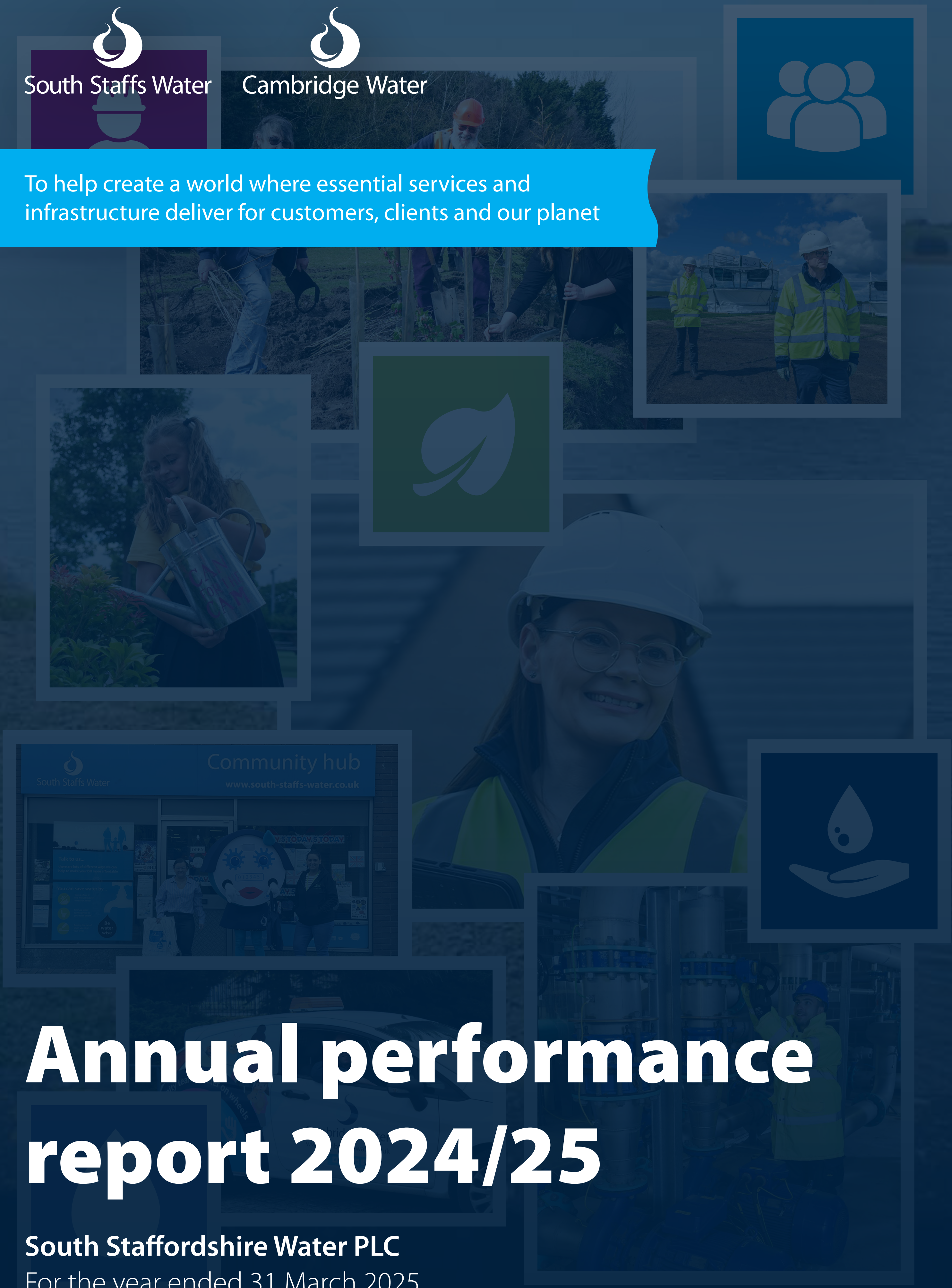


South Staffs Water
Cambridge Water

To help create a world where essential services and infrastructure deliver for customers, clients and our planet

Annual performance report 2024/25

South Staffordshire Water PLC

For the year ended 31 March 2025

Contents

Registered Office: Green Lane, Walsall, West Midlands, WS2 7PD.

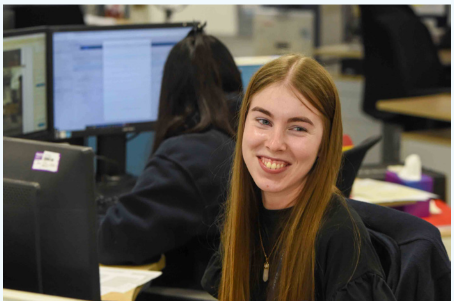
Registered in England and Wales, number 02662742.

About South Staffordshire Water

South Staffordshire Plc

We are part of the South Staffordshire Plc group of companies

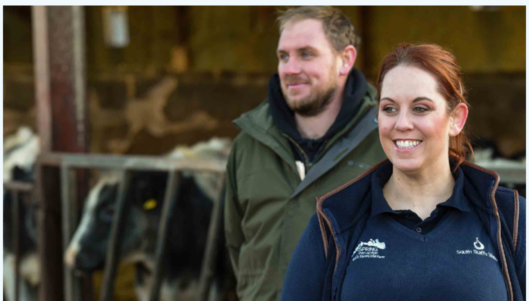
We are a water only company and do not take away and treat waste water



We operate Cambridge Water and South Staffs Water

Ofwat

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



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

We provide high-quality, clean drinking water to nearly 1.8 million people and 42,000 businesses every day

Our vision, purpose and values

Our vision

To help create a world where essential services and infrastructure deliver for customers, clients and our planet.

Our purpose

For more than 170 years, we have provided high-quality water supplies to customers in our Cambridge and South Staffs regions. Our purpose, as defined by our Articles of Association, is to safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way.

To ensure we can always provide this essential public service, we conduct our business and operations for the benefit of the communities we serve, while creating long-term value and delivering positive outcomes for the environment, customers and our people. This means:

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

By doing this, we are helping to **secure the water future** for our Cambridge and South Staffs regions, while at the same time making sure the interests of our customers and the environment are always our primary objective.

Our values

Our vision 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 to deliver for customers, communities and the environment every day.

Our business model

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 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

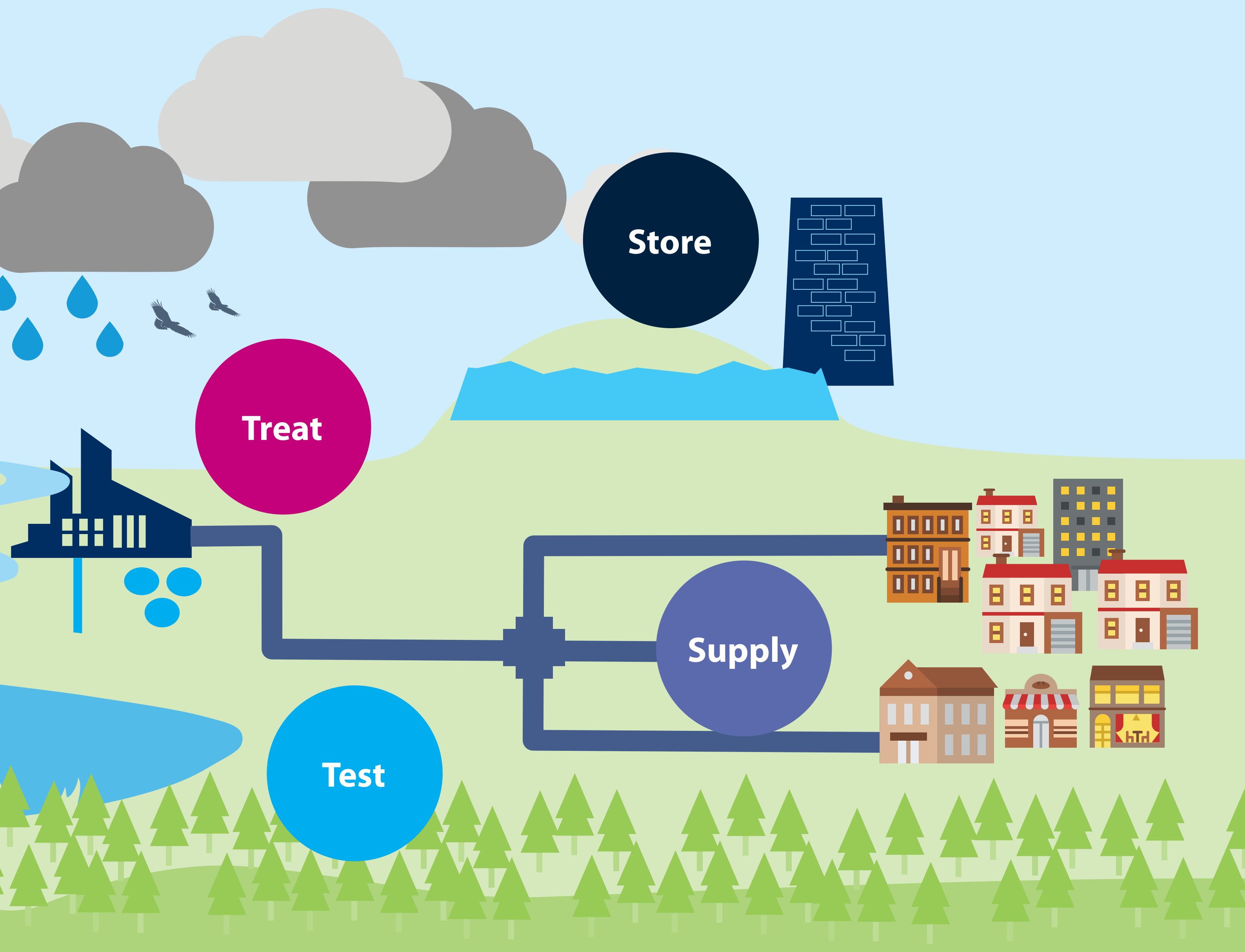
Each year, we carry out tests on more than 14,800 compliance samples.

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

Store water

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

South Staffs Water Cambridge Water



Supply water

Each day, we put an average of 405 million litres of water into supply (85 million litres in our Cambridge region and 320 million litres in our South Staffs region)

We use 8,765 km of pipes and 113 pumping stations to move water round our networks

We supply water to 720,905 household properties and 41,739 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

Ofwat approved our £926 million investment programme for 2025/30	Provided financial and other support to 69,797 customers
Engaged 6,692 young people about using water wisely	Completed the upgrade programme at our largest water treatment works
Disappointed to have missed some key customer and service targets	Submitted two successful bids to Ofwat's Innovation Fund – awarded £2.75 million
Started work on our ambitious universal metering programme	Started developing our new Assure Essential Saver tariff

Welcome from the Chair and Managing Director

Welcome to this report on South Staffordshire Water's performance covering the year to 31 March 2025. We hope you enjoy learning a bit more about the work that has been done over that time.

Although we're both new to the business, we know it's been a busy year for everyone involved in supplying clean drinking water to all customers across our Cambridge and South Staffs regions. We're excited to have joined South Staffordshire Water at the start of the five-year planning period to 2030 known as AMP8. We look forward to playing our part in helping to deliver our ambitious plans for customers, communities and the environment.

We recognise that these plans are set within the context of a challenging macro environment, which is continuing to impact our business-as-usual operations. In addition, the water companies in England and Wales remain under intense scrutiny, with questions being asked about their legitimacy and financial resilience. This has caused customers' trust in the services that their water companies provide to fall.

The UK Government has promised to rebuild that trust – with the Water (Special Measures) Act 2025 and the Independent Water Commission's review being the first two steps in a long-term approach to reforming the water sector – and that ambition, of rebuilding trust, is one that we strongly share. Looking ahead, we'll continue to work with the Government, our regulators and other water companies to earn our continuing right to that trust as the provider of an essential public service.

Relevant to this is the work that's been carried out to update our Articles of Association – the legal document that governs how our business is run. Our updated Articles reinforce our commitment to make delivering for customers and the environment a primary objective for the business, putting them at the heart of all our decision-making.

This reporting year is the last one in the five-year planning period to 2025 known as AMP7. We recognise the role everyone across the business has played in delivering our investment programme over that time. Key among this was the upgrade programme we undertook at the two largest water treatment works in our South Staffs region.

We're delighted that the upgrades at both works were delivered in line with agreed deadlines – especially given that, at the start of AMP7, we understand they represented the largest single investment ever made by the business and that questions were asked about its ability to deliver such large infrastructure schemes. The business proved its ability to deliver such ambitious programmes.

Another area where the business has performed well is with the number of customers we helped with financial and other support. This is very important for us, as we recognise the impact bill rises can have on household budgets already stretched by the ongoing cost-of-living crisis.

One of the ways we're helping customers who may be struggling to afford their water bills is through our new Assure Essential Saver tariff. We carried out comprehensive research and engagement on this tariff during the reporting year to help drive our decision-making on what the tariff should look like and how we think it will support customers who need help towards their bills. We're trialling the tariff during 2025/26, ahead of rolling it out across our Cambridge and South Staffs regions. We'll share the outcomes of that trial in next year's annual performance report.

We're also helping customers in vulnerable circumstances through our new vulnerability strategy. During the reporting year, we developed a more sophisticated approach to tackling vulnerability. Our aim is to build a more granular picture of the vulnerability issues that affect our customers – both from a financial and a health perspective.

Having submitted our draft vulnerability strategy to our regulator Ofwat in June 2024, our teams have focused their attention on identifying the gap between our current Priority Service Register (PSR) provision and the potential need for these services in the future. This will ensure we're supporting all our customers effectively; it will also help the business understand how vulnerability changes over time. The final version of our vulnerability strategy was submitted to Ofwat and published after the end of the reporting year in June 2025. The work we're doing here is truly inspiring, with a 'Help when you need it' approach to vulnerability and a commitment to providing a comprehensive level of support. We'll share more on some of the outcomes of this work in next year's annual performance report.

While we're pleased with our performance in a number of business-critical areas, we're disappointed to have missed our targets for a number of key metrics. This includes for the main measure of household customer experience (C-MeX), where we finished the reporting year considerably below our upper quartile target. It also includes the principal regulatory measure for drinking water compliance (CRI), following compliance failures at several sites across our Cambridge and South Staffs regions. For both measures, we've taken action to improve our performance.

In addition, we missed our target for supply interruptions. This is an area of particular disappointment for us, our people and our customers as we had previously set a high benchmark for the rest of the water sector in relation to this measure. But we unfortunately experienced a small number of significant bursts over the winter months, particular in our South Staffs region, which negatively impacted our overall performance for the year.

Looking ahead to the next five-year planning period to 2030 known as AMP8, a key programme of work for the business has been the completion of our regulator Ofwat's PR24 price review process. This was a complex and involved programme that touched every part of the business over a period of around three years. We welcomed the regulatory settlement we received from Ofwat. In addition, we were pleased that it had shifted its position on some of the business-critical areas where we had provided challenge to its initial decisions on our plans.

Our focus now is on delivering against the promises and commitments that we have made to our customers and our regulators over the next five years. This includes our universal metering programme, a programme of work to upgrade some of the smaller water treatment works across our Cambridge and South Staffs regions and work to drive leakage levels down even further.

We're also focusing on making sure the business is well set up to deliver our key objectives for customers and the environment. Critical to this is making sure we deliver a positive customer experience and that our people always feel engaged and empowered to do their best. We're excited by what the next year will bring and look forward to sharing news with you about how we're getting on.

Sara Vaughan

Sara Vaughan
Chair

Elena Karpathakis
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 includes 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 about our **compliance with the customer-facing conditions of our licence (condition G)**.
- 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 130. Jacobs has also audited the financial flows submission and our long-term viability statement (see 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 as defined by our Articles of Association (the Articles), which is to safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way.

This means conducting our business and operations for the benefit of the communities we serve, while creating long-term value and delivering positive outcomes for customers, the environment and our people. It also means:

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

We think that by doing this, we are helping to **secure the water future** for our Cambridge and South Staffs regions, while at the same time making sure the interests of our customers and the environment are always our primary objective.

This purpose is something that all our people live and breathe and that is reflected in the following, among other things.

- Our **plans to ensure the long-term resilience of our assets**, including completing the upgrade programmes at the largest water treatment works in our South Staffs region. They also include the work we are carrying out in partnership with Anglian Water in our Cambridge region to develop sustainable, long-term water supplies – in particular, with the new Fens reservoir strategic resource option.
- Our **focus on health and safety**, with incidents reported to the Board each month and training for people.
- Our performance as **upper quartile for efficiency at PR19 and sector leading at PR24**.

It is also reflected in the promises we have made to our customers during AMP7, 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 19 to 48 of this document.

Underpinning our purpose and outcomes are the following values, which are common to all South Staffordshire Plc Group companies (the Group).

- **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.

During the reporting year, we have embedded these values into our work and into our people's objectives, ensuring they are fundamental to everything we do.

We think that by living our values, this will help us to deliver our outcomes and achieve our purpose of always providing an essential service of high-quality, clean drinking water for customers in an affordable and sustainable way. 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 during the reporting year.

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 purpose, which is underpinned by the Group's vision, mission and values (see above).

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.

Our long-term vision is set within the context of the following ambition statements.

- **Our service:** we will use cutting edge technology and ensure the infrastructure is in place so that customers always receive resilient, high-quality water supplies.
- **Our environment:** we will lead in protecting and enhancing the environment – working with partners to ensure sustainable water supplies and flourishing local habitats.
- **Our customers:** we will innovate to exceed customers' expectations of our service, end water poverty and make sure help is always available.
- **Our communities:** we will use partnerships and education to lift our communities, creating space and opportunities to help people work and thrive.
- **Our business:** we will lead in adapting to climate change and will run a safe, efficient and sustainable business, with a highly skilled workforce.

These long-term ambitions will also be reflected in the work we are doing to deliver our plans for the five years from 2025 to 2030 (AMP8).

During the reporting year, we also updated our Articles, which govern how South Staffordshire Water is operated and managed. The Articles also play a vital role in ensuring the smooth running of our business.

We worked with the Board, the Group and our shareholders to update our Articles. In doing this, we have placed customers and the environment at the heart of our purpose, making them our primary objective.

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 updates giving our people the opportunity to learn more about the key areas where the Board is focusing its attention.

Another way that the Board's work is shared and communicated across the business is through team meetings and de-briefs. 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 16 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 overarching strategy, and to ensure we meet the needs of our customers, our people, our investors and other stakeholders. At the same time, its role is also to make 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 and Executive team members.
- **Remuneration Committee**, which focuses on setting the remuneration packages for Board and Executive team members.

See the corporate governance report in 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**.
- The **structure** of the Group and South Staffordshire Water PLC.
- An **explanation of the dividends paid**, and how these take account of our performance in delivering for customers.
- An **explanation of the principal risks** to the future success of the business, and how these risks have been considered and addressed.
- **Board and Committee membership**, including the number of meetings and attendance at each meeting.
- An **explanation of our Executive remuneration policy**, including how the criteria for awarding short- and long-term performance elements are linked to delivery for customers, as well as how we have complied with the Water (Special Measures) Act measure on Performance Related Pay Prohibition.

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;
- four Independent Non-executive Directors, including the Chair; and
- two Non-executive Directors (Arjun Infrastructure Partners representatives).

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 in 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 in 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.

We share the Group's vision to help create a world where essential services and infrastructure deliver for customers, clients and our planet. For us, this means making 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 more than 170 years, we recognise the need to deliver the things that are important 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 purpose is to "safely provide an essential service of high-quality drinking water for customers in an affordable, trusted and sustainable way". It is encapsulated in our Articles, which govern how we operate and manage our business.

During the reporting year, we updated our Articles and have placed customers and the environment at the heart of our purpose, making them our primary business objective. This means we conduct our business and operations for the benefit of the communities we serve, while creating long-term value and delivering positive outcomes for the environment, customers and our people.

Our overarching vision and purpose are underpinned by the Group's shared values. This is to ensure we always act in a way 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 'Making water count', 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.

To help us deliver to promises we set out in our business plan for the five years to 2025, we developed 30 performance commitments. These are the areas where our customers have said they want to hold us to account. In addition, we set stretching targets, known as 'outcome delivery incentives' (ODIs), for each of these commitments to help customers measure our performance and see how we are doing.

We publish our progress on meeting these targets in an open and transparent way each year. 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 uses its expertise and insight to challenge these targets and ensure there are plans in place to get back on track if there are any shortfalls. During the reporting year, the largest group of Directors on the Board was that of Independent Non-executive Directors, including the Chair.

A critical programme for us during the reporting year has been the completion of the regulator Ofwat's PR24 price review process. We received our final determination in December. Over the five years to 2030, Ofwat is allowing us to invest £926 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 will continue to enhance and protect the environment that we all rely on and enjoy.

Our latest business plan, 'Securing your water future', is set within the context of a 25-year long-term delivery strategy. This has enabled us to outline the long-term outcomes we plan to deliver, and how we will deliver them in a range of plausible futures and against different scenarios.

We have also continued to focus our attention on delivering for our customers and the environment. The reporting year is the last one in the five-year planning period from 2020 to 2025. It has been a busy and at times challenging year for us, with mixed results in terms of our performance against our key regulatory targets.

For example, we have completed the work to upgrade the largest water treatment works in our South Staffs region in line with the 31 March 2025 target date agreed with the Drinking Water Inspectorate (DWI). At the time of writing, our customers were already experiencing enhanced water quality from the works.

This is also reflected in our performance against our target to the reduce customer contacts about their water quality which we measure in terms of contacts per thousand of population. We have outperformed this measure in each of the five years to 2025.

We have also outperformed against our targets for the number of customers we help with our financial and other support packages. We have considerably exceeded our target for the reporting year of 40,000 by providing financial support to 69,797 customers during the reporting year. This is particularly important for us, especially when set within the context of the ongoing cost-of-living crisis and the issue of bill affordability for some customers.

Another area where we have performed well is the number of young people we have engaged with our education outreach activity. During the reporting year, we exceeded our target by engaging with 6,692 young people through our in-person programme of interactive assemblies and workshops. This is especially pleasing as we have struggled to get our performance in this area back on track following the COVID-19 pandemic.

