68	8.25	6.97	✗

Delivering for our customers



Our customer promise

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



Putting the customer first

Research from the UK's Institute of Customer Research (UKSCI) shows that engaged and knowledgeable employees deliver a better service to customers. As a business that delivers an essential public service, we already have a range of initiatives in place. These include tailored training sessions, and fast track programmes for apprentices and senior leaders.

In January, we launched a series of interactive workshops that brought together people from different teams across the business. The focus was on visualising how customers might experience a situation – such as the loss of supply as a result of a burst main – and what they would want to happen at each step to get it resolved.

The workshops are about empathy. They are also about making sure the company gives customers clear and timely communications in a way that suits them. Time is also spent thinking about the types of support customers might need – for example, if they cannot leave their homes because of a medical condition. Feedback from customers, which we collect through our engagement programme, informs the sessions.

The workshops enable our people to discuss the positives and barriers at each step of the customer journey. They also give our people the opportunity to agree action plans to further improve the service we deliver. We have already held three workshops, covering different situations. More will follow to engage a wider range of people from across the business.

We are currently using the insight we have gained from these sessions to create a visual for our incident planning room to help keep the conversation focused on our customers. This approach is part of a wider set of actions that are designed to better support our customers when things go wrong.

“It feels good that we’re getting our water from a company that is doing well against others. Our business couldn’t survive without water” – non-household customer, South Staffs region

Great customer service – household customers

Common or bespoke performance commitment: Common

Target met: **No**

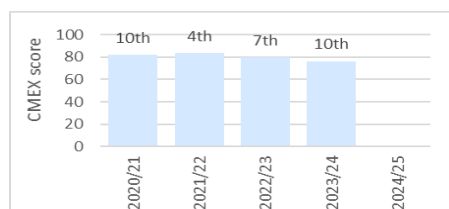
What we are measuring

Level of satisfaction among our household customers, as measured by C-MeX (the customer measure of experience).

Unit of measurement

C-MeX score and position in the sector relative to other water companies.

How we have performed



C-MeX is a relative measure and our performance is compared with that of other water companies in England and Wales. For this reason, we do not have a fixed numerical target. Instead, we aim to achieve an upper quartile (top four) ranking out of all the companies in the sector. The chart above shows the ranking we have achieved so far during the current five-year planning period.

We have fallen short of our expectations during the reporting year, finishing in 10th position overall. We are extremely disappointed with this performance, having done better in previous years. We are working hard to correct the issues that have caused this, which relate primarily to billing and phone service availability. This includes having an action plan in place to deliver improvements in our customer service.

Great customer service – developers

Common or bespoke performance commitment: Common

Target met: **No**

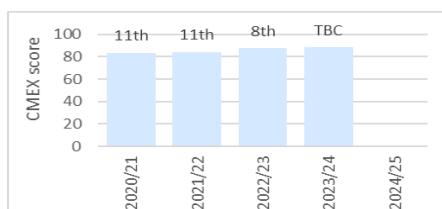
What we are measuring

Level of satisfaction among our developer services customers, as measured by D-MeX (the developer measure of experience).

Unit of measurement

D-MeX score and position in the sector relative to other water companies.

How we have performed



The developer services measure of experience – or D-MeX – comprises a range of service metrics related to the developer services environment.

Our aspiration is to achieve upper quartile in the water sector for D-MeX. This is equivalent to a top four position. We are working towards this, and are seeing year-on-year improvements in our D-MeX performance level.

During the reporting year, we made a number of improvements in the service we provide to our developer services customers. This includes trialling a text service and adding additional reporting to help us provide better prompts for our service connection customers. These improvements will help to set us up effectively to manage changes to the D-MeX measure being introduced during the next five-year planning period.

Great customer service – business market retailers

Common or bespoke performance commitment: Bespoke

Target met: **No**

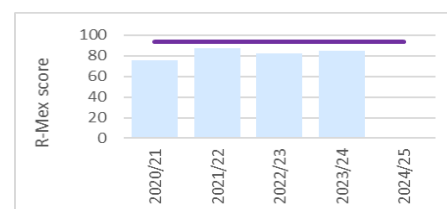
What we are measuring

Our performance as a wholesaler operating in the business market, incorporating the existing market and operational performance standards, and a satisfaction measure.

Unit of measurement

Composite R-MeX score

How we have performed



We introduced our bespoke R-MeX measure in 2020 and set ourselves a challenging target of achieving 100% in both the operational performance standards (OPS) and market performance standards (MPS) components. We also set ourselves the ambition of achieving 80% in our business retailer surveys.

While we have got close to achieving our targets in the first four years of the current planning period, we have not met them overall. During the reporting year, much of the underperformance is because of process changes for metering within the market, and an increased number of meter exchange requests.

Delivering for our community



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



Using an innovative approach to deliver water savings in our seldom heard communities

We always strive to understand all our customers so that we can tailor our services to meet their specific needs. This is particularly true for our traditionally seldom heard or hard-to-reach communities. In May 2023, we were awarded £270,000 from Ofwat's [Innovation Fund](#) for a diversity-led water efficiency project. The aim of the project is to better understand how water is used and valued in different faiths and cultures within the communities we serve.

To deliver the project, we are working with faith groups, experts and a range of different organisations. Supporting this work is academic research led by Cambridge University's Faculty of Divinity. This is giving us insight into the relationship between water and faith, the practical uses of water, and some of the barriers and opportunities to engaging with diverse communities.

The research will enable us to develop more effective water efficiency measures, behaviour change campaigns and bespoke water saving products. This will help us to support customers of different faiths and cultures to reduce their water use. We think it will also help to build trust within our communities.

We think the project will deliver a number of objectives, including water savings of about 200,000 litres. It will also enable us to develop a more inclusive water efficiency framework and toolkit linked to faith and culture that can be adapted and scaled up across the England and Wales water sector. And we think it will help us to establish new communication channels and stakeholder relationships with our seldom heard communities.

In March 2024, we launched our first campaign for the project in partnership with Cambridge Central Mosque. This focused on the opportunity to save water during the Islamic practice of Wudu (ablution), the ritual washing performed in preparation for prayer and worship. We are planning other campaigns for our South Staffs region, and will report on these in next year's annual report and financial statements.

"Sometimes people struggle to make ends meet, or maybe they're on benefits or off work sick. Support or discounts can help a lot" – household customer, South Staffs region

Financial support for household customers

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

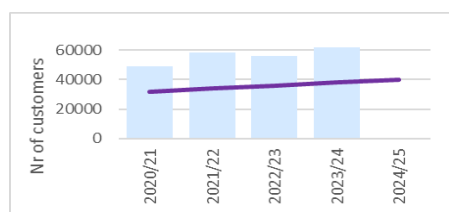
What we are measuring

The number of household customers we are helping with their water bills, using financial assistance schemes such as our Assure social tariff, our Charitable Trust, payment plans and other types of help.

Unit of measurement

Number of customers helped.

How we have performed



We are committed to delivering a wide package of support for customers who find themselves in a position of vulnerability. We have a number of financial and non-financial schemes available to help customers who need additional assistance.

These have been hugely successful, with a far greater number of customers taking up these support options than expected. We have significantly exceeded our target (shown as a purple line) in each of the years of the current planning period to date. This is something we are really proud of, and going forward we will continue to ensure support is always available to all those customers who need it.

Household customers registered on our Priority Services Register

Common or bespoke performance commitment: Common

Target met: **Yes**

What we are measuring

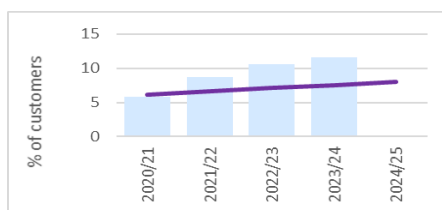
The number of household customers registered on our Priority Services Register (PSR), with the proportion validated every two years.

This performance commitment comprises three elements: reach, attempted contact and actual contact.

Unit of measurement

Percentage of customers registered.

How we have performed



Our Priority Services Register (PSR) is a valuable service for customers who have additional health or financial needs and vulnerabilities.

We are pleased to report that we have hugely grown our PSR over the past few years and are now ahead of our regulatory target (shown as a purple line).

In addition, we are expected to validate the customers on the PSR with regular checks. We are also pleased to report that we have met our target for both attempted and actual contact during the reporting year.

'Extra care' support for household customers

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

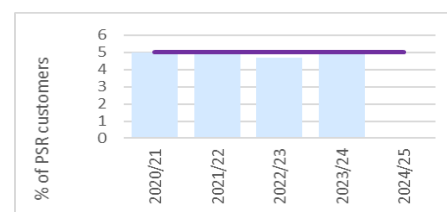
What we are measuring

Proportion of household customers registered on our PSR who we help with our 'extra care' additional support options.

Unit of measurement

Percentage of PSR customers receiving 'extra care' support.

How we have performed



Our extra care programme is a targeted package of additional support options aimed at the most vulnerable of customers on our PSR. At the start of the current five-year period, we set ourselves a target of 5% of customers on our PSR expected to receive additional assistance through the extra care support package.

Again, we are pleased to report that we have met this target during the reporting year (shown as a purple line), following a slight dip in the number of customers receiving the extra care package in the previous year.

We are continuing to make sure we have a wide-ranging package of support options available for those customers who need it.

Education outreach

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

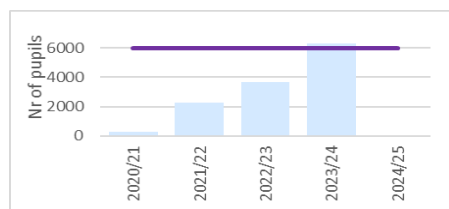
What we are measuring

The number of young people we reach with our education services, working with schools to educate future generations about the need to use water wisely.

Unit of measurement

Number of pupils engaged.

How we have performed



Future generations of customers are important to us, and we want to play our part to support their education about where water comes from and how it can be used wisely. We run an extensive education outreach programme for children of all ages, working with schools across our Cambridge and South Staffs regions to deliver this content.

Earlier in the current five-year planning period our ability to deliver our education outreach programme was impacted by COVID-19 restrictions in place at various times. Our programme is designed to be interactive and the restrictions meant we were unable to visit schools to deliver this effectively.

But since then, we are delighted with the progress we have made. During the reporting year, we exceeded our target (shown as a purple line). We have also received excellent feedback from schools on our programme and content, which really helps to support the learning of young people.

Delivering a reliable service



Our service promise

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



Taking an integrated approach to water quality

Making sure we always deliver water of the highest quality is critical for our business. It is also consistently one of the most important priorities for our customers. We are legally required to have drinking water safety plans in place.

The aim of these plans is to prevent water contamination 'from source to tap'. They are the most effective way of making sure the water we supply is safe to drink, and that it meets the necessary health-based standards and regulatory requirements.

During the reporting year, the team with responsibility for our drinking water safety plans has been championing an effective integrated working approach with colleagues from across the business. This includes holding regular risk management discussions with other business functions, such as our catchment management, treatment, compliance, production, networks, and asset management teams.

At each of these discussions, the teams carry out detailed reviews of our water treatment and storage assets, using five years' worth of monitoring information, to capture emerging risks. These are reported to the Drinking Water Inspectorate under Regulation 28 of the Water Supply (Water Quality) Regulations 2016 (as amended).

The drinking water safety team has also been reviewing some of the water treatment works in our Cambridge region. We have seen an increase in nitrate levels at these works because of the prolonged periods of heavy rainfall experienced during the reporting year.

In particular, in collaboration with other colleagues from across the business, the team has carried out detailed reviews of our ion exchange plants and our water blending practices. The aim is to identify potential improvements to our processes, which can then be fast-tracked as necessary.

"I've only had to call them out once in the last ten years. They came out immediately and sorted out the problem the same day. What better service than that could you ask for?" – household customer, Cambridge region

Delivering upgraded water treatment works

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

What we are measuring

The delivery of upgraded treatment processes at the Hampton Loade and Seedy Mill water treatment works in our South Staffs region in line with the agreed target dates and budget.

Unit of measurement

Percentage completed.

How we have performed

We are pleased to report that we remain on track to deliver the planned upgrades at the Hampton Loade and Seedy Mill water treatment works in our South Staffs region on time.

We completed the work to construct a new first-stage filtration block comprising eight sand filters at Seedy Mill in March 2023. We reported on this in last year's annual report and financial statements.

We are progressing well with the installation of additional ceramic membrane-based filtration technology at Hampton Loade. Our civil engineering partners have completed the principal construction work and the new filtration units have been installed.

Our attention now is turning to testing the filtration system fully before bringing the new plant into commission. We are due to complete this work by March 2025.

Once complete, this will be the largest deployment of this technology by volume globally and the first retrofit of its kind in an existing water treatment works.

Always meeting drinking water quality standards

Common or bespoke performance commitment: Common

Target met: **No**

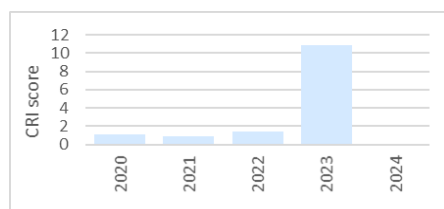
What we are measuring

Our compliance with drinking water quality regulations, as measured using the Drinking Water Inspectorate's Compliance Risk Index (CRI) metric.

Unit of measurement

CRI score.

How we have performed



We are disappointed to have failed our target for 2023. This is mainly because of a small number of significant compliance failures at Hampton Loade and Seedy Mill, our two largest water treatment works. Both works treat surface water from nearby rivers and reservoirs. Every day, we monitor hundreds of water quality parameters and take many water quality samples, which we send to laboratories for testing.

During the year, a very small number of these samples failed for a type of bacteria known as coliforms. This is a routine test which can indicate if untreated water is bypassing our treatment processes. On detecting these failures, we immediately investigated possible causes and found no single identifiable root cause for them. We continue to monitor our treatment processes robustly at these and other sites as the safety of the drinking water we supply to customers is paramount.

As reported in the Managing Director's review and in the column left, we are investing £97 million in upgrades at these two water treatment works. This is to ensure highly effective treatment processes over the long term.

Always meeting drinking water standards for appearance, smell and taste

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

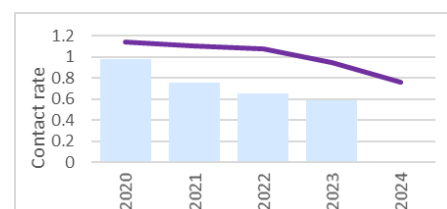
What we are measuring

The number of customer contacts we get each year about the appearance, smell and taste of their water, or any perceived illness.

Unit of measurement

Contacts per 1,000 of population.

How we have performed



Our customers' perceptions about and their direct experiences of the quality of water we supply to them is extremely important to us. When customers get in touch with us about the quality of their water, we always take these contacts very seriously.

In recent years, we have carried out activities across the network in our Cambridge and South Staffs regions to reduce the root causes of customer contact. Most of the contact is about discoloured water. This is often the result of disturbed sediment in our water mains, which can occur when we get rapid changes in water flow – for example, following a burst. So, we have routine flushing and network calming programmes in place to ensure we can minimise the risk of such disturbances.

This approach, in combination with other strategies, has led to a steady decline in customer contacts – there are now 48% fewer than in 2019. As a result, we have outperformed against this target (shown as a purple line) in every year of the current planning period.

Maintaining a reliable supply – supply interruptions

Common or bespoke performance commitment: Common

Target met: **Yes**

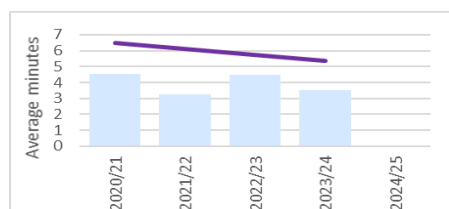
What we are measuring

The average minutes of interruption each property experiences for interruptions of three hours or more.

Unit of measurement

Average interruptions in minutes and seconds.

How we have performed



Interruptions to supply are one of the highest priority areas for customers. This commitment measures the average amount of time our customers are without water in an event of three hours or more in duration. So it is a measure of the reliability of our water supply to customers.

We are one of the best performers in the sector for supply interruptions. We work hard to ensure that when a disruption event such as a mains burst does occur the impact on our customers is kept to an absolute minimum.

We have outperformed our target for supply interruptions (shown as a purple line) in each year of the current five-year planning period to date.

Maintaining a reliable supply – severe supply restrictions

Common or bespoke performance commitment: Common

Target met: **Yes**

What we are measuring

Customers at risk of severe supply restrictions in a 1 in 200-year drought scenario.

Unit of measurement

Percentage of customers at risk.

How we have performed

This measure is an indicator of risk to the supply of water to customers under a defined 1-in-200-year drought scenario. We assess this risk in our water resources planning and report on it through this measure each year.

As a measure of risk, the performance reported is not something that directly impacts customers (unless the event actually happens, which it has not). The level of risk is influenced by the plans we have for dealing with water scarcity, leakage and customer demand.

We are delivering on our plans during the current five-year period and based on this, the risk level to customers is currently zero. This is the level we planned for in the 2019 water resources management plans for our Cambridge and South Staffs regions and is based on us delivering all approved schemes.

Reducing the number of water production failures

Common or bespoke performance commitment: Common

Target met: **Yes**

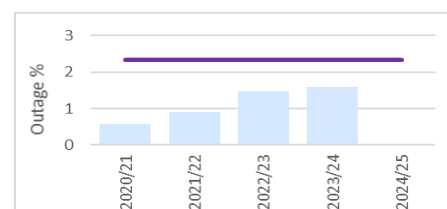
What we are measuring

Water production capacity lost through unplanned outage.

Unit of measurement

Unplanned outage as a percentage of total production capacity.

How we have performed



We measure unplanned outage to indicate the health of our water production assets. These include the pumps, electrical equipment and treatment works we use to treat, store and supply water to our customers.

It is normal that we have a small level of unplanned outage. All equipment fails periodically and we have many mitigations in place to ensure customers are not normally impacted when this happens.

We have outperformed our target (shown as a purple line) for unplanned target in each year of the current five-year planning period to date.

But we are concerned that the level of unplanned outage is increasing over time. This has been because of a small number of longer duration asset failures over the past few years, which has required greater intervention to resolve. Going forward, we will carry out a review of our assets to ensure this measure improves.

Finding and fixing visible leaks more quickly

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

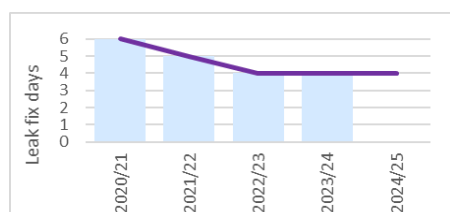
What we are measuring

The number of days we take to repair 90% of visible leaks on our networks, measured from the time the leak is found or reported.

Unit of measurement

Percentage of visible leaks repaired within a set number of days.

How we have performed



We know how important it is for our customers – and for our business – that we reduce leakage levels on our networks of water mains and pipes. We have significant overall leakage reduction targets, which we report separately for our Cambridge and South Staffs regions.

But we also know that when customers see visible leaks in the road, and report them to us, they want to be sure those leaks are fixed quickly – even though they may be small in some cases.

During the course of the current planning period, we have invested significantly in this area. This investment has paid off for us, as we have achieved our targets (shown as a purple line) for each of the past four years. We are pleased to have reduced our average leak repair time from nine days in 2019/20 to four days during the reporting year.

Reducing the number of burst mains

Common or bespoke performance commitment: Common

Target met: **Yes**

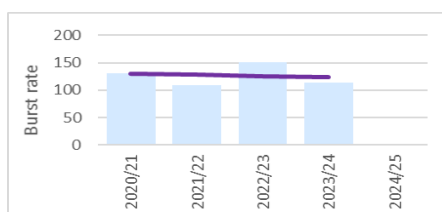
What we are measuring

The number of burst water mains on our networks in the Cambridge and South Staffs regions.

Unit of measurement

Number of bursts per 1,000 km of mains.

How we have performed



The number of burst mains we experience in any given year is an indicator of the health of the networks in our Cambridge and South Staffs regions. Over a long period of time, underground water mains can deteriorate and burst. Expressing the number of burst mains as a rate per 1,000 kilometres of pipe in our networks makes it easier for us to compare our performance with that of other water companies in the sector.

We track the number of bursts we experience over time to ensure these assets are not deteriorating at a faster rate than we are repairing or replacing them. This is to ensure we maintain a high level of supply reliability to our customers.

Mains bursts can be a volatile measure. This is because they can be sensitive to weather conditions – particularly high or low temperatures. These changes in weather can cause the ground to expand or contract, which can, in turn, cause mains to fracture. Despite the unpredictability of this measure, we have continued to perform well and have outperformed our target (as shown by a purple line) during the reporting year.

Delivering for the environment



Our environment promise

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



Addressing the impact of invasive non-native species

Invasive non-native species (INNS) are species that have been introduced into the UK, either accidentally or deliberately. Their presence can have serious environmental, economic and social impacts. This is because they often compete with or spread disease to our native species, often resulting in population decline. For example, the American mink, which was introduced into the UK for the fur trade, became established in the wild by the 1950s. It is now one of the biggest threats to the endangered water vole, with declines in population of up to 90% in some areas.

As well as the potential environmental harm, INNS also cost a lot of money to manage and control. The England and Wales water sector alone spends around £7.5 million a year to tackle problems associated with the spread of INNS. They also pose a risk to our own enjoyment of nature as a recreational activity. Species like floating pennywort, for example, can dominate our waterways. As well as restricting access to the water in some cases, it can also smother any aquatic life below the surface.

We are committed to stopping the spread of INNS through our land management approaches. We have biosecurity measures in place at our reservoirs and expect visitors to follow the 'check, clean, dry' protocol to help prevent the spread of INNS. In addition, the estates team at our Blithfield reservoir actively manages INNS at the site, including Himalayan balsam, Japanese knotweed and the American signal crayfish.

During the reporting year, as part of our Water Industry National Environment Programme (WINEP) obligations, we completed surveys at more than 90 of our own land holdings to identify where INNS are present. During the next five-year planning period from 2025 to 2030, we will implement long-term INNS management plans across our Cambridge and South Staffs regions, where necessary. We will also continue to use our [PEBBLE biodiversity fund](#) to support groups in removing INNS from protected habitats.