But there are a number of areas where our performance during the reporting year has fallen short of our – and our customers' – expectations. This includes missing our supply interruptions target, which is an area where we have previously set a high benchmark for the rest of the sector. Our poor performance in this area has been driven by a small number of significant bursts during the winter months in 2024, particularly in our South Staffs region.

In addition, our performance for C-MeX – the principal regulatory measure of household customer experience – has also fallen below our expectations during the reporting year. We finished the year considerably below our upper quartile target. We are continuing to deliver against our improvement plan to get this measure back on track during the five years to 2030.

We have also not met our target for the Compliance Risk Index (CRI). This is the principal regulatory measure set by the DWI. We have experienced failures for turbidity, coliforms and odour at a number of sites across our Cambridge and South Staffs regions during 2024. We have implemented a number of actions to address these issues, including carrying out tank cleaning and other maintenance at our sites and replacing sample points.

As well as delivering for customers and the environment, we have continued to shape a positive and inclusive culture within our business. We recognise the benefits being part of a larger group can bring to our people. We actively participate in a number of Group initiatives. This includes the annual Group Leadership Conference, where senior leaders from across the business join colleagues from other Group companies to share ideas and reward success.

In addition, during the reporting year, we worked closely with other Group companies to develop a set of 'people promises'. These reflect what our people have told us is important to them in terms of:

- reward and recognition:
- fostering an inclusive and values-led culture across our business;
- ensuring effective communication and engagement; and
- providing growth and development opportunities for all.

We think our people promises help us to create a working environment where all our people can thrive and contribute to our success. This is especially important as we turn our attention to delivering our ambitious plans for our customers, our communities and the environment over the five years to 2030.

Our people also have the opportunity to join Group-wide employee networks. During the reporting year, dedicated Women's and LGBTQ+ networks were established as a ways of connecting people from across the business. The role of the Women's network is to foster a supportive and empowering environment for women across the Group, while the Unity+ network focuses on sexual orientation, gender identity and gender expression.

We remain committed to creating a positive culture around physical and mental health and have continued to focus our attention on advocating good mental health and wellbeing practices among all our people. We have also focused on ensuring the safety of all the sites across our Cambridge and South Staffs regions – and, by extension, the people who work at those sites. This includes work we have done to improve systems and processes in a number of business critical areas such as emergency planning. We will continue to build on this 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 performance	2024/25 target	2024/25 performance	Target met
Our customers	Great customer service to household customers	C-MeX score	81.89	83.38	79.87	76.29	Upper quartile	74.4	✗
	Great service to developers	D-MeX score	83.59	84.4	87.57	88.48	Upper quartile	88.03	✗
	Great customer service to our business market suppliers (retailers)	R-MeX score	76	87.3	82.2	85.1	93.3	77.3	✗
Our community	Financial support for household customers struggling to pay their bills	No. of customers helped	49,279	58,611	55,993	61,752	40,000	69,797	✓
	Ensuring customers who need assistance are registered with us	% registered on Priority Services Register (PSR)	5.8	8.7	10.6	11.6	8	14.9	✓
	'Extra care' support for customers who need assistance	% on PSR receiving extra care support	5.0	5.1	4.7	5.1	5	5.5	✓
	Education programme, working with schools about the need to use water wisely	No. of pupils engaged	297	2,284	3,672	6,310	6,000	6,692	✓
Our service	Delivering upgraded water treatment works	% completion	8	18	63.2	92.1	100	100	✓
	Always meeting water quality standards – drinking water quality	Compliance Risk Index (CRI) score – water quality measure	1.09	0.90	1.39	10.90	0	6.58	✗
	Always meeting water quality standards – taste, smell and colour	Contacts per 1,000 population	0.98	0.76	0.65	0.59	0.76	0.5	✓
	Maintaining a reliable supply – supply interruptions	Average interruptions in minutes/seconds	04:33	03:15	04:29	03:32	05:00	15:04	✗

Outcome	Performance commitment	Unit of measurement	2020/21 performance	2021/22 performance	2022/23 performance	2023/24 performance	2024/25 target	2024/25 performance	Target met
	Maintaining a reliable supply – severe supply restrictions	% of customers at risk	0	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	1.60	2.34	1.09	✓
	Finding and fixing visible leaks more quickly	% of visible leaks repaired within a set no. of days	90% within six days	90% within five days	90% within four days	90% within four days	90% within four days	90% within five days	✗
	Reducing the number of burst mains	No. of bursts per 1,000 km of mains	130.0	109.6	150.8	113.3	122.4	117.9	✓
Our environment	Reducing leakage levels – Cambridge region	% reduction from baseline	5.1	13.5	16.7	18.6	13.8	21.8	✓
	Reducing leakage levels – South Staffs region	% reduction from baseline	3.0	5.8	9.4	10.2	15	13.9	✗
	Reducing how much water each person uses (per capita consumption) – Cambridge region	% reduction from baseline	-3.2	-3.5	-5.6	2.0	6.3	7.2	✓
	Reducing how much water each person uses (per capita consumption) – South Staffs region	% reduction from baseline	-5.9	-10.3	-14.9	-11.2	1	-9	✗
	Not taking too much water from environmentally sensitive sites	Abstraction Incentive Mechanism (AIM) score	-0.07	0	0.19	-0.6	0	0	✓
	Delivering Water Industry National Environment Programme requirements	Milestones	Not met	Not met	Met	Met	Met	Not met	✗
	Protecting wildlife, plants, habitats and catchments	Hectares of land managed	245.8	542	783	840	690	899.4	✓
	Supporting water-efficient house building	Volume of water saved (megalitres)	2.2	15.5	16.6	29.1	30.6	42.7	✓
	Reducing our carbon emissions	Kilograms per connected property	35.5	46.7	40.5	47.4	61	41.9	✓

Outcome	Performance commitment	Unit of measurement	2020/21 performance	2021/22 performance	2022/23 performance	2023/24 performance	2024/25 target	2024/25 performance	Target met
Our business	Treating all our suppliers fairly and paying small businesses quickly	% of small businesses paid within 30 days	29	69	69	79	100	71	✘
	Making sure our property records are up to date	% validated	100	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	3.04	2.75	2.73	✓
	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. NPS not achieved	IIP achieved and 10pt 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	63	85	62	✘
	Making sure customers have a high level of trust in us	Score out of 10	8.16	7.85	7.68	6.97	8.3	7.13	✘

Delivering for our customers

Our customer promise

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

Preparing for AMP8: our universal metering programme

In 2021, the Environment Agency updated its classification of water stressed areas in England. Both our Cambridge and South Staffs regions were determined to be 'seriously water stressed'. This means we are able to adopt compulsory – or universal – metering if we have sufficient support from customers.

We have seen a shift in customer support for metering in recent years. Even so, we recognise how important it is to take our customers along with us on this journey. So, we are putting customer care at the heart of our universal metering programme. From initial notification about installation through to the billing experience, we will deliver every stage with extra care and clear communication. Providing the right levels of support for customers who need extra help during this transition is also critical for us. We will draw on best practice from the rest of the sector when communicating with our customers, taking on board key learnings from companies who are further ahead in their metering programmes.

During the reporting year, we started planning every aspect of our ambitious universal metering programme, having been awarded £55 million in funding by Ofwat in our PR24 final determination – set within the context of putting customers at the heart of all our decision-making and giving them more power over the water they use. Over the five years to 2030, we have committed to installing 161,458 Advanced Metering Infrastructure (AMI) meters across our Cambridge and South Staffs regions – a considerable step change on what we have done previously. For comparison, during the five-year planning period to March 2025, we installed around 9,000 meters a year using Automated Meter Reading (AMR) technology.

We will install the new AMI meters across both our Cambridge and South Staffs regions during the course of AMP8. The advantage of using AMI meters is that they are read remotely and can provide near real-time data on water use. Our goal with this to reach as close to universal metering as possible in both regions by 2035. As our South Staffs region currently has lower levels of household meter penetration at 45.2%, most of the new installations will be there. Metering levels in our Cambridge region are higher – at 76.4%. But we still have targets to meet in line with our latest water resources management plan for the region. We will also be extending the programme to our non-household customers across both regions.

We will officially launch our universal metering programme in August 2025 and will report on our progress in next year's annual performance report.

Great customer service – household customers

Common or bespoke performance commitment: Common

Target met: No

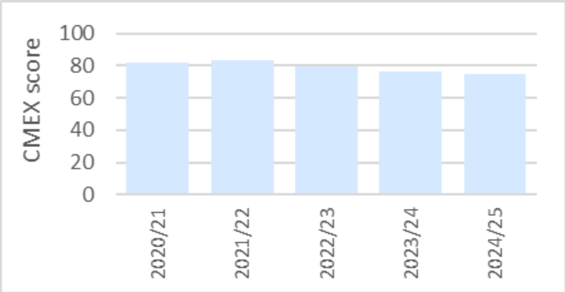
What we are measuring

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 water sector. The chart above shows the scores we achieved during the five years to 2025.

We are disappointed that our performance against this measure has fallen below our – and our customers' – expectations, having finished the year considerably below our upper quartile target. We have put plans in place to deliver improvements in this business critical area.

Great customer service – developers

Common or bespoke performance commitment: Common

Target met: No

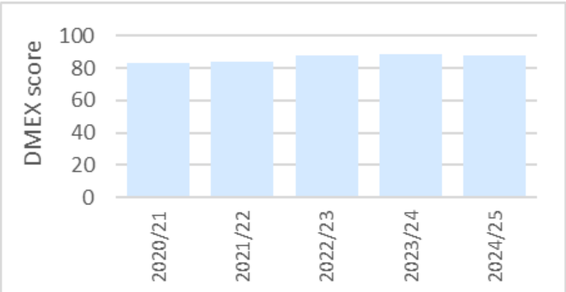
What we are measuring

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.

Throughout this time, our aspiration has been to achieve upper quartile in the water sector for this measure. While we have seen some improvements in our D-MeX performance, we have not met our target for the reporting year. We have put plans in place to deliver improvements in this area.

Great customer service – business market retailers

Common or bespoke performance commitment: Bespoke

Target met: No

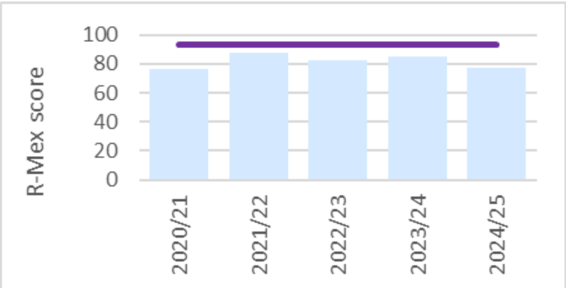
What we are measuring

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 as an average of the following three metrics.

- Retailer satisfaction score.
- Market performance standards.
- Operational performance standards.

We have seen some improvements in this measure during the reporting year. But we have not met our target in any of the five years to 2025. This is an area where we know we need to improve.

We have already taken some important steps forward, including relocating our Wholesale Service team from our contact centre alongside our customer-facing and operational teams, and recruiting additional resource. We also have an action plan in place with the market operator MOSL to help drive the improvements we have identified.

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"

Engaging future customers through our education outreach programme

We have a long-established education outreach programme. This is underpinned by our performance commitment to reach 6,000 young people a year with our in-person interactive workshops. We offer a range of sessions for Early Years, Key Stage 1 and Key Stage 2 pupils. These include:

- our 'Wendy the Water Waster and Suzie the Super Saver' session for young children, which uses dolls to explain how everyone should use water more wisely; and
- our 'Little Drop' and 'Captain Efficient and the Water Wasters' workshops for children in years 1 and 2, which explain the water cycle and water efficiency in a fun and engaging way.

For older children (years 3 to 6), we explore the water cycle in more detail. This includes introducing key scientific vocabulary and exploring the impact the weather can have on water supplies. In addition, the children have the opportunity to learn more about the water treatment process. Furthermore, they get to construct their own water filters.

We also offer a 'Water Crimes' workshop for children in years 3 to 6, which focuses on water efficiency. The children complete five activities, including creating a radio jingle and making water efficiency stickers to display at home or school. The workshop enables the children to develop 'Top Trumps' style cards with tips for their chosen water efficiency activity. This gives them the chance to play water detective and look around their school environment to spot any water crimes being committed – a tap left running, for example – and think about how they can prevent this in the future.

We always want to improve our educational offering. So, getting feedback from the schools we visit is very important to us. After each workshop, we ask the host school to score the sessions from one to five, where five is 'excellent'. We also ask them to suggest potential areas for improvement.

We are pleased to report that we exceeded our target for reporting year, delivering our workshops to 6,692 young people across our Cambridge and South Staffs regions. This is especially rewarding as the COVD-19 pandemic early in the 2020 to 2025 period made it difficult to deliver our workshops in a school setting.

Looking ahead, we intend to link our education outreach work with our universal metering programme, emphasising the benefits of having a water meter. In addition, we are exploring the potential for site visits across our Cambridge and South Staffs regions. We are also considering introducing workshops for parents so that they can support what their children have learned in school. Finally, we are looking to develop leaflets and other material that children can take home to share with their families.

Financial support for household customers

Common or bespoke performance commitment: Bespoke

Target met: Yes

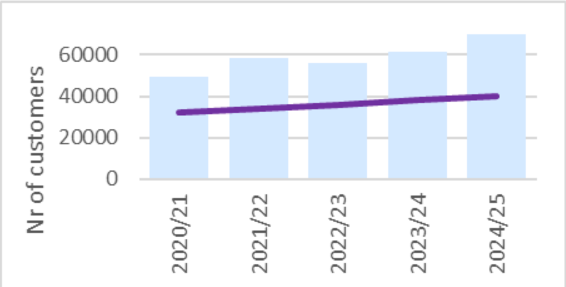
What we are measuring

The number of household customers we are helping with their water bills, using financial assistance schemes such as our Assure 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 year of the five-year planning period to 2025.

We are rightfully proud of our work in this area and are trialling a new tariff, called the Assure Essential Saver, for customers who are above the income threshold for our Assure tariff, but who are still struggling to pay their water bills. 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

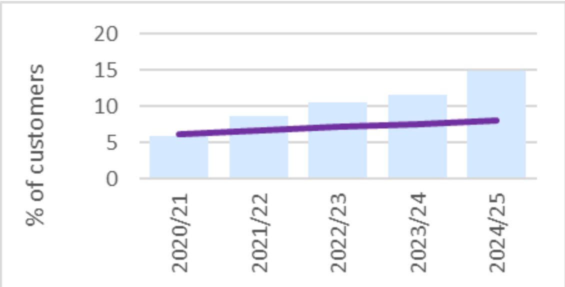
The number of household customers registered on our Priority Services Register (PSR), with the proportion validated every two years.

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

Unit of measurement

Percentage of customers registered.

How we have performed



Our PSR is a valuable service for customers who have additional health or financial needs and vulnerabilities. It is a measure where we have shown year-on-year improvements during the five years to 2025, reaching an increasing number of customers in vulnerable circumstances.

The reporting year is no exception, with us considerably exceeding our target for the number of customers helped (shown as a purple line) and outperforming all three elements of the measure.

We will continue to drive improvements in this area through our vulnerability strategy.

'Extra care' support for household customers

Common or bespoke performance commitment: Bespoke

Target met: Yes

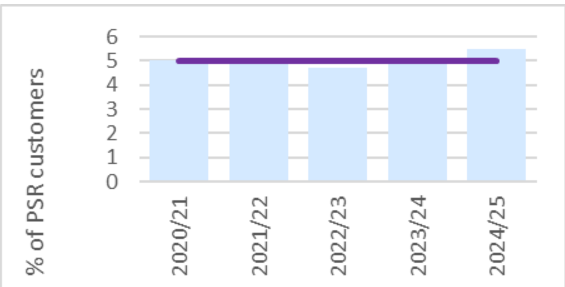
What we are measuring

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.

We are continuing to make sure we have a wide-ranging package of support options available for those customers who need it. This is reflected in our performance for the reporting year, where we outperformed our target.

Education outreach

Common or bespoke performance commitment: Bespoke

Target met: Yes

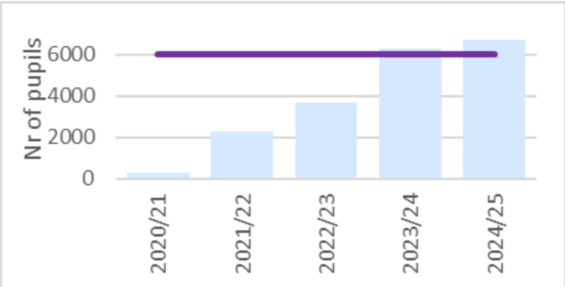
What we are measuring

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 interactive, in-person 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 2020 to 2025 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. So, we are pleased to report that we outperformed our target for this measure, ending the year in a reward position.

Delivering a reliable service

Our service promise

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

Monitoring the health of our water system

We have been working with a research student from Sheffield University on a project with a focus on adaptive monitoring of system health (AMoSH). The project is funded by the Engineering and Physical Sciences Research Council (EPSRC) and facilitated by the Water Infrastructure and Resilience centre of doctoral training.

The project is investigating how data assurance and mobile strategies for water quality monitoring can be used to inform the proactive management of the water networks in our Cambridge and South Staffs regions. This will help to determine the impact of the investment in our assets.

The current processes for managing discolouration within the water network are generally reactive, with a focus on turbidity events. Turbidity can be caused by a number of different factors. These include sediment build up, rainfall overflows and decomposed matter or organic material. The aim of the project is to explore how turbidity instrumentation can be deployed more effectively to proactively inform our asset maintenance programme and reduce contacts from customers about the colour, smell and taste of their water.

In addition, the project will demonstrate water quality monitoring capabilities and track network health. In particular, it will assess the benefits of investments we have made in our networks while using a small number of mobile monitors on a 'lift and shift' basis. It will also devise protocols to support data quality assurance and criticality confidence in absolute turbidity values.

Initially, four monitors, calibrated at the University of Sheffield, will be deployed in our South Staffs region. These will be in place in one location for two weeks before being moved to other parts of the network on rotation for the duration of the project. Monitoring will be carried out before planned capital and operational investments are made. The key outputs will be a series of turbidity metrics for reporting purposes. This will help us to target our investments for effectively and efficiently.

We will report on the progress of this project in future annual performance reports.

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 two largest 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

The two largest water treatment works in our South Staffs region are critical assets for us. And our ambitious upgrade programme at both works was the largest single element our investment programme over the five years to 2025.

We delivered the upgrade programme at the first of the two works in March 2023, in line with the target date agreed with the DWI.

We are pleased to report that we delivered the upgrade at the other works during the reporting year in line with the target date agreed with the DWI.

Following the completion of the principal construction work and the assembly of the new filtration units in 2023, we started work to install the ceramic membranes in April 2024, with all the filtration units in full operation in the autumn. Our customers are now receiving the benefit of enhanced water quality from the works.

Always meeting drinking water quality standards

Common or bespoke performance commitment: Common

Target met: No

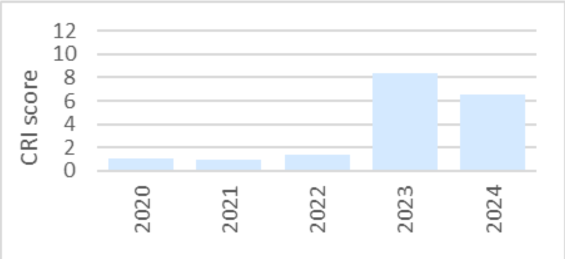
What we are measuring

Our compliance with drinking water quality regulations, as measured using the DWI's Compliance Risk Index (CRI) metric. This is a calendar year measure.

Unit of measurement

CRI score.

How we have performed



During 2024, we experienced failures for turbidity, coliforms and odour at several sites across our Cambridge and South Staffs regions. These compliance failures have caused us to significantly miss our CRI target of zero, putting us in a penalty position for the reporting year.

We have taken steps to address these issues, including carrying out tank cleaning and maintenance at our sites and replacing sample points. We have also recruited a Network Scientist within our water quality team to enhance our water quality monitoring. See the case study on page 43 for more information.

Always meeting drinking water standards for appearance, smell and taste

Common or bespoke performance commitment: Bespoke

Target met: Yes

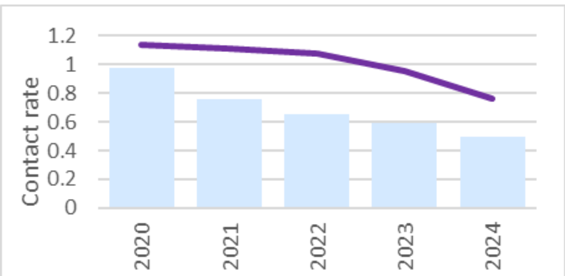
What we are measuring

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

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.

Over the five years to 2025, 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.

Our continued focus on customer acceptability contacts is showing demonstrable improvements against our target (shown as a purple line). We review contact data at a working group level every month, escalating any changes to the Executive team as necessary. We also carry out deep dives into potential root causes and to help us identify and implement any remedial actions we need to take.

Maintaining a reliable supply – supply interruptions

Common or bespoke performance commitment: Common

Target met: No

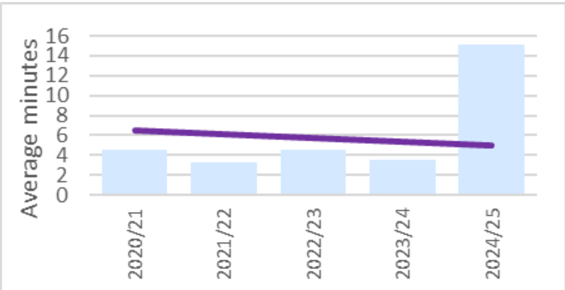
What we are measuring

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



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. This is a high priority for them and when unplanned supply interruptions occur, our aim is to return their supplies to normal as quickly as possible.

We have previously been one of the best performers in the water sector for supply interruptions. But a small number of significant bursts in our South Staffs region in early November 2024 has had a negative impact on our performance. This caused us to substantially miss our target for the year, resulting in us exceeding the penalty collar for the first time and incurring the maximum penalty for this measure.