"Educating about water sets the seed at a young age to not waste water and to show them how water shortages can affect them. Many people think it's just a problem in hot countries" – household customer, Cambridge region

Reducing leakage levels – Cambridge region

Common or bespoke performance commitment: Common

Target met: **Yes**

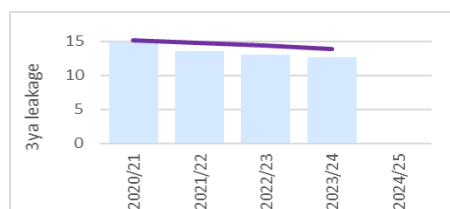
What we are measuring

Leakage levels in the Cambridge Water supply area.

Unit of measurement

Percentage reduction from baseline.

How we have performed



We measure leakage as a three-year average. This is to smooth out the volatility that weather can cause. Our performance across both regions against our target (shown by the purple line) is ahead of that target.

We have been working hard to meet and outperform our tough leakage targets (described in the sidebar, right). We have increased the resources we devote to finding and fixing leaks, and we have introduced new and innovative technologies to improve our leak detection activity.

We are pleased to report that we have outperformed our leakage target in our Cambridge region. We will continue to build on this in the coming year.

Reducing leakage levels – South Staffs region

Common or bespoke performance commitment: Common

Target met: **No**

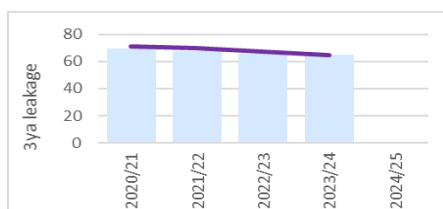
What we are measuring

Leakage levels in the South Staffs Water supply area.

Unit of measurement

Percentage reduction from baseline.

How we have performed



We measure leakage as a three-year average. This is to smooth out the volatility that weather can cause. Our performance across both regions against our target (shown by the purple line) is ahead of that target.

We have been working hard to meet and outperform our tough leakage targets (described in the sidebar, right). We have increased the resources we devote to finding and fixing leaks, and we have introduced new and innovative technologies to improve our leak detection activity.

We are disappointed to have just missed our leakage target in our South Staffs region. We will increase our efforts in the coming year to ensure we get back on track by the end of the current planning period.

Why reducing leakage on our network of pipes matters

Reducing levels of leakage is really important to us. And it is consistently a key priority for our customers. In addition, there are also environmental and financial benefits to reducing the volume of water that leaks from our pipe networks.

From an environmental perspective, reducing leakage levels means we need to take less water from the environment. This helps to maintain levels in the sources from where we take our water. It also helps us to maintain natural habitats.

From a financial perspective, all leakage is wasted water that has cost money to take from the environment, treat and transport around our networks.

For these reasons, we have set very demanding leakage reduction targets to achieve in each year of the current planning period.

By 2025, we are aiming to deliver around a 15% reduction in leakage across our Cambridge and South Staffs regions. Our ultimate aim is to reduce leakage by 50% by 2050.

Encouraging our customers to use water wisely

We know that fresh water is a precious and finite resource. So, we try to help all our customers use water wisely.

We do this through a variety of initiatives, including metering, communications, education outreach and direct support – providing free water efficiency devices for customers to use around their homes.

We measure water efficiency on household properties. In our business plan for 2020 to 2025, we set ambitious targets to reduce the volume of water each person uses.

The COVID-19 pandemic in 2020 meant many people had to stay at home. This led to an increase in water use, which impacted our performance against this metric.

We will continue to support customers to reduce how much water they use. We are working towards achieving a target of 110 litres per person per day by 2050.

Reducing how much water each person uses – Cambridge region

Common or bespoke performance commitment: Common

Target met: **No**

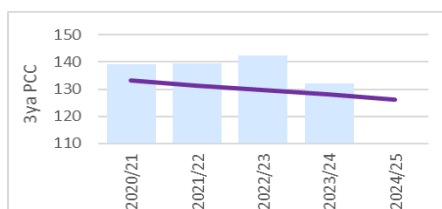
What we are measuring

The average water consumption by individual household consumers in the Cambridge Water supply area (per capita consumption, or PCC).

Unit of measurement

Percentage reduction from baseline.

How we have performed



PCC is measured as a three-year rolling average. Because water consumption in our Cambridge region rose significantly between 2020 and 2022 compared with pre-pandemic levels, we have failed our target in all years of the current planning period to date.

We are disappointed with this and are working hard to improve our performance in this area. Our ‘Can for the Cam’ campaign (see page 38) is a good example of the initiatives we have introduced to encourage our customers to use water wisely. We will continue to build on this in the year ahead.

Reducing how much water each person uses – South Staffs region

Common or bespoke performance commitment: Common

Target met: **No**

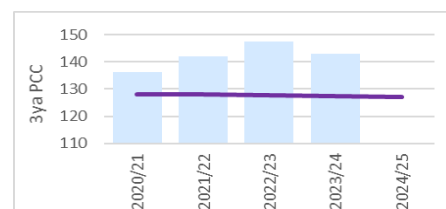
What we are measuring

The average water consumption by individual household consumers in the South Staffs Water supply area (per capita consumption, or PCC).

Unit of measurement

Percentage reduction from baseline.

How we have performed



PCC is measured as a three-year rolling average. Because water consumption in our Cambridge region rose significantly between 2020 and 2022 compared with pre-pandemic levels, we have failed our target in all years of the current planning period to date.

We are disappointed with this and are working hard to improve our performance in this area. We will continue to build on this in the year ahead.

Not taking too much water from environmentally sensitive sites

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

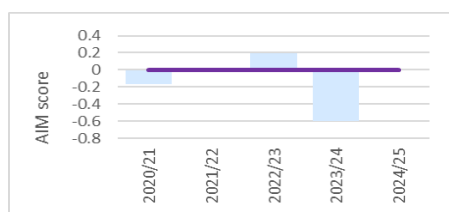
What we are measuring

Our compliance with pre-defined water abstraction thresholds for our designated Abstraction Incentive Mechanism (AIM) sites in our Cambridge and South Staffs regions.

Unit of measurement

AIM score.

How we have performed



The AIM is a composite score of under- or over-abstraction from a specific set of groundwater sources where local water courses have been identified as being at risk of over-abstraction.

We have one active AIM site in our Cambridge region (Horseheath). We carefully monitor the volumes of water we take ('abstract') from this site. When there is a low flow trigger on the local water course, we measure how our abstraction during this period compares with our allowed levels.

During the reporting year, we abstracted less water from this site during times of sensitivity. This means we outperformed the AIM measure. This is shown as a negative value on the chart above against our target of zero.

Delivering our WINEP requirements

Common or bespoke performance commitment: Common

Target met: **Yes**

What we are measuring

Delivery of our obligations under the Environment Agency's Water Industry National Environment Programme (WINEP).

Unit of measurement

Milestones set by the Environment Agency.

How we have performed

We have continued to progress with our WINEP schemes, liaising with both the Environment Agency and Natural England, where relevant.

Because of the dates agreed with the regulators to deliver our environmental obligations, no schemes required signing off during the current reporting year. The remaining schemes are scheduled to be completed in 2024/25, and we will report on the outcome of this in next year's annual report and financial statements.

Our main focus during the year was on preparing for our 2024/25 schemes and planning for the next five-year period (AMP8) through our statutory plans.

Protecting wildlife, plants, habitats and catchments

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

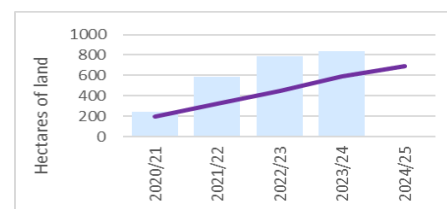
What we are measuring

The area of land that we manage actively in our Cambridge and South Staffs regions to protect wildlife, plants, habitats and catchments.

Unit of measurement

Hectares of land managed.

How we have performed



We have significantly increased the area of land we manage for biodiversity in each year of the current planning period to date. And we are delighted to have again outperformed our target in this area.

We have continued to expand our SPRING catchment management programme across both regions. And we have built on the increasing popularity of biodiversity enhancement measures within agriculture. Through SPRING, we have supported a range of measures, including flower rich margins, beetle banks and planting wild bird or pollen-rich seed mix. We have also funded buffer strips, field margins and under sowing of crops, which also have soil health and nutrient benefits.

In addition, we have made sure that habitats on our Sites of Special Scientific Interest (SSSIs) remain in a favourable condition for the target species, such as wading birds, and continued and ancient woodland. And we have continued to provide biodiversity and community benefits through our PEBBLE fund. This includes funding projects to protect and enhance chalk streams, create wildlife and community gardens, and support natural habitats.

Supporting water efficient house building

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

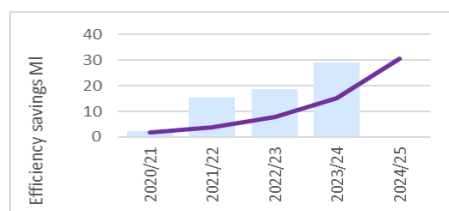
What we are measuring

The volume of water saved from new residential properties being built to [HQM](#) or [BREEAM](#) standards, and which meet a water efficiency level of 100 litres per person per day (l/p/d).

Unit of measurement

Volume of water saved in megalitres. (Note: a megalitre – Ml – is one million litres.)

How we have performed



As well as providing targeted water efficiency programmes for household customers in our Cambridge and South Staffs regions, we also work closely with housing developers to incentivise them to design new dwellings to improved water efficiency standards. We do this by offering financial incentives to developers adopting the HQM or BREEAM 100 l/p/d standard.

Against this, we have saved almost 30 MI of water over the four years of the current planning period to date. And as the chart above shows, we are ahead of our target for this performance commitment.

Reducing our carbon emissions

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

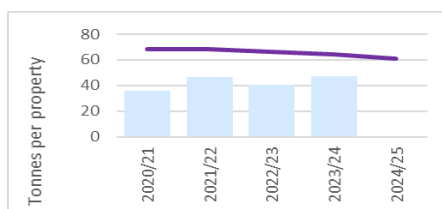
What we are measuring

The amount of operational carbon emissions from our operations, per connected property.

Unit of measurement

Kilograms per connected property.

How we have performed



We operate an energy-intensive business, and use large amounts to enable us to abstract, treat and pump water from source to tap. We are committed to reducing our carbon footprint wherever possible so that we can play our part towards achieving the water sector's ambitious net zero goals.

We are pleased to report that we have outperformed our target in every year of the current planning period to date. Initiatives such as a green energy purchase scheme, small-scale solar generation and energy efficiency improvements across our asset base have helped us to achieve this.

In future, we intend to go further by continuing to reduce our emissions, and by making sure the energy we use in our operations is sourced as cleanly as possible.

Delivering for our business



Our business promise

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



Taking a strategic view of asset management

Over the course of the current planning period to date, we have taken a more strategic approach to our asset management function. This includes restructuring our asset management team, with analytical and tactical delivery roles as core functions. We also developed an improved approach to understanding the value in our investment programmes, enabling us to make more informed and effective business decisions. And we recognised the need for a balanced and transparent process in generating and managing our investment programme. Key to this was the need to link our decision-making to both customers' priorities and strategic business requirements through an approach that balances costs, risks and improvements in performance. There was also a need to inform our long-term delivery programme, with a particular focus on the five-year planning period from 2025 to 2030.

To help address these challenges, in 2022 we implemented Copperleaf H2O, an asset investment planning tool that is now used widely throughout the water sector in both the UK and further afield. Implementing this system has given us a focal point within which investment options are effectively linked to our improving picture of asset risk and our customers' priorities, and our understanding of value through the Six Capitals Framework. It has also enabled us to see and analyse investment at a granular project level, all the way up to a whole portfolio appraisal. This is set within the context of our own business targets and performance commitments.

As an early adopter of the Copperleaf system in the England and Wales water sector, we have been at the forefront of pushing the existing capability through our bespoke implementation. We have also driven new features and functionality to help the wider Copperleaf user community. This is something we are regularly asked to showcase. During the reporting year, Copperleaf played a critical role in helping us to determine the scale of the investment programme at the heart of our business plan for 2025 to 2030. We also carried out work to understand more about how we use the system as a business-as-usual tool to support the overall governance, tracking and monitoring of our ambitious capital programme against our many internal and external commitments.

"All businesses have a responsibility to protect the environment and reduce carbon emissions. This should be at the forefront of business plans" – household customer, South Staffs region

Treating all our suppliers fairly

Common or bespoke performance commitment: Bespoke

Target met: **No**

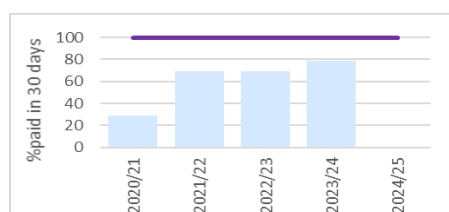
What we are measuring

Making sure we pay small businesses within 30 days as a signatory of the [Prompt Payment Code](#).

Unit of measurement

Percentage of small business paid within 30 days.

How we have performed



We value the vital services many of our small suppliers provide to us. We also recognise that small suppliers often have a greater need for reliable cash flows and that they can be more affected by payment delays.

In our business plan for 2020 to 2025, we committed to improve the speed of payment transactions to our small suppliers, by aligning our payment periods to the 30 days required by the Prompt Payment Code. We also committed to signing up to the code.

During the current planning period, our performance in this area has been improving year-on-year. In the reporting year, we paid more than 79% of our small supplier invoices within 30 days. But a small number of these often have outstanding disputes or other factors that prevent payment within this time frame. These are normally resolved quickly without further escalation.

We are exploring how to address these issues so that we can meet our target of paying 100% of small suppliers within 30 days (shown by the purple line). For this reason, we have not yet become a signatory to the Prompt Payment Code.

Making sure our property records are up to date

Common or bespoke performance commitment: Bespoke

Target met: **Yes**

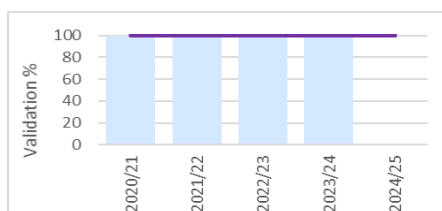
What we are measuring

The proportion of residential void properties we have validated and completion of gap site identification activity.

Unit of measurement

Percentage of properties validated.

How we have performed



It is important to us and our customers that everyone who should be paying a water bill is doing so. Void properties are those properties that are empty and are not charged. It is crucial these records are accurate, so that we can ensure bills are fair for all customers.

To do this, we validate all our void properties each year to check their status is still valid. Our target is to validate 100% of void properties (shown as a purple line). We have achieved this target every year during the current planning period.

We also look for 'gap sites', which are properties that do not appear on our records at all. During the reporting year, we did not find any gap sites.

Reducing our levels of bad debt

Common or bespoke performance commitment: Bespoke

Target met: **No**

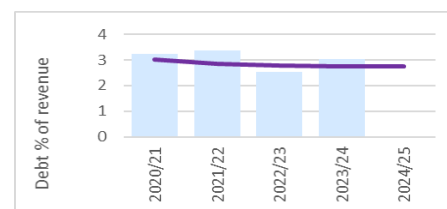
What we are measuring

The level of bad debt charge that we incur each year, expressed as a percentage of total revenue.

Unit of measurement

Bad debt as a percentage of revenue.

How we have performed



Controlling levels of bad debt is essential if we are to ensure fair charging for all our customers. So, it is vital that we collect all the revenues due to us to ensure we can run our operations and maintain our assets for the long term.

In our business plan for 2020 to 2025, we set ourselves a target for bad debt as a proportion of revenue from household customers. While we have been close to achieving this target (shown as a purple line) in the current planning period to date, we have failed to meet or outperform it in three of the past four years.

We are working hard to improve our ability to collect the money we are owed from customers. This includes helping those in vulnerable circumstances with additional support options, including our Assure social tariff.

Making sure all our people love their jobs

Common or bespoke performance commitment: Bespoke

Target met: **No**

What we are measuring

Achievement of Investors in People (IIP) accreditation and an annual employee survey.

Unit of measurement

Net Promoter Score (NPS)/achieving IIP accreditation.

How we have performed

A key focus of our business plan for 2020 to 2025 was our desire to make working for South Staffordshire Water a rewarding experience for all our people. We think this is something to which every business should aspire. To demonstrate our commitment to this, we set ourselves a target to improve our NPS over the current planning period, based on our regular employee surveys, and also to achieve IIP accreditation.

We achieved IIP accreditation at the Standard level in the 2020/21 financial year, slightly ahead of our original proposed timescale. This was a great achievement for our business – and also a great recognition for our people.

But we have not been able to achieve our NPS target. Measuring employee satisfaction is a complex activity, and, along with our performance review programme for our people, we want to ensure our approach is meaningful.

During the year, we launched a new people strategy and have focused our attention on designing an employee engagement programme that will work for the diverse activities we carry out across the business. We will report on our progress about how we engage with our people in next year's annual report and financial statements.

Delivering our core outcomes



Our core promise

We will provide value for money and maintain our customers' trust in us

Delivering services that are value for money

Common or bespoke performance commitment: Bespoke

Target met: **No**

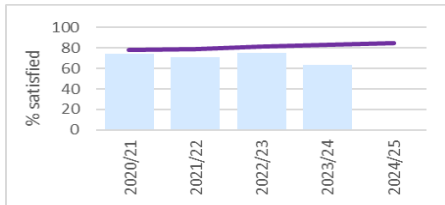
What we are measuring

Customers' satisfaction with our value for money, using a combination of our own tracker survey and a survey carried out by CCW, the consumer watchdog.

Unit of measurement

Percentage of satisfied customers.

How we have performed



In 2019, we set ourselves very challenging targets for customers' perception of the value for money of their water bills. We required more than 80% of our surveyed customers to be 'satisfied' or better with the level of service they receive from us.

We are disappointed that we have not yet managed to reach this target during the first four years of the current five-year planning period.

We think there are a number of reasons for this. Some of these relate to our own behaviours in our communications and customer-facing activities – and we have put improvement plans in place to address these.

But there has also been a more widespread deteriorating perception of water sector in general among customers in recent years, while the cost-of-living crisis has impacted customers' perceptions of the affordability of their water bills.

"What struck me is how little I know about my water company.... Maybe they can engage with us a bit more about where our utilities come from. It feels like water just appears and we're probably over-using it as well. So, a bit more about that mutual relationship would be good. It's not an endless commodity" – future household customer, Cambridge region

Making sure customers have a high level of trust in us

Common or bespoke performance commitment: Bespoke

Target met: **No**

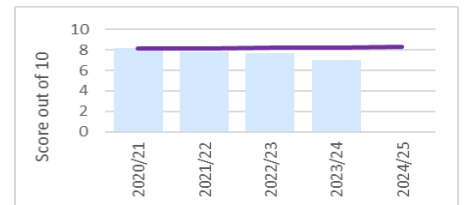
What we are measuring

The level of trust our customers have in us, using a combination of our own tracker survey and a survey carried out by CCW.

Unit of measurement

Score out of 10.

How we have performed



Similar to our value for money commitment, we set ourselves very challenging targets for customers' perceptions of trust for the five years from 2020 to 2025.

Again, we are disappointed to see a deterioration in this metric over the past few years, despite meeting our target in 2020/21.

As well as factors within our control, which we are working to address, our research suggests wider economic factors and current negative perceptions of the water sector are helping to drive the decline in our trust scores. We are seeing this in our own surveys and those of CCW.

Performance against our resilience action plan

In August 2019, we published our first [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 over the long term.

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

- **financial resilience**, which is the ability to avoid, cope with and recover from any disruption to our finances now and over the long term;
- **corporate resilience**, which is the ability of our governance, accountability and assurance processes to avoid, cope with and recover from disruption of all types; and
- **operational resilience**, which is 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. At the same time, we continue to review our original ambitions to ensure our resilience action plan aligns with the current views of both our business and the water sector.

Our resilience lens and progress against our plan

We created our resilience lens (see page 36) as a structured and robust way to assess our overall resilience, scoring ourselves on our resilience security against each of our desired states that are important to us, our customers and the environment.

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. In addition to this, for the first time we have seen a step back in one of our segments: high levels of trust and affordable service for all. We think it is appropriate to reflect the level of challenge the sector is currently facing, which has been compounded by the criminal cyber-attack on our parent company, South Staffordshire Plc, in July 2022.

Financial resilience

See our annual reports and financial statements for the steps we have taken to ensure our financial resilience during the reporting year.

Corporate resilience

Business outcome

Customer experience.

Desired state

High levels of trust and affordable services.

Action

Given the macro conditions facing our business, such as the cost-of-living crisis, it is imperative that our customers have a high level of trust in us as the provider of an essential public service, and that our bills remain affordable. So, we are committed to using different ways to share information with them, including

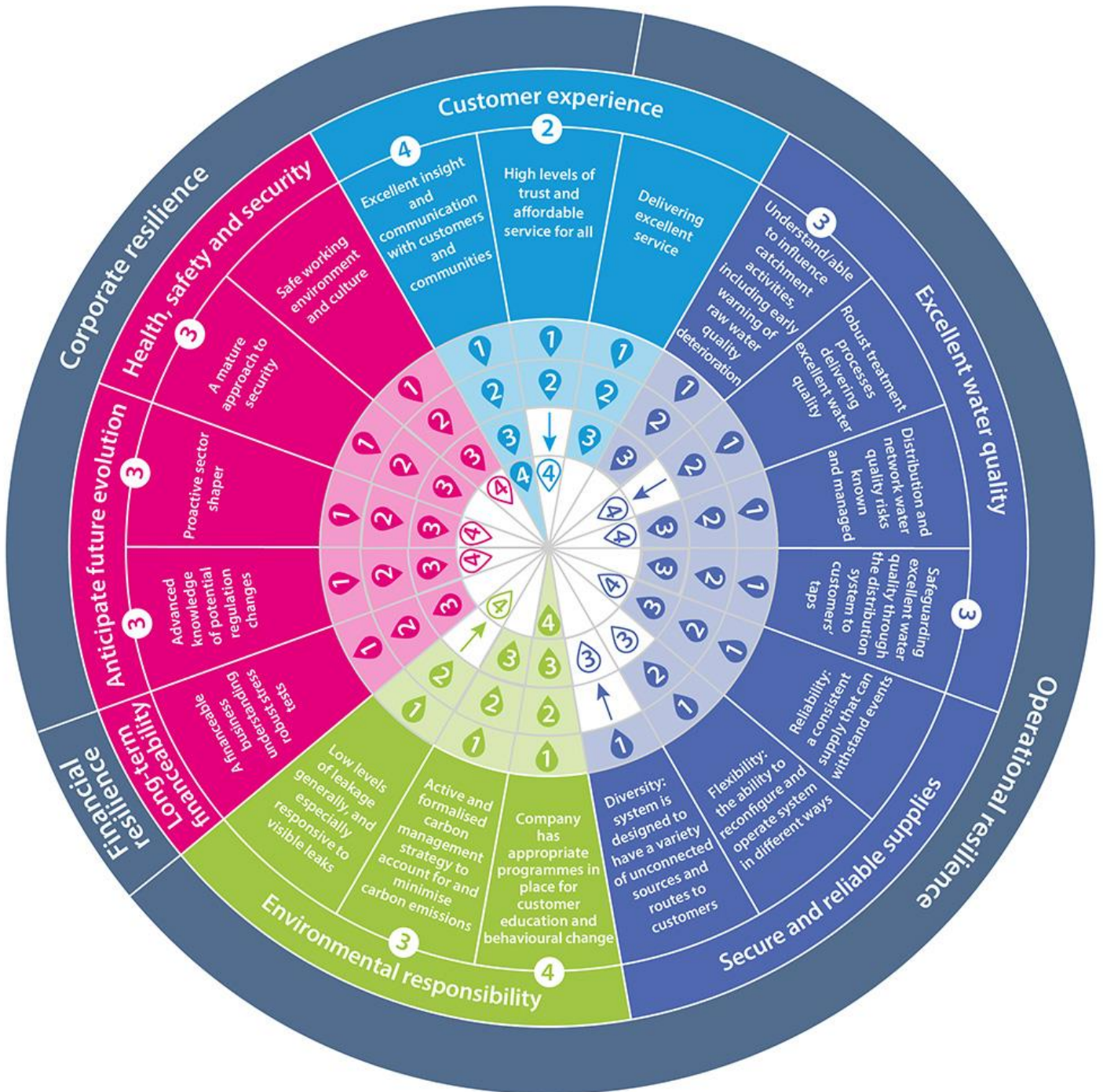
through our UK-based contact centre, our website and our social media channels.

2023/24 update

It has been a challenging year for the water sector in England and Wales, with a spotlight on companies’ activities like never before. There have been negative stories in the media and elsewhere about pollution, water quality, executive pay and dividends, and growing calls for companies to be taken back into public ownership.

There has also been an unprecedented level of scrutiny of the water companies from elected officials – at both a local and a national level. And while the focus of this attention has been the water and sewerage companies, as a water only company operating across two geographically and socially diverse regions, we cannot be complacent. Indeed, we think this combination of factors has played a part in negatively impacting our trust and value for money performance commitments.

It is important that we listen to and address customers’ concerns. So, we are continuing to use our monthly priorities and promises trackers to monitor changes in customer sentiment and help us to get these measures back on track by the end of the current planning period in 2024/25. We are also developing a holistic trust recovery communication plan to support us with this, as we recognise that we still have some way to go with achieving and evidencing this desired state.



Key

Where we think our projected maturity matrix scores will be by 2025



- 1** Limited application
Where we have not yet demonstrated resilient working, but are considering it for the future
- 2** Low level of maturity
Where we understand resilient working, but only apply it within isolated cases
- 3** Medium level of maturity
Where we demonstrate an understanding of resilient and can demonstrate its adoption within most of our activities
- 4** High level of maturity
Where we fully integrate resilient working into all our operational processes

Business outcome

Customer experience.

Desired state

Excellent insight and communication with customers and communities.

Action

Over the past two years, we have engaged with many customers across our Cambridge and South Staffs regions across a number of projects and programmes. They have shaped, challenged and pushed us to aim higher than we ever have before. The regulatory price review process offers us an amazing opportunity to take the insight from our customers and communities, and ensure we use it to shape our future strategy. This means the price review process is essentially a customer contact point, providing them with the certainty that we have listened and shaped our plans around the things that matter most to them.

2023/24 update

During the reporting year, we carried out a number of projects as part of our wider engagement programme. This helped us to maintain our focus on customers' priorities and to understand how these are changing and why. Key among these were projects to:

- understand customers' long-term preferences for their water supplies;
- explore customer contribution levels for our Assure social tariff; and
- track service delivery and customers' experience of our brand.

We also carried out engagement to test the acceptability and affordability of our business plan for 2025 to 2030. As part of this, we held two 'Your water, your say' open challenge sessions for customers and stakeholders to gain further feedback on our business plan and the changes they wanted us to make.

We carried out a second wave of acceptability and affordability testing on the water resources management plans for our Cambridge and South Staffs regions. The aim was to enable

us to understand customers' thoughts about our proposed investments and associated bill impacts through to 2050.

We continue to use the insights from all our customer engagement to help educate them about the role they need to play to help us deliver our business objectives, along with the support in place to enable them to do so.

Business outcome

Customer experience.

Desired state

Proactive sector shaper.

Action

We recognise the role that innovation plays in driving our business and the water sector forward. We are committed to delivering innovative solutions that benefit our customers, the environment and our business.

2023/24 update

At the beginning of the reporting year, we were announced as one of the winners of the Water Breakthrough Challenge (Catalyst Stream) – the latest competition for funding from Ofwat's £200 million Innovation Fund. We were awarded £270,000 for a diversity-led water efficiency project.

There has been significant activity on this project over the past 12 months – with a wide range of learning points that can be shared across the sector.

Our project, where we are actively working with faith groups and in the communities associated with them, has seen us develop two key areas of innovative engagement that we consider will help to drive behavioural change in reducing water consumption.

First, through our 'Reviving the Sunnah' campaign, where we worked closely with Cambridge Central Mosque, we shared the benefits of using a special cup during the Islamic practice of Wudu (ablution), the ritual washing performed in preparation for prayer and worship.

The aim was to demonstrate how the ritual could be performed by using just 1 litre of water, as opposed to using a running tap, which could use up to 12 litres of water an hour for each prayer. The mosque and local Muslim community have been very welcoming and receptive to this initiative. We are now embarking on an enhanced customer journey with them to help reduce consumption further.

The second element of the campaign focuses on how customers use water in the home for cooking – specifically in south Asian communities – when washing rice. We have several influencers, including Masterchef winner Ping Coombs, who will be supporting us in this campaign in the year ahead.

Operational resilience

Business outcome

Environmental responsibility.

Desired state

Company has appropriate programmes in place for customer education and behavioural change.

Action

We are committed to delivering sustainable behavioural change in terms of household water use. This includes developing communication campaigns that are based on customer insight.

We will also continue to work with the Young Innovators' Panels in our Cambridge and South Staffs regions to develop water efficiency ideas that the business can take forward in the future.

2023/24 update

After the COVID-19 pandemic, we had a slow start in recovering our education outreach programme, as it was harder to get into schools at this time. So, it is especially pleasing to report that we have outperformed our target during the reporting year and engaged with 6,310 young people, beating our target of 6,000.

‘Can for the Cam’ – using behaviour change to reduce water use

During the summer months, we typically supply an extra 20 million litres of water a day to customers in our Cambridge region, which is in one of the driest parts of the country.

In July 2023, we launched our ‘Can for the Cam’ campaign, targeted specifically at reducing seasonal high demand.

The campaign made effective use of social media, print and online promotion, podcasts and events. We also worked with local environmental organisations to promote water saving hints and tips.

A key objective was to help customers to understand the link between their water use and the impact this has on the local environment.

We had a target to save 500,000 litres of water each day as a result of the campaign. We nearly doubled this target with customers using 940,000 litres of water less each day than they would have done without our campaign.

We are building on the success of Can for the Cam. We are working with behavioural change specialists from Cambridge University to shape a follow-up campaign.

We are looking to build on our strong start and make sure we continue to deliver sustained water savings over the long term.

As ever, we pride ourselves on the richness of this engagement – spending a whole day in the classroom with pupils and working with them to support their understanding of the water cycle and the importance of using water wisely.

Our Cambridge region is currently under significant scrutiny. This is mainly because of the levels of forecast growth, including view of the previous Conservative Government that the city should be the science capital of the world. Alongside this, the level of environmental abstraction reductions needed to protect and enhance the environment means we have a number of complex relationships to manage.

During the summer, we launched ‘Can for the Cam’, a multi-channel behavioural change campaign to help gardeners use less water (see sidebar, left). Through this campaign, we learned that a clear, simple call to action, linked to the local environment gave us the best traction in changing people’s behaviours. The campaign was hugely successful and reduced consumption by nearly 1 Ml/d over a six-week period. The campaign has been recognised both inside and outside the water sector, and in June 2024 was recognised with a ‘Highly Commended’ award in the Behavioural Change Campaign of the Year category at the UK Green Business Awards.

Business outcome

Operational resilience.

Desired state

Safeguarding excellent water quality through the distribution system to customers’ taps.

Action

We are committed to ensuring our customers always have safe, wholesome drinking water.

2023/24 update

The Drinking Water Inspectorate measures our drinking water quality compliance each calendar year. It uses two key measures: the Compliance Risk Index (CRI); and the acceptability of water to customers (AoWtC). It supports these measures with many random water quality samples that are tested at an independent laboratory.

Our CRI performance for 2023, while disappointing, was not unexpected. Our major treatment works Hampton Loade, is undergoing significant investment after we successfully secured additional funding through Ofwat’s green recovery initiative. Until this work is complete, while the water is safe to drink, the sophistication of the treatment processes is not what we want. Most of the CRI score for the year related to Hampton Loade.

Despite the CRI score, we have seen continued improvements in AoWtC during the reporting year. This the measure that looks at the taste, smell and appearance of water at our customers’ taps. We have seen a steady decline in customer contacts – there are now 48% fewer than in 2019 – and have outperformed against our targets in every year of the current planning period.

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 several other actions and will report on our progress in next year’s annual performance report.

Board statements

Each year, the Board makes a number of statements about the company's performance and its compliance with regulatory and other obligations. Among other things, these statements focus on the company's long-term viability and on the responsibility for regulatory information.

Long-term viability statement

The Directors' full assessment of financial viability can be found on pages 76 to 80 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 2034, considering 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 2024.

Statement of Directors' responsibilities for regulatory information

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

The Directors are also required to:

- confirm that, in their opinion, the company has sufficient financial resources and facilities, management resource, and methods of planning and internal controls 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 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 business 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.

Board statement on the 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

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

Each year, the company's assurance plan is presented for review, challenge and approval.

The plan sets out in detail the process the company has been through to understand the regulatory reporting risks and the things it proposes to put in place to ensure those risks are controlled. This review results in several '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 reporting year.

- Ofwat's PR24 price review process.
- Long-term delivery strategy.
- Annual customer and developer charges.
- Annual performance report.
- Performance commitments between 2020 and 2025.
- Delivery of Hampton Loade and Seedy Mill water treatment works investment.
- Open data.

The company consulted stakeholders on its draft assurance plan for 2024/25 in November 2023 and incorporated feedback into the final [assurance plan](#), which was published in March 2024.

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 reporting year. 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 most of its performance commitments and other data items.

In its feedback to the company for the 2022/23 APR, Jacobs identified some minor risks to reporting when carrying out assurance.

The Audit and Risk Committee challenged the company's management to provide a plan to ensure reporting for the 2023/24 APR resolved these issues.

During the reporting year, the company subsequently put processes in place for:

- the customer measure of experience (C-MeX);
- written methodology statements; and
- appropriate manager sign off before Jacobs starts its assurance.

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, and different consequences depending on the purpose of the data.

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

How the Board utilised individual Directors and Committees in carrying out its activities in this area.

The Board utilises the Audit and Risk Committee to undertake the above activities. This is set out in the Committee's terms of reference on page 108 of the annual report and financial statements. Specific areas of review during the reporting year included:

- review of the APR data tables;
- intercompany transactions; and
- key PR24 assumptions and data.

In addition, individual Board members have reviewed specific areas during the reporting year, including:

- the assumptions used for the annual customer charges – in particular, how this took account of the uncertainty on consumption, with specific reference to the likely impact of an economic recession;
- the approach to the company's long-term viability statement outputs, including the use of Monte Carlo analysis; and

- the financeability assessment of the company's business plan for 2025 to 2030.

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 a water undertaker was accurate and complete.

These Board statements were approved at a meeting of the Directors held on 12 July 2024 and duly signed on their behalf.



Andy Willicott
Managing Director

12 July 2024

Risk and compliance statement

South Staffordshire Water has a number of statutory and regulatory obligations as a water undertaker. These obligations are predominantly set 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.

Meeting the relevant obligations

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 several 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. There have been two significant licence changes coming into effect during the reporting year covering customers and dividends;
- 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 for all significant obligations – for example, customers charges and the APR; and
- the Audit and Risk Committee carrying out an annual review of compliance.

At a meeting of Directors held on 12 July 2024, the Board confirmed that the company:

- 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 credit 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. And also, that the Board has taken reasonable steps to make itself aware of any relevant audit information and to establish that the company’s auditors are aware of that information; and

- complies with Condition F of its licence. And also, that the Board can 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 reporting 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.**

Meeting customers’ expectations

The company confirms that it has taken steps to understand and meet customers’ expectations.

The company has a number of outcomes that reflect what its customers have expressed as what matters 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 considers it is important to be transparent with its customers and other stakeholders, and regularly shares information about its performance. It 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, the following projects were part of a wider customer engagement programme carried out during the reporting year. This helped

to maintain the company's focus on customers' priorities and to understand how these are changing and why.

Understanding customers' long-term preferences

The company carried out a major qualitative and quantitative research project among household and non-household customers covering ten ambition areas. The aim of this project was to ensure customers' preferences were accurately reflected in its long-term delivery strategy, which was submitted to the regulator Ofwat in October alongside the business plan for the five years from 2025 to 2030.

These preferences included:

- investments into water quality improvements;
- a range of environmental and net zero carbon ambitions; and
- customer service and affordability support.

Following this, the company worked collaboratively with Impact Research, the triangulation partner for the PR24 price review process, to develop a decision-making framework using insights across a range of relevant studies. This framework was subsequently used to inform key decisions around the phasing of major investments. The company focused specifically on customers' input into plans that go beyond delivering service levels that meet the latest legal requirements and targets.

Customer contribution levels for the Assure social tariff

The company engaged with household customers across the Cambridge and South Staffs regions to explore the level of contribution customers supported to fund its Assure social tariff.

The company held in-depth focus groups to explore the structure of the tariff and the key decisions around fairness for funding to support customers struggling to pay their water bills. This stage of the study helped to inform the approach and development of the materials that were

used in a robust quantitative survey among 1,360 customers, designed to validate the qualitative feedback.

Qa Research, the research partner for this project, took care to ensure a robust number of customers who are struggling to pay their bills were included in the sample. This research supported the company's decision to increase the customer contribution level from £5 a year to £8. The change came into effect in April 2024 and will enable it to support even more customers with paying their bills.

The company also held a workshop with customers in the Cambridge and South Staffs regions who would qualify for a new tariff that is being trialled during 2024/25. The tariff has been designed to support customers with an annual household income of between £19,000 and £25,000, who do not qualify for our Assure social tariff and help them to save money and water. The company is using the insight to:

- inform its approach;
- develop the customer journey; and
- devise the communications for the 1,000 customers who will be recruited onto the trial.

Testing the acceptability and affordability of the company's PR24 business plan

The company carried out qualitative and quantitative acceptability and affordability research with household and non-household customers to test the proposed investments in its business plan. The study following mandated guidance from Ofwat and CCW, the consumer watchdog.

It also held two 'Your water, your say' open challenge sessions in June and October to gain further feedback on the business plan and the changes that customers and stakeholders wanted to be made.

The company carried out a second wave of acceptability and affordability testing on the water resources management plans for the Cambridge and South Staffs regions. The aim was to enable it to

understand customers' thoughts about the proposed investments and associated bill impacts to 2050.

The company will use the insights to engage with customers and educate them about the role they need to play to help it deliver its objectives, along with the support in place to enable them to do so.

Tracking changes in customers' priorities

The company continued to engage with household customers across the Cambridge and South Staffs regions to understand the priority they place on different aspects of their water service. This is the fourth year of proactively tracking customer priorities to ensure the company quickly identifies any changes and understand what is driving these changes. This insight will help it to continue to adapt its plans to better meet customers' needs.

Relaunching the Young Innovators' Panels

Now in its third year, the Young Innovators' Panels give students aged 16 to 18 across the Cambridge and South Staffs regions the opportunity to put their ideas forward towards tackling a real-world business challenge.

In June, the company welcomed 25 students from across the South Staffs region onto the Panel from a group of around 70 who applied. Representatives from Blue Marble Research, an independent research partner, worked with the company to design two days of activities, giving Panel members an insight into the world of water and an opportunity to feedback on its plans for the five years from 2025 to 2030.

The company is developing the winning idea into a board game that will form part of an interactive workshop to engage Key Stage 3 pupils (aged 11 to 14) to value water and encourage others to do so. It will pilot this in a number of schools across the Cambridge and South Staffs regions. If this is successful, the workshop will be rolled out as part of the company's wider education outreach programme.

Engaging with the H2Online communities

During the reporting year, the company engaged with members of the H2Online communities in the Cambridge and South Staffs regions on 47 topics related to their water service. The content focused on surveys, polls and discussions that enabled members to provide input into key decisions that informed the business plan and long-term delivery strategy.

The company then fed these insights into its wider customer engagement programme triangulation framework, which was developed to increase the depth and breadth of the feedback gained. In the 12 months to November, when the communities celebrated their fourth anniversary, 511 members from both regions took part in the activities.

The company also continued with its 'You said, we did' approach, where it committed to updating customers who take part in H2Online activities on the action taken as a result of their feedback.

Tracking service delivery and brand experience

The company continued to track household and non-household customers' perceptions of its service delivery and brand experience. This is to ensure action plans focus on the areas that are most in need of improvement. During the reporting year, more than 1,000 customers took part to help the company understand how effective its plans have been in improving the experiences and services it delivers.

Benchmarking service

The company continued to regularly benchmark its performance against best practice engagement within and outside the water sector. This is to ensure it builds new ideas into action to improve the services delivered for customers.

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

Processes and internal control systems

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

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

The Board, supported by the Audit and Risk 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 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 as described below.

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

The company benefits from independent reviews of performance by an internal risk, control and assurance 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 process and internal systems of control to fully meet its obligations.**

Risk management

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 management activities reduce the overall estimated impact of risks to a level that is 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 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 can 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.

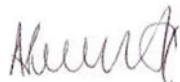
The key risks, as identified using the process described, information about what each risk means for the company, the actions it is taking to mitigate the impacts and any changes in risk are set out on pages 70 to 75 of the annual report and financial statements.

The company stress tests its financial projections against several plausible scenarios, considering 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 76 to 80 of the annual report and financial statements.

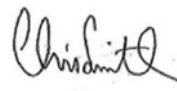
Overall, the company is satisfied that it has **appropriate systems and processes in place to allow it to identify, manage and review its risks.**

This risk and compliance statement was approved at a meeting of the Directors held on 12 July 2024 and duly signed on their behalf.



Andy Willicott
Managing Director
South Staffordshire Water PLC

12 July 2024



Lord Chris Smith
Independent Chair
South Staffordshire Water PLC

Ring-fencing certificate

The company is required under Condition P of its licence 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 and management resources, 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 must also 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.

Ernst & Young LLP has performed assurance procedures on certain items of the certificate and its report has been submitted to Ofwat along with the Independent Auditor's report as set out on page 118.

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 factors considered, and the sufficiency of evidence, are set out as follows.

Financial resources and facilities

Financial position

The balance sheet as at 31 March 2024 shows net cash of £21 million which provides sufficient headroom for at least the next 12 months.

Credit ratings and compliance

The latest credit ratings as at March 2024 (Moody's) and April 2024 (S&P) remain well within investment grade. The actual and forecast borrowing covenants all maintain significant headroom to allow the company to operate.

Performance against the PR19 final determination

The company has outperformed its 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.

For the first four years of the current planning period, it has marginally underperformed its totex allowance by less than 0.5%, despite the material impact of higher energy costs. Excluding per capita consumption (PCC), which will be assessed at PR24 because of the impact of the COVID-19 pandemic, the company's performance commitments are in penalty by £0.6 million.

Budgets and plans

The company's budget for 2024/25 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 ten-year period 2024 to 2034. This is set out on pages 76 to 80 of the annual report and financial statements, along with the stress tests applied, the results of those tests and the mitigations considered.

The Audit and Risk Committee has approved 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

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 behaviours against the company's 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 a 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.

Board culture and independence

During the reporting year, an internal review into the effectiveness of the Board was carried out as part of the process for refreshing the company's governance framework and in compliance with Ofwat's principles of Board leadership, transparency and governance. More information can be found on page 85 of the 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

Risk management

The Audit and Risk 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 70 to 75 of the annual report and financial statements.

Internal/external audit

The Audit and Risk Committee reviews and challenges papers and feedback from senior management, external auditors' reports and reports from the independent Group Risk, Control and Assurance function. During the year, the Committee reviewed the company assurance plan before it was published for consultation.

Business continuity

Each department reviews and updates its business continuity plans every year. These plans consider how the company would operate in the event of a significant incident. They cover the ability to work remotely, disaster recovery and how a continued service to customers is ensured.

Fraud prevention, unethical behaviour and whistleblowing

The Board, supported by the Audit and Risk 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 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 risk of failure to achieve business objectives.

The company has an established internal control framework in place that is continually reviewed and updated, considering the nature of its operations.

Risk and compliance statement

The Board reviews and approves the risk and compliance statement, as set out on pages 41 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

Corporate purpose and values

As part of Ofwat's principles on Board leadership, transparency and governance, the Board is required to monitor and assess values and culture to satisfy itself that behaviour throughout the business aligns with the company's purpose.