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.

Based on the plans and measures we have delivered during the five years to 2025, the risk level to customers from this performance commitment currently remains at 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. We will continue to monitor this in the five years to 2030.

Reducing the number of water production failures

Common or bespoke performance commitment: Common

Target met: Yes

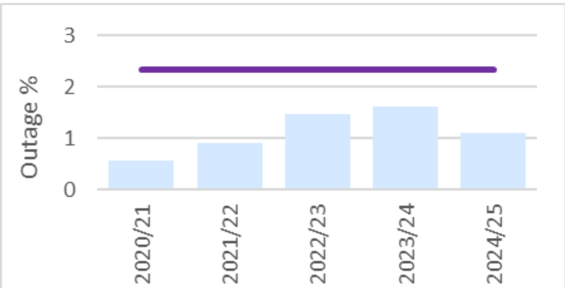
What we are measuring

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 this target in every year of the current planning period.

Finding and fixing visible leaks more quickly

Common or bespoke performance commitment: Bespoke

Target met: No

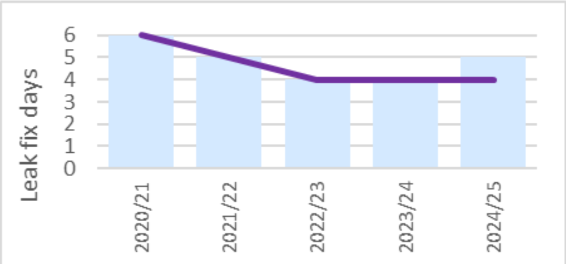
What we are measuring

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.

With this target, there is always a potential risk to performance around weather-related events. In such instances, we can take a strategic decision to pause visible leak repairs to maintain supplies to customers as a priority.

We are disappointed to have missed this target during the reporting year, having met it in the previous four years of the current planning period.

Reducing the number of burst mains

Common or bespoke performance commitment: Common

Target met: Yes

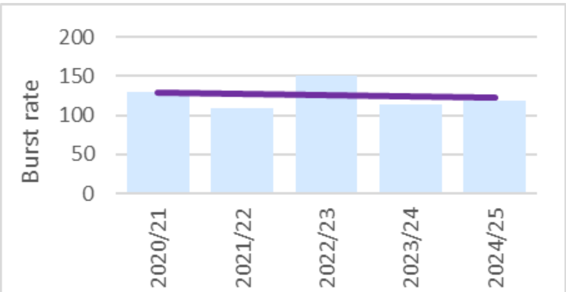
What we are measuring

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 small number of significant bursts we experienced in our South Staffs region during the winter months in 2024, as we have discussed elsewhere in this document, we ended the reporting year on target.

Delivering for the environment

Our environment promise

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

Opportunities for water re-use: taking a collaborative approach

We have been collaborating with Anglian Water, Wessex Water and Water Resources East (WRE) as part of a working group to consider the opportunities for re-using water for non-potable – that is, non-drinking water – purposes. We have examined a wide range of sources, as well as the uses for and users of recycled water. As part of this work, we have drawn on national and international case studies to help us identify barriers and solutions – legal, financial, environmental and technological.

The main output of this work is a summary report, published just outside the reporting year in April. This includes an analysis of the opportunities and constraints for water re-use projects, as well as recommendations for further work. The Environment Agency has considered the working group’s findings and recommendations as part of its work to update the National Framework for Water Resources, which was published outside the reporting year in June 2025.

The summary report is also available to other water companies in the sector that are potentially considering water re-use schemes as alternative water sources. In addition, we think it would be helpful for the UK Government, regulators and other stakeholders involved in developing policy and supporting changes.

A key feature of the report is a water use hierarchy, which starts with managing the demand for water. Sitting beneath this is the need to maximise the re-use of existing water sources, before turning to using drinking water and abstracting from the environment. At the same time, it acknowledges that a combination of options may be required to meet the full non-potable water demand of end users.

The report also highlights some examples of water re-use schemes. These include:

- rainwater capture and harvesting, which entails collecting rainwater from properties, urban drainage systems and run-off from roads;
- localised building re-use, which means re-using water that has already been ‘used’ within a building, such as grey water and industrial effluent; and
- taking advantage of local water sources, such as the water from old mines.

For all these examples, a key consideration is the level of treatment required to ensure the water can be re-used for non-potable purposes.

The report also makes a number of recommendations to help facilitate the uptake of water re-use projects across the sector.

We will continue to contribute to this work through the National Framework for Water Resources non-potable re-use working group.

Reducing leakage levels – Cambridge region

Common or bespoke performance commitment: Common

Target met: Yes

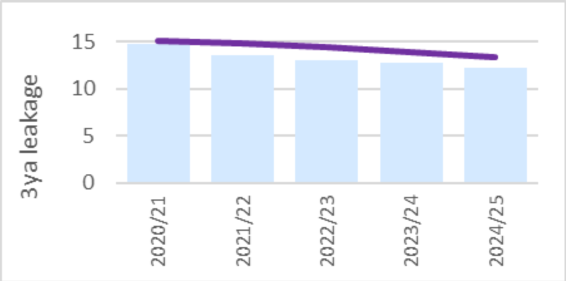
What we are measuring

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. We are pleased to have met our leakage target in our Cambridge region. This is despite seeing a rise in leakage levels in the autumn and winter.

Looking ahead to the five years to 2030, Ofwat has allowed us funding to drive our leakage reduction work forward. Alongside this, we are continuing with our rolling mains replacement programme across the Cambridge region. We are replacing old mains on the network with new ones made of modern, high-performance materials that are less likely to fracture.

Reducing leakage levels – South Staffs region

Common or bespoke performance commitment: Common

Target met: No

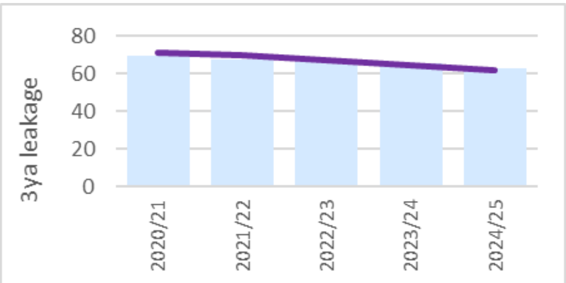
What we are measuring

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. We have not met our leakage target in our South Staffs region following a number of freeze-thaw events over the winter. In addition, the significant bursts we experienced in Wednesbury, Tipton and Bloxwich in early November 2024 also contributed to us just missing this target and ending the year in a penalty position for this measure.

Looking ahead to the five years to 2030, Ofwat has allowed us funding to drive our leakage reduction work forward. Alongside this, we are continuing with our rolling mains replacement programme across the South Staffs region. We are replacing old mains on the network with new ones made of modern, high-performance materials that are less likely to fracture.

Reducing how much water each person uses – Cambridge region

Common or bespoke performance commitment: Common

Target met: Yes

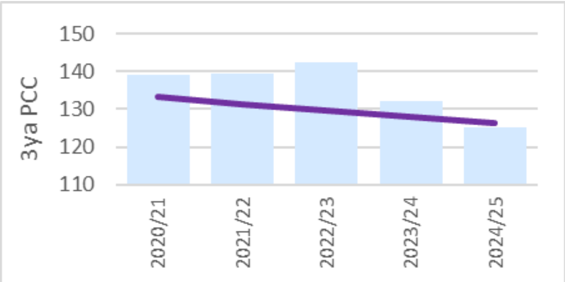
What we are measuring

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 failed our target in the first four years of the 2020 to 2025 period.

So, we are delighted to report that we outperformed our target during the reporting year. This reflects the work we have done through our 'Can for the Cam' and 'Yes We Cam' campaigns to encourage behavioural change among our customers.

Making small changes to deliver a big impact

In last year's annual performance report, we shared information about our award-winning 'Can for the Cam' campaign.

Building on the success of this, we launched a supplementary campaign during the reporting year called 'Yes We Cam'.

The aim of this campaign was to encourage customers to deliver small changes in their water use behaviour to make even greater water savings – helping to protect the rare chalk stream habitats that are a feature of our Cambridge region.

At the heart of the campaign was a call for collective action, with six pledges for customers to sign up to and the offer of a free visit by a plumber to fix any 'leaky loos'. These pledges included things like showering for two minutes less than normal and running a washing machine on eco mode.

A key message for us during the campaign was that if we all used less water each day, more would be left in the environment for the benefit of the chalk streams.

Research carried out by our independent partner Explain showed that awareness of our campaign among customers was high and that they had understood its overarching aim to encourage water conservation. This is something we will build on for the future.

Reducing how much water each person uses – South Staffs region

Common or bespoke performance commitment: Common

Target met: No

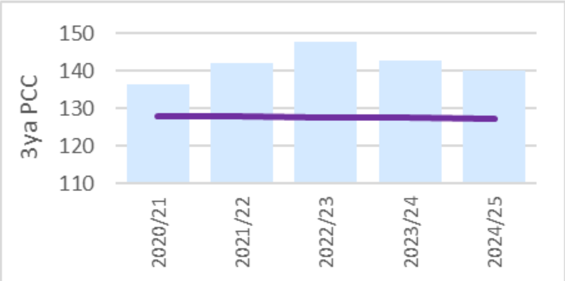
What we are measuring

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 South Staffs region rose significantly between 2020 and 2022 compared with pre-pandemic levels, we have not met our target in the first four years of the 2020 to 2025 period.

While PCC in our South Staffs region has fallen since 2022/23, we have still underperformed against our target during the reporting year. We think our universal metering programme will help us with this measure. This is because it will give our customers the power to control how much water they use.

Not taking too much water from environmentally sensitive sites

Common or bespoke performance commitment: Bespoke

Target met: Yes

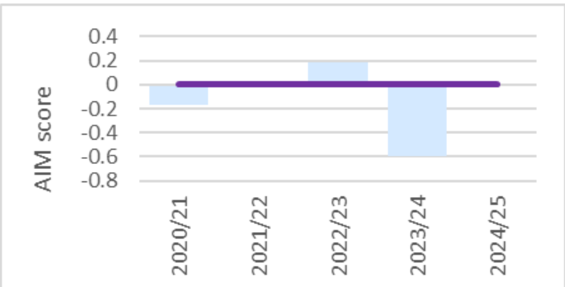
What we are measuring

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. 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. We did not trigger AIM at this site during the reporting year.

Delivering our WINEP requirements

Common or bespoke performance commitment: Common

Target met: No

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 obligations, liaising with both the Environment Agency and Natural England, where relevant. This includes working on WINEP schemes across our Cambridge and South Staffs regions to:

- enhance biodiversity;
- remove invasive non-native species; and
- protect key habitats.

It also includes work we have carried out to ensure sustainable abstractions for the long term across both regions.

We did not deliver five of our agreed WINEP schemes during the reporting year – three in our Cambridge region and two in our South Staffs region. This was because:

- the Environment Agency considered we did not fully meet the requirements in relation to our work with farmers in the Lower Blithe catchment;
- we overlooked the installation of an eel pass at one site, meaning we missed the window to complete the work; and
- we missed an engagement target for some of our catchment work.

We are working with the Environment Agency to agree the requirements for signing off these outstanding schemes.

Protecting wildlife, plants, habitats and catchments

Common or bespoke performance commitment: Bespoke

Target met: Yes

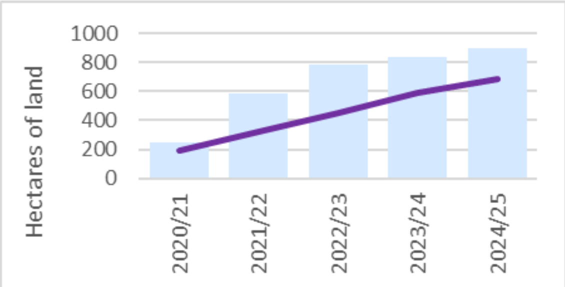
What we are measuring

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 2020 to 2025 period. And we are delighted to have again outperformed our target in this area during the reporting year.

We have continued with 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 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 to support natural habitats.

Supporting water efficient house building

Common or bespoke performance commitment: Bespoke

Target met: Yes

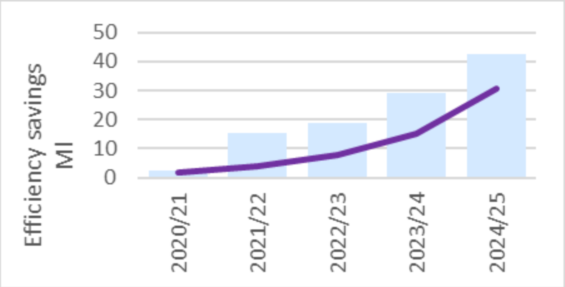
What we are measuring

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, or 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.

We have performed ahead of our target for four out of the five years in the planning period to 2025. For the reporting year, we saved more than 42 Ml of water through this measure.

Reducing our carbon emissions

Common or bespoke performance commitment: Bespoke

Target met: Yes

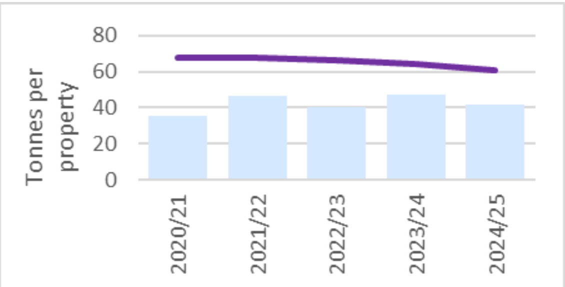
What we are measuring

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 2020 to 2025 period. During the reporting year, we saved nearly 42 kg of carbon per connected property. 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"

Enhancing our approach to water quality

To ensure water quality remains a top priority and continues to improve for our customers, we have introduced a new Network Scientist role within our Water Quality team. The role has been key in helping us serve our customers better by enhancing our water quality monitoring and optimising our processes. It has also helped to ensure we assess risks to customers from source to tap.

Our customers rely on us to always provide consistent and safe water quality. Maintaining the highest standards in a complex clean water distribution system can be challenging. In the past, while our Water Quality team was highly effective in monitoring and managing water quality, we recognised the need to improve our understanding of our network performance. We also recognised the need to proactively address risks in the system, such as the age of water travel time through our network and lead in customers' supply pipes.

The Network Scientist's job is to carry out network modelling, data analysis and cross-sector benchmarking to better understand how water quality is impacted by changes in the water distribution network. The addition of this role within the team has given us a more scientific, data-driven approach which perfectly complements the team's operational experience. For example, by using sample data and analysis, the Network Scientist is able to risk assess where water quality issues might arise. This enables us to take action such as proactive mains flushing to prevent water quality concerns from arising.

Looking ahead, our Network Scientist will use the data analytics we have installed in our distribution system to monitor water quality at different points in the network. This will allow the wider Water Quality team to identify potential issues, such as contamination or pressure changes, before they impact customers. With a dedicated focus on water quality from both an operational and scientific perspective, we are able to implement continuous improvement practices. This ensures the water we supply to our customers always remains at the highest standard.

Treating all our suppliers fairly

Common or bespoke performance commitment: Bespoke

Target met: No

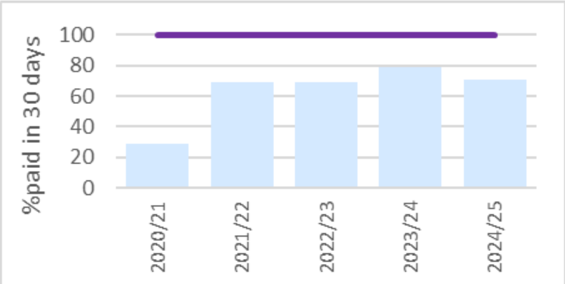
What we are measuring

Making sure we pay small businesses within 30 days as a signatory of the Prompt Payment Code.

Unit of measurement

Percentage of small businesses 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 mixed. In the reporting year, we paid 71% of our small supplier invoices within 30 days – a dip on the previous year. We have been exploring ways to address this underperformance. 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

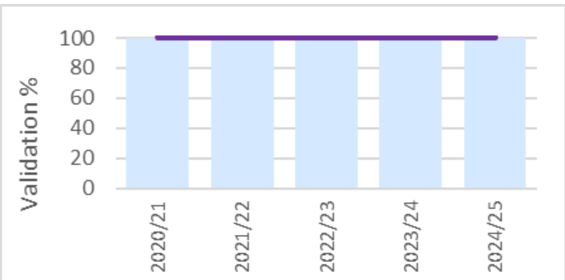
What we are measuring

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: Yes

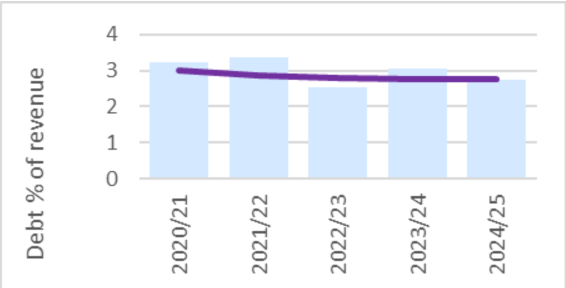
What we are measuring

The level of bad debt charge that we incur each year in the Annual Performance Review, 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. We are pleased to have met this target during the reporting year, having just missed it in the previous year.

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 new Assure Essential Saver 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.

The scope of this target has changed over the course of the five years to 2025. For example, having achieved IIP accreditation at the Standard level in 2020/21, we decided not to renew it during the reporting year.

Instead, we have worked with the wider Group to implement a range of different approaches to engaging our people. This includes implementing a new people strategy across the business, monthly vlogs from the Managing Director and the introduction of new networking groups. It also includes the introduction of an annual Group-wide engagement survey.

In addition, we have a People Forum, which operates across our Cambridge and South Staffs regions. This is a committee of volunteers who constructively engage with the business on behalf of our people, regardless of where they work.

As well as being a channel for communication, our People Forum provides confidential support and advice for colleagues who may be experiencing problems during their normal working activities.

We will continue to build on these employee engagement approaches going forward.

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

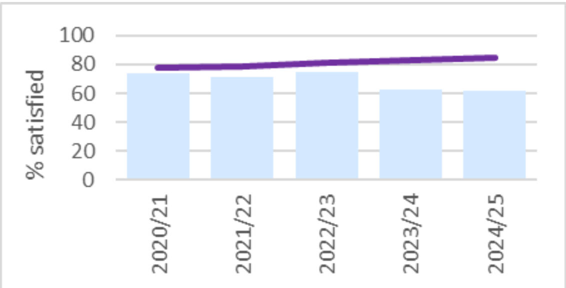
What we are measuring

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 managed to reach this target at all during the 2020 to 2025 period. We think there are a number of reasons for this – not least some of our own behaviours in our communications and customer-facing activities. We will continue to strive to provide services that represent good value for money for all our customers.

Making sure customers have a high level of trust in us

Common or bespoke performance commitment: Bespoke

Target met: No

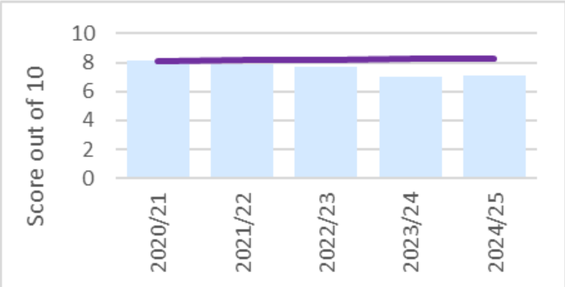
What we are measuring

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 to 2025.

Again, we are disappointed to see a deterioration in this metric over the 2020 to 2025 period. This is despite meeting our target in 2020/21.

As well as factors within our control, which we are continuing to address, our research suggests wider economic factors and continued 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 the CCW.

Monitoring the delivery of our long-term ambitions

Ours is a long-term business – planning for the future is part of our DNA. So, we welcomed the approach from Ofwat at PR24 to set our AMP8 business plan in the context of a long-term delivery strategy.

Our long-term delivery strategy sits alongside, and is complementary to, a number of other key plans and strategies, including:

- the water resources management plans for our Cambridge and South Staffs regions;
- the Water Resources East (WRE) and Water Resources West (WRW) regional plans; and
- our WINEP obligations.

It is also underpinned by our extensive programme of customer and stakeholder engagement and our future base expenditure forecasts.

Delivering our long-term ambitions

In developing our long-term delivery strategy, we adopted an holistic approach, with core and adaptive pathways. This enabled us to consider how we will deliver all the investments that meet our customers' expectations at the right time and in the most efficient and affordable way possible.

Our core pathway includes investment areas that we have tested against Ofwat's common reference scenarios. This helped us to understand the level of risk to delivering our long-term strategy and identify the additional investment that we need to make to address changing circumstances. It also helped us to develop alternative pathways to ensure we deliver our targets under a range of plausible future scenarios.

In addition, the assessment we carried out to develop our core and adaptive pathways helped us to develop our monitoring plan. We think monitoring key activities that will indicate when we have reached a 'tipping point' or the need to adapt our plans allows us to objectively assess which of the potential futures will be realised. This will ensure we invest in the right options at the right time.

Within our long-term delivery strategy, we have identified the following key investment areas and the measures we have put in place to deliver these.

Key investment area	Summary of our approach and key activities to achieve our ambition
Water resources management plans – supply/demand balance	Our Cambridge and South Staffs water resources management plans include key demand- and supply-side enhancement activities that underpin our core pathway. This includes targets to reduce household and non-household demand for water. They have been stress tested to meet Ofwat's common reference scenarios.
Environmental protection and enhancement – WINEP	Our AMP8 WINEP includes investigations to help accurately determine the scale of abstraction reductions required across our Cambridge and South Staffs regions. It also includes other actions to support nature recovery and enhancement, including in the chalk stream habitats in our Cambridge region.
Water quality	As well as quantifying the investment needed to maintain current regulatory standards for water quality, we have also identified an alternative water treatment investment pathway to ensure we always continue to supply wholesome drinking water to our customers – now and in the future.