Technology, systems and security

South Staffordshire Water's intermediate parent company, South Staffordshire Plc, has a cyber-strategy that drives investment and operational planning. In addition, there is oversight of critical systems and suppliers to ensure the South Staffordshire Group understands the data it holds is secure, and that regulations are adhered to, while threat intelligence is used to analyse cyber-risks.

The company also has a cyber-risk management framework in place, which reviews risk across all parts of the business. Increased cyber awareness training has been rolled out across the company, overseen by the Audit and Risk Committee, which gives assurance to the Board.

The company applies robust change control processes to ensure changes to live systems are rejected until the risk to confidentiality, availability and integrity of data is reduced to an acceptable level. It regularly monitors and updates its plans and upgrades its operating systems and databases as required.

Policies to encourage an integrated approach and systems thinking

The company has developed and implemented a framework that demonstrates an integrated approach and systems thinking, which underpins all its operations. This is published as part of its [resilience action plan](#).

Planning systems

As part of its resilience action plan, the company has adopted seven principles of systems planning that are 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.

Asset maintenance and insurance factors

The company has 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 delivery capacity, with loss of supplies.

The company has considered its long-term plans in the context of managing and maintaining its assets and supply capabilities. It has also carried out:

- significant investments on its key water treatment works; and
- a risk-based review of all its assets to ensure it is ready and capable of delivering clean, safe and high-quality drinking water.

In addition, the company has a comprehensive insurance policy that covers:

- public liability;
- employee liability; and
- business interruption.

It reviews the policy each year to ensure appropriate cover is provided.

Contracting

Status of key contracts

For most key contracts, regular dialogue takes place to identify any potential supply issues at an early stage. The company uses multiple suppliers for critical items and also holds additional stocks where there is a limited number of suppliers.

Contracts with associated companies comply with licence conditions

There are defined procedures in place to ensure contracts with associated companies are at arm's length, either through competitive tender or at cost. These are set out on page 59.

The company ensures the Board has visibility of its trading arrangements with associated companies. It presents a paper that sets out the current arrangements in place and any risk 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 transaction between the appointed company and associates

These are set out on page 59 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

The company has no other material issues or circumstances to report.

Sufficiency of evidence – procedures followed

The Board must 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 discussed a wide range of agenda items. Examples of these are set out on page 57. 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 2024.

In addition, the Audit and Risk 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.

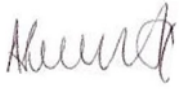
The Audit and Risk Committee reports back to the Board on the key work carried out.

Board declaration

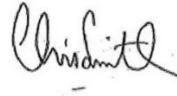
The Directors declare that in their opinion:

- 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; and
- 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 can carry out its regulated activities.

This ring-fencing certificate was approved at a meeting of the Directors held on 12 July 2024 and duly signed by them.



Andy Willcott
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

12 July 2024

Dividends

In May 2023, a new licence condition was introduced requiring that any dividends declared or paid are made in accordance with the following key principles:

- i. that dividends declared or paid will not impair the ability of the Appointee to finance the Appointed Business, taking account of current and future investment needs and financial resilience over the longer term;
- ii. that dividends declared or paid take account of service delivery for customers and the environment over time, including performance levels, and other obligations; and
- iii. that dividends declared or paid reward efficiency and the effective management of risks to the Appointed Business.

The Board has considered these principles by carrying out an 'in the round' assessment of performance considering all aspects of delivery against performance commitments, investment plans, environment, cost efficiency and other areas of operation. Each assessment area is set out below.

Performance commitments

Board consideration

We have eight common performance commitments (PCs), including C-MeX and D-MeX. Two of these PCs relate to per capita consumption (PCC), which is being assessed as part of the PR24 price review process.

Since the COVID-19 pandemic, we have seen very high levels of demand for water across our Cambridge and South Staffs regions. These impacts have not subsided to pre-COVID levels, which indicates that a material behavioural step change has occurred. We commissioned research with the help of an innovative third party demand management consultancy called Skewb to examine how our regions were impacted by the pandemic and the ongoing effects of factors such as working from home. Their report can be found on our [website](#).

We have also re-evaluated our PCC programme and we have implemented a materially increased programme over that envisaged at PR19. In July 2023, we launched a new initiative – our 'Can for the Cam' campaign, targeted specifically at reducing seasonal high-water demand.

The campaign made effective use of various communication channels,

including social media, print and online promotion, podcasts and events. A key objective was to help customers to understand the link between their water use and the impact this has on the local environment. So, our people worked with local environmental organisations to promote water saving hints and tips.

We had a target to save 500,000 litres of water each day as a result of the campaign. Our calculations showed that we nearly doubled this target, with customers using 940,000 litres of water less each day than they would have done without our campaign.

We made a claim in our business plan for 2025 to 2030 to remove the PCC penalty on the basis that it was completely outside of any management control, and that the risk could not have been reasonably foreseen at PR19 when the mechanism was set. More details can be found on our [website](#). On the basis that Ofwat will take a sensible and proportionate approach to assessment, the Board does not consider that the final dividend paid should be adjusted for a PCC penalty.

If Ofwat does not agree and applies a penalty, we will consider whether our dividend for the five years from 2025 to 2030 should be adjusted to take this into account.

We have met or exceeded our targets on four of the remaining six common PCs.

We failed our CRI target for 2023. This is mainly because of a small number of significant compliance failures at Hampton Loade and Seedy Mill, our two largest water treatment works.

We met or exceeded target all nine bespoke PCs with a financial incentive.

Overall, the Board considers the company has delivered against many of its performance commitments.

Investment plan

Board consideration

We have made good progress in delivering our investment programme for the first four years of the current price control period. One of our key commitments for the current planning period is the delivery of upgraded water treatment processes at the Hampton Loade and Seed Mill water treatment works.

We have already met our target to deliver the upgrade programme at Seedy Mill, while at Hampton Loade, we are continuing to progress with the project to install an innovative ceramic membrane filtration system. The upgrade programme has continued to progress well during the year. Our civil engineering partners have completed the principal construction work and the new filtration units have been

installed. Our focus now is on testing the system fully before bringing the new plant into commission. The upgrade is still on track to be completed by 31 March 2025, in line with the target agreed with the Drinking Water Inspectorate and Ofwat.

We have also continued to work with Anglian Water to build a new reservoir in the Cambridgeshire Fens, which will need to be operational by the late 2030s. We are following a regulatory gated process under the Regulators' Alliance for Progressing Infrastructure Development (RAPID) programme and have been allowed to progress to a review point later in 2024.

Overall, the Board considers the company's investment plans are on track for the period to 2025.

Cost efficiency

Board consideration

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. Our approved budget for 2024-25 is targeting further efficiencies.

The Board has concluded that there is a good expectation that these efficiencies will be achieved.

Environment

Board consideration

We have delivered another successful WINEP programme, with all activities completed within the appropriate timescales. As several investigations have concluded during the current planning period, we look forward to implementing the options identified in these investigations as we progress through AMP9. In particular, our proposed chalk stream river restoration programme will deliver restoration and protection of these unique habitats now and in the future.

We have taken steps to improve our abstraction licence monitoring and

forecasting, implementing additional resource and software to enable more real time management of performance. This followed a challenging 2022/23, with pressures on abstraction following the summer drought and a series of severe freeze-thaw events over the winter period. As a result, we have achieved 100% compliance across both regions, and are continuing our improvement programme as we move through 2024/25.

Our discharge compliance remains a key area of focus, and our MCERTs audit showed further improvements to our processes and management, resulting in our best performance to date. We have two failing works in our South Staffs region, Fradley and Hampton Loade, and both of these sites have capital works being delivered in 2024/25 to address the issues and ensure compliance.

Throughout the reporting year, we have focused on improving our self-reporting processes. We have implemented a new environmental incident reporting process directly aligned with our Health & Safety reporting. We have also notably improved our self-reporting of issues to the Environment Agency, as a result of the action we have taken to deliver training and process improvements.

This means we are able to demonstrate our response to such incidents as well as our ongoing learning and improvement. By replicating our Health & Safety approach, we are able to identify key themes and implement training, process and equipment improvements and upgrades to prevent more serious incidents occurring.

Overall, the Board considers that the company has met its environmental obligations.

Customers

Board consideration

Although inflation has been falling in recent months, this still means prices are rising and that many of our customers are still struggling financially.

Although we operate our Assure social tariff for customers earning less than £20,050, there are customers who are just above this threshold who are not eligible.

As part of the PR24 price review process, we have proposed a trial of a new innovative tariff as a way of making bills more affordable and to encourage customers to use water wisely.

Our new tariff is based on affordability. Customers taking part in the tariff trial will be offered the 60% Assure tariff discount for efficient water use with the standard tariff applying for any discretionary water use above that level.

We have set up a working group to co-ordinate the work streams needed to support the development of the tariff trial. We will report on the progress of the trial in next year's annual performance report.

Financial resilience

Board consideration

The Board has considered if paying the dividend will materially impact the company's resilience over the short and longer term or impair its ability to finance its future investment needs.

The key areas on which the Board determined that the dividend would not impact on financial resilience are as follows.

- Our **approved budget for 2024/25** shows that all key financial metrics used by both the credit rating agencies and debt lenders will still meet the required target levels. The budget has also been stress-tested as part of the overall long-term viability statement (see pages 76 to 80 of the annual report and financial statements).
- To support the **long-term financing needs of the business**, we borrowed a further £20 million of new long-term fixed rate funding from Pricoa Private Capital.

- Our **current performance on totex** and an expectation that further efficiencies will be achieved next year. (WACC), the cost of embedded debt for small companies, per capita consumption (PCC) and other key factors at PR24. financial year, RPI averaged 2% higher than CPIH and modelling suggests that, overall, there was no benefit from inflation on our gearing levels.
- Many **performance commitments being met in the year** and the expectation that further rewards can be achieved. We have also considered if there has been any atypical benefit from the high level of inflation during 2023. The asset base of the business is indexed by CPIH. If companies hold a significant level of fixed-rate debt, this would result in a beneficial increase in regulated equity and hence a higher dividend based on the same per cent dividend yield. Therefore, we have not benefited from the impact of inflation, and this has not impacted on the level of dividend distribution.
- That the Board has confidence that the regulatory system, under which we are licensed, will ensure **we remain financeable post-2025 provided we operate efficiently** and Ofwat continues to make proportionate decisions regarding the weighted average cost of capital. Around 72% of our debt is index-linked and increases with inflation. This is exacerbated by the fact that this debt is linked to RPI rather than CPIH. During the financial year, RPI averaged 2% higher than CPIH and modelling suggests that, overall, there was no benefit from inflation on our gearing levels. In terms of the dividend, **the Board has also considered the specific areas of our dividend policy when determining the level to be paid.** We have included the dividend payments from 2020/21 to 2022/24 in the table below to aid comparison.

Policy consideration	Adjustment	Prior years for comparison			
		2023/24	2022/23	2021/22	2020/21
Base dividend	<p>The base dividend yield at PR19 was 2.16%. See below for more information on how this base yield was determined.</p> <p>Since PR19, our shareholders have provided an equity injection of £25 million. This would have increased regulated equity and resulted in a higher base dividend of up to £1 million (based on a shareholder expectation of a return equal to the allowed cost of equity). This would have resulted in an overall equivalent dividend yield of 2.8%. However, this equity has been used to fund the investment in Fens reservoir which was not included in our PR19 final determination. As a result, no return on this equity has been paid.</p>	£4.7m	£4.5m	£4.5m	£3.5m
Performance for customers – projected rewards from performance commitments, understanding rewards earned and timing of cash collected	<p>We delivered good performance for customers during the year, meeting or exceeding four of the eight common PCs. However, the failure of our CRI target means that, overall, we will incur a penalty of £0.6 million.</p> <p>We have excluded the forecast penalty associated with per capita consumption (PCC). For the planning period from 2020 to 2025, this is estimated to be £13.4 million. In our business plan for 2025 to 2030, we have set out our justification as to why we think no penalty should be applied. More information is available on our website.</p> <p>Ofwat has agreed to review the position as part of the PR24 process to enable it to fully reflect on the impact of the COVID-19 pandemic. If Ofwat does not agree and applies a penalty, we will consider whether our dividend for the five years from 2025 to 2030 should be adjusted to take this into account.</p>	(£0.6m)	£0.5m	£2.5m	£1.1

Policy consideration	Adjustment	Prior years for comparison			
		2023/24	2022/23	2021/22	2020/21
Gearing capacity and credit quality	Net debt at 31 March 2024 is £370.3 million (2023: £305.9 million). This provides a level of leverage of around 68.5% (March 2023: 59%) of the year end RCV of £541 million (2023: £516 million). The book debt ratio is below the Gearing Outperformance Sharing Mechanism threshold for 2023/24 of 71%. There has been no change in the ratings with S&P and Moody's maintaining their ratings. S&P rating is BBB+. Moody's has a Baa2 rating. Both ratings are within the required investment grade.	No adjustment required under the policy	No adjustment required under the policy	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 the company 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 2024 that would lead to a breach in any of these conditions.	No adjustment required under the policy	No adjustment required under the policy	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, Hydiades, was repaid in January 2022. Therefore, there was no interest received in either 2022/23 or 2023/24.	No adjustment required under the policy	No adjustment required under the policy	£1.5m	£1.8m
Totex outperformance (including pension deficit repair costs) – adjusted to reflect acceleration of delay because of timing differences	Our actual totex subject to cost sharing and adjusting for timing differences outperformed our PR19 final determination allowances in the reporting year by £1.4 million; 55% of this will be returned to customers with the remaining 45% retained by the company. The company is the principal employer for the South Staffordshire Water and Cambridge Water sections of the Water Companies Pension Scheme (WCPS). Both sections are closed to new members and future accrual. On 31 March 2023 we completed a buy-in transaction for all five sections of the WCPS, including the South Staffordshire Water and Cambridge Water sections. On receipt of the updated actuarial valuation as at 31 March 2023, the company has begun to make future contributions to cover its share of the scheme's costs pending a potential full buy-out and windup of the sections. In the year to 31 March 2024, we contributed £0.5 million. Although this is below our allowance at PR19 of £2.4 million, the Board determined that none of the underspend should be considered when approving the level of dividend to be paid. There is more information on our pension scheme in our annual report and financial statements, and the financial statements of our parent company, South Staffordshire Plc, which is the sponsoring employer of the scheme.	£0.7m	(£0.5m)	£2.7m	£2.1m

Policy consideration	Adjustment	2023/24	Prior years for comparison		
			2022/23	2021/22	2020/21
Liquidity – available working capital, liquidity and undrawn committed facilities to meet forward-looking business plan requirements for the next 12 to 18 months	Significant and sufficient headroom exists in existing borrowing facilities. This is partly due to the re-profiling of expenditure compared with our PR19 final determination and new debt of £20 million issued in the reporting year.	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy
Company law – statutory accounting distributable reserves	The approved and audited statutory accounts at 31 March 2024 include distributable reserves of £19.3 million, which are sufficient to enable to pay the dividend.	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy
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 the policy	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy
Environmental factors – the dividend policy was updated in 2023/24 to include environmental factors under a separate consideration. This includes our long-term impact on the environment, responding to climate change, security of water supply, delivery of water resources management plans, compliance with licences and permits, biodiversity programmes and sludge use.	We have delivered another successful WINEP programme, with all activities completed within the appropriate timescales. We achieved 100% compliance with regards to abstraction licence conditions. Our discharge compliance showed further improvements to our processes and management, resulting in our best performance to date.	No adjustment required under the policy	Previously considered under reputational factors	Previously considered under reputational factors	Previously considered under reputational factors
Land Sale	During the reporting year, we sold surplus land for £1.9 million. When we dispose of land, our licence requires that the net proceeds are split equally between shareholders and customers. Therefore, 50% will be returned to customers in the 2025 to 2030 planning period.	£1.0m	-	-	-
Non-appointed dividend	We have activities that are not part of supplying water services to customers. Our policy is to distribute the profit for the year unless it is required to support our debt covenants or maintain our credit rating.	£0.7m	£1.5m	£1.6m	£1.5m
Total dividend per dividend policy		£6.5m	£6.0m	£12.8m	£9.6 m
Actual dividend paid		£5.3m	£9.2m	£10.7m	£6.2 m

Choice of base dividend yield

The choice of base yield for appointed activities has been determined based on several factors.

The starting point is the allowed cost of equity at PR19 of 4.2% based on a notional gearing of 60% and performing in line with the final determination

package. Taking any more than this without outperformance would mean we would be advancing revenues from future periods from customers to fund it.

The next consideration is the level of investment we are committing to over the five years from 2020 to 2025. Where there is significant investment, there may be a requirement to reduce the base yield

to fund of it. Our plans for the period include a significant investment in the two largest water treatment works in our South Staffs region. Overall, our regulatory capital value is growing by more than 15% in real terms.

The final consideration is the level of gearing. With a large investment programme, this will increase our gearing as customers fund this over

the life of the assets. To ensure we have some headroom in our debt covenants and credit rating, we aim to make sure our gearing levels do not exceed 70%.

Based on the above, we determined at PR19 that a lower base dividend yield of 2.16% ensured we continued to maintain gearing below 70% and allow us to fund

our investment programme for 2020 to 2025.

Accounting policies

We have a number of accounting policies in place to enable us to carry out our regulatory and other obligations effectively.

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 document. Costs and assets are then attributed directly to business units in line with the RAGs.

For general and support expenditure, several 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 accordance 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 2024 was £15.8 million compared with £14.5 million 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 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 £50 will be written off as they are deemed to be uneconomic to collect.

Accounting disclosures

We make the following accounting disclosures each year in accordance with our regulatory and other obligations.

Board agendas for the year ended 31 March 2024

During the reporting year, there were ten scheduled Board meetings and three additional meetings.

Key among the agenda items discussed at Board were the following.

- Budgets and forecasts.
- Dividend payment.
- Wholesale charges.
- Treasury investment policy.
- The AMP7 wholesale capital investment programme and infrastructure renewals expenditure (IRE).
- Customer contribution increases to the Assure social tariff.
- Approval of the 2024/25 assurance plan.
- Approval of the PR24 business plan and long-term delivery strategy.
- Approval of the draft water resources management plans for the Cambridge and South staffs regions.
- The 'Can for the Cam' behavioural change campaign.
- Fens reservoir funding.

The Board also carried out deep dives in a number of areas, including:

- CRI;
- PCC;
- leakage;
- void properties; and
- cash collections.

Going concern

The Directors consider it is appropriate to prepare the financial statements on a going concern basis. This view is based on a review of the company's budget for the year ended 31 March 2025 and financial forecasts to 15 July 2025. The

going concern period is therefore to 15 July 2025.

In addition, the Directors are required to certify to Ofwat under Condition I of the company's Instrument of Appointment that sufficient financial resources are available for at least the next 12 months.

The company's business activities, its business model and strategy, together with the factors likely to affect its future development are set out in the strategic report on pages 11 to 81. The company's financial position, its liquidity position and available borrowing facilities are set out in the balance sheet on page 124 and in note 1 to the financial statements, which includes:

- its objectives for managing its financial risks;
- details of its financial instruments and hedging activities; and
- its exposure to interest, credit and liquidity risk.

The company has a large number of household customers, none of whom make up a significant proportion of turnover.

Amounts due from non-household retailers are secured by appropriate collateral agreements.

The going concern assertion is also based on the following.

- The **final determination for the five years from 2020 to 2025**, which provides a high degree of confidence over the company's revenue in the period to 31 March 2025.
- The company's ability to **index the 2024/25 customer bills to annual CPIH inflation**.
- The company's **budget and plan**, which set out a detailed forecast of costs, including a high degree

of confidence over power costs given fixed price agreement in place covering the period to 31 March 2025.

- The degree of confidence about the **approved capital expenditure and infrastructure renewal programme costs**, with delivery through established contractor frameworks.
- The company **monitors and carefully manages its liquidity**. Cash flow forecasts are regularly updated and sensitivities run for different scenarios, including but not limited to more recent changes in energy and chemicals prices and inflation.
- The company is confident it has **sufficient access to bank, private placement and capital markets** to raise the level of incremental debt facilities assumed in the business plan and to provide liquidity for reasonably plausible downside scenarios. Indeed, the company has a strong indication from an existing lender that it is able to make additional funding available under a documented private shelf facility of up to £20 million. The company is well advanced in discussions with this lender to firm up the private shelf arrangement to enable pricing and drawdown dates to be agreed.
- The **final determination for the five years from 2025 to 2030** is in progress. The assumptions used in the company's going concern assessment for the period 1 April to 15 July 2025 is in line with the company's PR24 submission.

The company has performed a base case cash forecast, taking into account the factors discussed above, and a range of stressed case scenarios which includes downsides for:

- energy costs;
- inflation;
- a deterioration in cash collections, and potential costs associated with the criminal cyber-attack that was identified in July 2022.

The company has also considered the PR24 draft determination issued by Ofwat on 11 July 2024. The Directors are of the view that the outcomes in the draft determination do not indicate a materially different view from the assumptions used in the going concern period assessment and sensitivity analysis in the going concern period.

In what the Directors consider to be a severe but plausible set of downside scenarios, the company has sufficient financial headroom for the going concern period, after allowing for mitigating actions such as deferring expenditure and dividends, and complies with all covenants. The severe but plausible downside scenario assumes no incremental debt facilities.

A key assumption in the forecast and severe but plausible downside scenario is the quantum and timing of legal and regulatory costs arising from the criminal; cyber-attack and the mitigations thereof which the company can influence.

In notes 22 and 23 to the financial statements the Directors set out that the quantum and value of civil claims the company may receive, and the costs of liabilities that may be incurred addressing those claims, and any regulatory penalties, involves significant judgment and uncertainty, and is therefore subject to change as the matters progress and the factual position becomes clearer.

The Directors are confident the company has sufficient access to bank, private

placement and capital markets to raise the level of incremental debt facilities assumed in the business and the Treasury policy in place is sufficient to support this.

The company's financing structure is relatively straightforward when compared with many in the sector. It does not have a 'Whole Business Securitisation' structure with subordinated debt arrangements; all debt ranks equally on a senior unsecured basis. Also, the Artesian Loan is a bilateral arrangement that does not impact the wider financing arrangements.