Key investment area	Summary of our approach and key activities to achieve our ambition
Resilience	We have developed a new resilience model for all the water supply zones across our Cambridge and South Staffs regions. This has enabled us to test and assess our core needs for network resilience in terms of available hours of water storage. We are currently forecasting limited enhancement expenditure in this area.
Lead	We have developed plans to ensure compliance with lead standards over the course of AMP8. In future planning periods, we will increase our rate of lead pipe replacements, in line with customers' preferences. This will ensure we prioritise meeting our ambition for lead at the right time.
Net zero	Our long-term net zero strategy is focused on a phased, modular approach that balances and optimises efficiency, affordability, technology evolution and innovation. This includes accelerating our plans for increasing low carbon and renewable energy and reducing our dependency on grid energy.
Cyber security	We have based our approach to cyber security on continuous risk assessment, taking into account current and emerging threats and changes in UK Government guidance and regulations. Our ambition is to maintain a very low risk profile in this area, making sure we mitigate future risks and continue to protect our essential services.
Security and Emergency Measures Directive – SEMD	We have scrutinised investment in this area internally and externally with the DWI. This has enabled us to identify to activities in our core pathway and ensure we comply with the relevant SEMD regulations. We have projected relatively flat investment in this area going forward.

Monitoring our long-term strategy

Our long-term delivery strategy plans undoubtedly carry high levels of uncertainty. This means they will require continuous monitoring to ensure the key activities and the trigger points for investment decisions associated with these are identified and tracked against a clear set of metrics. In this way, we can make timely and cost-effective decisions as we refresh and adapt our long-term plans.

We have captured these key activities in a monitoring plan so that we can assess which of the potential futures will be realised. This also enables us to understand when we have reached a trigger point that means we have to adapt our plans. This will ensure we make the right investment choices at the right time and in the best interests of our customers and the environment. The areas we are monitoring and the timing of the activities associated with these areas are set out below.

We will report on our progress in future annual performance reports. We will also formally review our long-term delivery strategy ahead of our next regulatory business plan submission. This will enable us to take into account new information or circumstances and refresh it as needed. This will ensure we continue to make the right decisions over the long term that serve us well in delivering for our customers, our communities and the environment.

WINEP/environmental destination investigations

Key activities/metrics

Over the course of AMP8, we will carry out extensive investigations to understand the true nature of the abstraction reductions required in our South Staffs region to achieve our environmental destination. As we share catchments with our neighbour Severn Trent Water, this will involve working together to understand the specific needs of particular water bodies and determine the priority and scales of the abstraction reductions required.

Timing

During or by the end of AMP8, we will be able to adapt our core plan to deliver the scale of reductions required and bring schemes forward where there is scope to do so.

Environmental destination improvements – including chalk stream health

Key activities/metrics

We want to make sure we take positive action to contribute to our environmental destination in the short term. So, we do not want to wait until the outcome of our investigations are known to deliver positive environmental improvements. Our catchment prioritisation work has already identified some short-term measures we could support. These include hydromorphological changes or the implementation of things like fish passes in our catchments.

Timing

We will review the measures we have implemented annually during AMP8. This includes working with regional partners to ensure we deliver low or no regret activities when our future requirements are clearer.

Catchment management programme

Key activities/metrics

This has formed a substantial part of our WINEP obligations. For AMP8, this work has moved to business-as-usual activity. We will continue our efforts to deliver improvements in ground water quality at source. We have already seen the benefits of our SPRING catchment management programme, working with farmers and landowners to reduce nitrates and metaldehyde, and we plan to extend the range of pollutants we tackle. This will help to deliver improved raw water quality, enabling us to maximise our existing raw water resources.

Timing

We will review the measures we have implemented annually during AMP8. We will also assess the need for future water quality investments, as identified in our core and alternative pathways.

25-year environment plan

Key activities/metrics

We are looking to develop a long-term environment plan that will align with the UK Government's 25-year environmental improvement plan. The aim is to provide a clear line of sight for the environmental protection and improvements we want to deliver over the lifespan of our current Cambridge and South Staffs water resources management plans. As part of this, we will look to support other key areas, such as delivering biodiversity improvements, supporting the removal of invasive non-native species (INNS) from our sites and river restoration work.

Timing

We will measure our performance in this area as part of the annual review of our Cambridge and South Staffs water resources management plans.

Water resources management plans – demand management

Key activities/metrics

This is the bedrock of our AMP8 investment plans. So, it is crucial that we have a robust process for delivering the various activities, as well as the monitoring and performance reporting. This will enable us to adapt our strategy should the need arise. Key monitoring areas include the performance and effectiveness of things like our universal metering programme, improvements in leakage, behaviour change programmes and innovation opportunities within and outside the water sector.

Timing

We have a number of mechanisms for monitoring our performance, including annual and quarterly reviews of how we are meeting our targets and monthly steering group meetings.

Water quality

Key activities/metrics

We are focusing our attention in this area on monitoring the impact of emerging water quality trends and requirements. Key to this is the need for us to develop cost confidence in different solutions to mitigate the impact of climate change.

Timing

We will use a combination of annual and as needed reviews, taking into account new regulatory standards or drivers.

Lead

Key activities/metrics

As lead forms part of the DWI's CRI, we will continue to monitor this in line with our regulatory obligations. We will also take into account any changes in regulatory standards, including responding to consultations and guidance from the DWI.

Timing

We will carry out trials by the end of AMP8 to inform our future strategy. We will adapt our approach to meet any new regulatory standards or drivers.

Net zero

Key activities/metrics

Our core pathway is expected to deliver our operational net zero target by 2040 as a low or no regret option. So, we will monitor a number of areas if we are able to bring forward switching off the gas engine at the largest water treatment works in our South Staffs region and adapt our strategy accordingly where it is cost beneficial to do so. This includes monitoring market conditions, Distribution Network Operator (DNO) and National Electricity System Operator (NESO) capability and investment, affordability, changes in the regulatory landscape and emerging technological solutions.

Timing

We will review these measures annually and at the end of AMP8.

Resilience

Key activities/metrics

We will monitor the water resource needs of our Cambridge region specifically as certainty increases around future raw water sources – for example, the Fens reservoir. This will enable us to provide clearer no or low regret investment options for network design and resilience. As part of this, we will continue to model and monitor the impact of changing demand profiles and if this leads to additional storage requirements.

Timing

By the end of AMP8, we will have more certainty with the delivery and design of supply-side options in our Cambridge region.

Cyber security/SEMD

Key activities/metrics

For cyber security, we will develop and maintain a cyber risk register, which we will monitor at least on a monthly basis. This is to ensure our risk profile remains on track to achieve a low to very low score throughout the timeframe covered by this long-term delivery strategy.

For SEMD, we will monitor the performance of our security systems, including things like the alarms and cameras at our sites. We will also carry out risk assessments of our sites to take into account things like changes in criminality patterns.

Timing

As a minimum, we will update the Board about our progress on cyber security each quarter. We will also carry out annual SEMD audits. These reviews will help us to adapt and prioritise our key investment activities.

Affordability (water poverty)

Key activities/metrics

We will develop a plan extending to 2050 to ensure holistic support and increased flexibility for customers around how to pay. This is inclusive of our 'Help when you need it' programme and our 'Wider than water' approach to vulnerability.

Timing

During or by the end of AMP8, we will have a better understanding of financial vulnerability. This will enable us to deliver existing schemes or bring new schemes forward, where there is scope for us to do so.

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 in the long-term viability statement in the South Staffordshire Water PLC annual report and financial statements. The Directors have assessed the company's viability over a ten-year period to 2035, considering its current position and principal risks. Based on that assessment, the Directors have a reasonable expectation that the company will be able to continue to operate and meet its liabilities as they fall due over the period to 31 March 2035.

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 company's Instrument of Appointment 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.

Statement on licence condition G

In February 2024, Ofwat introduced a new licence condition on the water companies in England and Wales to transform the care they deliver for customers – particularly those who need extra help with their water and wastewater services.

Under the new licence condition, the company is required to deliver the following outcomes for customers.

- Customers are **well informed**.
- When something goes wrong, affected customers have **confidence their company will put it right**.
- The **full diversity of customers' needs is identified, understood and met by companies** in the services and extra help they provide.

The company must also meet the following principles for customer care.

- **Communicating proactively** with customers, particularly during incidents.
- Being **easy to contact**.
- Providing **support for customers when things go wrong** and help to put things right.
- **Learning from past experiences**, sharing these with others, and demonstrating continual improvement to prevent foreseeable harm to customers.
- **Understanding the needs of customers** and providing appropriate support, particularly for those in vulnerable circumstances and during incidents.
- Providing **support for customers** who are struggling to pay and customers in debt.

The Directors have reviewed the company's compliance with the new licence condition.

For its part, the company developed and published a draft vulnerability strategy in June 2024. It published its final strategy outside the reporting year in June 2025. A key feature of this strategy is the 'Help when you need it' programme, which aims to ensure the company always provides the right levels of help and support for customers in the right way and at the right time.

In addition, it has completed two CCW assessments – one for complaints and one for debt. It has also put in place a structured operating rhythm for continuous improvement, learning from things when they go wrong.

The company has an established incident response process in place. However, it understands the need to always improve its response, building on the things that worked well and learning from those that did not. After the bursts in Wednesbury, Tipton and Bloxwich in the South Staffs region in November 2024, the company took on board a number of key learnings. This included making more effective use of the knowledge and partnerships of local and national elected officials to ensure customers get the help and support they need.

The company has also reflected on other learnings from these incidents in its vulnerability strategy. It will continue to evolve its approach to Condition G, while at the same time delivering against its purpose as defined by its Articles.

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 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 presents its assurance plan to the Board 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'. The intention is 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.

- The culmination of Ofwat's PR24 price review process.
- Preparing for the AMP8 planning period.
- Annual customer and developer charges.
- Annual performance report.
- Environmental compliance.
- Delivery of the investment programme at the two largest water treatment works in the South Staffs region.

The company consulted stakeholders on its draft assurance plan for 2025/26 in November 2024 and incorporated feedback into the final assurance plan published just outside the reporting year in April 2025.

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 on the 2023/24 annual performance report, Jacobs identified a minor risk to reporting when carrying out assurance. The company implemented a new billing system in February 2023 and migrated all customer data and reporting to the new system as part of this. Jacobs identified a residual risk related to the way in which customer contact data is archived in the system and the company's ability to retain access for audit trail purposes. The company evaluated its approach and put in place a process to resolve this for the 2024/25 reporting year.

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 carry out the activities outlined above. This is set out in the Committee's terms of reference in the annual report and financial statements. Specific areas of review during the reporting year included a review of the annual performance report data tables and intercompany transactions.

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

- the approach to the company's long-term viability statement outputs, including the choice of stress test scenarios and the use of Monte Carlo analysis; and
- the financeability assessment of the company's PR24 business plan and draft determination representation.

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 15 July 2025 and duly signed on their behalf.

Elena Karpathakis
Managing Director

12 July 2025

Risk and compliance statement

South Staffordshire Water has a number of statutory and regulatory obligations as a licensed water undertaker. These obligations are predominantly set down in the Water Industry Act 1991 and the company's 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;
- reviewing and publishing relevant documents as required under the licence;
- using the appropriate assurance where required, either through internal audit or external technical audit; and
- requiring Board sign off for all significant obligations – for example, customer charges and the annual performance report.

New licence obligations are presented to the Audit and Risk Committee.

At a meeting of Directors held on 25 June 2025, 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.

The company considers it is important to be transparent with its customers and other stakeholders. It regularly shares information about its performance with them. In addition, it makes further disclosures around remuneration, governance, tax and its ownership structure, as it knows these are important matters for customers.

The company also 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.

Engaging customers about a new affordability tariff

In 2023, the company worked with its research partner Qa research on workshops in the Cambridge and South Staffs regions to explore the design of a new tariff based on affordability. The tariff is designed to support customers with an annual household income of between £22,011 and £27,000 and who do not qualify for its Assure tariff. The aim is to help these customers:

- save money on their water bills; and
- help them identify practical changes to how they use water in their homes every day.

Following this project, the company worked with Qa research during the reporting year to design a robust qualitative and quantitative research programme. This is to provide it with customer feedback to help evaluate the impact of the new tariff on customers. The research programme started in the autumn and will run for about 12 months.

Using ethnographic research to find out more about customers' water saving habits

As part of its water efficiency in faith and diverse communities project, the company worked with its research partner Explain during the reporting year to design a research programme. This was to help it:

- communicate more effectively with traditionally 'hard to engage' customers;
- establish a more inclusive water efficiency framework and support tools; and
- test new water saving practices and campaigns linked to faith and culture that can be adapted and scaled up across the country.

To do this, Explain developed a three-stage methodology that included:

- discussion groups with participants from Muslim, Hindu and Sikh communities;
- an ethnographic stage to further explore the findings and themes; and
- a second discussion phase to play back findings and validate the results of the company's research.

The ethnographic stage of the research was an important step forward for the company's engagement strategy. This is because it enabled a new way for it to capture 'in-the-moment' insights about the way customers use water in their daily lives and the reasons for this.

The company has increasingly found that what customers say they do, or might do, in a structured research session when talking about their water use varies markedly with what they actually do at home. By combining different research approaches, it has been able to better understand how it can design interventions in a practical and sensitive way to help households use less water.

The company learned a great deal from this study. It will use these learnings to inform future campaigns and the types of product interventions that will work when engaging customers from faith and diverse communities.

Engaging with the H2Online communities

The company continued to engage with the H2Online communities in the Cambridge and South Staffs regions during the reporting year. It covered a wide range of topics related to customers' water services, focusing the content on surveys, polls and discussions. This enabled members to input into the decisions that informed the development of the company's policy and communication approaches.

Over the 12 months to November, 410 members from both regions took part in the activities. The company also continued with its 'You said, we did' approach, where it commits to updating customers who take part in H2Online activities on the action it has taken as a result of their feedback.

In a new approach, during the reporting year the company formed a group of H2Online members from the South Staffs community who are registered on the PSR. This group is called 'Priority Watch' and the company engaged with them through a series of activities. This was to help it to improve its PSR support and ensure customer communications are clear and helpful.

As a result of the feedback received from this group of customers, the company made a number of changes to its PSR approach. This includes:

- updating its PSR application form, making it easier to register for support;
- updating its bereavement policy, making the process of closing an account more straightforward; and
- starting work to develop a customer promise for its bereavement support to articulate clearly the help it will offer so that it can be held to account.

This highlights the importance of working collaboratively with customers to design services and communications.

Engaging directly with 'Your water, your say' sessions

A feature of the company's research programme during the reporting year has been the 'Your water, your say' sessions held in the Cambridge and South Staffs regions. These gave customers and other stakeholders the opportunity to engage directly with the leadership and ask them questions about its recent performance.

In October 2024, the company held separate online sessions in the Cambridge and South Staffs regions. Both were chaired by Community Research, an independent research company. Common themes were raised in the sessions across both regions. These included:

- perceived water quality issues, including water hardness and fluoridation;
- customer service;
- water conservation and smart metering; and
- future billing and tariff structures.

In the Cambridge region specifically, customers were also more interested in learning more about the company's plans to reduce household demand for water and ensure the long-term sustainability of water supplies.

Moving forward, the company will focus its attention on developing its new customer panels and will share more information about this in next year's annual performance report.

Tracking service delivery and brand experience

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

Benchmarking performance

The company has continued to benchmark its performance against best practice engagement within and outside the water sector. This is to ensure it identifies the best ideas to improve the services it delivers for customers. These reviews are wide ranging and include things like desktop searches, stakeholder meetings and industry events.

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 above, 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 in 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 in 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 15 July 2025 and duly signed on their behalf.

Sara Vaughan

Sara Vaughan
Chair

15 July 2025

Elena Karpathakis
Managing Director

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 146 onwards.

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 2025 shows net cash of £15.5 million, which together with our £45 million undrawn facilities provides sufficient headroom for at least the next 12 months.

Credit ratings and compliance

The latest credit ratings as at March 2025 (Moody's) and April 2025 (S&P) remain 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 £9.7 million.

For AMP7, the company has outperformed its totex allowance by 1.4%. This is despite the material impact of higher energy costs. Excluding PCC, which was assessed separately at PR24 because of the impact of the COVID-19 pandemic, the company's performance commitments are in penalty by £2.2 million.

Budgets and plans

The company's budget for 2025/26 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 from 2025 to 2035. This is set out in 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. The company also works proactively with local schools, colleges and universities – engaging with young people about the opportunities we have to offer.

The company has an appraisal process to enable leaders to review their teams' progress against objectives for the year and behaviours against the company's purpose and values. Appraisals also consider future aspirations and training and development needs.

Succession planning

Succession planning during AMP7 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

The Board continues to comply with Ofwat's principles of Board leadership, transparency and governance. More information can be found in 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. Every six months the company presents the Committee with the key risks facing the business, the impact assessment and the controls in place to mitigate them. This is set out in 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 58 to 62. 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.

The company has updated its Articles, placing customers and the environment at the heart of its purpose and making them its primary business objective. This means the company conducts its business and operations for the benefit of the communities it serves, while creating long-term value and delivering positive outcomes for its employees, its customers and the environment.

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 implemented a framework that demonstrates an integrated approach and systems thinking, which underpins all its operations.

Monitoring the delivery of the company's long-term ambitions

The company has developed a monitoring plan for its long-term delivery strategy. This is to ensure the key activities and the associated triggers for key investment points are tracked against clear metrics.

The company is also using the long-term delivery strategy as one of the stress tests in its long-term viability statement. This is set out in the annual report and financial statements.

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 largest 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 81.

The company ensures the Board has visibility of its trading arrangements with associated companies. Each year, it presents a paper to the Board 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 83 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 been considering how it accounts for the Fens reservoir programme in its AMP7 costs. Anglian Water has been allowed funding in AMP8, with the company's contribution being drawn down to cover development costs. The company is working collaboratively with Anglian Water and regulators to determine an appropriate funding model for the reservoir's construction costs.

Sufficiency of evidence – procedure 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 reporting year, the Board discussed a wide range of agenda items. Examples of these are set out on page 78. 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 May 2025.

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 15 July 2025 and duly signed by them.

Sara Vaughan
Chair, South Staffordshire Water PLC

Elena Karpathakis
Managing Director

Charley Maher
CEO, South Staffordshire Plc Group

Professor Ian Barker
Senior Independent Non-executive Director

Alice Cummings
Independent Non-executive Director

Jim O'Sullivan
Independent Non-executive Director

Keith Harris
Non-executive Director

15 July 2025

Peter Antolik
Non-executive Director

Dividends

In May 2023, Ofwat introduced a new dividend-focused licence condition on all water companies in the sector.

The new licence condition requires 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 long 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 common PCs relate to per capita consumption (PCC), which were 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. As we reported last year, 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. Skewb's report can be found on our website.

We also re-evaluated our PCC programme and have implemented a materially increased programme over that envisaged at PR19. As we reported in last year's annual performance report, in July 2023 we launched our 'Can for the Cam' campaign, targeted specifically at reducing seasonal high-water demand. Building on the success of this initiative, we launched a supplementary campaign during the reporting year called 'Yes we Cam'.

The aim of this campaign was to encourage customers to make small changes in their water use behaviour to make even greater water savings – helping to protect the chalk stream habitats in our Cambridge region. At the heart of the campaign were six pledges for customers to sign up to. These included things like showering for two minutes less than normal and running a washing machine on eco mode. Research carried out by our independent partner Explain showed that awareness of our campaign among customers was high and that they had understood its overarching aim to encourage water conservation. This is something we will build on for the future.

We made a claim in our AMP8 business plan 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 would take a sensible and proportionate approach to assessment, the Board considered that the final dividend paid should not be adjusted for a PCC penalty.

Ofwat ultimately determined a penalty of £4.4 million. This adjustment has been applied to our revenue allowances for AMP8. The Board will consider whether our dividend for the five years to 2030 should be adjusted to take this final position into account.

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

We have not met our CRI target for 2024. This is mainly because of a small number of significant compliance failures at our largest water treatment works. We also experienced two significant supply incidents in November 2024, which resulted in a penalty against our supply interruptions target for the year.

We met or exceeded the targets for eight of our 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 delivered our AMP7 investment programme. One of our key commitments for this planning period was the delivery of upgraded water treatment processes at the two largest water treatment works in our South Staffs region.

We had already met our target to deliver the upgrade programme at the first of the two works. We are pleased to confirm that we have also completed the upgrade at the other works during the reporting year, installing an innovative ceramic membrane filtration system. Delivery of this upgrade programme was in line with the target agreed with the DWI and Ofwat.

We have also continued to work with our neighbours Anglian Water on the Fens reservoir project and on a bulk supply transfer from Grafham Water into our Cambridge region. This is due for completion by 2030 (with water available to supply from 2032), while the Fens reservoir is due to be operational by the mid- to late-2030s.

Overall, the Board considers the company's investment plans have been delivered 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 (such as expenditure on Fens reservoir not funded at PR19) in the year by £9.4 million, once timing differences are taken into account. For AMP7 as a whole, we outperformed our totex allowance by 1.4%.

Environment

Board consideration

We have completed the majority of our remaining WINEP obligations for AMP7, successfully signing off around 95% of schemes in our Cambridge region and 97% in our South Staffs region and agreeing new obligation dates for the remainder. Through agreed schemes, during the reporting year we continued to reduce the risk of nitrates in local catchments and the impact of invasive species on our landholdings. We also reduced our abstraction licence allowances to protect groundwater.

Our abstraction licence compliance remains strong across our Cambridge and South Staffs regions. However, we reported a peak day compliance breach at one of our sites – at the time of writing, we were investigating the cause of this. We have 100% compliance across all other licences.

For our discharge compliance, we have completed internal and external audits on our MCERTs and reviewed our discharge procedures. We have also implemented recommended actions and increased training across the operations team. We have received a Category 2 for a manganese failure at one of our sites, with investment planned in Quarter 1 of 2025 to address the issue.

Our self-reporting of pollutions has continued to improve, with the Environment Agency noting that it has seen a marked improvement in this area. We continue to maintain training and guidance on the importance of reporting pollution events and the process to do this, as well as the appropriate actions to remediate impact and follow up actions for continued learning. Since launching our internal H&S EcoOnline reporting platform across the business, we have been pleased to see that employees are actively reporting environmental risks, which are being addressed as and when identified.