The active engagement with two banks and progress towards final agreement for a new £100 million revolving credit facility, which will include refinancing of the existing £30 million maturing in March 2026, demonstrates the company's ability to access funding in the bank and capital markets.

The Directors are therefore confident that the company will refinance the maturity comfortably ahead of expiry in March 2026. Therefore, the Directors consider the company has sufficient financial resources to meet its obligation over the going concern period and conclude that preparing the accounts on a going concern basis remains appropriate.

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 see pages 114 to 119 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 see page 24 of the annual report and financial statements for full details of our approach to taxation.

Condition P

In the opinion of the Directors, the company is in compliance with paragraph 14 of Condition P (formerly paragraph 3.1 of Condition K) of its Instrument of Appointment as at 31 March 2024.

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 transaction with associated companies or between price control units. Our licence conditions require that all such transaction must be disclosed. In line with RAG 3.14, no single transaction exceeding £100,000 has been aggregated.

Loans by or to the appointed company

As at 31 March 2024, there are no loans by or to the appointed company.

Dividends paid to associated companies

As a wholly owned subsidiary, South Staffordshire Water paid a dividend of £5.3 million in the year to our immediate parent, SSW Finance Ltd; £4.6 million is from the regulated business.

Guarantees or other forms of security by the appointed company

We confirm 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 £3,689,000 (2023: £4,860,303) to another Group company, for which it will receive full compensation for the tax value of £922,250 (£3,689,000 x 25%).

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 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 it is auditable and that the details can be reported in the annual performance report.
- **Appropriate approval of the award of a 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 a 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 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'**.

Benchmarking

For certain small value transactions, we benchmark prices to ensure 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 during the reporting year.

Transactions between price controls

Since 2020 we have been 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 costs are correctly allocated between price controls. The tables and our accompanying cost allocation methodology statement have been externally reviewed by Ernst & Young LLP. The following transactions occurred during the 12 months to 31 March 2024.

Services supplied to the appointee by associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Onsite	103.826	Mainlaying and repair of water mains	24.650	Competitive tendering
		Mains Rehabilitation	3.270	Competitive tendering
		Minor Civils	0.699	Competitive tendering
		Metering	1.100	Competitive tendering
		Reservoir Refurbishment	0.007	Competitive tendering
		CCTV & JETTING	0.010	Cost
		Seedy Mill Cctv	0.003	Cost
Integrated Water Services Limited	41.489	Water Treatment	0.011	Cost
		Mechanical and Electrical Services	0.571	Cost
		Capital Works	4.878	Competitive tendering
SSI Services UK Limited	6.375	Capital Works	0.116	Cost
		Motor vehicle repair and maintenance	0.478	Cost
Hydrosave (UK) Limited	22.160	Leakage detection	0.676	Competitive tendering
Echo Managed Services Limited	51.038	Customer Services	7.723	Cost
		Billing Software	0.733	Benchmarking
South Staffordshire Plc	-	Management services	1.096	Cost
		Legal Services	0.164	Cost
		Payroll Services	0.069	Cost
		IT Networks, Operations, Development and Telephony	2.203	Cost
		Finance, Treasury, Internal Audit and Accounts Payable	0.585	Cost
		Communications and media support	0.040	Cost
Office Water Coolers	5.938	Water Coolers	0.004	Benchmarking
Omega Red	21.026	Lightning Protection	0.321	Benchmarking
G Stow	6.127	Drilling and Boreholes works	0.013	Competitive tendering
South Staffs Water Non appointed	6.705	Emergency water Supply tankers	0.040	Cost
Total services supplied to the appointee by associated companies			49.460	

Services supplied by the appointee to associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Echo Managed Services Limited	51.038	Sewerage collections support	0.352	Cost
		Site Services	0.136	Cost
		Recharges for the use of appointed assets	0.084	Cost
		Operational training	0.001	Cost
South Staffordshire Plc	-	Communications and media support	(0.011)	Cost
Hydrosave (UK) Limited	22.160	Operational training	0.004	Cost
Onsite	103.826	Standpipe Hire	0.004	Cost
		Operational training	0.006	Cost
Total services supplied by the appointee to associated companies			0.575	

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	6.705	Recharges for the use of appointed assets	0.007	Cost
		Management fees	0.206	Cost
Total services supplied by the appointee to non appointee			0.212	

Section 1 – regulatory accounts primary statements

Table 1A Income statement for the 12 months ended 31 March 2024

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Revenue	151.602	3.527	8.309	(4.782)	146.820
Operating costs	(134.918)	(3.027)	(7.061)	4.034	(130.884)
Other operating income	11.524	(9.305)	0.315	(9.620)	1.904
Operating profit	28.208	(8.805)	1.563	(10.368)	17.840
Other income	-	9.305	0.111	9.194	9.194
Interest income	2.350	-	-	-	2.350
Interest expense	(35.020)	-	-	-	(35.020)
Other interest expense	(0.169)	-	-	-	(0.169)
Profit before tax and fair value movements	(4.631)	0.500	1.674	(1.174)	(5.805)
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	(4.631)	0.500	1.674	(1.174)	(5.805)
UK Corporation tax	(0.001)	(0.125)	(0.419)	0.294	0.293
Deferred tax	1.453	-	-	-	1.453
Profit for the year	(3.179)	0.375	1.255	(0.880)	(4.059)
Dividends	(5.300)	-	(0.678)	0.678	(4.622)
Tax analysis					
Current year	(0.922)	0.125	0.419	(0.294)	(1.216)
Adjustments in respect of prior years	0.923	-	-	-	0.923
UK Corporation tax	0.001	0.125	0.419	(0.294)	(0.293)
Analysis of non-appointed revenue					
Imported sludge	-				
Tankered waste	-				
Other non-appointed revenue	8.309				
Revenue	8.309				

Note: An exceptional profit of £1.9m and an exceptional cost of £1.0m are shown above within other operating income and operating costs respectively for the purposes of regulatory reporting.

Activities outside the appointed business include:

- Aqua Direct spring water business;
- commission from sewerage collection;
- property searches;
- sailing and fisheries; 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
Revenue not recognised under FRS102 as deemed uncollectable	3.487	-	-	-	3.487	-
Revenue not recognised under FRS102 as deemed uncollectable	-	(3.487)	-	-	(3.487)	-
Intra Group Turnover and Costs Elimination	0.040	(0.040)	-	-	-	-
Rental income	-	-	(0.152)	0.152	-	-
Amortisation of capital contributions	-	-	(3.504)	3.504	-	-
Infrastructure renewals contributions	-	-	(5.650)	5.650	-	-
Remove Innovation Funding in year	-	0.500	-	-	0.500	-
Remove Innovation Tax in year	-	-	-	-	-	(0.125)
Net adjustments	3.527	(3.027)	(9.306)	9.306	0.500	(0.125)

Analysis of interest charges

	2024 £m
Interest charged on external borrowings	13.323
Bond indexation	21.869
Bond costs	0.203
Bond discount on issue	(0.375)
Total interest charge per table 1A line 7	35.020
Amounts recycled through hedging reserve	(0.169)
Total interest charge per table 1A line 8	(0.169)

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.

	2024	
Appointed Profit on ordinary activities	(5.805)	
Appointed profit before tax at standard UK corporation tax rate of 25%	(1.451)	
Expenses not deductible for tax purposes		0.649
Capital allowances super deduction 30% element		-
Transfer pricing adjustments		(0.236)
Capital allowances less than depreciation		(7.144)
Tax losses carried forward		6.864
Other timing differences		0.102
Adjustments in respect of prior years		0.923
	1.158	
Appointed current tax charge	(0.293)	
Appointed total current tax charge allowed in price limits (17/18 prices)	0.213	
Appointed total current tax charge allowed in price limits (22/23 prices)	0.235	
Impact of difference between tax rate used in price limits (17%) and actual tax rate (25%)		0.111
Differences in profit before tax		(2.695)
Taxable interest income for which no tax allowance given in price limit		-
Expenses not deductible for tax purposes		0.623
Transfer pricing adjustment		(0.236)
Capital allowances in advance of depreciation - Full expensing		(6.587)
Capital allowances in advance of depreciation - Other		(0.209)
Pension contributions		0.704
Tax losses carried forward		6.864
Other timing differences		(0.024)
	(1.451)	
Current year	(1.216)	
Adjustments in respect of prior years		0.923
Appointed current tax charge	(0.293)	

The current tax credit in respect of the year before prior year adjustments at £1.2m was lower than that allowed in price limits by £1.5m. This has been driven by both a loss before tax in the year and significantly higher capital allowances than the PR19 final determination.

We now claim full expensing (100% allowances) in the year on expenditure with an expected life of less than 25 years and 50% in-year allowances on expenditure with an expected life of greater than 25 years. The final determination assumed we would only be able to claim 18%/6% on capital expenditure, respectively.

The majority of these additional allowances convert into tax losses, which we will carry forward. This is the reason why in the above reconciliation, the 'tax losses carried forward' are almost equal and opposite to the 'capital allowances less depreciation'.

Table 1B Statement of comprehensive income –for the 12 months ended 31 March 2024

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Profit for the year	(3.179)	0.375	1.255	(0.880)	(4.059)
Actuarial gains/(losses) on post-employment plans	-	-	-	-	-
Other comprehensive income	(0.161)	-	-	-	(0.161)
Total Comprehensive income for the year	(3.340)	0.375	1.255	(0.880)	(4.220)

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

Table 1C Statement of financial position – as at 31 March 2024

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Non-current assets					
Fixed assets	685.763	-	1.082	(1.082)	684.681
Intangible assets	17.362	-	-	-	17.362
Investments - loans to group companies	-	-	-	-	-
Investments - other	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-
Total	703.125	-	1.082	(1.082)	702.043
Current assets					
Inventories	4.084	-	0.030	(0.030)	4.054
Trade & other receivables	59.497	109.703	15.700	94.003	153.500
Financial instruments	-	1.224	-	1.224	1.224
Cash & cash equivalents	21.155	-	0.148	(0.148)	21.007
Total	84.736	110.927	15.878	95.049	179.785
Current liabilities					
Trade & other payables	(64.850)	(109.151)	(8.638)	(100.513)	(165.363)
Capex creditor	(11.299)	-	-	-	(11.299)
Borrowings	-	-	-	-	-
Financial instruments	-	-	-	-	-
Current tax liabilities	-	(0.367)	-	(0.367)	(0.367)
Provisions	-	-	-	-	-
Total	(76.149)	(109.518)	(8.638)	(100.880)	(177.029)
Net Current assets/(liabilities)	8.587	1.409	7.240	(5.831)	2.756
Non-current liabilities					
Trade & other payables	(9.355)	-	-	-	(9.355)
Borrowings	(402.546)	-	-	-	(402.546)
Financial instruments	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Provisions	-	-	-	-	-
Deferred income - G&C's	(191.012)	-	(0.006)	0.006	(191.006)
Deferred income - adopted assets	-	-	-	-	-
Preference share capital	-	-	-	-	-
Deferred tax	(61.996)	-	-	-	(61.996)
Total	(664.909)	-	(0.006)	0.006	(664.903)
Net assets	46.803	1.409	8.316	(6.907)	39.896
Equity					
Called up share capital	2.123	-	-	-	2.123
Retained earnings & other reserves	44.680	1.409	8.316	(6.907)	37.773
Total Equity	46.803	1.409	8.316	(6.907)	39.896

Table 1C Statement of financial position (continued)

	Trade & other receivables £m	Financial Instruments £m	Trade & other payables £m	Current tax liabilities £m	Retained earnings & other reserves £m
Intercompany alignments	110.927	-	(110.927)	-	-
Financial Instruments	(1.224)	1.224	-	-	-
Remove Innovation Funding accrual year to date	-	-	1.776	-	(1.776)
Remove Innovation Funding year to date tax effect	-	-	-	(0.367)	0.367
Other short term investments	-	-	-	-	-
Net adjustments	109.703	1.224	(109.151)	(0.367)	(1.409)

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 2024. Both statutory financial statements and regulatory reporting are based on FRS 102, with the following adjustments to reflect the RAGs

Table 1D Statement of cash flows – for the 12 months ended 31 March 2024

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Operating activities					
Operating profit	28.208	(8.805)	1.563	(10.368)	17.840
Other income	-	9.305	0.111	9.194	9.194
Depreciation	30.443	-	0.146	(0.146)	30.297
Amortisation - G&C's	(3.504)	-	-	-	(3.504)
Changes in working capital	4.015	(0.500)	(0.981)	0.481	4.496
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	(2.219)	-	(0.315)	0.315	(1.904)
Cash generated from operations	56.943	-	0.524	(0.524)	56.419
Net interest paid	(9.738)	-	-	-	(9.738)
Tax paid	(0.743)	-	(0.419)	0.419	(0.324)
Net cash generated from operating activities	46.462	-	0.105	(0.105)	46.357
Investing activities					
Capital expenditure	(80.276)	-	(0.032)	0.032	(80.244)
Grants & Contributions	14.363	-	-	-	14.363
Disposal of fixed assets	2.339	-	0.350	(0.350)	1.989
Other	-	-	-	-	-
Net cash used in investing activities	(63.574)	-	0.318	(0.318)	(63.892)
Net cash generated before financing activities	(17.112)	-	0.423	(0.423)	(17.535)
Cash flows from financing activities					
Equity dividends paid	(5.300)	-	(0.678)	0.678	(4.622)
Net loans received	19.996	-	-	-	19.996
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	14.696	-	(0.678)	0.678	15.374
Increase (decrease) in net cash	(2.416)	-	(0.255)	0.255	(2.161)

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 (£80.244m) and additions reported in the fixed assets in notes 2d and 2o (£73.725m) is due to an increase in year of creditors relating to capital purchases of £6.519m.

Table 1D Statement of cash flows (continued)

	Operating profit £m	Other income £m	Changes in working capital £m
Revenue not recognised under FRS102 as deemed uncollectable [Revenue]	(3.487)	-	3.487
Revenue not recognised under FRS102 as deemed uncollectable [Operating costs]	3.487	-	(3.487)
Rental income	(0.152)	0.152	-
Amortisation of capital contributions	(3.504)	3.504	-
Infrastructure renewals contributions	(5.650)	5.650	-
Remove Innovation Funding in year	0.500	-	(0.500)
Other short term investments	-	-	-
	-	-	-
Net adjustments	(8.806)	9.306	(0.500)

A breakdown of net interest shown in table 1d is set out below.

	2024 £m
Interest paid	13.100
Bank interest received	(3.361)
Net interest per table 1D	9.739

Table 1E Net debt analysis – as at 31 March 2024

	Interest rate risk profile				Total £m
	Fixed rate £m	Floating rate £m	Index linked RPI £m	Index linked CPI/CPIH £m	
Borrowings (excluding preference shares)	111.652	-	280.859	-	392.511
Preference share capital					-
Total borrowings					392.511
Cash					(21.006)
Short term deposits					-
Net Debt					371.505
Gearing					68.73%
Adjusted Gearing					68.46%
Full year equivalent nominal interest cost	4.449	-	21.832	-	26.281
Full year equivalent cash interest payment	4.449	-	9.345	-	13.794
Indicative interest rates					
Indicative weighted average nominal interest rate	3.98%	0.00%	7.77%	0.00%	6.70%
Indicative weighted average cash interest rate	3.98%	0.00%	3.33%	0.00%	3.51%
Weighted average years to maturity	9.037	-	25.967	-	-

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.

The adjusted gearing of 68.5% is based on the company's covenant net debt of £370.0m, which differs to the book net debt by £1.5m. 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.

	31 Mar 24 £'000	Gearing %
Book net debt - statutory accounts	(381.394)	70.56%
Non-appointed cash	(0.148)	0.03%
Short term deposits	0.000	0.00%
Exclude unamortised issue costs	(1.645)	0.30%
Exclude book premium on issue of index linked debt	11.682	(2.16%)
Book net debt (as reported above)	(371.505)	68.73%
Exclude accrued interest	1.462	(0.27%)
Net debt reported for borrowing covenants	(370.043)	68.46%

Table 1F Financial flows – for the 12 months ended 31 March 2024

	Units	DP	12 months ended 31 March 2024			Notional returns and notional regulatory equity	£m Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
			Notional returns and notional regulatory equity	% Actual returns and notional regulatory equity	% Actual returns and actual regulatory equity			
Regulatory equity								
Regulatory equity	£m	2	170.967	170.967	153.968			
Return on regulatory equity								
Return on regulatory equity	%	2	4.24%	3.81%	4.24%	7.241	6.521	6.521
Financing								
Impact of movement from notional gearing	%	2	0.00%	0.42%	0.19%	0.000	0.720	0.288
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	3.88%	4.31%	0.000	6.632	6.632
Group relief	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Cost of debt	%	2	0.00%	-2.40%	-2.81%	0.000	(4.100)	(4.325)
Hedging instruments	%	2	0.00%	0.41%	0.46%	0.000	0.706	0.706
Return on regulatory equity including Financing adjustments	%	2	4.24%	6.13%	6.38%	7.241	10.479	9.823
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-1.29%	-1.43%	0.000	(2.206)	(2.206)
ODI out / (under) performance	%	2	0.00%	-1.94%	-2.15%	0.000	(3.315)	(3.315)
C-Mex out / (under) performance	%	2	0.00%	0.07%	0.08%	0.000	0.127	0.127
D-Mex out / (under) performance	%	2	0.00%	0.03%	0.03%	0.000	0.044	0.044
Retail out / (under) performance	%	2	0.00%	-1.41%	-1.57%	0.000	(2.410)	(2.410)
Other exceptional items	%	2	0.00%	0.45%	0.50%	0.000	0.765	0.765
Operational performance total	%	2	0.00%	-4.09%	-4.54%	0.000	(6.996)	(6.996)
RoRE (return on regulatory equity)	%	2	4.24%	2.04%	1.84%	7.241	3.484	2.827
RCV growth	%	2	4.47%	4.47%	4.47%	7.642	7.642	6.882
Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	8.71%	6.51%	6.31%	14.883	11.126	9.710
Dividends								
Gross Dividend	%	2	2.16%	2.17%	2.41%	3.687	3.709	3.709
Interest Receivable on Intercompany loans	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Retained Value	%	2	6.55%	4.34%	3.90%	11.196	7.417	6.000
Cash impact of 2015-20 performance adjustments								
Totex out / under performance	%	2	0.00%	0.01%	0.01%	0.000	0.013	0.013
ODI out / under performance	%	2	0.00%	0.33%	0.37%	0.000	0.564	0.564
Total out / under performance	%	2	0.00%	0.34%	0.37%	0.000	0.577	0.577

Table 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	Notional returns and notional regulatory equity	£m Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	161.54	161.54	157.20			
Return on regulatory equity								
Return on regulatory equity	%	2	4.18%	4.07%	4.18%	6.759	6.577	6.577
Financing								
Impact of movement from notional gearing	%	2	0.00%	0.11%	0.04%	0.000	0.182	0.058
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	3.01%	3.09%	0.000	4.858	4.858
Group relief	%	2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of debt	%	2	0.00%	-2.30%	-2.38%	0.000	(3.718)	(3.741)
Hedging instruments	%	2	0.00%	-0.06%	-0.06%	0.000	(0.091)	(0.091)
Return on regulatory equity including Financing adjustments	%	2	4.18%	4.83%	4.87%	6.759	7.807	7.661
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-1.74%	-1.78%	0.000	(2.806)	(2.806)
ODI out / (under) performance	%	2	0.00%	-1.24%	-1.28%	0.000	(2.004)	(2.004)
C-Mex out / (under) performance	%	2	0.00%	0.09%	0.09%	0.000	0.143	0.143
D-Mex out / (under) performance	%	2	0.00%	-0.01%	-0.01%	0.000	(0.014)	(0.014)
Retail out / (under) performance	%	2	0.00%	-1.10%	-1.13%	0.000	(1.775)	(1.775)
Other exceptional items	%	2	0.00%	0.12%	0.12%	0.000	0.191	0.191
Operational performance total	%	2	0.00%	-3.88%	-3.99%	0.000	(6.265)	(6.265)
RoRE (return on regulatory equity)	%	2	4.18%	0.95%	0.89%	6.759	1.542	1.396
RCV growth	%	2	5.54%	5.54%	5.54%	8.950	8.950	8.709
Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	9.72%	6.50%	6.43%	15.709	10.492	10.105
Dividends								
Gross Dividend	%	2	2.16%	3.55%	3.65%	3.484	5.738	5.738
Interest Receivable on Intercompany loans	%	2	0.00%	-0.47%	-0.48%	0.000	(0.762)	(0.762)
Retained Value	%	2	7.57%	3.41%	3.26%	12.225	5.516	5.129
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%	0.33%	0.34%	0.000	0.539	0.539
Total out / under performance	%	2	0.00%	0.34%	0.35%	0.000	0.551	0.551

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 4.12, 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 6.31%, 2.40% below the notional return of 8.71% in our PR19 final determination. The main variances are as follows.

- Higher returns from lower gearing (+0.19%) using the average book debt of 64.0% compared with the notional gearing of 60.0%.
- Higher returns from a lower tax charge (+4.31%). This has been driven by both a loss before tax in the year and significantly higher capital allowances than our PR19 final determination because of the introduction of the super deduction and enhanced special rate allowances, which will be claimed for the reporting year.
- Lower returns from a higher actual cost of debt (-2.81%). 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.
- Underperformance on totex (-1.43%). Ignoring timing differences, totex subject to cost sharing was £1.4m underspent. Net totex not subject to cost sharing was £3.6m higher than allowed. The main driver was expenditure on the Fens reservoir strategic water resource option, which was not in our PR19 final determination. This will be reconciled at PR24.
- Retail costs (-1.57%), predominantly in relation to higher customer service-related costs and bad debt charges.
- ODIs (-2.15%), which includes an underperformance on PCC of £2.7m as a result of the continued impact of the COVID-19 pandemic on household consumption. We also failed our CRI target for 2023, incurring a penalty of £1.8m. This is mainly because of a small number of significant compliance failures at Hampton Loade and Seedy Mill, our two largest water treatment works.
- Based on book debt, the actual dividend yield is 2.41%, which is 0.25% above our PR19 final determination of 2.16%.

Our PR19 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.

Section 2 – price review and segmental reporting

Table 2A Segmental income statement – for the 12 months ended 31 March 2024

	Residential retail £m	Business retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Revenue - price control	15.733	-	11.928	117.528	145.189
Revenue - non price control	-	-	-	1.631	1.631
Operating expenditure - excluding PU recharge impact	(14.429)	-	(12.731)	(73.428)	(100.588)
PU opex recharge	(0.382)	-	-	0.382	0.000
Operating expenditure - including PU recharge impact	(14.811)	-	(12.731)	(73.046)	(100.588)
Depreciation - tangible fixed assets	(0.320)	-	(0.698)	(28.136)	(29.154)
Amortisation - intangible fixed assets	(0.451)	-	-	(0.691)	(1.142)
Other operating income	-	-	-	1.904	1.904
Operating profit	0.151	-	(1.501)	19.190	17.840

Table 2B Totex analysis for the 12 months ended 31 March 2024 – wholesale

	Water resources £m	Water Network+ £m	Total £m
Base operating expenditure			
Power	3.173	14.609	17.782
Income treated as negative expenditure	-	-	-
Service charges/ discharge consents	5.313	0.084	5.396
Bulk Supply/Bulk discharge	0.063	-	0.063
Renewals expensed in year (Infrastructure)	-	7.941	7.941
Renewals expensed in year (Non-Infrastructure)	-	-	-
Other operating expenditure (including Location specific costs & obligations)	4.076	40.915	44.991
Local authority and Cumulo rates	0.106	3.742	3.849
Total base operating expenditure	12.731	67.291	80.022
Other operating expenditure			
Enhancement operating expenditure	-	-	-
Developer services operating expenditure	-	3.727	3.727
Total operating expenditure excluding third party services	12.731	71.018	83.749
Third party services	-	2.028	2.028
Total operating expenditure	12.731	73.046	85.777
Grants and contributions			
Grants and contributions - operating expenditure	-	5.650	5.650
Capital expenditure			
Base capital expenditure	0.786	15.523	16.309
Enhancement capital expenditure	10.181	38.470	48.651
Developer services capital expenditure	-	8.698	8.698
Total gross capital expenditure excluding third party services	10.967	62.691	73.658
Third party services	-	-	-
Total gross capital expenditure	10.967	62.691	73.658
Grants and contributions			
Grants and contributions - capital expenditure	-	13.922	13.922
Net totex	23.698	116.165	139.863
Cash expenditure			
Pension deficit recovery payments	-	-	-
Other cash items	-	-	-
Totex including cash items	23.698	116.165	139.863

Table 2C Cost analysis for the 12 months ended 31 March 2024 – retail

	Residential £m	Business £m	Total £m
Operating expenditure			
Customer services	6.593	-	6.593
Debt management	0.725	-	0.725
Doubtful debts	4.237	-	4.237
Meter reading	1.157	-	1.157
Services to developers	-	-	-
Other operating expenditure	1.677	-	1.677
Local authority and Cumulo rates	0.040	-	0.040
Total operating expenditure excluding third party services	14.429	-	14.429
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.051	-	0.051
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.269	-	0.269
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.450	-	0.450
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	-	-	-
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	0.338	-	0.338
Income from wholesale assets acquired after 1 April 2015 principally used by retail	(0.044)	-	(0.044)
Net recharges costs	0.382	-	0.382
Total retail costs excluding third party and pension deficit repair costs	15.581	-	15.581
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair costs	15.581	-	15.581
Debt written off			
Debt written off	0.280	-	0.280
Capital expenditure			
Capital expenditure	0.067	-	0.067
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	0.094		
Demand-side water efficiency - expenditure funded by wholesale	0.070		
Demand-side water efficiency - net retail expenditure	0.024		
Customer-side leak repairs - gross expenditure	0.750		
Customer-side leak repairs - expenditure funded by wholesale	0.750		
Customer-side leak repairs - net retail expenditure	-		
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end	57.801		
Cumulative allowed expenditure to reporting year end	48.920		
Total allowed expenditure 2020-25	61.961		

Total retail operating costs (before depreciation charges) of £14.4m, compared with £12.0m allowed in price limits for the year. The overspend is predominantly in relation to customer service-related activities and bad debt costs.

Table 2D Historic costs analysis of tangible fixed assets at 31 March 2024

	Residential Retail £m	Business Retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2023	6.307	-	34.751	1,123.480	1,164.538
Disposals	-	-	-	(0.129)	(0.129)
Additions	0.067	-	3.952	61.213	65.232
Adjustments	(0.015)	-	(2.931)	(2.227)	(5.173)
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2024	6.359	-	35.772	1,182.337	1,224.468
Depreciation					
At 1 April 2023	(4.696)	-	(5.526)	(500.540)	(510.762)
Disposals	-	-	-	0.127	0.127
Adjustments	0.005	-	-	(0.005)	-
Charge for year	(0.320)	-	(0.698)	(28.136)	(29.154)
At 31 March 2024	(5.011)	-	(6.224)	(528.554)	(539.789)
Net book amount at 31 March 2024	1.348	-	29.548	653.783	684.679
Net book amount at 1 April 2023	1.611	-	29.225	622.940	653.776
Depreciation charge for year					
Principal services	(0.320)	-	(0.698)	(28.136)	(29.154)
Third party services	-	-	-	-	-
Total	(0.320)	-	(0.698)	(28.136)	(29.154)

Table 2E Analysis of grants and contributions for the 12 months ended 31 March 2024

	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £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	-	2.473	-	2.473
Infrastructure charge receipts – new connections	-	0.904	-	0.904
Requisitioned mains	-	1.441	-	1.441
Diversions - s185	2.870	-	-	2.870
Other contributions (price control)	-	5.699	-	5.699
Price control grants and contributions before deduction of income offset	2.870	10.517	-	13.387
Income offset	-	2.540	-	2.540
Price control grants and contributions after deduction of income offset	2.870	7.977	-	10.847
Diversions - NRSWA	0.171	-	-	0.171
Diversions - other non-price control	2.609	-	-	2.609
Other contributions (non-price control)	-	5.946	-	5.946
Total grants and contributions	5.650	13.923	-	19.573
Value of adopted assets	-	-	-	-
	Water resources £m	Water network+ £m	Total £m	
Movements in capitalised grants and contributions				
b/f	-	180.148	180.148	
Capitalised in year	-	13.923	13.923	
Amortisation (in income statement)	-	(3.504)	(3.504)	
c/f	-	190.567	190.567	

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 the final decision on our green recovery plan. Price control contributions are 57% (£5.699m) and non-price control contributions are 43% (£4.299m).

Table 2F Residential retail for the 12 months ended 31 March 2024

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale revenue	100.500	-	-
Retail revenue	15.733	-	-
Total residential revenue	116.233	-	-
Retail revenue			
Revenue Recovered ("RR")	15.733	-	-
Revenue sacrifice	-	-	-
Actual revenue (net)	15.733	-	-
Customer information			
Actual customers ("AC")	-	673.141	-
Reforecast customers	-	680.405	-
Adjustment			
Allowed revenue ("R")	14.189	-	-
Net adjustment	(1.544)	-	-
Other residential information			
Average household retail revenue per customer	-	-	23.373

Household retail revenues are £1.5m higher than assumed in our PR19 final determination.

Table 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 £28.956m for the year, including rechargeable works.

Table 2I Revenue analysis for the 12 months ended 31 March 2024

	Household £m	Non- household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge - water						
Unmeasured	50.123	1.190	51.313	5.142	46.171	51.313
Measured	50.377	26.482	76.859	6.786	70.073	76.859
Third party revenue	-	1.284	1.284	-	1.284	1.284
Total wholesale water revenue	100.500	28.956	129.456	11.928	117.528	129.456
Retail revenue						
Unmeasured	8.095	-	8.095			
Measured	7.638	-	7.638			
Other third party revenue	-	-	-			
Retail Total	15.733	-	15.733			
Third party revenue - non-price control						
Bulk supplies - water			0.345			
Other third party revenue			1.048			
Principal services - non-price control						
Other appointed revenue			0.238			
Total appointed revenue			146.820			

Table 2J Infrastructure network reinforcement costs for the 12 months ended 31 March 2024

	Network reinforcement capex £m	On site / site specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	0.890	-
Pumping and storage facilities	0.000	-
Other	-	-
Total	0.890	-

Table 2K Infrastructure charges reconciliation for the 12 months ended 31 March 2024

	Water £m
Impact of infrastructure charge discounts	
Infrastructure charges	0.904
Discounts applied to infrastructure charges	0.057
Gross Infrastructure charges	0.961
Comparison of revenue and costs	
Variance brought forward	1.693
Revenue	0.904
Costs	(0.890)
Variance carried forward	1.707

The variance carried forward on infrastructure charge revenues compared with costs as at March 2024 is £1.7m, compared with £1.7m in the previous year.

The infrastructure charge is based on a five-year average forecast of network reinforcement expenditure. This expenditure varies each year.

Table 2L Analysis of land sales for the 12 months ended 31 March 2024

	Water resources £m	Water Network+ £m	Total £m
Land sales – proceeds from disposals of protected land	-	1.907	1.907

During the year, there was one disposal of surplus land, which was sold for £1.9m. This was originally approved by Ofwat under Condition K of our licence in August 2021 and re-confirmed in March 2024.

When we dispose of land, our licence requires that the net proceeds are split equally between shareholders and customers. Therefore, 50% will be returned to customers in the 2025 to 2030 planning period.

Table 2M Revenue reconciliation for the 12 months ended 31 March 2024 – wholesale

	Water resources £m	Water network+ £m	Total £m
Revenue recognised	-	-	-
Wholesale revenue governed by price control	11.928	117.528	129.456
Grants & contributions (price control)	-	10.847	10.847
Total revenue governed by wholesale price control	11.928	128.375	140.303
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	12.111	117.722	129.832
Allowed grants & contributions before adjustments (or modified by CMA)	-	6.250	6.250
Revenue adjustment	(0.325)	(1.948)	(2.273)
Other adjustments	-	-	-
Revenue cap	11.786	122.024	133.810
Calculation of the revenue imbalance			
Revenue cap	11.786	122.024	133.810
Revenue Recovered	11.928	128.375	140.303
Revenue imbalance	(0.142)	(6.351)	(6.493)

Total wholesale revenues were £6.5m higher than that assumed in the wholesale price control.

The revenue cap includes the over-recovery of revenues from 2021/22 of £2.3m, predominantly in relation to an increase in household wholesale revenues from the impact of the COVID-19 pandemic.

Wholesale revenue, including associated revenue adjustment, was £1.8m higher than allowed. When we set charges for 2022/23, we deferred £2.3m of revenue to keep bills low as we recognised the challenges around the cost of living. This revenue was reflected when we set charges for 2023/24.

Price control contributions including associated revenue adjustments were £4.2m higher than allowed. Contributions from Severn Trent Water for the joint investment at Hampton Loade was £5.7m higher as a result of catching up from the delay in the project following the main contractor entering administration. We are on track to recover this position by March 2025. Developer contributions were £1.1m lower than allowed.

The above table includes rechargeable works, which were not included within price control revenue in our PR19 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 £1.3m compared with £0.9m in our PR19 final determination. The variance was driven by additional costs of fluoridation for the UK Health and Security Agency (formerly Public Health England). For the first three years of the current price control period, rechargeable income is £1.3m above our PR19 final determination.

Table 2N Household affordability support, debt and information on Guaranteed Standards Scheme (GSS) payments

	Revenue	Number of customers	Average amount per customer
	£m	000s	£
Section A - social tariffs			
Number of residential customers on social tariffs			
Residential water only social tariffs customers	-	57.213	-
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	-	615.928	-
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	-	-	55.122
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	3.154	-	-
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	-	-	4.685
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

There is additional data covering other household affordability support, debt and information on Guaranteed Standards Scheme (GSS) payments. These can be found at the following links:

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Table 20 Historic cost analysis of intangible fixed assets

	Residential Retail £m	Business Retail £m	Water Resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2023	3.704	-	-	8.158	11.862
Disposals	-	-	-	-	-
Additions	-	-	8.493	-	8.493
Adjustments	0.015	-	2.931	2.227	5.173
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2024	3.719	-	11.424	10.385	25.528
Amortisation					
At 1 April 2023	(1.497)	-	-	(5.524)	(7.021)
Disposals	-	-	-	-	-
Adjustments	(0.005)	-	-	0.005	-
Charge for year	(0.451)	-	-	(0.691)	(1.142)
At 31 March 2024	(1.953)	-	-	(6.210)	(8.163)
Net book amount at 31 March 2024	1.766	-	11.424	4.175	17.365
Net book amount at 1 April 2023	2.207	-	-	2.634	4.841
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

Table 3A Outcome performance

	Unit	Performance Level (actual)- Current reporting year	PCL met?	Out or under performance payment £m	Forecast of total 2020-25 out or under performance payment £m
Common PCs - Water (Financial)					
Water quality compliance (CRI)	number	10.90	No	(1.82)	(2.62)
Water supply interruptions	hh:mm:s				
	s	0.00	Yes	0.36	1.87
Leakage South Staffs region	%	10.18	No	(0.21)	0.45
Leakage Cambridge region	%	18.59	Yes	0.19	0.80
Per capita consumption South Staffs region	%	(11.21)	No	-	(11.48)
Per capita consumption Cambridge region	%	2.00	No	-	(0.72)
Mains repairs	number	113.29	Yes	0.21	(0.59)
Unplanned outage	%	1.60	Yes	0.25	1.27
Bespoke PCs - Water and Retail (Financial)					
Financial support	nr	61,752	Yes	-	-
Extra Care assistance	%	5.1	Yes	-	(0.0)
Education activity	nr	6,310	Yes	0.002	(0.175)
Environmentally sensitive water abstraction	number	(0.60)	Yes	0.03	0.01
Protecting wildlife, plants, habitats and catchments	nr	840.0	Yes	0.0	0.2
Customer contact about water quality	nr	0.59	Yes	0.32	1.14
Visible leak repair time	text	4.000	Yes	-	-
Water treatment works delivery programme	%	92.100	Yes	-	-
Residential void properties and gap sites	%	100.000	Yes	-	-
Financial water performance commitments achieved	%		76		
Overall performance commitments achieved (excluding C-MEX and D-MEX)	%		67		

We discuss outcomes, ODIs, performance commitments and financial incentives in more detail on pages 15 to 34. We also summarise our performance in the customer summary that is published alongside this document. In addition, please see our supplementary appendix for further information on leakage, PCC and other metrics.

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

	Unit	Value
Annual customer satisfaction score for the customer service survey	Number	71.06
Annual customer satisfaction score for the customer experience survey	Number	81.52
Annual C-MeX score	Number	76.29
Annual net promoter score	Number	19.50
Total household complaints	Number	4,670
Total connected household properties	Number	717,408
Total household complaints per 10,000 connections	Number	65.095
Confirmation of communication channels offered	TRUE or FALSE	TRUE

Table 3D Developer services measure of experience (D-MeX)

	Unit	Value	
Qualitative component annual results	Number	78.79	
Quantitative component annual results	Number	98.17	
D-MeX score	Number	88.48	
Developer services revenue (water)	£m	13.444	
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		91.67%	
W3.1 s45 quotations - within target		97.50%	
W4.1 s45 service pipe connections - within target		92.54%	
W6.1 Mains design <500 plots - quotations within target		97.30%	
W7.1 Mains design >500 plots - quotations within target		100.00%	
W8.1 Mains construction within target		100.00%	
W17.1 Mains diversions (without constraints) - quotations within target		96.00%	
W18.1 Mains diversions - construction/commissioning within target		100.00%	
W27.1 Self-lay permanent water supply - provided within target		100.00%	
WN1.1 % of confirmations issued to the applicant within target period		100.00%	
WN2.2 % Bulk supply offer letters issued to the applicant within target period		100.00%	
WN4.1 % of main laying schemes constructed and commissioned within the target period		100.00%	
WN4.2 % of testing supplies provided within target period		100.00%	
WN4.3 % of permanent supplies made available within the target period		100.00%	
SLPM - S1/2 Review PoC proposal		86.67%	
SLPM - S2/2a Provide design		100.00%	
SLPM - S2/2b Water Company to Provide design acceptance		100.00%	
SLPM - S3 Review / revise Water Adoption Agreement		100.00%	
SLPM - S4/1 Source of Water Delivery Date		100.00%	
SLPM - S5/1a Review request and carry out Final Connection		100.00%	
SLPM - S7/1 Validate notification and provide consent to progress with connection		99.91%	
D-MeX quantitative score (for the reporting period)	%	98.17%	
D-MeX quantitative score (annual)	Number		0.982

Table 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	%	11.60	Yes
Priority services for customers in vulnerable circumstances - Attempted contacts	%	98.80	Yes
Priority services for customers in vulnerable circumstances - Actual contacts	%	56.20	Yes
Bespoke PCs			
Retailer measure of experience	%	85.10	No
Supporting water efficient housebuilding	nr	29.08	Yes
Carbon emissions	nr	47.40	Yes
Bad debt level	%	3.04	No
Employee engagement	score	Not met	No
Treating our suppliers fairly	%	78.95	No
Trust	nr	6.97	No
Value for money	%	63.00	No
WINEP Delivery	text	Met	Yes
Non-financial performance commitments achieved	%		54

Table 3F Underlying calculations for common performance commitments – water and retail

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Table 3H Summary information on outcome delivery incentive payments

	Initial calculation of performance payments (excluding C-MeX and D- MeX) £m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	0.077
Water network plus	(0.690)
Residential retail	-
Business retail	-
Dummy control	-
Initial calculation of end of period revenue adjustment by price control	
Water resources	-
Water network plus	(2.703)
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	-

Table 3I Supplementary outcomes information

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Section 4 – additional regulatory information

Table 4A Water bulk supply information for the 12 months ended 31 March 2024

	Volume MI	Operating costs £m	Revenue £m
Bulk supply exports			
Non qualifying bulks pre 2015	373.236	0.286	0.345
Total bulk supply exports	373.236	0.286	0.345
Bulk supply imports			
Non qualifying bulks pre 2015	30.134	0.063	
Total bulk supply imports	30.134	0.063	

Table 4B Analysis of debt

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Table 4C Impact of price control performance to date on RCVs

	12 months ended 31 March 2024		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)	8.475	90.475	33.520	393.611
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	9.199	107.765	33.157	400.664
Transition expenditure	-	-	-	-
Disallowable costs	0.508	0.656	0.508	2.856
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	8.691	107.109	32.650	397.808
Variance	0.217	16.634	(0.871)	4.197
Variance due to timing of expenditure	0.217	18.076	(0.871)	2.348
Variance due to efficiency	-	(1.441)	0.000	1.849
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	-	-	0.000	0.833
Customer share of totex underspend	-	(0.792)	-	-
Company share of totex overspend	-	-	0.000	1.016
Company share of totex underspend	-	(0.650)	-	-
Totex - business rates and abstraction licence fees				
Final determination allowed totex - business rates and abstraction licence fees	3.977	6.120	14.550	22.387
Actual totex - business rates and abstraction licence fees	5.419	3.826	15.728	19.209
Variance - business rates and abstraction licence fees	1.442	(2.294)	1.178	(3.178)
Customer cost sharing rate - business rates	75.0%	75.0%	75.0%	75.0%
Customer cost sharing rate - abstraction licence fees	75.0%	75.0%	75.0%	75.0%
Customer share of totex over/underspend - business rates and abstraction licence fees	1.081	(1.720)	0.884	(2.384)
Company share of totex over/underspend - business rates and abstraction licence fees	0.360	(0.573)	0.295	(0.795)
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	0.008	5.746	0.027	9.639
Actual totex - not subject to cost sharing	9.588	(0.223)	13.346	8.718
Variance - 100% company allocation	9.580	(5.969)	13.318	(0.920)
Total customer share of totex over/under spend	1.081	(2.512)	0.884	(1.551)
RCV				
Total customer share of totex over/under spend	1.081	(2.512)	0.884	(1.551)
PAYG rate	68.7%	67.5%	71.3%	66.9%
RCV element of cumulative totex over/underspend	0.338	(0.817)	0.254	(0.514)
Adjustment for ODI outperformance payment or underperformance payment	-	-	-	-
Green recovery	-	-	-	9.728
RCV determined at FD at 31 March	-	-	27.260	513.273
Projected 'shadow' RCV	-	-	27.514	522.487

In the reporting year, net totex subject to cost sharing was £16.0m higher than that allowed in our PR19 final determination. A significant proportion of the overspend is in relation to enhancement expenditure and is because of the upgrade of our Hampton Loade water treatment works. This was delayed as we explored an alternative solution, which was approved for funding under green recovery proposals and then followed by the appointed contractor going into administration in 2021. Significant progress has been made during the year and we are on track to complete the upgrade by March 2025.

Ignoring timing issues, there was an underspend of £1.4m in relation to base totex.

Net totex not subject to cost sharing was £3.6m higher than allowed. The main driver is in relation to expenditure on the Fens reservoir strategic water resources option, which will also be reconciled at PR24. We also incurred disallowable expenditure predominantly covering cyber-related costs (£1.2m). These costs will not be recovered from customers.