Our final determination has awarded us our largest ever WINEP programme, with a huge focus on improving our local water courses. Throughout the reporting year, we have continued to build on our ongoing engagement with local groups, developing a strong collaborative approach to delivering our environmental obligations.

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

Customers

Board consideration

Our risk and compliance statement sets out how we are meeting customers' expectations. We have also set out on page 54 how we are ensuring compliance with the new licence condition G on transforming the care we deliver for our customers – particularly those who need extra help and support.

Financial resilience

Board consideration

The Board has considered if paying the dividends 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 dividends would not impact on financial resilience are as follows.

- Our **approved budget for 2025/26** 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 in the annual report and financial statements.
- To support the **long-term financing needs of the business**, we have re-financed our Revolving Credit Facility, while increasing it by £45 million at the same time. This will ensure we can meet our obligations to 2027.
- We have **implemented an 'override' agreement** with all our lenders to align to a lower gearing threshold of 72% where we would be in cash lock-up and prevent us from paying a dividend.
- Our **AMP7 totex performance and the allowances for the AMP8** from our PR24 final determination, which were 5% higher than set out in our business plan.
- More than half of our **performance commitments being met** in the year.
- The outcome from our PR24 final determination, which will ensure **we remain financeable for AMP8** provided we operate efficiently.

We have also considered if there has been any atypical benefit from inflation during 2025. 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.

Inflation, measured by CPIH, was 3.4% in March 2025 and, as such, any inflation benefit would be small.

Around 72% of our debt is RPI index-linked and increases with inflation. Our modelling suggests that, overall, there was no material benefit from inflation on our gearing levels.

Therefore, we have not benefited from the impact of inflation, and this has not impacted the level of dividend distribution.

In terms of the dividends, **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 2023/24 in the table below to aid comparison.

Policy consideration	Adjustment	Prior years for comparison				
		2024/25	2023/24	2022/23	2021/22	2020/21
Base dividend	The base dividend yield at PR19 was 2.16%. See below for more information on how this base yield was determined.	£4.2m	£4.7m	£4.5m	£4.5m	£3.5m
Performance for customers[1]	We delivered good performance for customers during the year, meeting or exceeding four of the eight common PCs. However, not meeting our CRI target and supply interruptions means that, overall, we will incur a penalty of £2.2 million. We have excluded the penalty associated with PCC. For the AMP7 planning period, we would have incurred a penalty of £12.5 million based on the PR19 targets. In our AMP8 business plan, we set out our justification as to why we thought no penalty should be applied. More information is available on our website. Ofwat 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. It ultimately determined a penalty of £4.4 million. This adjustment has been applied to our revenue allowances for AMP8. The Board will consider whether the dividend for AMP8 should be adjusted to take this final position into account.	(£2.2m)	(£0.6m)	£0.5m	£2.5m	£1.1m
Gearing capacity and credit quality	Net debt at 31 March 2025 is £387.0 million (2024: £370.3 million). This provides a level of leverage of around 66.6% (March 2024: 68.5%) of the year end RCV of £581 million (2024: £541 million). Our rating with S&P improved from BBB+ with negative outlook to BBB+ with stable outlook. Moody's maintained a Baa2 rating with stable outlook. 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	No adjustment required under the policy

Policy consideration	Adjustment	Prior years for comparison				
		2024/25	2023/24	2022/23	2021/22	2020/21
Covenants compliance[2]	Significant headroom exists within the company compared with the lowest covenant on borrowings at 72% 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 2025 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	No adjustment required under the policy
Intercompany loans[3]	An intercompany loan with South Staffordshire Water's holding company, Hydriades, was repaid in January 2022. Therefore, there was no interest received in 2022/23, 2023/24 and 2024/25.	No adjustment required under the policy	No adjustment required under the policy	No adjustment required under the policy	£1.5m	£1.8m
Totex outperformance[4]	Our actual totex subject to cost sharing and adjusting for timing differences outperformed our PR19 final determination allowances in the reporting year by £9.7 million; 55% of this will be returned to customers with the remaining 45% retained by the company.	£4.4m	£0.7m	(£0.5m)	£2.7m	£2.1m
Liquidity[5]	Significant and sufficient headroom exists in current borrowing facilities with new debt of £50 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	No adjustment required under the policy
Company law[6]	The approved and audited statutory accounts at 31 March 2025 include distributable reserves which are sufficient to enable payment of 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	No adjustment required under the policy
Reputational factors[7]	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	No adjustment required under the policy

Policy consideration	Adjustment	Prior years for comparison				
		2024/25	2023/24	2022/23	2021/22	2020/21
Environmental factors[8]	We have completed the majority of our WINEP obligations for the five years to 2025, including reducing the risk of nitrates in our water catchments. Our abstraction licence compliance remains strong, although we are investigating the cause of a peak day breach at one of our sites. Our self-reporting of pollutions has continued to improve – this has been acknowledged by the Environment Agency. We have continued to build strong, collaborative relationships with local groups to help us deliver our environmental obligations.	No adjustment required under the policy	Previously considered under reputational factors	Previously considered under reputational factors	Previously considered under reputational factors	Previously considered under reputational factors
Land sales	There were no land sales during the reporting year.	n/a	£1.0m	n/a	n/a	n/a
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.	£0.9m	£0.7m	£1.5m	£1.6m	£1.5m
Total dividend allowable per dividend policy		**£7.3m**	**£6.5m**	**£6.0m**	**£12.8m**	**£9.6 m**
Actual dividend paid[9]		**£6.8m**	**£5.3m**	**£9.2m**	**£10.7m**	**£6.2 m**

Notes:

1. Projected rewards from performance commitments, understanding rewards earned and timing of cash collected.
2. 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.
3. A proportion of the dividend is to enable intercompany interest to be paid to the business, and Ofwat notes that this should be disclosed.
4. Adjusted to reflect acceleration of delay because of timing difference. Excludes pension deficit repair costs.
5. Available working capital, liquidity and undrawn committed facilities to meet forward-looking business plan requirements for the next 12 to 18 months.
6. Statutory accounting distributable reserves.
7. Includes customer service standards in period; any significant health and safety incidents; pension obligations; and employee considerations.
8. 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.
9. On 25 June 2025, a second interim dividend of £1.84 million was approved for the year ended 31 March 2025 after the end of the reporting year. This takes the total dividend payment for the reporting year to £6.84 million.

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 committed to over AMP7. Where there is significant investment, there may be a requirement to reduce the base yield to fund it. Our plans for the period included 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 AMP7 investment programme.

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

The regulatory accounts apply the same policy for revenue recognition as the statutory accounts apart from the derecognition of income adjustments relating to amounts deemed as uncollectable under FRS 102.

Following this accounting treatment, an additional £3.7 million is recognised in operating costs in the regulatory accounts compared with the statutory accounts, which results in no difference in operating profit or profit before tax.

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 2025 was £16.4 million compared with £15.8 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 2025

During the reporting year, there were six scheduled Board meetings and four additional unscheduled meetings.

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

- Budgets and forecasts.
- Dividend payment.
- AMP7 capital investment programme.
- AMP8 planned investment programme.
- Wholesale and end user charges.
- Assure tariff customer contributions change and Assure Essential Use tariff.
- Draft assurance plan.
- Draft vulnerability strategy.
- Universal metering programme.
- Cambridge and South Staffs regions water resources management plans.
- Climate change adaptation report.
- Risk appetite and tolerance.
- Representations on Ofwat's PR24 final determination.

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 2026 and financial forecasts to 31 July 2026. The going concern period is therefore to 31 July 2026.

In addition, the Directors are required to certify to Ofwat under Condition P of the company's Instrument of Appointment that sufficient financial resources are available for at least the next 12 months from the date of submission of the ring-fencing certificate', a statement within the annual performance report that accompanies this document.

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 of the annual report and financial statements. The company's financial position, its liquidity position and available borrowing facilities are set out in the balance sheet 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 to 2030**, which provides a high degree of confidence over the company's revenue over the whole going concern period.
- The **company's ability to index the 2025/26 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 a fixed price agreement in place covering a six-month period to 31 October 2025; this is in line with Ofwat's real price effects (RPE) mechanism. A second six-month period will shortly be fixed in what is currently seen as a relatively flat market when compared with the volatility of the past three years.
- 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 capital markets**. In November 2024, an increase of a further £45 million to the pre-existing revolving credit facility of £30 million; this additional funding remains undrawn as of the date of the approval of the financial statements.

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:

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

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.

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 dividends and complies with all covenants. The severe but plausible downside scenario assumes no incremental debt facilities.

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 the remuneration report in 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 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 2025.

Appointed company and associated company transactions

We have a duty to trade at arm's length and ensure there is no cross-subsidy with respect to transactions with associated companies or between price control units.

Our licence conditions require that all such transactions must be disclosed. In line with RAG 3.14, no single transaction exceeding £100,000 has been aggregated.

Loans by or to the appointed company

As at 31 March 2025, there are no loans by or to the appointed company.

Dividends paid to associated companies

As a wholly owned subsidiary, South Staffordshire Water paid dividends in the year to our immediate parent, SSW Finance Ltd. On 25 June 2025, a second interim dividend of £1.84 million was approved for the year ended 31 March 2025 after the end of the reporting year. In total, the Board has approved interim dividend payments of £6.84 million for the financial year 2024/25 (2024: £5.3 million). Of this, £5.9 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 £nil (2024: £nil) to another Group company.

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 use benchmarking for the following services.

- 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 2025.

Services supplied to the appointee by associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Onsite	123.346	Mainlaying and repair of water mains	27.648	Competitive tendering
		Mains Rehabilitation	0.009	Competitive tendering
		Minor Civils	2.133	Competitive tendering
		Metering	0.801	Competitive tendering
		CCTV & JETTING	0.001	Cost
		Seedy Mill Cctv	0.013	Cost
Integrated Water Services Limited	44.067	Mechanical and Electrical Services	0.545	Cost
		Capital Works	3.081	Competitive tendering
		Capital Works	0.196	Cost
SSI Services UK Limited	5.949	Motor vehicle repair and maintenance	0.473	Cost
Hydrosave (UK) Limited	22.537	Leakage detection	0.425	Competitive tendering
Echo Managed Services Limited	26.760	Customer Services	9.053	Cost
		Billing Software	0.662	Benchmarking
		Utility Drawings	0.052	Cost
South Staffordshire Plc		Management services	0.064	Cost
		Legal Services	0.211	Cost
		IT Networks, Operations, Development and Telephony	1.906	Cost
		Finance, Treasury, Internal Audit and Accounts Payable	0.754	Cost
		HR	0.365	Cost
		Insurance	1.867	Cost
Office Water Coolers	6.096	Water Coolers	0.004	Benchmarking
Omega Red	25.980	Lightning Protection	0.106	Benchmarking
South Staffs Water Non appointed	8.172	Emergency water Supply tankers	0.035	Cost
		Total services supplied to the appointee by associated companies	50.404	

Services supplied by the appointee to associated companies

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
Echo Managed Services Limited	26.760	Sewerage collections support	0.491	Cost
		Site Services	0.191	Cost
		Recharges for the use of appointed assets	0.107	Cost
Hydrosave (UK) Limited	22.537	Operational training	0.007	Cost
Onsite	123.346	Operational training	0.009	Cost
		Total services supplied by the appointee to associated companies	0.806	

Services supplied by the appointee to the non-appointed business

Services supplied by the appointee to non-appointed business

Associate	Turnover of Associate £m	Service	Value £m	Terms of Supply
South Staffs Water Non appointed	8.172	Recharges for the use of appointed assets	0.007	Cost
		Management fees	0.183	Cost
		Total services supplied by the appointee to non-appointee	0.189	

Section 1 – regulatory accounts primary statements

Table 1A Income statement for the 12 months ended 31 March 2025

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Revenue	153.400	3.232	8.172	(4.940)	148.460
Operating costs	(134.384)	(2.715)	(6.592)	3.877	(130.507)
Other operating income	10.664	(10.278)	-	(10.278)	0.386
Operating profit	29.680	(9.761)	1.580	(11.341)	18.339
Other income	-	10.278	0.092	10.186	10.186
Interest income	2.674	-	-	-	2.674
Interest expense	(25.312)	-	-	-	(25.312)
Other interest expense	(0.168)	-	-	-	(0.168)
Profit before tax and fair value movements	6.874	0.517	1.672	(1.155)	5.719
Fair value gains/(losses) on financial instruments	-	-	-	-	-
Profit before tax	6.874	0.517	1.672	(1.155)	5.719
UK Corporation tax	(0.922)	(0.129)	(0.417)	0.288	(0.634)
Deferred tax	(0.756)	-	-	-	(0.756)
Profit for the year	5.196	0.388	1.255	(0.867)	4.329
Dividends	(5.000)	-	(0.875)	0.875	(4.125)
Tax analysis					
Current year	-	0.129	0.417	(0.288)	(0.288)
Adjustments in respect of prior years	0.922	-	-	-	0.922
UK Corporation tax	0.922	0.129	0.417	(0.288)	0.634

Activities outside the appointed business include:

- the Aqua Direct spring water business;
- commission from sewerage charges 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	Operating costs	Other operating income	Other income	Profit for the year	Tax
	£m	£m	£m	£m	£m	£m

Revenue not recognised under FRS102 as deemed uncollectable	3.195	-	-	-	3.195	-
Revenue not recognised under FRS102 as deemed uncollectable	-	(3.195)	-	-	(3.195)	-
Intra Group Turnoverand Costs Elimination	0.037	(0.037)	-	-	-	-
Rental income	-	-	(0.131)	0.131	-	-
Amortisation of capital contributions	-	-	(3.474)	3.474	-	-
Infrastructure renewals contributions	-	-	(6.673)	6.673	-	-
Remove Innovation Funding in year	-	0.517	-	-	0.517	-
Remove Innovation Tax in year	-	-	-	-	-	(0.129)
Net adjustments	3.232	(2.715)	(10.278)	10.278	0.517	(0.129)

Analysis of interest charges

	2025 £m
Interest charged on external borrowings	15.919
Bond indexation	9.734
Bond costs	0.047
Bond discount on issue	(0.387)
Total interest charge per table 1A line 7	25.313
Amounts recycled through hedging reserve	(0.168)
Total interest charge per table 1A line 8	(0.168)

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.

	2025	
Appointed Profit on ordinary activities	**5.719**	
Appointed profit before tax at standard UK corporation tax rate of 25%	1.430	
Expenses not deductible for tax purposes		0.303
Capital allowances super deduction 30% element		-
Transfer pricing adjustments		(0.240)
Capital allowances less than depreciation		(1.598)
Tax losses carried forward		-
Other timing differences		(0.183)
Adjustments in respect of prior years		0.922
	(0.796)	
Appointed current tax charge	**0.634**	
Appointed total current tax charge allowed in price limits (17/18 prices)	0.000	
Appointed total current tax charge allowed in price limits (24/25 prices)	0.000	
Impact of difference between tax rate used in price limits (17%) and actual tax rate (25%)		-
Differences in profit before tax		0.554
Taxable interest income for which no tax allowance given in price limit		-
Expenses not deductible for tax purposes		0.275
Transfer pricing adjustment		(0.240)
Capital allowances in advance of depreciation		(1.290)
Pension contributions		0.528
Tax losses carried forward		-
Other timing differences		(0.114)
	(0.288)	
Current year	**(0.288)**	
Adjustments in respect of prior years	0.922	
Appointed current tax charge	**0.634**	

The allowed current tax charge above of £nil reflects the changes for corporation tax and capital allowance rates made by HM Treasury during the 2020 to 2025 period as required by Ofwat in Information Note IN 25/02. The current tax credit in respect of the year before prior year adjustments was £0.3 million lower than allowed and has been driven by higher capital allowances in advance of depreciation, partly offset by higher profit before tax.

Table 1B Statement of comprehensive income – for the 12 months ended 31 March 2025

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Profit for the year	5.196	0.388	1.255	(0.867)	4.329
Actuarial gains/(losses) on post-employment plans	-	-	-	-	-
Other comprehensive income	(0.429)	-	-	-	(0.429)
Total comprehensive income for the year	4.767	0.388	1.255	(0.867)	3.900

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 2025

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Non-current assets					
Fixed assets	691.689	-	0.956	(0.956)	690.733
Intangible assets	28.666	-	-	-	28.666
Investments - loans to group companies	-	-	-	-	-
Investments - other	-	-	-	-	-
Financial instruments	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-
Total	720.355	-	0.956	(0.956)	719.399
Current assets					
Inventories	4.346	-	0.030	(0.030)	4.316
Trade & other receivables	53.753	30.657	44.112	(13.455)	40.298
Financial instruments	0.002	0.483	-	0.483	0.485
Cash & cash equivalents	15.506	-	0.229	(0.229)	15.277
Total	73.607	31.140	44.371	(13.231)	60.376
Current liabilities					
Trade & other payables	(62.766)	(28.847)	(36.626)	7.779	(54.987)
Capex creditor	(5.132)	-	-	-	(5.132)
Borrowings	-	-	-	-	-
Financial instruments	-	-	-	-	-
Current tax liabilities	-	(0.496)	-	(0.496)	(0.496)
Provisions	-	-	-	-	-
Total	(67.898)	(29.343)	(36.626)	7.283	(60.615)
Net Current assets/(liabilities)	5.709	1.797	7.745	(5.948)	(0.239)
Non-current liabilities					
Trade & other payables	(10.075)	-	-	-	(10.075)
Borrowings	(411.712)	-	-	-	(411.712)
Financial instruments	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-
Provisions	(2.300)	-	-	-	(2.300)
Deferred income - G&C's	(195.098)	-	(0.006)	0.006	(195.092)
Deferred income - adopted assets	-	-	-	-	-
Preference share capital	-	-	-	-	-
Deferred tax	(60.309)	-	-	-	(60.309)
Total	(679.494)	-	(0.006)	0.006	(679.488)
Net assets	46.570	1.797	8.695	(6.898)	39.672
Equity					
Called up share capital	2.123	-	-	-	2.123
Retained earnings & other reserves	44.447	1.797	8.695	(6.898)	37.549
Total Equity	46.570	1.797	8.695	(6.898)	39.672

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
Inter company alignments	31.140	-	(31.140)	-	-
Financial Instruments	(0.483)	0.483	-	-	-
Remove innovation funding accrual year to date	-	-	2.293	-	(2.293)
Remove innovation funding year to date tax effect	-	-	-	(0.496)	0.496
Net adjustments	30.657	0.483	(28.847)	(0.496)	(1.797)

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 2025. 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 2025

	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£m	£m	£m	£m	£m
Operating activities					
Operating profit	29.680	(9.761)	1.580	(11.341)	18.339
Other income	-	10.278	0.092	10.186	10.186
Depreciation	31.419	-	0.127	(0.127)	31.292
Amortisation - G&C's	(3.474)	-	-	-	(3.474)
Changes in working capital	1.508	(0.517)	(0.426)	(0.091)	1.417
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	(0.386)	-	-	-	(0.386)
Cash generated from operations	58.747	(0.000)	1.373	(1.373)	57.374
Net interest paid	(12.217)	-	-	-	(12.217)
Tax paid	-	-	(0.417)	0.417	0.417
Net cash generated from operating activities	46.530	(0.000)	0.956	(0.956)	45.574
Investing activities					
Capital expenditure	(54.987)	-	-	-	(54.987)
Grants & Contributions	7.560	-	-	-	7.560
Disposal of fixed assets	0.648	-	-	-	0.648
Other	-	-	-	-	-
Net cash used in investing activities	(46.779)	-	-	-	(46.779)
Net cash generated before financing activities	(0.249)	(0.000)	0.956	(0.956)	(1.205)
Cashflows from financing activities					
Equity dividends paid	(5.000)	-	(0.875)	0.875	(4.125)
Net loans received	(0.400)	-	-	-	(0.400)
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	(5.400)	-	(0.875)	0.875	(4.525)
Increase (decrease) in net cash	(5.649)	(0.000)	0.081	(0.081)	(5.730)

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 (£54.987 million) and additions reported in the fixed assets in notes 2d and 2o (£48.819 million) is due to an increase in year of creditors relating to capital purchases of £6.168 million.

The company's revolving credit facility was refinanced during the year, increasing the total facility from £30.000 million to £75.000 million, of which £30.000 million was drawn. Fees of £0.400 million were incurred, which are shown in the table above in net loans received.