Table 4D Totex analysis for the 12 months ending 31 March 2024 – 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	12.731	2.502	0.010	11.849	52.930	80.023
Enhancement operating expenditure	-	-	-	-	-	-
Developer services operating expenditure	-	-	-	-	3.727	3.727
Total operating expenditure excluding third party services	12.731	2.502	0.010	11.849	56.657	83.750
Third party services	-	-	-	0.994	1.034	2.028
Total operating expenditure	12.731	2.502	0.010	12.844	57.691	85.778
Grants and contributions						
Grants and contributions - operating expenditure	-	-	-	-	5.650	5.650
Capital expenditure						
Base capital expenditure	0.786	0.044	-	5.579	9.900	16.309
Enhancement capital expenditure	10.181	-	-	35.107	3.363	48.651
Developer services capital expenditure	-	-	-	-	8.699	8.699
Total gross capital expenditure excluding third party services	10.967	0.044	-	40.686	21.962	73.659
Third party services	-	-	-	-	-	-
Total gross capital expenditure	10.967	0.044	-	40.686	21.962	73.659
Grants and contributions						
Grants and contributions - capital expenditure	-	-	-	11.457	2.465	13.922
Net totex	23.698	2.546	0.010	42.073	71.538	139.865
Cash expenditure						
Pension deficit recovery payments	-	-	-	-	-	-
Other cash items	-	-	-	-	-	-
Totex including cash items	23.698	2.546	0.010	42.073	71.538	139.865

Table 4H Financial metrics for the 12 months ended 31 March 2024

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	371.505	
Regulatory equity	£m	169.028	
Regulatory gearing	%	68.73%	
Post tax return on regulatory equity	%	-2.92%	
RORE (return on regulatory equity)	%	2.04%	0.95%
Dividend yield	%	2.73%	
Retail profit margin - Household	%	0.13%	
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+ (Negative)	
Return on RCV	%	5.13%	
Dividend cover	dec	-0.878	
Funds from operations (FFO)	£m	41.860	
Interest cover (cash)	dec	4.20	
Adjusted interest cover (cash)	dec	1.44	
FFO/Net debt	dec	0.1127	
Effective tax rate	%	20.95%	
Retained cash flow (RCF)	£m	37.238	
RCF/Net debt	dec	0.100	
Borrowings			
Proportion of borrowings which are fixed rate	%	28.45%	
Proportion of borrowings which are floating rate	%	0.00%	
Proportion of borrowings which are index linked	%	71.55%	
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	%	7.43%	
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	%	19.85%	
Proportion of borrowings due in more than 20 years	%	72.72%	

RORE for the reporting year under actual returns and notional equity was 2.04%. This is 2.20% lower than that allowed in our PR19 final determination of 4.24%. The key drivers of this underperformance are as follows.

- Higher returns from a lower tax charge (+4.31%). This has been driven by both a loss before tax in the year and significantly higher capital allowances than our PR19 final determination following the introduction of the super deduction and enhanced special rate allowances, which will be claimed for the reporting year.
- Lower returns from a higher actual cost of debt (-2.81%). 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.
- Underperformance on totex (-1.43%). Ignoring timing differences, totex subject to cost sharing was £1.4m underspent. Net totex not subject to cost sharing was £3.6m higher than allowed. The main driver was expenditure on the Fens reservoir strategic water resources option, which was not in our PR19 final determination. This will be reconciled at PR24.
- ODIs (-2.15%), which includes an underperformance on PCC of £2.7m as a result of the continued impact of the COVID-19 pandemic on household consumption. We also failed our CRI target for 2023, incurring a penalty of £1.8m. This is mainly because of a small number of significant compliance failures at Hampton Loade and Seedy Mill, our two largest water treatment works.

As required by RAG 4.12, the calculation of the interest cover and adjusted interest cover ratios are set out below.

	Interest cover ratio (cash) £m	Adjusted interest cover ratio (cash)
Funds from operations	41.860	41.860
Net interest per table 1D	9.739	
Add back bank interest received	<u>3.361</u>	
Interest paid	13.100	13.100
Funds from operations before deducting interest paid	54.960	54.960
Less RCV run-off		-36.088
Funds from operations before deducting interest paid less RCV run-off		18.872
Interest cover ratio	4.20	1.44

Table 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 2024)	
	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	(1.224)	(1.224)	2.14%	5.12%
Floating from fixed rate	-	-	-	-	-	-	-	0.00%	0.00%
Floating to index linked	-	-	-	-	-	-	-	0.00%	0.00%
Floating from index linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed from index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Index-linked to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	30.000	-	-	30.000	(1.224)	(1.224)	0.00%	0.00%
Foreign Exchange									
Cross currency swap USD	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap EUR	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap YEN	-	-	-	-	-	-	-	0.00%	0.00%
Cross currency swap Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate									
Currency interest rate swaps USD	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps EUR	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps YEN	-	-	-	-	-	-	-	0.00%	0.00%
Currency interest rate swaps Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts									
Forward currency contracts USD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts EUR	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts YEN	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts CAD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts AUD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts HKD	-	-	-	-	-	-	-	0.00%	0.00%
Forward currency contracts Other	-	-	-	-	-	-	-	0.00%	0.00%
Total	-	-	-	-	-	-	-	0.00%	0.00%
Other financial derivatives									
Other financial derivatives	-	-	-	-	-	-	-	0.00%	0.00%
Total financial derivatives	-	30.000	-	-	30.000	(1.224)	(1.224)	0.00%	0.00%

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, 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 2.14% and the receivable floating rate element is three-month LIBOR, shown above as the average for the 12 months to 31 March 2024 of 5.12%. 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.

Table 4J Base expenditure for the 12 months ended 31 March 2024 – water resources and water network plus

	Water resources	Water network+			Treated water distribution	Total
		Raw water distribution	Raw water storage	Water treatment		
	£m	£m	£m	£m		
Operating expenditure						
Power	3.173	1.226	0.004	1.129	12.251	17.783
Income treated as negative expenditure	-	-	-	-	-	-
Bulk Supply/Bulk discharge	0.063	-	-	-	-	0.063
Renewals expensed in year (infrastructure)	-	-	-	-	7.941	7.941
Renewals expensed in year (non-infrastructure)	-	-	-	-	-	-
Other operating expenditure	4.076	1.125	0.006	10.410	28.333	43.950
Local authority and Cumulo rates	0.106	0.151	(0.000)	0.261	3.331	3.849
Service Charges						
Canal & River Trust abstraction charges/ discharge consents	-	-	-	-	0.034	0.034
Environment Agency / NRW abstraction charges/ discharge consents	5.313	-	-	0.050	-	5.363
Other abstraction charges/ discharge consents	-	-	-	-	-	-
Location specific costs & obligations						
Costs associated with Traffic Management Act	-	-	-	-	0.663	0.663
Costs associated with lane rental schemes	-	-	-	-	0.378	0.378
Statutory water softening	-	-	-	-	-	-
Total base operating expenditure	12.731	2.502	0.010	11.849	52.930	80.023
Capital expenditure						
Maintaining the long term capability of the assets - infra	-	-	-	-	-	-
Maintaining the long term capability of the assets - non-infra	0.786	0.044	-	5.579	9.900	16.309
Total base capital expenditure	0.786	0.044	-	5.579	9.900	16.309
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act	-	-	-	-	13,162	13,162

Table 4L Enhancement expenditure for the 12 months ended 31 March 2024 – water resources and water network plus

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Table 4N Developer services expenditure for the 12 months ended 31 March 2024 – water resources and water network plus

	Water network+		Totex £m
	Capex £m	Opex £m	
New connections	4.750	-	4.750
Requisition mains	3.097	-	3.097
Infrastructure network reinforcement	0.890	-	0.890
s185 diversions	-	3.727	3.727
Other price controlled activities	(0.038)	-	(0.038)
Total developer services expenditure	8.699	3.727	12.426

Table 4P Expenditure on non-price control diversions for 12 months ended 31 March 2024

	Water resources £m	Water network+ £m	Total £m
Capex			
Capex associated with NSWRA diversions	-	-	-
Capex associated with other non-price control diversions	-	-	-
Other developer services non-price control capex	-	-	-
Developer services non-price control capex	-	-	-
Opex			
Opex associated with NSWRA diversions	-	0.526	0.526
Opex associated with other non-price control diversions	-	2.753	2.753
Other developer services non-price control opex	-	-	-
Developer services non-price control opex	-	3.279	3.279
Totex			
Costs associated with NSWRA diversions	-	0.526	0.526
Costs associated with other non-price control diversions	-	2.753	2.753
Other developer services non-price control totex	-	-	-
Developer services non-price control totex	-	3.279	3.279

Table 4Q Developer services – new connections, properties and mains

	Water nr
Connections volume data	
New connections (residential – excluding NAVs)	3752
New connections (business – excluding NAVs)	82
Total new connections served by incumbent	3834
New connections – SLPs	2226
Properties volume data	
New properties (residential - excluding NAVs)	3883
New properties (business - excluding NAVs)	82
Total new properties served by incumbent	3965
New residential properties served by NAVs	811
New business properties served by NAVs	-
Total new properties served by NAVs	811
Total new properties	4776
New properties – SLP connections	2226
New water mains data	
Length of new mains (km) - requisitions	18
Length of new mains (km) - SLPs	19

Table 4R Connected properties, customers and populations

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers - average during the year				
Residential water only customers	328.277	344.864	673.141	38.618
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	328.277	344.864	673.141	38.618
Business water only customers	3.294	35.236	38.530	3.598
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	3.294	35.236	38.530	3.598
Total customers	331.571	380.100	711.671	42.216
	Unmeasured 000s	Measured 000s	Total 000s	
Property numbers - average during the year				
Residential properties billed	328.277	344.864	673.141	
Residential void properties			38.618	
Total connected residential properties			711.759	
Business properties billed	3.294	35.236	38.530	
Business void properties			3.598	
Total connected business properties			42.128	
Total connected properties			753.887	

Table 4S Green recovery expenditure for the 12 months ended 31 March 2024

		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														
Ceramic membrane at Hampton Loade (South Staffs share only)	Capex	0.000	0.000	0.000	5.455	0.000	5.455	0.000	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	0.000
Green recovery line 1	Totex	0.000	0.000	0.000	5.455	0.000	5.455	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total green recovery programme capex	Capex	0.000	0.000	0.000	5.455	0.000	5.455	0.000	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	0.000
Total green recovery programme expenditure	Totex	0.000	0.000	0.000	5.455	0.000	5.455	0.000	0.000	0.000	0.000	0.000	0.000	0.000

Table 4U Impact of green recovery on RCV

	12 months ended 31 March 2024		Price control period to date		
	Water resources	Water network plus	Water resources	Water network plus	
Totex - Green recovery					
Approved bid		0.000	3.170	0.000	11.135
Actual totex		0.000	5.455	0.000	11.643
Variance		0.000	2.285	0.000	0.509
Variance due to timing of expenditure		0.000	2.285	0.000	0.509
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	3.170	0.000	11.135
In period funding		0.000	0.829	0.000	1.407
Net increase / decrease in shadow RCV		0.000	2.341	0.000	9.728

Section 5 – additional regulatory information (water resources)

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Section 6 – additional regulatory information (network plus)

The Cambridge Water data can be found [here](#).

The South Staffs Water data can be found [here](#).

Section 9 – additional regulatory information (innovation competition)

Table 9A Innovation competition

	Current year £m
Allowed	
Allocated innovation competition fund price control revenue	2.339
Revenue collected for the purposes of the innovation competition	
Innovation fund income from customers	1.821
Income from customers to fund innovation projects the company is leading on	-
Income from customers as part of the inflation top-up mechanism	-
Income from other water companies to fund innovation projects the company is leading on	0.270
Income from customers that is transferred to other companies as part of the innovation fund	1.167
Non-price control revenue (e.g. royalties)	-
Administration	
Administration charge for innovation partner	0.028

	Total amount of funding awarded to the lead company through the innovation fund £m	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution) £m	In year expenditure on innovation projects funded by shareholders of the lead water company £m	In year expenditure on innovation projects funded by project partner contributions £m
Water Efficiency in Faith and Diverse Communities	0.270	0.165	0.094	(0.070)	0.176	0.003	0.006

The cash balance of £21.007m reported in table 1c includes £1.821m of revenue collected for the purposes of the innovation competition and income received from other water companies of £0.270m offset by payments to winning bidders of £1.167m and administration charges of £0.028m.

Section 11 – additional regulatory information (greenhouse gas emissions)

Table 11A Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2024

	Water tCO2e	Wastewater tCO2e	Total tCO2e
Scope one emissions			
Burning of fossil fuels (location-based)	19,693.614	-	19,693.614
Burning of fossil fuels (market-based)	19,693.614	-	19,693.614
Process and fugitive emissions	2,623.254	-	2,623.254
Vehicle transport	763.168	-	763.168
Emissions from land	-	-	-
Total scope one emissions (location-based)	23,080.036	-	23,080.036
Total scope one emissions (market-based)	23,080.036	-	23,080.036
Scope one emissions; GHG type CO2	20,405.123	-	20,405.123
Scope one emissions; GHG type CH4	783.655	-	783.655
Scope one emissions; GHG type N2O	536.342	-	536.342
Scope one emissions: GHG other types	1,354.916	-	1,354.916
Scope two emissions			
Purchased electricity (location-based)	19,537.265	-	19,537.265
Purchased electricity (market-based)	4.365	-	4.365
Purchased heat	-	-	-
Electric vehicles	3.564	-	3.564
Removal of electricity to charge electric vehicles at site	-	-	-
Total scope two emissions (location-based)	19,540.829	-	19,540.829
Total scope two emissions (market-based)	7.929	-	7.929
Scope two emissions; GHG type CO2	19,341.311	-	19,341.311
Scope two emissions; GHG type CH4	84.552	-	84.552
Scope two emissions; GHG type N2O	114.965	-	114.965
Scope two emissions: GHG other types	-	-	-
Scope three emissions			
Business travel	111.060	-	111.060
Outsourced activities	-	-	-
Purchased electricity; extraction, production, transmission and distribution (location-based)	6,395.462	-	6,395.462
Purchased electricity; extraction, production, transmission and distribution (market-based)	1,690.274	-	1,690.274
Purchased heat; extraction, production, transmission and distribution	-	-	-
Purchased fuels; extraction, production, transmission and distribution	3,457.412	-	3,457.412
Chemicals	8,869.072	-	8,869.072
Disposal of waste	1,420.389	-	1,420.389
Total scope three emissions (location-based)	20,253.394	-	20,253.394
Total scope three emissions (market-based)	15,548.206	-	15,548.206
Scope three emissions; GHG type CO2	1,783.131	-	1,783.131
Scope three emissions; GHG type CH4	7.521	-	7.521
Scope three emissions; GHG type N2O	10.680	-	10.680
Scope three emissions: GHG other types	-	-	-
Gross operational emissions (Scopes 1,2 and 3)			
Gross operational emissions (location-based)	62,874.259	-	62,874.259
Gross operational emissions (market-based)	38,636.171	-	38,636.171
Emissions reductions			
Exported renewables	-	-	-
Exported biomethane	-	-	-
Insets	-	-	-
Other emissions reductions	-	-	-
Total emissions reductions	-	-	-

Emissions reductions

Green tariff electricity	-	-	-
Net annual emissions			
Net annual emissions (location-based)	62,874.259	-	62,874.259
Net annual emissions (market-based)	38,636.171	-	38,636.171
	Water kgCO ₂ e/MI	Wastewater kgCO ₂ e/MI	
GHG intensity ratios			
Emissions per MI of treated water	422.456	-	-
Emissions per MI of sewage treated	-	-	-
	Water tCO ₂ e	Embedded emissions Wastewater tCO ₂ e	Total tCO ₂ e
Capital projects			
Capital projects (cradle-to-gate)	-	-	-
Capital projects (cradle-to-build)	10,889.010	-	10,889.010
Purchased goods and services			
Purchased goods and services	-	-	-

We have produced a SWOT analysis of our carbon emissions. This can be found within our supplementary regulatory information.

External assurance of financial outcome delivery incentives

Jacobs

APR24 Technical Assurance Report

Revision no: 3
20 June 2024

South Staffordshire Water

Independent Assurance Provider





APR24 Technical Assurance Report

Client name: South Staffordshire Water

Project name: Independent Assurance Provider

Project no: B2443000

Project manager: Zac Alexander

Revision no: 3

Prepared by: Zac Alexander

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APR24 Technical Assurance Report

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2. Introduction

This Technical Assurance Report gives the main findings from Jacobs' work to assure certain non-financial data within South Staffordshire Water's (South Staffs') 2023-24 Annual Performance Report (APR).

This was a limited assurance engagement. Our scope and approach are set out in Section 3. We have formed an opinion on the adequacy of the methods adopted by South Staffs to report the data in scope in accordance with the appropriate definitions, and checked that the source data supports the figures reported. Due to limitations on time and budget, in most cases we did not perform independent checks that information contained in corporate systems is an accurate reflection of the truth. We considered to a limited extent how effective South Staffs' controls on the corporate systems data are likely to be.

Our audits ran April – July 2024 for information reported on a financial year basis. Most audits took place remotely via Microsoft Teams. The leakage audit took place in person on South Staffs' premises.

3. Scope

South Staffs asked us to undertake combined process and data audits across a range of reporting data as shown in Table 1.

Table 1 Audit programme scope

Audit	Lines covered
Water Quality Customer Contacts	PC – 3A – D6 – Line 12
Water treatment works delivery programme	PC – 3A – D8 Line 14
PSR & Extra Care	PC – Priority services for customers in vulnerable circumstances – PSR reach – 3E – B4 Line 2 PC – Priority services for customers in vulnerable circumstances – Attempted contacts – 3E – B4 Line 3 PC – Priority services for customers in vulnerable circumstances – Actual Contacts – 3E – B4 Line 4 PC – Extra Care Assistance – 3A – B2 Line 8
Properties & population	Connected properties, customers and population – 4R – Lines 1-32
Voids and gap sites	PC – 3A – E2 Line 15
Financial support	PC – 3A – B1 Line 7
Mains lengths, profiles, CPs	Total length of raw water abstraction mains and other conveyors – 5A – Line 22 Total length of raw water transport mains and other conveyors – 6A – Line 5 Water network+ – Mains, communication pipes and other data – 6C – Lines 1-21
Education activity	PC – 3A – B3 Line 9
Production operational data	Water resources asset and volumes data – 5A – Lines 1-21 Raw water transport, raw water storage and water treatment data – 6A – Lines 1-5, 13-28 Treated water distribution – assets and operations – 6B – Lines 1-3, 12-26

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Audit	Lines covered
AIM & Biodiversity	PC – Environmentally sensitive water abstraction – 3A – C5 Line 10 PC– Protecting wildlife, plants, habitats and catchments – 3A – C7 Line 11
Carbon emissions & energy consumption	PC – 3E – C8 Line 8 Operational greenhouse gas emissions – 11A – Lines 1–38 APR commentary/CAWB – 6B Line 27 – Energy consumption – treated water distribution (MWh) 5A– Line 24 – Energy consumption – water resources (MWh) 6A– Line 7 – Energy consumption – raw water transport (MWh) 6A– Line 32 – Energy consumption – water treatment (MWh)
Distribution input	Feeds into water balance
Water balance (leakage & PCC)	Leakage (SST) – 3A – C1 Line 3 Leakage (CAM) – 3A – C2 Line 3 PCC (SST) – 3A – C3 Line 4 PCC (CAM) – 3A – C4 Line 4 RAG compliance – old methodology 22/23 number Treated water distribution – assets and operation – 6B – Lines 4–11, 29–32 6A Lines 33–36– Water treatment 5A –Lines 25–28– Water resources 6A – Lines 8–11– Raw water transport
CRI (ODI) & ERI	PC – 3A – D1 Line 1 Compliance Risk Index & Event Risk Index – 6C – Lines 22–23
Mains repairs	PC – 3A – D4 Line 5
Average pumping head– CAM	Average pumping head – raw water abstraction – 5A – Line 23 Average pumping head – raw water transport – 6A – Line 6 Average pumping head – water treatment – 6A – Line 31 Average pumping head – Treated water distribution – 6B – Line 28
Supply interruptions	PC – 3A – D2 Line 2
CMEX & Complaints	PC – 3C – A1 Lines 1–8 CCW complaints data
Average pumping head– SST	Average pumping head – raw water abstraction – 5A – Line 23 Average pumping head – raw water transport – 6A – Line 6 Average pumping head – water treatment – 6A – Line 31 Average pumping head – Treated water distribution – 6B – Line 28
DMEX	PC – 3D – A2 Lines 1–5, 3D.W1–28
Risk of severe restrictions in a drought	PC – 3E – D3 Line 1 5A Line 29 – Water resources capacity
Unplanned outage inc PWPC	PC – 3A – D5 Line 6
Visible leak repair time	PC – 3A – D7 Line 13

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4. Approach

4.1 General

We reviewed the processes, procedures, systems, data and analysis in place to gather and report Performance information in line with the prescribed definitions from the Regulatory Accounting Guidelines (RAG 4.12) and South Staffs' PR19 Final Determination.

We read South Staffs' documented procedures and methodologies which describe the data sources, systems and processes in place. We held audit meetings with the data owners in which they demonstrated the methodology and answered our questions about the process. We sample checked data 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.

4.2 Audit test criteria

We have updated our audit test criteria compared to last year's APR assurance work. This was to align more closely with the ISAE 3000 standard for assurance engagements for non-financial data. It has also provided a more consistent structure for our audit findings. We also reviewed the criteria for duplication, gaps and clarity.

We scored risk for each audit against the following assessments.

Test	Criteria
Is the reporting methodology subject to appropriate governance?	<p>Is it clear which lines are covered by this process?</p> <p>Are roles within the process clear and allocated to named individuals (company dependent but usually: line owner, data provider, business owner, strategic owner)?</p> <p>Has the methodology changed since last year, has it been approved by an appropriate person and is there a methodology document that is up to date?</p>
Is the methodology consistent with the requirements?	<p>Is the methodology consistent with the requirements including compliance with definitions from final determination and RAG 4?</p> <p>Have all changes to the reporting requirements since the last audit been reflected in the methodology?</p>
Has the process defined in the methodology document been followed?	<p>Is the methodology clearly defined and documented?</p> <p>Has the process described in the methodology document been used to produce the reported number and is there an audit trail to evidence this?</p> <p>If the process used was different to the methodology, was the deviation reasonable and has it been justified and authorised?</p> <p>Is there evidence that a cross-check of the data has been completed by a person other than the originator?</p> <p>Have findings from internal checks and assurance been addressed?</p>
Are reporting risks being managed and are there sufficient checks and controls?	<p>Have assumptions been identified and are they regularly reviewed?</p> <p>Are the assumptions reasonable?</p> <p>Have reporting risks been identified and are they regularly reviewed?</p> <p>Is the residual reporting risk understood and is it at an appropriate level?</p> <p>Are checks and controls appropriate given the assumptions and risks identified?</p>

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Test	Criteria
	Is the level of data sampling undertaken within the process sufficient? Record the level of sampling in the notes below
Are the reported data and commentary reasonable and consistent with the other information seen at the audit?	Are data for publication in the correct format (e.g. hard coded with correct level of rounding as specified in the final determination appendix / Ofwat table)? Can any difference in performance in relation to previous years and target be explained? Is the performance reported for prior years subject to change? (if yes give details below) Is commentary provided and is it consistent with the process and the reported number(s)? Does it explain this year's performance in relation to previous years and target?
Have the data checks identified any issues?	Are the data sources suitable for this reporting? Did your spot check of calculations and spreadsheet formula identify any issues?