Table 1D Statement of cash flows (continued)

	Operating profit £m	Other income £m	Changes in working capital £m
Rental income	(0.131)	0.131	-
Amortisation of capital contributions	(3.474)	3.474	-
Infrastructure renewals contributions	(6.673)	6.673	-
Remove Innovation Funding in year	0.517	-	(0.517)
Net adjustments	(9.761)	10.278	(0.517)

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

	2025 £m
Interest paid	15.302
Bank interest received	(3.085)
Net interest per table 1D	12.217

Table 1E Net debt analysis – as at 31 March 2025

	Interest rate risk profile				
	Fixed rate	Floating rate	Index linked		Total
			RPI	CPI/CPIH	
	£m	£m	£m	£m	£m
Borrowings (excluding preference shares)	111.652	-	290.602	-	402.254
Preference share capital					-
Total borrowings					402.254
Cash					(15.276)
Short term deposits					-
Net Debt					**386.978**
Gearing					66.65%
Adjusted Gearing					66.41%
Full year equivalent nominal interest cost	4.972	-	19.316	-	24.288
Full year equivalent cash interest payment	4.705	-	9.673	-	14.378
Indicative interest rates					
Indicative weighted average nominal interest rate	4.45%	0.00%	6.65%	0.00%	6.04%
Indicative weighted average cash interest rate	4.21%	0.00%	3.33%	0.00%	3.57%
Weighted average years to maturity	8.498	-	24.971	-	20.399

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 66.4% is based on the company's covenant net debt of £385.588 million, which differs to the book net debt by £1.390 million. 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 25 £m	Gearing %
Book net debt - statutory accounts	(395.723)	68.15%
Derivatives	(0.483)	0.08%
Non-appointed cash	(0.229)	0.04%
Exclude unamortised issue costs	(1.834)	0.32%
Exclude book premium on issue of index linked debt	11.291	(1.94%)
Book net debt (as reported above)	(386.978)	66.65%
Exclude accrued interest	1.390	(0.24%)
Net debt reported for borrowing covenants	(385.588)	66.41%

Table 1F Financial flows – for the 12 months ended 31 March 2025

			12 months ended 31 March 2025					
				%			£m	
	Units	DP	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	177.086	177.086	141.178			
Return on regulatory equity								
Return on regulatory equity	%	2	4.27%	3.40%	4.27%	7.562	6.028	6.028
Financing								
Impact of movement from notional gearing	%	2	0.00%	0.87%	0.39%	0.000	1.533	0.552
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	-0.08%	-0.10%	0.000	(0.148)	(0.148)
Group relief	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Cost of debt	%	2	0.00%	-0.46%	-0.59%	0.000	(0.816)	(0.830)
Hedging instruments	%	2	0.00%	0.39%	0.49%	0.000	0.689	0.689
Return on regulatory equity including Financing adjustments	%	2	4.27%	4.11%	4.46%	7.562	7.287	6.292
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-1.79%	-2.25%	0.000	(3.172)	(3.172)
ODI out / (under) performance	%	2	0.00%	-1.72%	-2.16%	0.000	(3.046)	(3.046)
C-Mex out / (under) performance	%	2	0.00%	-0.02%	-0.02%	0.000	(0.032)	(0.032)
D-Mex out / (under) performance	%	2	0.00%	-0.05%	-0.06%	0.000	(0.081)	(0.081)
Retail out / (under) performance	%	2	0.00%	-1.68%	-2.10%	0.000	(2.968)	(2.968)
Other exceptional items	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Operational performance total	%	2	0.00%	-5.25%	-6.59%	0.000	(9.299)	(9.299)
RoRE (return on regulatory equity)	%	2	4.27%	-1.14%	-2.13%	7.562	(2.012)	(3.007)
RCV growth	%	2	3.45%	3.45%	3.45%	6.109	6.109	4.871
Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	7.72%	2.31%	1.32%	13.671	4.098	1.864
Dividends								
Gross Dividend	%	2	2.16%	1.81%	2.27%	3.819	3.207	3.207
Interest Receivable on Intercompany loans	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Retained Value	%	2	5.56%	0.50%	-0.95%	9.852	0.890	(1.344)
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%	0.41%	0.000	0.581	0.581
Total out / under performance	%	2	0.00%	0.34%	0.42%	0.000	0.595	0.595

Table 1F Financial flows – for the price review to date

			Average 2020-25					
				%			£m	
	Units	DP	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity								
Regulatory equity	£m	2	164.65	164.65	153.99			
Return on regulatory equity								
Return on regulatory equity	%	2	4.20%	3.93%	4.20%	6.917	6.469	6.469
Financing								
Impact of movement from notional gearing	%	2	0.00%	0.27%	0.10%	0.000	0.448	0.157
Gearing benefits sharing	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Variance in corporation tax	%	2	0.00%	2.26%	2.42%	0.000	3.729	3.729
Group relief	%	2	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of debt	%	2	0.00%	-1.91%	-2.05%	0.000	(3.138)	(3.159)
Hedging instruments	%	2	0.00%	0.04%	0.04%	0.000	0.065	0.065
Return on regulatory equity including Financing adjustments	%	2	4.20%	4.60%	4.72%	6.917	7.574	7.262
Operational Performance								
Totex out / (under) performance	%	2	0.00%	-1.75%	-1.87%	0.000	(2.879)	(2.879)
ODI out / (under) performance	%	2	0.00%	-0.47%	-0.50%	0.000	(0.778)	(0.778)
C-Mex out / (under) performance	%	2	0.00%	0.07%	0.07%	0.000	0.108	0.108
D-Mex out / (under) performance	%	2	0.00%	-0.02%	-0.02%	0.000	(0.028)	(0.028)
Retail out / (under) performance	%	2	0.00%	-1.22%	-1.31%	0.000	(2.014)	(2.014)
Other exceptional items	%	2	0.00%	0.09%	0.10%	0.000	0.153	0.153
Operational performance total	%	2	0.00%	-3.30%	-3.53%	0.000	(5.437)	(5.437)
RoRE (return on regulatory equity)	%	2	4.20%	1.30%	1.19%	6.917	2.137	1.826
RCV growth	%	2	5.12%	5.12%	5.12%	8.434	8.434	7.888
Voluntary sharing arrangements	%	2	0.00%	0.00%	0.00%	0.000	0.000	0.000
Total shareholder return	%	2	9.32%	6.42%	6.31%	15.351	10.571	9.713
Dividends								
Gross Dividend	%	2	2.16%	3.18%	3.40%	3.551	5.232	5.232
Interest Receivable on Intercompany loans	%	2	0.00%	-0.37%	-0.40%	0.000	(0.610)	(0.610)
Retained Value	%	2	7.17%	3.61%	3.31%	11.800	5.949	5.091
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%	0.36%	0.000	0.547	0.547
Total out / under performance	%	2	0.00%	0.34%	0.36%	0.000	0.560	0.560

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 4.13, totex performance has been adjusted for timing differences and the company cost sharing ratio with customers.

In line with Ofwat Information Note IN25/02, the ODI out/under performance uses the PR24 post intervention values for PCC and corporation tax, both for the year and for the 2020 to 2025 average.

The actual shareholder return based on actual regulatory equity is 1.32%, 6.40% below the notional return of 7.72% in our PR19 final determination. This includes the impact of expenditure in the year in relation to Fens reservoir strategic water resource option which was not in our PR19 final determination. This has been reconciled as part of our PR24 final determination and is funded in our price limits for the 2025 to 2030 period. If this expenditure is excluded, the shareholder return is 8.08%

The main drivers to the 6.40% underperformance are as follows.

- Higher returns from lower gearing (+0.39%) using the average book debt of 67.7% compared with the notional gearing of 60.0%.
- Lower returns from a higher actual cost of debt (-0.59%). 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 (-2.25%). Ignoring timing differences, totex subject to cost sharing was £9.7 million underspent of which our share is £4.4 million. Net totex not subject to cost sharing was £8.9 million higher than allowed, of which £12.3 million relates to expenditure on the Fens reservoir strategic water resource option. If this is excluded, we have outperformed totex by 4.51%.
- Retail costs (-2.10%), predominantly in relation to higher customer service-related costs and bad debt charges.
- ODIs (-2.16%), which includes an underperformance on CRI target for 2024, mainly because of a small number of significant compliance failures at our two largest water treatment works. We also experienced two major bursts in November 2024 resulting in a penalty on our supply interruptions performance commitment.
- Based on book debt, the actual dividend yield is 2.27%, which is 0.11% 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 2025

	Residential retail £m	Business retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Revenue - price control	15.135	-	13.569	118.029	146.733
Revenue - non price control	-	-	0.024	1.703	1.727
Operating expenditure - excluding PU recharge impact	(15.254)		(10.860)	(73.099)	(99.213)
PU opex recharge	(0.405)			0.405	0.000
Operating expenditure - including PU recharge impact	(15.659)	-	(10.860)	(72.694)	(99.213)
Depreciation - tangible fixed assets	(0.269)	-	(0.675)	(29.105)	(30.049)
Amortisation - intangible fixed assets	(0.581)	-	-	(0.664)	(1.245)
Other operating income	-	-	-	0.386	0.386
Operating profit	(1.374)	-	2.058	17.655	18.339

Table 2B Totex analysis for the 12 months ended 31 March 2025 – wholesale

	Water resources £m	Water Network+ £m	Total £m
Base operating expenditure			
Power	3.138	13.764	16.902
Income treated as negative expenditure	-	-	-
Service charges/ discharge consents	4.520	0.032	4.552
Bulk Supply/Bulk discharge	0.053	-	0.053
Renewals expensed in year (Infrastructure)	-	9.198	9.198
Renewals expensed in year (Non-Infrastructure)	-	-	-
Other operating expenditure (including Location specific costs & obligations)	3.011	42.640	45.651
Local authority and Cumulo rates	0.138	3.900	4.038
Total base operating expenditure	10.860	69.534	80.394
Other operating expenditure			
Enhancement operating expenditure	-	-	-
Developer services operating expenditure	-	1.461	1.461
Total operating expenditure excluding third party services	10.860	70.995	81.855
Third party services	-	1.699	1.699
Total operating expenditure	10.860	72.694	83.554
Grants and contributions			
Grants and contributions - operating expenditure	-	6.673	6.673
Capital expenditure			
Base capital expenditure	0.966	12.481	13.447
Enhancement capital expenditure	13.421	12.322	25.743
Developer services capital expenditure	-	9.412	9.412
Total gross capital expenditure excluding third party services	14.387	34.216	48.603
Third party services	-	-	-
Total gross capital expenditure	14.387	34.216	48.603
Grants and contributions			
Grants and contributions - capital expenditure	-	6.896	6.896
Net totex	25.247	93.341	118.588
Cash expenditure			
Pension deficit recovery payments	-	-	-
Other cash items	-	-	-
Totex including cash items	25.247	93.341	118.588

Table 2C Cost analysis for the 12 months ended 31 March 2025 – retail

	Residential £m	Business £m	Total £m
Operating expenditure			
Customer services	7.513	-	7.513
Debt management	1.538	-	1.538
Doubtful debts	3.199	-	3.199
Meter reading	1.101	-	1.101
Other operating expenditure	1.824	-	1.824
Local authority and Cumulo rates	0.080	-	0.080
Total operating expenditure excluding third party services	15.255	-	15.255
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.004	-	0.004
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.265	-	0.265
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.582	-	0.582
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	0.336	-	0.336
Income from wholesale assets acquired after 1 April 2015 principally used by retail	(0.069)	-	(0.069)
Net recharges costs	0.405	-	0.405
Total retail costs excluding third party and pension deficit repair costs	16.511	-	16.511
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair costs	16.511	-	16.510
Debt written off			
Debt written off	5.323	-	5.323
Capital expenditure			
Capital expenditure	0.217	-	0.217
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end	74.311		
Cumulative allowed expenditure to reporting year end	62.017		
Total allowed expenditure 2020-25	62.017		

Total retail operating costs (before depreciation charges) of £15.3 million, compared with £12.1 million allowed in price limits for the year. The overspend is predominantly in relation to customer service-related activities.

Table 2D Historic costs analysis of tangible fixed assets at 31 March 2025

	Residential Retail £m	Business Retail £m	Wholesale Water resources £m	Water Network+ £m	Total £m
Cost					
At 1 April 2024	6.359	-	35.772	1,182.337	1,224.468
Disposals	-	-	-	(0.462)	(0.462)
Additions	(0.180)	-	2.942	34.958	37.720
Adjustments	-	-	-	(1.450)	(1.450)
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2025	6.179	-	38.714	1,215.383	1,260.276
Depreciation					
At 1 April 2024	(5.011)	-	(6.224)	(528.552)	(539.787)
Disposals	-	-	-	0.292	0.292
Adjustments	-	-	-	0.001	0.001
Charge for year	(0.269)	-	(0.675)	(29.105)	(30.049)
At 31 March 2025	(5.280)	-	(6.899)	(557.364)	(569.543)
Net book amount at 31 March 2025	0.899	-	31.814	658.020	690.733
Net book amount at 1 April 2024	1.348	-	29.548	653.785	684.681
Depreciation charge for year					
Principal services	(0.269)	-	(0.675)	(29.105)	(30.049)
Third party services	-	-	-	-	-
Total	(0.269)	-	(0.675)	(29.105)	(30.049)

Table 2E Analysis of grants and contributions for the 12 months ended 31 March 2025

	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	-	2.990	-	2.990
Infrastructure charge receipts – new connections	-	2.064	-	2.064
Requisitioned mains	-	1.059	-	1.059
Diversions - s185	1.243	-	-	1.243
Other contributions (price control)	-	1.585	-	1.585
Price control grants and contributions before deduction of income offset	1.243	7.699	-	8.942
Income offset	-	5.294	-	5.294
Price control grants and contributions after deduction of income offset	1.243	2.405	-	3.648
Diversions - NRSWA	1.081	-	-	1.081
Diversions - other non-price control	4.349	-	-	4.349
Other contributions (non-price control)	-	5.156	-	5.156
Total grants and contributions	6.673	7.561	-	14.234
Value of adopted assets	-	-	-	-

	Water resources £m	Water network+ £m	Total £m
Movements in capitalised grants and contributions			
b/f	-	190.567	190.567
Capitalised in year	-	7.561	7.561
Amortisation (in income statement)	-	(3.474)	(3.474)
c/f	-	194.654	194.654

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% and non-price control contributions are 43%.

Table 2F Residential retail for the 12 months ended 31 March 2025

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale revenue	102.063	-	-
Retail revenue	15.135	-	-
Total residential revenue	117.198	-	-
Retail revenue			
Revenue Recovered ("RR")	15.135	-	-
Revenue sacrifice	-	-	-
Actual revenue (net)	15.135	-	-
Customer information			
Actual customers ("AC")	-	677.301	-
Reforecast customers	-	677.715	-
Adjustment			
Allowed revenue ("R")	13.598	-	-
Net adjustment	(1.537)	-	-
Other residential information			
Average household retail revenue per customer	-	-	22.346

Household retail revenues are £1.5 million 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 £29.535 million for the year, including rechargeable works.

Table 2I Revenue analysis for the 12 months ended 31 March 2025

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge - water						
Unmeasured	52.665	1.147	53.812	6.217	47.595	53.812
Measured	49.398	27.301	76.699	7.352	69.347	76.699
Third party revenue	-	1.087	1.087	-	1.087	1.087
Total wholesale water revenue	102.063	29.535	131.598	13.569	118.029	131.598
Retail revenue						
Unmeasured	7.682	-	7.682			
Measured	7.453	-	7.453			
Other third party revenue	-	-	-			
Retail Total	15.135	-	15.135			
Third party revenue - non-price control						
Bulk supplies - water			0.236			
Other third party revenue			1.176			
Principal services - non-price control						
Other appointed revenue			0.315			
Total appointed revenue			148.460			

Table 2J Infrastructure network reinforcement costs for the 12 months ended 31 March 2025

	Network reinforcement capex £m	On site / site specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	0.716	-
Pumping and storage facilities	0.001	-
Other	-	-
Total	0.717	-

Table 2K Infrastructure charges reconciliation for the 12 months ended 31 March 2025

	Water £m
Impact of infrastructure charge discounts	
Infrastructure charges	2.064
Discounts applied to infrastructure charges	0.081
Gross Infrastructure charges	2.145
Comparison of revenue and costs	
Variance brought forward	1.707
Revenue	2.064
Costs	(0.716)
Variance carried forward	3.055

The variance carried forward on infrastructure charge revenues compared with costs as at March 2025 is £3.1 million, compared with £1.7 million in the previous year. We spent much less on network reinforcement towards the end of AMP7 as developments slowed. Network reinforcement is not always directly correlated to connection volumes however as a number of large developments were either building slower than expected or had not started building the schemes we expected to start at the end of AMP7 were not necessary.

Table 2L Analysis of land sales for the 12 months ended 31 March 2025

There were no land sales during the year.

Table 2M Revenue reconciliation for the 12 months ended 31 March 2025 – wholesale

	Water resources £m	Water network+ £m	Total £m
Revenue recognised	-	-	-
Wholesale revenue governed by price control	13.569	118.029	131.598
Grants & contributions (price control)	-	3.648	3.648
Total revenue governed by wholesale price control	13.569	121.677	135.246
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	12.349	118.410	130.759
Allowed grants & contributions before adjustments (or modified by CMA)	-	6.557	6.557
Revenue adjustment	0.896	10.341	11.237
Other adjustments	-	-	-
Revenue cap	13.244	135.309	148.553
Calculation of the revenue imbalance			
Revenue cap	13.244	135.309	148.553
Revenue Recovered	13.569	121.677	135.246
Revenue imbalance	(0.325)	13.632	13.307

The calculation of the revenue cap in the above table is based on our PR24 final determination for the true-up of wholesale revenues for the period. This includes the under-recovery of revenues for the period from 2020 to 2025 of £3.8 million, which will be recovered from customers in the next price control period.

Total wholesale revenues were £5.7 million lower than that assumed in the wholesale price control. When we set charges for 2022/23, we deferred £2.3 million of revenue to keep bills lower, as we recognised the challenges our customers were having around the cost of living. We reflected these in our charges for 2023/24, whereas the revenue correction model would reflect this as being recovered in 2024/25. We also recovered £1.2 million less from customers as a result of lower consumption and lower new connections activity.

Price control contributions including associated revenue adjustments were £6.7 million lower than allowed. Developer contributions were £4.5 million lower than allowed, as we saw a significant slowdown in housebuilding during the year.

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	-	66.384	-
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	-	610.917	-
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	-	-	71.609
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	4.754	-	-
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	-	-	7.019
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
Section B - Water Sure tariffs			
WaterSure tariffs	-	-	-
Number of unique customers on WaterSure	-	2.040	-
Total reduction in bills for WaterSure customers	0.669	-	-
Average reduction in bills for WaterSure customers	-	-	327.853
-	-	-	-

Table 2O Historic cost analysis of intangible fixed assets

	Residential Retail	Business Retail	Water Resources	Water Network+	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2024	3.720	-	11.424	10.385	25.529
Disposals	-	-	-	-	-
Additions	0.396	-	11.099	(0.396)	11.099

Adjustments	-	-	(0.000)	1.450	1.450
Assets adopted at nil cost	-	-	-	-	-
At 31 March 2025	4.116	-	22.522	11.440	38.078
Amortisation					
At 1 April 2024	(1.952)	-	-	(6.215)	(8.167)
Disposals	-	-	-	-	-
Adjustments	-	-	-	-	-
Charge for year	(0.581)	-	-	(0.664)	(1.245)
At 31 March 2025	(2.533)	-	-	(6.879)	(9.412)
Net book amount at 31 March 2025	1.583	-	22.522	4.561	28.666
Net book amount at 1 April 2024	1.768	-	11.424	4.170	17.362
Amortisation for year					
Principal services	(0.581)	-	-	(0.664)	(1.245)
Third party services	-	-	-	-	-
Total	(0.581)	-	-	(0.664)	(1.245)

The net book value includes £nil is 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	Forecast of total 2020-25 out or under performance payment
				£m	£m
Common PCs - Water (Financial)					
Water quality compliance (CRI)	number	6.58	No	(1.223)	(2.932)
Water supply interruptions	hh:mm:ss	0.01	No	(1.478)	0.005
Leakage South Staffs region	%	13.89	No	(0.188)	0.266
Leakage Cambridge region	%	21.79	Yes	0.190	0.802
Per capita consumption South Staffs region	%	(9.03)	No	(2.180)	PR24
Per capita consumption Cambridge region	%	7.20	Yes	0.025	PR24
Mains repairs	number	117.86	Yes	0.086	(0.507)
Unplanned outage	%	1.09	Yes	0.253	1.266
Bespoke PCs - Water and Retail (Financial)					
Financial support	nr	69,797	Yes	-	-
Extra Care assistance	%	5.5	Yes	-	(0.010)
Education activity	nr	6,692	Yes	0.006	(0.169)
Environmentally sensitive water abstraction	number	-	Yes	-	0.014
Protecting wildlife, plants, habitats and catchments	nr	899.4	Yes	0.044	0.220
Customer contact about water quality	nr	0.50	Yes	0.235	1.408
Visible leak repair time	text	5.000	No	(0.129)	(0.129)
Water treatment works delivery programme	%	100.000	Yes	-	-
Residential void properties and gap sites	%	100.000	Yes	-	-
Financial water performance commitments achieved	%		71		
Overall performance commitments achieved (excluding C-MEX and D-MEX)	%		63		

We discuss outcomes, ODIs, performance commitments and financial incentives in more detail on pages 19 to 44. 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	72.61
Annual customer satisfaction score for the customer experience survey	Number	76.87
Annual C-MeX score	Number	74.74
Annual net promoter score	Number	11.50
Total household complaints	Number	2,814
Total connected household properties	Number	720,905
Total household complaints per 10,000 connections	Number	39.034
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	77.82	
Quantitative component annual results	Number	98.25	
D-MeX score	Number	88.03	
Developer services revenue (water)	£m	9.023	
Calculating the D-MeX quantitative component			
Water UK performance metric		**Reporting period (1 April to 31 March)**	**Quantitative score (annual)**
		%	**%**
W1.1 Pre-development enquiry – reports issued within target		92.59%	
W3.1 s45 quotations - within target		96.19%	
W4.1 s45 service pipe connections - within target		89.29%	
W6.1 Mains design <500 plots - quotations within target		93.75%	
W7.1 Mains design >500 plots - quotations within target		100.00%	
W8.1 Mains construction within target		97.83%	
W17.1 Mains diversions (without constraints) - quotations within target		100.00%	
W17.2 Mains diversions (with constraints) - quotations within target		100.00%	
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%	
WN4.3 % of permanent supplies made available within the target period		100.00%	
SLPM - S1/2 Review PoC proposal		100.00%	
SLPM - S2/2a Provide design		93.75%	
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		99.84%	
D-MeX quantitative score (for the reporting period)	%	98.25%	
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	%		14.90	Yes	
Priority services for customers in vulnerable circumstances - Attempted contacts	%		91.40	Yes	
Priority services for customers in vulnerable circumstances - Actual contacts	%		45.80	Yes	
Bespoke PCs					
Retailer measure of experience	%		77.30	No	
Supporting water efficient housebuilding	nr		42.70	Yes	
Carbon emissions	nr		41.90	Yes	
Bad debt level	%		2.73	Yes	
Employee engagement	score		Not met	No	
Treating our suppliers fairly	%		71.17	No	
Trust	nr		7.13	No	
Value for money	%		62.00	No	
WINEP Delivery	text	Not met		No	
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 CMEX and DMEX) £m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	0.048
Water network plus	(2.253)
Residential retail	-
Business retail	-
Dummy control	-
Initial calculation of end of period revenue adjustment by price control	
Water resources	-
Water network plus	(2.155)
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 2025

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Non qualifying bulks pre 2015	263.608	0.208	0.236
Total bulk supply exports	263.608	0.208	0.236
Bulk supply imports			
Non qualifying bulks pre 2015	78.106	0.053	
Total bulk supply imports	78.106	0.053	

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 2025		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)	9.312	95.784	42.833	489.394
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	8.315	85.579	41.472	486.242
Transition expenditure	-	-	-	-
Disallowable costs	-	-	0.508	2.856
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	8.315	85.579	40.965	483.386
Variance	(0.997)	(10.205)	(1.868)	(6.008)
Variance due to timing of expenditure	0.871	(2.348)	-	-
Variance due to efficiency	(1.868)	(7.857)	(1.868)	(6.008)
Customer cost sharing rate - outperformance	54.9%	54.9%	54.9%	54.9%
Customer cost sharing rate - underperformance	45.1%	45.1%	45.1%	45.1%
Customer share of totex overspend	-	-	-	-
Customer share of totex underspend	(1.026)	(4.316)	(1.026)	(3.301)
Company share of totex overspend	-	-	-	-
Company share of totex underspend	(0.842)	(3.540)	(0.842)	(2.707)
Totex - business rates and abstraction licence fees				
Final determination allowed total tax - business rates and abstraction licence fees	4.105	6.315	18.655	28.703
Actual totex - business rates and abstraction licence fees	4.658	3.932	20.386	23.141
Variance - business rates and abstraction licence fees	0.553	(2.383)	1.731	(5.562)
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	0.415	(1.788)	1.299	(4.171)
Company share of totex over/underspend - business rates and abstraction licence fees	0.138	(0.596)	0.433	(1.390)
Totex not subject to cost sharing				
Final determination allowed totex - not subject to cost sharing	0.008	5.928	0.035	15.567
Actual totex - not subject to cost sharing	12.274	2.582	25.619	11.301
Variance - 100% company allocation	12.266	(3.346)	25.584	(4.266)
Total customer share of totex over/under spend	(0.611)	(6.104)	0.272	(7.472)
RCV				
Total customer share of totex over/under spend	(0.611)	(6.104)	-	-
PAYG rate	65.9%	65.9%	64.2%	63.7%
RCV element of cumulative totex over/underspend	(0.209)	(2.080)	-	-
Adjustment for ODI outperformance payment or underperformance payment	-	-	-	-
Green recovery	-	-	-	-
RCV determined at FD at 31 March	-	-	36.362	544.263
Projected 'shadow' RCV	-	-	36.362	544.263

In the reporting year, net totex subject to cost sharing was £9.7 million lower than that allowed in our PR19 final determination as we delivered on our expected efficiencies in the last year of the AMP7 period.

Net totex not subject to cost sharing was £8.9 million higher than allowed. The main driver is in relation to £12.3 million of expenditure on the Fens reservoir strategic water resources option that was not included in our original PR19 final determination. This was reconciled in our PR24 final determination and funding will be recovered from customers in the 2025 to 2030 period.

Table 4D Totex analysis for the 12 months ending 31 March 2025 – 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	10.860	1.925	0.015	13.364	54.230	80.394
Enhancement operating expenditure	-	-	-	-	-	-
Developer services operating expenditure	-	-	-	-	1.461	1.461
Total operating expenditure excluding third party services	10.860	1.925	0.015	13.364	55.691	81.855
Third party services						
Total operating expenditure	-	-	-	0.789	0.910	1.699
	10.860	1.925	0.015	14.153	56.601	83.554
Grants and contributions						
Grants and contributions - operating expenditure	-	-	-	-	6.673	6.673
Capital expenditure						
Base capital expenditure	0.966	0.313	-	4.071	8.097	13.447
Enhancement capital expenditure	13.421	0.116	-	9.492	2.714	25.743
Developer services capital expenditure	-	-	-	-	9.412	9.412
Total gross capital expenditure excluding third party services	14.387	0.429	-	13.563	20.223	48.603
Third party services	-	-	-	-	-	-
Total gross capital expenditure	14.387	0.429	-	13.563	20.223	48.603
Grants and contributions						
Grants and contributions - capital expenditure	-	-	-	5.036	1.859	6.896
Net totex	25.247	2.354	0.015	22.680	68.292	118.588
Cash expenditure						
Pension deficit recovery payments	-	-	-	-	-	-
Other cash items	-	-	-	-	-	-
Totex including cash items	**25.247**	**2.354**	**0.015**	**22.680**	**68.292**	**118.588**
Atypical expenditure						
Item 1	-	-	-	-	-	-
Item 2	-	-	-	-	-	-
Total atypical expenditure	-	-	-	-	-	-

Table 4H Financial metrics for the 12 months ended 31 March 2025

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	386.978	
Regulatory equity	£m	193.647	
Regulatory gearing	%	66.65%	
Post tax return on regulatory equity	%	2.80%	
RORE (return on regulatory equity)	%	-1.14%	1.30%
Dividend yield	%	2.13%	
Retail profit margin - Household	%	-1.16%	
Retail profit margin - Non household	%	0.00%	
Credit rating - Fitch	Text	N/A	
Credit rating - Moody's	Text	Baa2 (stable)	
Credit rating - Standard and Poor's	Text	BBB+ (Stable)	
Return on RCV	%	4.97%	
Dividend cover	dec	1.049	
Funds from operations (FFO)	£m	44.157	
Interest cover (cash)	dec	3.89	
Adjusted interest cover (cash)	dec	1.46	
FFO/Net debt	dec	0.1141	
Effective tax rate	%	-5.04%	
Retained cash flow (RCF)	£m	40.032	
RCF/Net debt	dec	0.103	
Borrowings			
Proportion of borrowings which are fixed rate	%	27.76%	
Proportion of borrowings which are floating rate	%	0.00%	
Proportion of borrowings which are index linked	%	72.24%	
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	%	0.00%	
Proportion of borrowings due in more than 2 years but no more than 5 years	%	7.20%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	19.41%	
Proportion of borrowings due in more than 20 years	%	73.38%	

RORE for the reporting year under actual returns and notional equity was -1.14%. This is 5.41% lower than that allowed in our PR19 final determination of 4.27%. The key drivers of this underperformance are as follows.

- Higher returns from lower gearing (+0.87%) using the average book debt of 67.7% compared with the notional gearing of 60.0%.
- Lower returns from a higher actual cost of debt (-0.46%). 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 (-1.79%). Ignoring timing differences, totex subject to cost sharing was £9.7 million underspent of which our share is £4.4 million. However, net totex not subject to cost sharing was £8.9 million higher than allowed. £12.3 million was due to expenditure on the Fens reservoir strategic water resource option, which was not in our PR19 final determination. This has been reconciled as part of our PR24 final determination and is funded in our price limits for the 2025 to 2030 period. If this is excluded, we have outperformed totex by 3.60%.
- Retail costs (-1.68%), predominantly in relation to higher customer service-related costs and bad debt charges.
- ODIs (-1.72%), which includes an underperformance on CRI target for 2024, mainly because of a small number of significant compliance failures at our two largest water treatment works. We also experienced two major bursts in November 2024 resulting in a penalty on our supply interruptions performance commitment.

As required by RAG 4.13, 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) £m
Funds from operations		44.157	44.157
Net interest per table 1D	12.217		
Add back bank interest received	3.084		
Interest paid		15.301	15.301
Funds from operations before deducting interest paid		**59.458**	**59.458**
Less RCV run-off			-37.113
Funds from operations before deducting interest paid less RCV run-off			**22.345**
Interest cover ratio		**3.89**	**1.46**

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 2025)	
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
Interest rate swap (sterling)									
Floating to fixed rate	30.000	-	-	-	30.000	(0.483)	(0.483)	2.14%	4.83%
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	(0.483)	(0.483)	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	(0.483)	(0.483)	0.00%	0.00%

Nominal values (net) above represent the nominal value of the interest rate swap of £30.0 million, which hedges the interest rate payments on £30.0 million 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 2025 of 4.83%. The receivable floating rate element of the swap exactly offsets the payable floating rate element (three-month LIBOR interest payment) of the related £30.0 million 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 2025 – water resources and water network plus

	Water resources	Water network+				Total
		Raw water distribution	Raw water storage	Water treatment	Treated water distribution	
	£m	£m	£m	£m	£m	£m
Operating expenditure						
Power	3.138	1.321	0.002	1.085	11.356	16.902
Income treated as negative expenditure	-	-	-	-	-	-
Bulk Supply/Bulk discharge	0.053	-	-	-	-	0.053
Renewals expensed in year (infrastructure)	-	-	-	-	9.198	9.198
Renewals expensed in year (non-infrastructure)	-	-	-	-	-	-
Other operating expenditure	3.011	0.452	0.013	12.054	29.398	44.928
Local authority and Cumulo rates	0.138	0.152	-	0.195	3.553	4.038
Service Charges						
Canal & River Trust abstraction charges/ discharge consents	-	-	-	-	-	-
Environment Agency / NRW abstraction charges/ discharge consents	4.520	-	-	0.030	0.002	4.552
Other abstraction charges/ discharge consents	-	-	-	-	-	-
Location specific costs & obligations						
Costs associated with Traffic Management Act	-	-	-	-	0.347	0.347
Costs associated with lane rental schemes	-	-	-	-	0.376	0.376
Statutory water softening	-	-	-	-	-	-
Total base operating expenditure	10.860	1.925	0.015	13.364	54.230	80.394
Capital expenditure	-	-	-	-	-	-
Maintaining the long term capability of the assets - infra	-	-	-	-	-	-
Maintaining the long term capability of the assets - non-infra	0.966	0.313	-	4.071	8.097	13.447
Total base capital expenditure	0.966	0.313	-	4.071	8.097	13.447
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act	-	-	-	-	8,388	8,388

Table 4L Enhancement expenditure for the 12 months ended 31 March 2025 – 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 2025 – water resources and water network plus

	Water network+ Treated water distribution		
	Capex £m	Opex £m	Totex £m
New connections	5.129	-	5.129
Requisition mains	3.248	-	3.248
Infrastructure network reinforcement	0.716	-	0.716
s185 diversions	-	1.461	1.461
Other price controlled activities	0.320	-	0.320
Total developer services expenditure	9.412	1.461	10.873

Table 4P Expenditure on non-price control diversions for 12 months ended 31 March 2025

	Water resources	Water network+	Total
Capex	£m	£m	£m
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	-	1.269	1.269
Opex associated with other non-price control diversions	-	4.790	4.790
Other developer services non-price control opex	-	-	-
Developer services non-price control opex	-	6.059	6.059
Totex			
Costs associated with NSWRA diversions	-	1.269	1.269
Costs associated with other non-price control diversions	-	4.790	4.790
Other developer services non-price control totex	-	-	-
Developer services non-price control totex	-	6.059	6.059

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

	Water nr
Connections volume data	
New connections (residential – excluding NAVs)	3147
New connections (business – excluding NAVs)	135
Total new connections served by incumbent	3282
New connections – SLPs	1758
Properties volume data	
New properties (residential - excluding NAVs)	3276
New properties (business - excluding NAVs)	135
Total new properties served by incumbent	3411
New residential properties served by NAVs	879
New business properties served by NAVs	-
Total new properties served by NAVs	879
Total new properties	4290
New properties – SLP connections	1758
New water mains data	
Length of new mains (km) - requisitions	8
Length of new mains (km) - SLPs	17

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	324.772	352.529	677.301	38.285
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	324.772	352.529	677.301	38.285
Business water only customers	3.338	35.127	38.465	3.521
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	3.338	35.127	38.465	3.521
Total customers	328.110	387.656	715.766	41.806

	Unmeasured 000s	Measured 000s	Total 000s
Property numbers - average during the year			
Residential properties billed	324.772	352.529	677.301
Residential void properties			38.285
Total connected residential properties			715.586
Business properties billed	3.338	35.127	38.465
Business void properties			3.521
Total connected business properties			41.986
Total connected properties			757.572

Table 4S Green recovery expenditure for the 12 months ended 31 March 2025

		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	0.00(	1.248	0.000	1.248	0.000	0.000	0.0C	12.892	0.000	12.892
Green recovery line 1	Opex	0.000	0.000	0.00(	0.000	0.000	0.000	0.000	0.000	0.0C	0.000	0.000	0.000
Green recovery line 1	Totex	0.000	0.000	0.00(	1.248	0.000	1.248	0.000	0.000	0.0C	12.892	0.000	12.892
Total green recovery programme capex	Capex	0.000	0.000	0.00(	1.248	0.000	1.248	0.000	0.000	0.0C	12.892	0.000	12.892
Total green recovery programme opex	Opex	0.000	0.000	0.00(	0.000	0.000	0.000	0.000	0.000	0.0C	0.000	0.000	0.000
Total green recovery programme expenditure	Totex	0.000	0.000	0.00(	1.248	0.000	1.248	0.000	0.000	0.0C	12.892	0.000	12.892

Table 4U Impact of green recovery on RCV

	12 months ended 31 March 2025		Price control period to date	
	Water resources	Water network plus	Water resources	Water network plus
Totex - Green recovery				
Approved bid	0.000	0.234	0.000	11.369
Actual totex	0.000	1.248	0.000	12.892
Variance	0.000	1.014	0.000	1.523
Variance due to timing of expenditure	0.000	-0.509	0.000	0.000
Variance due to efficiency	0.000	1.523	0.000	1.523
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	0.456	0.000	0.685
Company share of totex - outperformance	0.000	0.000	0.000	0.000
Company share of totex - underperformance	0.000	0.558	0.000	0.837
Increase / decrease in shadow RCV	0.000	-0.222	0.000	10.684
In period funding	0.000	0.965	0.000	2.372
Net increase / decrease in shadow RCV	0.000	-1.187	0.000	8.312

Table 4V Mark-to-market of financial derivatives analysed based on payment dates

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4W Defined benefit pension scheme – additional Information

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

Table 4Z Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments

The Cambridge Water data can be found here.

The South Staffs Water data can be found here.

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	0.519
Revenue collected for the purposes of the innovation competition	
Innovation fund income from customers	0.519
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	-
Income from customers that is transferred to other companies as part of the innovation fund	0.423
Non-price control revenue (e.g. royalties)	-
Administration	
Administration charge for innovation partner	0.022

	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	0.105	0.168	0.063	-	0.006	0.012

The cash balance of £15.277 million reported in table 1c includes £0.652 million in relation to revenue collected for the purposes of innovation competition but not yet utilised.

Section 11 – additional regulatory information (greenhouse gas emissions)

Table 11A Operational greenhouse gas emissions reporting for the 12 months ended 31 March 2025

	Water tCO2e	Wastewater tCO2e	Total tCO2e
Scope one emissions			
Burning of fossil fuels (location-based)	16,747.343	-	16,747.343
Process and fugitive emissions	1,731.148	-	1,731.148
Vehicle transport	1,788.102	-	1,788.102
Emissions from land	-	-	-
Total scope one emissions (location-based)	20,266.593	-	20,266.593
Scope one emissions; GHG type CO2	18,477.823	-	18,477.823
Scope one emissions; GHG type CH4	1,016.570	-	1,016.570
Scope one emissions; GHG type N2O	708.863	-	708.863
Scope one emissions: GHG other types	63.336	-	63.336
Scope two emissions			
Purchased electricity (location-based)	20,293.407	-	20,293.407
Purchased electricity (market-based)	4.614	-	4.614
Purchased heat	-	-	-
Electric vehicles	1.422	-	1.422
Removal of electricity to charge electric vehicles at site	-	-	-
Total scope two emissions (location-based)	20,294.829	-	20,294.829
Total scope two emissions (market-based)	6.036	-	6.036
Scope two emissions; GHG type CO2	20,087.029	-	20,087.029
Scope two emissions; GHG type CH4	88.217	-	88.217
Scope two emissions; GHG type N2O	119.583	-	119.583
Scope two emissions: GHG other types	-	-	-
Scope three emissions			
Business travel	91.632	-	91.632
Outsourced activities	-	-	-
Purchased electricity; extraction, production, transmission and distribution (location-based)	6,683.405	-	6,683.405
Purchased heat; extraction, production, transmission and distribution	-	-	-
Purchased fuels; extraction, production, transmission and distribution	3,203.412	-	3,203.412
Chemicals	5,314.029	-	5,314.029
Disposal of waste	-	-	-
Total scope three emissions (location-based)	15,292.477	-	15,292.477
Scope three emissions; GHG type CO2	1,866.066	-	1,866.066

Scope three emissions; GHG type CH4	7.963	-	7.963
Scope three emissions; GHG type N2O	11.224	-	11.224
Scope three emissions: GHG other types	-	-	-
Gross operational emissions (Scopes 1,2 and 3)			
Gross operational emissions (location-based)	55,853.899	-	55,853.899
Gross operational emissions (market-based)	6.036	-	6.036
Emissions reductions			
Exported renewables	-	-	-
Exported biomethane	-	-	-
Insets	-	-	-
Other emissions reductions	-	-	-
Total emissions reductions	-	-	-
Emissions reductions			
Green tariff electricity	-	-	-
Net annual emissions			
Net annual emissions (market-based)	-	-	-

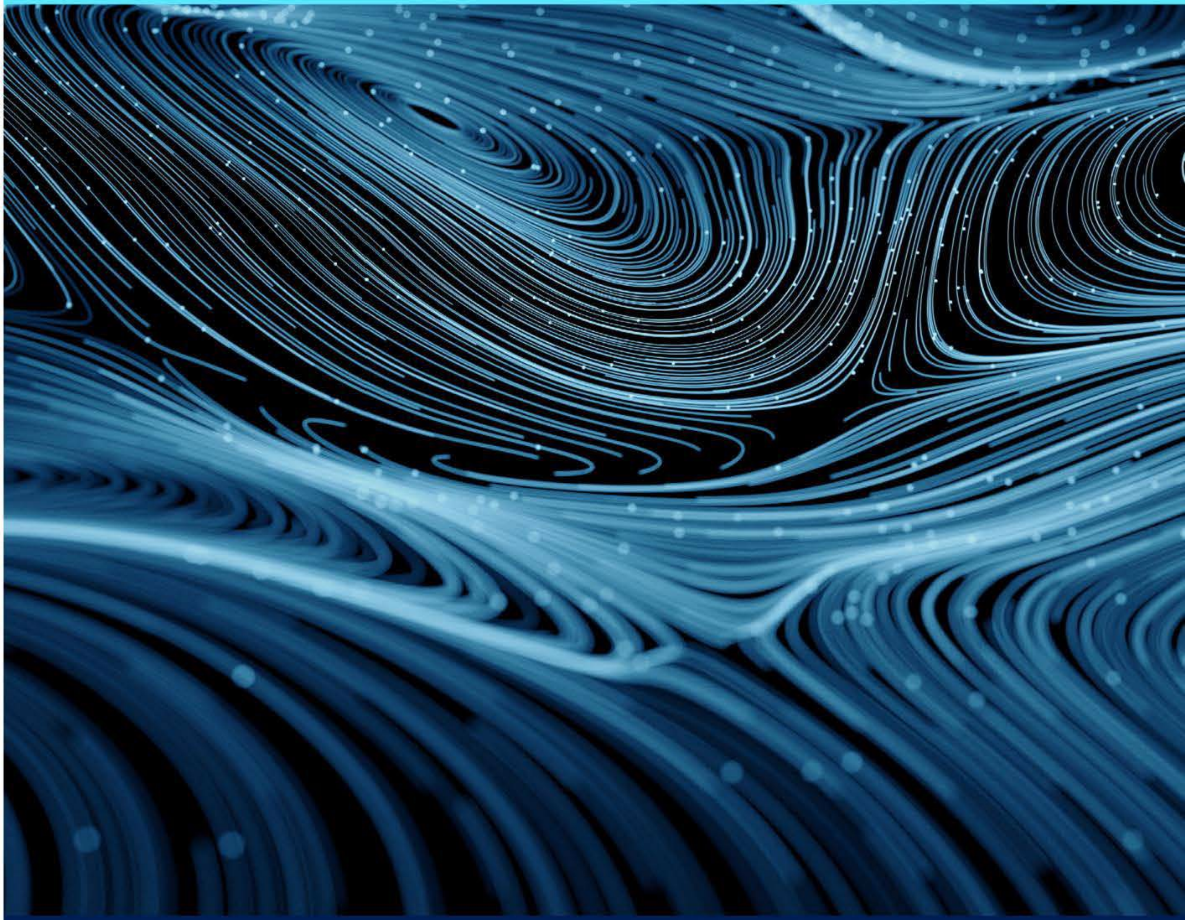
	Water kgCO2e/Ml 3	Wastewater kgCO2e/Ml 3	
GHG intensity ratios			
Emissions per Ml of treated water	377.213	-	-
Emissions per Ml of sewage treated	-	-	-

		Embedded emissions	
	Water tCO2e	Wastewater tCO2e	Total tCO2e
Capital projects			
Capital projects (cradle-to-gate)	-	-	-
Capital projects (cradle-to-build)	7,562.780	-	7,562.780
Purchased goods and services			
Purchased goods and services	6,610.100	-	6,610.100

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

See following pages.



APR25 Year-end Assurance

Independent Assurance Report

Revision: 3
South Staffordshire Water
APR25 Technical Assurance

7 July 2025

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APR25 Year-end Assurance

Client name:	South Staffordshire Water	**Project no:**	B2443000
Project name:	APR25 Technical Assurance	**Project manager:**	Trudy Maddock
Revision:	3		
Date:	7 July 2025		

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	13/06/2025	Draft	VK	HKC	SH	YZ
2.0	19/06/2025	Updated draft	VK	SH	TM	TM
3.0	07/07/2025	Final	VK	YZ	SH	TM

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This assurance was completed in accordance with the ISAE 3000 (Revised) standard including following ethical and quality requirements.

Contents

Attention: South Staffordshire Water Board

1. Introduction

This letter provides an overview of our assurance activity relating to your submission of specified non-financial data in South Staffordshire Water's (South Staffs'/SST) 2024-25 Annual Performance Report (APR).

2. Assurance Standards Applied

We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

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. 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.

3. Scope of Work and Approach

This assurance report provides the conclusions from the work specified in our Statement of Work, APR25 Year-end Assurance issued on 14 February 2025.

The assurance work was undertaken using a risk-based sampling approach through a series of audits conducted over Microsoft Teams.