4.3 Score definitions

We have updated our risk score definitions since last year's APR assurance work, to provide greater clarity and enhance consistency of scoring.

Score	Definition
A	Low reporting risk – criteria are fully met (no weaknesses in the methodology/data – no actions).
B	Low to medium reporting risk – criteria are not fully met (weaknesses exist but they are not material – must have action).
C	Medium to high reporting risk – criteria are only partially met (material weakness or several minor weaknesses with material effect).
D	High reporting risk – criteria are not met (two or more material weaknesses in the methodology/data).
NA	Not audited as it was outside our scope.

The score reflects the level of reporting risk for the process and is based on the overall opinion of the auditor(s). In general, a weakness is material if it has the potential to impact the quality of the reported number to a greater degree than assumed by the confidence grade, or if no confidence grade is defined then in our reasonable opinion. All identified weaknesses (material and non-material) are described in our individual audit reports and were given a corresponding action.

4.4 Additional items recorded

We also recorded the following items in our audit reports:

- Data checks made.
- Additional notes.
- Evidence seen.
- The data proposed to be reported.

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5. Observations and findings

This section gives a summary overview of our findings. Full details of our findings for each audit, including lower-risk items, have been set out in the individual feedback documents we provided to the Regulation team after each audit.

5.1 Common themes

The quality of reporting appears to have significantly improved since APR 2022-23. Most of the data issues we found were easily resolved during or shortly after the audit, and the teams have an appropriate intention to resolve the remaining issues for next year's APR. There are no remaining material data issues.

Several of the reporting processes have been improved since last year through use of automation, better alignment between the Company's two regions, or adoption of our recommendations from last year's audits. Compared to previous years, there has been an improvement in the availability and quality of methodologies.

In some areas there is still insufficient evidence of internal checking but, overall, there appears to have been more internal checking than last year and we found areas of good practice in regard to this. Some areas did not have sufficient methodologies.

Overall, the audit programme stayed on track with relatively few audits needing to be rescheduled.

5.2 Summary findings

Our audit reports provide the detail of our findings. This section gives our overview risk score and a summary of our findings.

Table 2 Summary findings for each audit

Audit	Overall score	Comments
Water Quality Customer Contacts	B	We found no issues with the data, and the methodology has been updated following last year's audit. However, 2 nd -line checks of the methodology and data have not been undertaken, increasing the risk of misreporting. The customer contact system has been updated this year. The team has performed a manual check to ensure that no customer contacts had been uncounted, which is good practice.
Water treatment works delivery programme	B	The project progress is well understood by the team and the programme indicates around 4 months' float between completion and the regulatory compliance date. However, there is no live risk register in place. We recommend this should be used to ensure any new risks are effectively managed and mitigated.
PSR & Extra Care	B	Auditees were able to describe and explain their processes with confidence and clarity. We found no issues during our data checks. However, there was no evidence of internal checks. Although it is not part of our scope, we advise that there only appears to be one person in the company who has access to the data for this measure, which is stored locally on their machine, presenting a single point of failure risk.
Properties & population	A	This measure was originally scored C due to missing data, but this was resolved. The Auditees were able to describe and explain their processes and reasoning with clarity and confidence.

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Audit	Overall score	Comments
		We made recommendations to further improve the ease of reporting.
Voids and gap sites	A	Auditees were able to describe and explain the processes with confidence and clarity. We found no data or process issues. We made recommendations to improve the internal reporting format.
Financial support	B	The team had a good knowledge and understanding of the reporting requirements. We found no data or process issues. However, this line requires a commentary and none had been written. In previous audits we have raised a risk from including Stepchange and Water Direct numbers in this this measure, as these are not named in the list of qualifying schemes in the PR19 Final Determination. However, we have changed our opinion on this matter because the list is non-exclusive.
Mains lengths, profiles, CPs	B	We initially identified an issue with an error in the redefinition of the diameter of mains from outside diameter to nominal diameter, leading to a score of C. This issue has been resolved. We found several minor issues. There is no methodology for mains lengths. Actions from the previous audit have not been addressed. We did not see evidence of internal data checks.
Education activity	B	The methodology has been refined to make a simpler audit trail following last year's audit, which is good practice. We found a calculation error leading to double counting of 13 students. This has been resolved. The business lead and strategic leads have both changed roles during the last year, consequently the auditee has had to provide business lead sign off and data owner sign off. We understand this is a temporary issue that should be resolved by APR25.
Production operational data	5A – Lines 1–21 – B 6A – Lines 1–4 – B 6A – Line 13–27 – B 6B – Lines 1–3 & 8–22 – B	Overall, the team has created an appropriate method of reporting and a well-controlled method of producing data. The methodology is appropriate; however, a commentary has not yet been created. There is a minor departure from the reporting guidelines for lines 6A 13–27. We recommend the team seeks clarity with the internal regulation team and Ofwat. The team stated they intend to carry on with the methodology and reporting approach as previous years, but will provide clear justification in the commentary about this. Some non-material issues were identified.
AIM & Biodiversity	Line 10 – A Line 11 – B	For both PCs the team were knowledgeable and were able to explain the processes used to calculate the final numbers clearly. We identified an error due to the exclusion of a scheme, which has been corrected. There was little evidence of internal checks.
Carbon emissions & energy consumption	B	The team has good knowledge and understanding of the process and we were able to trace data to source on a sample basis with no issues found. The methodology is work in progress but sufficient for reporting. There were minor incomplete areas in the data and these should be explained in the commentary.
Distribution input	B	The teams have a detailed understanding of the derivation of distribution input (DI) in both regions, and over recent years have

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Audit	Overall score	Comments
		<p>refined an approach that has six levels of verification and assurance to ensure the reported pre-MLE distribution input values are as robust as possible.</p> <p>The team has a meter verification process that covers both regions, with a detailed plan to ensure all meters are visited on a rolling 3-year programme.</p> <p>The CAM region is still recovering from the cyber incident in 2022 and for 2023/24 has used the temporary process for data analysis, although the team state both regions will be fully aligned for 2024/25.</p> <p>Regular reviews of the water balance (monthly) ensure any issues or errors with distribution input are identified and resolved quickly. This is good practice.</p>
Water balance (PCC)	B	<p>The teams have a detailed understanding of the derivation of components of the water balance and the application of Maximum Likelihood Estimation to derive robust Leakage and PCC values. This SAF covers all components of the water balance, with the exception of leakage which is reported separately.</p> <p>Both regions have a robust water balance, as measured by the reconciliation error, which is 1.02% for SST and 1.32% for CAM. The company currently has two models that estimate unmeasured household consumption for SST. For APR24 reporting the company has used the existing model that has been used for a number of years but is planning to move to new model in the next couple of years. The company's plan is to retain the existing model until it is able to make a number of changes to the water balance concurrently for AMP8. We consider retaining the existing model unlikely to be material for APR24 as the new would be backcast and restatement of the baseline.</p> <p>We have asked the company to clarify the approach should more than 50% of the properties in a small area monitor (SAM) be metered, as if the existing model does not adequately accommodate this it may be sensible to move to the new monitor for 2024-25.</p> <p>Regular reviews of the water balance (monthly) ensure any issues or errors are identified and resolved quickly.</p>
Water balance (Leakage)	B	<p>The teams have a detailed understanding of the derivation of components of the water balance and the application of Maximum Likelihood Estimation to derive robust Leakage and PCC values. This SAF covers pre-MLE leakage with the post-MLE values also quoted for completeness. All other components of the water balance are reported separately.</p> <p>Both regions have a robust water balance, as measured by the reconciliation error, which is 1.02% for SST and 1.32% for CAM. The two regions have historically used a different approach to derive pre-MLE leakage. The CAM region uses a more common sum of DMA losses, trunk mains losses and service reservoir losses whereas the SST region uses flow measurements at the water into supply level. Both approaches are consistent with the guidance and have been retained for APR24 reporting.</p> <p>The availability in the CAM region is 73.03% against an Ofwat target of 90%. The low level for 2023-24 is due to continual</p>

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Audit	Overall score	Comments
		<p>impact of cyber incident. We asked the team to calculate quarterly values to demonstrate it is now back on track. We consider the materiality will be low as for the examples shown leakage decreased when the loggers came back online. Availability for the last six months of the year was 92.7%.</p> <p>Regular reviews of the water balance (monthly) ensure any issues or errors are identified and resolved quickly. This is good practice.</p>
CRI (ODI) & ERI	B	<p>Both methods align to the guidance and the auditee demonstrated an excellent knowledge of the method and data set. We were able to trace back both CRI and ERI scorings and justifications. There was a step change in population for the CAMS region which has been associated with the methodology change which moved away from using parish data and now follows the same methodology as STT.</p> <p>The ERI score for STT has risen again this year and it is expected that it will remain elevated next year because the underlying issues at the Hampton Loade plant have not been resolved.</p> <p>Recommendations include the need for the commentary to compare data against previous years/trends and to keep a record of internal checks. We also recommend to use automation in spreadsheets where the methodology allows this to reduce the possibility of copy and pasting errors. Continued manual input and data being hosted in several different spreadsheets increases chance of user error.</p>
Mains repairs	B	<p>Overall, the methodology is detailed, and appropriate checks are carried out at several stages within the data gathering process. There is an easy-to-follow audit trail behind the data, and a low rate of work orders that need to be recoded in order to be counted towards the final burst mains count.</p> <p>There is a risk where the team are unable to see exclusions that occur before they are handed the data. This is a small risk as it is unlikely that many burst mains are excluded this way. However, it is appropriate to check.</p>
Average pumping head – CAM	B	<p>The Auditees for each region were able to describe, explain and justify the methodology clearly and confidently. The Auditees provided calculation sheets showing detailed workings and comments. We found no data issues. However, there was no evidence of internal data checks, and the methodology documentation was incomplete.</p>
Average pumping head – SST	B	<p>The Auditees provided calculation sheets showing detailed workings and comments. We found no data issues. However, there was no evidence of internal data checks, and the methodology documentation was incomplete.</p>
Supply interruptions	A	<p>The Auditees were able to describe, explain and justify their methodology clearly and confidently. SSC internal end of year checks highlighted changes to some events but that it was not possible to update the corporate systems (CAM region, SIDNIE system). The team clearly explained the manual changes that have been made to those interruption events and listed the events separately for external audit. The team stated that the SIDNIE system is being replaced and so the process will be the same for SST and CAM next year.</p> <p>No issues were found during data checks.</p>
C-MeX	B	<p>The C-MeX scores are reliable; however, there was a change in staffing this year and QA and sign-off processes were interrupted</p>

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Audit	Overall score	Comments
		as a result. We saw no evidence that there had been any issues with submission of the CSS datasets.
Complaints	C	<p>We were unable to trace some aspects of the audit trail for complaints because details of contacts had been archived and were not available. We concur with the reasoning for doing this, but the detailed audit trail could not be traced for many contacts. This is the reason for the C risk score.</p> <p>Performance for complaints is poorer this year than previously. The company is aware of the issues underlying this. The team showed a strong understanding of the process and data and were able to explain changes in the results this year. We identified no material issues in the data, but a 3% adjustment was made post-audit to the complaints total due to a methodological issue which was resolved.</p>
DMEX	A	<p>The team demonstrated a thorough understanding of the process and data. Although the D-MeX process involves some manual entry of data there is an established approach to handling and checking the various data streams. There are two levels of checks performed on the data. South Staffs compiles the monthly performance data for Water UK's Developer Services dashboard for both South Staffs and Cambridge. South Staffs carries out detailed checks on the data to verify it. The level of checks is good practice. Our sample checks on data sources found no errors.</p>
Risk of severe restrictions in a drought	C	<p>Consistent with the previous year's reporting, the company's methodology to calculate the population at risk does not align with the Ofwat guidance. This is because the company calculation accounts for the impact of future planned interventions, rather than only accounting for the benefit following implementation. Our interpretation of the Ofwat guidance is that this measure allows tracking of progress towards resilience to a 1:200 drought so the population at risk should reduce over time. As the reported figures are not consistent with the reported guidance, we have scored this as a medium to high risk.</p>
Unplanned outage inc PWPC	B	<p>The methodology to calculate PWPC and Outages is clearly described and includes appropriate assumptions. Our sample-based checks identified no issues with the categorisation of outages as unplanned or planned outages or exclusions. We reviewed the outage calculations and identified some inconsistencies between the PWPC value that was used to calculate outage impact and the site PWPC that is used to calculate the company PWPC. The team agreed to align the two values and reduce the company PWPC to account for long-term out of service works. Following the audit, the outage was re-calculated using the revised PWPC.</p> <p>Our sample-based checks identified event duration errors for two sites. These were caused by a data formatting issue. The durations were corrected during the audit.</p> <p>The team consider they are fully compliant with all elements of the guidance for outage and PWPC. The PWPC is based on the maximum 7-day rolling average flow. On this basis the team has not conducted capacity tests. The team explained that pushing sites to their maximum capacity is likely to introduce network risks</p>

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Audit	Overall score	Comments
		such as disturbance of sediments for groundwater sites, which could lead to discolouration events. We consider this is a reasonable approach, however note there are other interpretations of the guidance relating to capacity testing. The company interpretation should be confirmed with Ofwat.
Visible leak repair time	B	The reporting process is well understood and sufficient. We found a minor issue with data entry which could cause the repair time to be over-reported in some cases. It was not clear at the audit whether this had affected the reported figure, but it appeared that any impact would be minimal.
Water resources capacity	B	The team has a documented process in place and clearly described the approach to determine the water resources capacity for each region. We were able to trace back capacity values (on a sample basis) to source data including licence volumes and operational data. We found a small amount of capacity was over-reported due to non-operational works and water quality risks. This has been resolved. There are two non-material improvements to the methodology documented identified. These relate to the documentation of data sources, evidence, and risks.

6. Statement of Assurance

In this report we have recorded our scope and approach and noted the areas we have identified as medium to high or high risk.

Within our scope, other than where indicated in our findings, we consider that:

- The reporting methods used are in line with Ofwat's guidance.
- The data are substantially supported by reliable, accurate and complete audit trails.
- Data have been obtained from suitable sources.
- Data have been appropriately combined between the two regions.

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.

We are very pleased that the hard work of our colleagues has been recognised this

year during technical audits, where we have been commended for our improvements to methodologies and internal governance, and with no residual data issues.

Complaints data

We implemented a new billing system in February 2023, and as part of this we migrated all customer data and reporting over to the new system and new reporting tools. Jacobs have identified a residual risk related to the way in which customer contact data is archived in the system and our ability to retain access for audit trail purposes. The data archiving was done to improve system performance, but in doing so we did not set up a process that enables access to this data for sample checking during an

audit. We will evaluate our approach and put in place a process to resolve this for 2024/25.

Risk of severe restrictions in a drought

Our interpretation of the guidance at PR19, and subsequent discussions with Jacobs and other companies, has revealed different approaches to how this measure is reported. We continue to report this measure consistently with how we set our PR19 performance commitment, which is to report the value aligned to our final water resources plan delivery. To do otherwise would mean that our business plan targets are not set on a consistent definition. We welcome further dialogue with Ofwat on the issue, if required.

Independent Auditor's report

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

Opinion

We have audited the tables within the Company's Annual Performance Report for the year ended 31 March 2024 ("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), the 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 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 the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4Y, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10G and 11A.

In our opinion, the Company's Regulatory Accounting Statements have been properly prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2), set out on pages 55-56.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) '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 listed public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, 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 United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP 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 63 to 83 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. 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:

- ▶ We confirmed our understanding of the Board's going concern assessment process and engaged with management to ensure key factors were considered in their assessment. Management have performed their going concern assessment to 15 July 2025.

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

- ▶ We obtained the Board's going concern assessment, including cash flow forecasts, liquidity requirements and forecast covenant calculations and tested these for arithmetical accuracy. The Board prepared "base case" and "downside case" cash flow forecast models and forecast covenant calculations.
- ▶ We discussed and challenged the potential legal and regulatory costs associated with the cyber-attack, including the quantum and timing thereof, and the associated legal processes available to management with management's external specialists. We also critically evaluated whether the legal process outlined by management's external specialist was within the control of management.
- ▶ We considered the appropriateness of methods used to calculate the cash flow forecast models and forecast covenant calculations and determined, through inspection of the methodology and testing of the calculations, whether the methods used were appropriate to make an assessment for the company. Where applicable, we corroborated data used in the scenarios to appropriate third party support.
- ▶ The company has an agreed business plan with Ofwat for the five-year price period from 1 April 2020 to 31 March 2025, setting out the basis of allowed tariff changes. We have compared the key assumptions in the company forecasts to the agreed business plan for consistency.
- ▶ We have challenged management's forecast and relative sensitivity with respect to the PR24 business plan that is included within the going concern period from 1 April 2025 to 15 July 2025. We sensitised for downside scenarios where the proposed PR 24 business plan may not be fully approved by Ofwat and evaluated available mitigating actions. We also considered management's assessment of the draft determination issued by Ofwat on 11 July 2024.
- ▶ We have challenged key assumptions in the Board's scenarios including revenue growth, operating cost inflation including chemical and energy costs, capex and IRE programme spend and future cash outflows related to claims associated with the cyber-attack by comparing to the work performed as part of our audit.
- ▶ We have validated the maturity dates and covenant requirements of the company's facilities assumed in the models to facility agreements.
- ▶ We tested inputs into the covenant forecast calculations back to the base case and downside scenarios to identify whether there were any forecast covenant breaches in the GC review period.
- ▶ We performed sensitivity analysis on the downside scenarios assuming a severe but plausible level of payment of regulatory penalties and civil claims related to the cyber-attack, PR24 business plan outcomes and no additional financing during the going concern period. This assessment included consideration of mitigating factors within the control of the company which include the ability to reduce dividend payments, defer expenditure and follow a legal process that would take a significant amount of time and extend payment of civil claims and regulatory fines well beyond the going concern period.
- ▶ We considered events after the end of the going concern review period in the context of the requirements of ISA 570 (revised), in particular, the refinancing of one of the facilities expiring in March 2026, (ie, 8 months after the going concern assessment period). With the involvement of our debt advisory specialist, we challenged management's assumptions on their ability to refinance this facility before its expiry, including discussions held directly with the relevant banks.
- ▶ We read the company's going concern disclosures included in the Annual Report in order to evaluate whether the disclosures were appropriate and in conformity with the applicable reporting standards.

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

- ▶ We read the Company's going concern disclosures included in the going concern section of the accounting disclosures on pages 57-58 in order to evaluate whether the disclosures were appropriate and in conformity with the applicable reporting standards.

Our key observations

A key assumption in the forecast and severe but plausible downside scenarios is the quantum and timing of legal and regulatory costs arising from the cyber-attack. The Directors have included the worst outcomes based on legal advice. The Directors believe that the potential costs can be met through mitigating actions which the company can influence. The Directors believe that, should such costs be significantly greater than those assumed in the downside scenario, the legal process would take a significant amount of time and extend well beyond the going concern period. The Directors have also sensitised for downside scenarios with respect to the PR24 business plan as it relates to the going concern assessment period, focusing on assumptions with no cost mitigation. The Directors are of the view that the outcomes in the draft determination issued on 11 July 2024 do not indicate a materially different view for their going concern assessment and sensitivity analysis in the going concern period. Further, the Directors evaluated their ability to refinance one of the facilities expiring in March 2026, (ie, 8 months after the going concern assessment period) and are confident in their ability to do so before its expiry for the reasons noted in the going concern section of the accounting disclosures on pages 57-58.

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 to 15 July 2025.

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.

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

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 39, 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, as defined in RAG 3.14, 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.

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

We obtained an understanding of the legal and regulatory frameworks 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** those that relate to the reporting framework - **Regulatory Accounting Guidelines as issued by the WRSA**, FRS 102, Companies Act 2006, the UK Corporate Governance Code, those that relate to the regulatory landscape (Ofwat, Drinking Water Inspectorate, the Environmental Agency) and relevant UK tax compliance regulations. In addition, the company has to comply with the GDPR, health and safety regulations, employment and environmental laws and regulations; **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:

- We understood how South Staffordshire Water PLC is complying with those frameworks by making enquiries of Board members and management, those responsible for legal and compliance procedures, the General Counsel and Company Secretary, Strategy and Regulation Director and internal audit. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit and Risk Committee and attendance at meetings of the Audit and Risk Committee and correspondence received from regulatory bodies and noted that there was no contradictory evidence.
- We assessed the susceptibility of the company's **Regulatory Accounting Statements** to material misstatement, including how fraud might occur by making enquiries of senior management including the Managing Director, Finance Director, Head of Internal Audit, General Counsel and Company Secretary, Strategy and Regulation Director and Audit and Risk Committee Chair. We also considered management remuneration and covenant compliance requirements which may create an incentive or pressure for management to manipulate results.

We considered the possibility of fraud through management override, and, in response, we incorporated data analytics across manual journal entries into our audit approach. Where unusual results or anomalies were identified through our data analytics, we performed additional audit procedures to address each identified risk. These procedures included testing transactions back to source information and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

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

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of key management, those charged with governance and legal counsel, reviewing key policies, inspecting legal correspondence and correspondence with regulators, reading key management meeting minutes and reviewing the volume and nature of complaints by the whistleblowing hotline during the year. We involved our internal specialists where appropriate. We also completed procedures to conclude on the compliance of significant disclosures in the **Regulatory Accounting Statements** with the requirements of the reporting framework – **Regulatory Accounting Guidelines as issued by the WSRA**, FRS 102, relevant accounting standards, UK legislation and the UK Corporate Governance Code.
- We attended key meetings with management and legal counsel in order to identify and communicate any instances of non-compliance with laws and regulations.

The company operates in the water sector which is highly regulated. As such the Senior Statutory Auditor reviewed the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

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.

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

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 2024 on which we reported on 11 July 2024, 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.



Christine Chua (Senior statutory auditor)
For and on behalf of Ernst & Young LLP
London

12 July 2024

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