We have completed assurance for the reporting process and data for the APR lines listed in Table 1:

Table 1 Technical assurance scope

Audit name	Lines in scope
Leakage- Methodology	Leakage (SST) - 3A - C1 Line 3 Leakage – Cambridge (CAM) - 3A - C2 Line 3
Water Quality Customer Contacts	Performance Commitment: 3A - D6 – Line 12
Water treatment works delivery programme	PC - 3A - D8 Line 14
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
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
Financial support	PC - 3A - B1 Line 7
Voids and gap sites	PC - 3A - E2 Line 15
CMEX & Complaints	PC - 3C - A1 Lines 1-8 CCW complaints data
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

Visible leak repair time	PC - 3A - D7 Line 13
AIM & Biodiversity	PC - Environmentally sensitive water abstraction - 3A - C5 Line 10 PC- Protecting wildlife, plants, habitats and catchments - 3A - C7 Line 11
Education activity	PC - 3A - B3 Line 9
Risk of severe restrictions in a drought	PC - 3E - D3 Line 1 5A Line 29 - Water resources capacity
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)
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
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
Mains repairs	PC - 3A - D4 Line 5
CRI (ODI) & ERI	PC - 3A - D1 Line 1 Compliance Risk Index & Event Risk Index - 6C - Lines 22-23
Supply interruptions	PC - 3A - D2 Line 2
Unplanned outage inc. PWPC	PC - 3A - D5 Line 6
Distribution input	Feeds into water balance - Process & Data
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

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 4.13) and South Staffs' PR19 Final Determination.

We reviewed 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.

We provided a risk scoring for each audit against the criteria set out in Table 2, using the risk scoring definitions as presented in Table 3.

Table 2 Assessment Criteria

Test	Criteria
Is the reporting methodology subject	Is it clear which lines are covered by this process?

Test	Criteria
to appropriate governance?	Are roles within the process clear and allocated to named individuals (company dependent but usually: line owner, data provider, business owner, strategic owner)? 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?
Is the methodology consistent with the requirements?	Is the methodology consistent with the requirements including compliance with definitions from the final determination (FD) and RAG 4? Have all changes to the reporting requirements since the last audit been reflected in the methodology? For PCs - are there any specific reporting or assurance requirements in the FD and have these been addressed?
Has the process defined in the methodology document been followed?	Is the methodology clearly defined and documented? Has the process described in the methodology document been used to produce the reported number and is there an audit trail to evidence this? If the process used was different to the methodology was the deviation reasonable and has it been justified and authorised? Is there evidence that a cross-check of the data has been completed by a person other than the originator? Have findings from internal checks and assurance been addressed? Is there evidence that the following have been completed: First line assurance checks, second-line assurance checks, sign-off by Business Lead and Strategic Lead?
Are reporting risks being managed and are there sufficient checks and controls?	Have assumptions been identified and are they regularly reviewed? Are the assumptions reasonable? Have reporting risks been identified and are they regularly reviewed? Is the residual reporting risk understood and is it at an appropriate level? Are checks and controls appropriate given the assumptions and risks identified? Is the level of data sampling undertaken within the process sufficient? Record the level of sampling in the notes below Is/are the confidence grade/grades the same as stated in the methodology document and is it consistent with the findings of the company's sample checks. Note- please record the confidence grade in the notes.
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)

Test	Criteria
	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?

Table 3 Score definitions

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 auditors. 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 auditor's reasonable opinion. All identified weaknesses (material and non-material) are described below and have been given a corresponding action.

We also recorded the following items in our audit reports:

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

4. Summary of Key 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.

4.1 Common themes

Overall, it was observed that there are good methodologies and procedures in place and in the majority of cases there were clear data trails to confirm the reported numbers.

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.

A few material issues were identified during the audits, which relate to methodological and reporting issues. Of these all were resolved post-audit with the exception of one material issue relating to Risk of severe restrictions in a drought audit, more specifically:

- For the Risk of severe restrictions in a drought audit, we observed that the methodology applied to produce the data does not align with the guidance. We note that this Performance Commitment (PC) is not an AMP8 commitment, and the calculation of drought resilience will not be required for the next reporting period and that the company has previously reported the value using this same method. However, we believe this still represents a medium to high reporting risk.

Other material actions which were identified but resolved post-audit included:

- For the Average Pumping Head (APH) Audit for South Staffs, a material issue was initially noted during data checks concerning the final calculations and their alignment with the Ofwat guidance, which specifies that Pumped Volume and Gravity Volume should reflect the volume of water from each price control, rather than the total volume entering distribution. SSW has used the latter in the current approach. This is a different approach to calculating CAM numbers, which are averaged with SST data. This issue was resolved through a follow-up audit where it was confirmed that using final distribution volumes across the other components is within suitable confidence levels and suitable assumptions have been made. Another potential material issue was noted which related to clarifying how suction pressure, lift, and all other components have been incorporated in the calculations and also determining whether any update to these calculations is required. It was confirmed post-audit that suction pressures are included in calculations in some cases automatically and others as a manual adjustment. A non-material action was given to include this in the methodology.
- Some material actions were also identified as part of the Carbon and Energy Audit, which related to the correct application of the methodology, however these were resolved following the audit.

A more general observation relates to the level of embedded checking and approval of the data. There has been an overall improvement compared to last year with more extensive coverage of data checking and approval. However, there is still some scope for formalising these procedures especially around the documentation of 1st and 2nd line checks and approvals.

We also note that in some cases we have not seen the formal populated tables as there is a final step of table population following the audits.

4.2 Summary findings

Our individual audit reports provide the detail of our findings. This section provides our overview risk score and a summary of our findings. Where there is a strikethrough and a new score provided, this represents an updated score that has resulted from additional evidence provided post-audit.

Audit	Overall Score	Comments
Water Quality Customer Contacts	B	The methodology of logging customer contacts has remained the same since the update in January 2023. The methodology document has been updated with minor changes and additional details. However, there is no evidence of internal review of the methodology within the document control. There is evidence of 2nd-line internal checks being undertaken which helps to reduce the potential data reporting risks from single-person errors. Multiple 1st-line checks are also undertaken on a regular basis.
Water treatment works delivery programme	A	The visual inspection, conversations held, and evidence provided during the site visit support South Staffs claim that the Hampton Loade WTW ceramic membrane installation and commissioning has been completed in line with the required date of 31st March 2025.
Production operational data	5A – Lines 1-21 -B	There is an appropriate method of reporting and a well-controlled method of producing data.

Audit	Overall Score	Comments
	6A – Lines 1-4 - B 6A – Lines 13-27 - B 6B – Lines 1-3 & 8-22 - B	As the audit was conducted prior to the APH and PWPC audits, the pumping capacity and water treatment lines may need to be updated once final figures are available. There is also a recommendation given at APR23 and repeated for APR24 stating that the replicability of the data should be assessed which is yet to be carried out. A non-material action remains to check for any commentary requirements.
PSR & Extra Care	B	The methodology of PSR and Extra Care has remained consistent since the change in billing system in 30/01/2023. There is evidence of internal checks being undertaken which helps to reduce the potential data reporting risks from single-person errors. A few non-material actions were identified which relate to implementing e-signature or email confirmation for sign-off and strengthening reconciliation through the introduction of manual testing.
Properties & population	A	The Auditees were able to describe and explain their processes and reasoning with clarity and confidence. No material issues were found. Data in Aptumo is currently undergoing validation and will improve over time, requiring fewer adjustments. The automation of the properties process using Qlikview has reduced the risk of human error in calculations, but also reduced the number of people that can assess the data due to knowledge needed around using Qlikview instead of MS Excel. Adjustments were reasonable and well explained and trends were as expected. It is anticipated that there will be some changes seen in next AMP's data due to the universal metering programme rolling out further AMI meters and activating AMI capable meters. A reassessment of the number of AMR and basic meters still in operation will need to be done as the meter splits change through the programme.
Financial support	B	The methodology of financial support has remained the same since the change in billing system in 2023. There is evidence of internal checks being undertaken which helps to reduce the potential data reporting risks from single-person errors. These checks are logged in the methodology document which includes the name and the date of the checker. An action has been raised to implement an e-signature/email confirmation to strengthen the assurance within the review.
Voids and gap sites	A	Auditees were able to describe and explain their processes with confidence and clarity. We noted that the use of the Voids Dashboard reduces the chance of human error as it automatically tracks when letters are sent. This also reduces risk if there is any personnel handover towards the end of the reporting year.
CMEX & Complaints	B	Performance for both C-MeX and complaints continues to be below South Staffs target this year. The company is aware of the issues underlying this. In particular the rate of phone calls abandoned by the

Audit	Overall Score	Comments
		customer before being answered remains well above normal rates for the water industry. The team showed a strong understanding of the process and data and were able to explain changes in the results this year. We identified one material issue in the data reported for 3C.5 that was resolved during the audit and further resolved post-audit based on a recommended action. The total number of complaints changed from 2803 to 2805 in audit and from 2805 to 2814 post-audit. Some non-material actions remain.
Mains lengths, profiles, CPs	B	There are a number of minor differences in the performance this year compared to last year, the majority of which are related to corrections in the source data (e.g. 5A.22 and 6A.5). The length of mains renewed, length of mains newly laid, and lead comms pipe replacement this year are lower than last year. The auditees noted that this is because of reduced activity overall during the last year of the AMP. They expect the levels of renewals and main laying to increase again next year. The auditees have produced a process diagram and methodology document for different lines and we have made recommendations about referencing roles, responsibilities and risks in those documents. The auditees described a new data-driven process for determining the number of communication pipes. We discussed the process with auditees but have not conducted a detailed review of the process. We recommend that a future process audit conducts a deep dive into the new process.
Visible leak repair time	B	The team were found to be knowledgeable of the reporting requirements and had a good understanding of the process. The team confirmed that there have not been any changes to reporting guidance or the underlying process since last year. We have made some non-material recommendations regarding improvements to the documentation of risks and assumptions
AIM & Biodiversity	Line 10 - B Line 11 – ~~C~~ B	The auditees were knowledgeable of the process which we found to be well managed. The methodology documents were found to be well laid-out. However, the auditee confirmed that there is no formal documentation of checks and controls for either process. We recommend that these checks are recorded. For Line 11, it was unclear at the time of audit whether specific assurance requirements had been addressed, however this was sufficiently confirmed through a follow up call. The score therefore has been changed from C to B.
Education activity	B	You have outperformed on this performance commitment despite an Education Officer not being in post over the summer.

Audit	Overall Score	Comments
		The overall process is well managed and the records viewed were well maintained. The methodology relating to education activity has not changed. The team noted that they have included integrated calculation formulas into their worksheets to minimize the risk of processing errors. We noted that there is a reporting requirement to publish a report, once during the AMP, on the benefit of South Staffs education programme. To date this has not been published. The team confirmed that the report is in the process of being written and will be published soon. We noted that non-delivery would represent a risk of non-compliance with the Final Determination's reporting requirements.
Risk of severe restrictions in a drought	PC - 3E - D3 Line 1 - C	The company methodology has remained the same as in previous years. As reported in the APR24 audit feedback, the company approach does not appear to align with the guidance. We recommend the approach to calculate population at risk aligns with the Ofwat guidance, so that only interventions that have already been implemented are accounted for when calculating the average population at risk. We also did not see evidence to support the benefits claimed for demand-side measures ~4 Ml/day. There is a risk that if the demand side measures were not delivered as planned, the SDB could potentially be in deficit and the population at risk would be > zero. We recommend that you evidence that demand-side measures have achieved the forecast savings. We also noted that the team were unable to evidence the checks they have completed on the reported figures.
	5A Line 29 – Water resources capacity - B	The process is well documented and aligns with Ofwat Guidance. Checks and controls are appropriate, including 100% 1st line sample checks. Evidence of licence constraints as the limiting factor on water resource yield is well- maintained and yields have been updated to align with WRMP24 estimates, where appropriate. Some non-material issues relating to impact of water quality and climate change on yield not being considered for some sites as well as some points around documentation of methodology and checks.
Carbon emissions & energy consumption	Energy: 6B.23, 5A.24, 6A.7 and 6A.35 - B	The team demonstrated a clear understanding of the reported figures and data calculations, although they were not aware of the RAG 4.13 document with Table 11A lines' definitions. Most of the sample data checked could be clearly traced from the CAW to the source data. Some exceptions to this resulted in material and non-material actions. There are three methodology documents in place, and two of those are new for this year. It is understood that updated documents and systems are in development, and we have recommended that

Audit	Overall Score	Comments
	GHG: 11A.1-43 - B GHG: 11A.44-46 – ~~C~~ B PR19SSC_C8 - A	consideration is given to combining these as well as expanding the detail of these. Some recommendations have been made around formalising documentation and governance procedures. Some material actions were identified for operational GHG including: • double counting of grey fleet mileage claim expenses, • lack of evidence of the inflation adjustment applied to the spend data; and • double counting of activity data on spend-based approach for 11A.46. These actions were addressed post-audit. Most of the non-material issues identified are related to improvements in the methodology, checks and control processes, and erroneous data manipulation prior to CAW input. No evidence of checks and sign-off was provided during the audit. We recommend that the team formalise and record the assurance of data provided and its transfer into reporting formats. PR19SSC_C8 was assured on the follow-up audit without any issues. The Final APR tables were not assured during the audits. Table 11A Proforma was checked offline on 10/06 with no issues. The final reported figures for the energy lines (6B.23, 5A.24, 6A.7 and 6A.35) won't be covered in audit by Jacobs prior to submission to Ofwat as data to split the total energy consumption per cost area (treated water distribution, water resource, raw water transport, water treatment) won't be available from finance until later.
Average pumping head- CAM	B	No material issues identified. Some non-material issues which relate to introducing more automation in the process which currently relies heavily on the experience and judgment of a single individual as well as making improvements to the written methodology and governance procedures.
Average pumping head- SST	~~C~~ B	A material issue was noted during data checks concerning the final calculations and their alignment with the Ofwat guidance, which specifies that pumped volume (VP) and gravity volume (VG) should reflect the volume of water from each price control, rather than the total volume entering distribution. However, it appears that the latter has been used in the current approach. This is a different approach to calculating CAM numbers, which are averaged with SST data. This issue was resolved through a follow-up audit where it was confirmed that using final distribution volumes across the other components is within suitable confidence levels and suitable assumptions have been made. Another potential material issue was noted which relates to clarifying how suction pressure, lift, and all other components have been incorporated in the calculations and also determining whether any update to these calculations is required. It was confirmed post-audit

Audit	Overall Score	Comments
		that suction pressures are included in calculations in some cases automatically and others as a manual adjustment. A non-material action was given to include this in the methodology.
DMEX	A	The D-MeX involves some manual entry. However, there is an established approach to the handling and assurance of various data.
Mains repairs	~~B~~ A	The audit confirmed that the reporting process for mains bursts is generally well understood and consistently applied across both South Staffs Water and Cambridge Water. 1033 bursts were reported, equivalent of 117.9 per 1000km. This outperforms the figure for the Performance Commitment which is set at 122.4 per 1,000km, but is below the outperformance cap of 104.4 repairs per 1,000km. Clear evidence of governance was found, with up-to-date methodology documents, documented approvals, and controls applied throughout. Data validation was robust: all sampled work orders were traceable in Maximo and backed by photographic and descriptive evidence. No material issues remain. Final populated table was viewed post-audit which now results in a score of A.
CRI (ODI) & ERI	B	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. As noted in the audit feedback, the CRI scores are provisional – to be finalised in the final report from DWI July 2025, and the ERI scores are provisional – to be confirmed by DWI April 2026. Non-material actions highlight changes that are recommended to the methodology document to increase clarity around minimal risks and assumptions for these lines, and improving the recording of internal checks.
Supply interruptions	B	Methodology applied correctly and clearly demonstrated. Only two non-material actions relating to improving the methodology document and providing a documented commentary.
Unplanned outage inc. PWPC	B	Methodology applied correctly and clearly demonstrated. Five-year capacity tests have not been completed to confirm the PWPC at sites; however, the team explained that most sites have operated at their maximum sustainable operating capacity during recent dry events or have been tested through the commissioning and testing phase of upgraded works. Some non-material issues identified including minor changes to PWPCs and the absence of evidence for water quality exclusions but these were resolved post-audit.

Audit	Overall Score	Comments
		Only a few non-material actions remaining around documentation and governance.
Distribution input	B	The auditees have a detailed understanding of the derivation of distribution input (DI) in both regions, and over recent years have refined an approach that has six levels of data validation and assurance to ensure the reported pre-MLE distribution input values are as robust as possible. Sufficient data validation and assurance procedures in place. The CAM region has only recently had a new telemetry system installed and so for 2024/25 is using the same approach as for 2023/24. Work is ongoing to fully align the methodologies utilising the reporting functionality of the new telemetry system in CAM. Some non-material actions still remain.
Water balance (leakage & PCC)	B	The team 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. **For Leakage:** 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 APR25 reporting. The availability of night flow data in the CAM region is 89.45% against an Ofwat target of 90%. This is an improvement from 2023-24. The company should continue to manage the operational impact of DMA availability throughout the year to achieve an annual average above 90%. Regular reviews of the water balance (monthly) ensure any issues or errors are identified and resolved quickly. There is one issue around the alignment of the values in the "extra leakage lines.xlsx" and the reported values. These should be checked and confirmed. Some recommendations have been made for future reporting especially around reviewing compliance of methodology with AMP8 reporting requirements and retaining robust evidence to ensure alignment between old and new versions of software updates. **For PCC:** Both regions have a robust water balance, as measured by the reconciliation error, which is 2.89% for SST and 1.47% for CAM. The company currently has two models that estimate unmeasured household consumption for SST. For APR25 reporting the company has used the existing model but is planning to move to new model in

Audit	Overall Score	Comments
		the next few 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 is unlikely to be material for APR25 as the new model would be back-cast and the baseline restated. We have asked the company to clarify the approach should more than 50% of the properties in a small area monitor (SAM) be metered (the existing model does not adequately accommodate this). In this case it may be sensible to move to the new monitor for 2025-26. Some recommendations have been made going forward and a few non-material actions remain.

5. Conclusion

Overall, based on our scope of work and the limited assurance undertaken, 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 above, we consider that:

- The reporting processes used are in line with Ofwat's guidance;
- Internal sign-off process related to internal governance have been followed;
- internal approval checks of data at SSW have been carried out;
- data is competently sourced, processed, fairly reflects the company position and is fit for purpose, and;
- Data have been appropriately combined between the two regions

Sajid Hussain

Head of Water Strategy and Regulation

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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.

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

See following pages.

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 2025 (“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 3.15, RAG 4.13 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.15, appendix 2), set out on pages 75 to 77.

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 3.15, 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 85 to 107 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 directors' going concern assessment process and challenged management to ensure key factors were considered in their assessment. We challenged the period of management's going concern assessment to 31 July 2026.
- We obtained the directors' going concern assessment, including cash flow forecasts, liquidity requirements and forecast covenant calculations and tested these for arithmetical accuracy. The Board's assessment considered base and sensitised cases, including a severe but plausible

downside scenario. The directors also performed reverse stress testing to evaluate the sufficiency of cash and available facilities over the going concern assessment period.

- 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 review period from 1 April 2025 to 31 March 2030 ('PR24'), 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 key assumptions used by the directors in the various scenarios including revenue growth, collection rate, operating cost inflation including chemical and energy costs, capital and infrastructure renewal expenditures and future cash outflows related to claims associated with the cyber-attack by comparing to information obtained from the work performed as part of our audit as well as any external sources we obtained independently.

- We discussed and challenged assumptions on the potential legal and regulatory costs associated with the cyber-attack, including the quantum and timing thereof, and the associated legal processes available to the company through direct discussions with and review of legal advice the company received from their external legal counsel.

- We have validated the maturity dates and covenant requirements of the company's facilities assumed in the models to the facility agreements.

- We recalculated and tested inputs into the covenant forecast calculations back to the base case and downside scenarios to identify whether there would be any forecast covenant breaches over the going concern review period.

- We evaluated the assumptions used in the directors' downside scenarios which included severe but plausible outflows for regulatory penalties and civil claims related to the cyber-attack, increases in operating costs beyond budget and deterioration in collections during the going concern period. This assessment included consideration of any mitigating actions within the control of the company which include the ability to reduce or withhold dividend payments 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 whether there are significant events after the end of the going concern review period which impact the entity's ability to continue as a going concern.

- 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.

Our key observations:

The directors have used the final determination for the years 2025 to 2030 as the basis for preparing the forecasts for the going concern assessment period to 31 July 2026. This provides assurance over forecast revenue for the going concern period. In November, the company agreed a £75m revolving credit facility with maturity in November 2027 which, after repaying the previous facility, provided a £45m increase in available facility and remains undrawn as at the date of the approval of these financial statements.

A key assumption in the directors' forecasts, including a severe but plausible downside scenario, is the quantum and timing of legal and regulatory costs arising from the cyber-attack in 2022. The directors have included the estimated worst case outcomes which were based on legal advice. The directors concluded that the potential costs can be met through the undrawn revolving credit facility and mitigating actions (such as reducing or deferring any dividend distribution) which the company can influence.

The directors have also sensitised for downside scenarios with respect to the higher operating cost within the going concern period. In the directors' severe but plausible downside scenario, no incremental debt facilities were required and the company is able to operate within its available cash and facility. In addition, the directors have also performed a reverse stress test focused on the risk of further deterioration in collection rates and concluded that this scenario is implausible.

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 31 July 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 53, 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 3.15, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

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

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

We obtained an understanding of the legal and regulatory 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 WSRA, 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 General Data Protection Regulations, 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 comply 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 financial statements to material misstatement, including how fraud might occur by making enquiries of senior management including the Managing Director, Interim Finance Director, Interim 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.
- 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.
- We assessed management's accounting conclusions and disclosures with respect to the cyber-attack to confirm these are appropriate and are consistent with the legal advice received.
- 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.

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 2025 on which we reported on [15 July 2025], 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.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
For and on behalf of Ernst & Young LLP
London
15 July 2025

South Staffs Water

Cambridge Water

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infrastructure deliver for customers, clients and our planet

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