

Hafren Dyfrdwy Cyfyngedig Annual Performance Report 2021



**RHAGOROL O'R TAP
WONDERFUL ON TAP**



severn dee

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Welcome to the Hafren Dyfrdwy Annual Performance Report 2021

Gofalu am un o hanfodion bywyd
Taking care of one of life's essentials

RHAGOROL O'R TAP
WONDERFUL ON TAP



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

Croeso!

We are delighted to present this year's Annual Performance Report for Hafren Dyfrdwy.

We hope you enjoy reading about our performance and activities during the year and our plans for the future.



John Coghlan

Chair
Hafren Dyfrdwy Cyfyngedig



James Jesic

Managing Director
Hafren Dyfrdwy Cyfyngedig

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

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

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

A clear and assured account of our financial performance for each price control, based on Ofwat's regulatory accounts framework, to enable customers and stakeholders to consistently assess our relative and absolute performance.

A clear, accurate and assured account of our performance across our 31 performance commitments in the year.

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

Additional Regulatory Publications

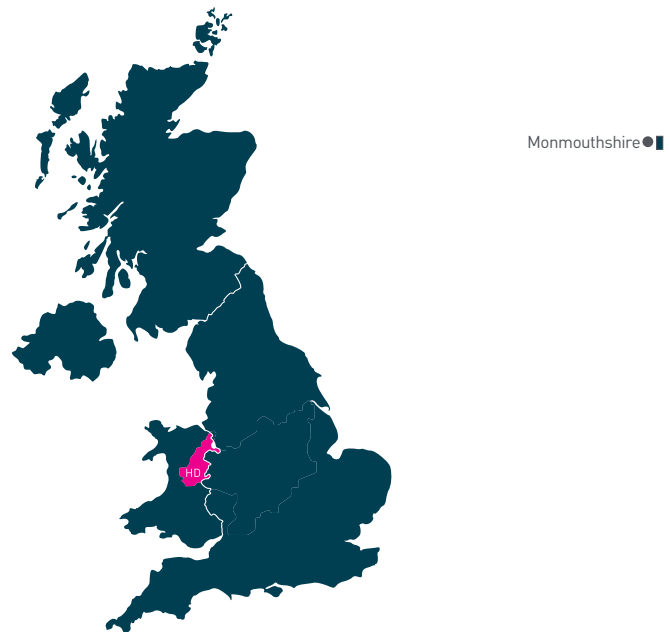
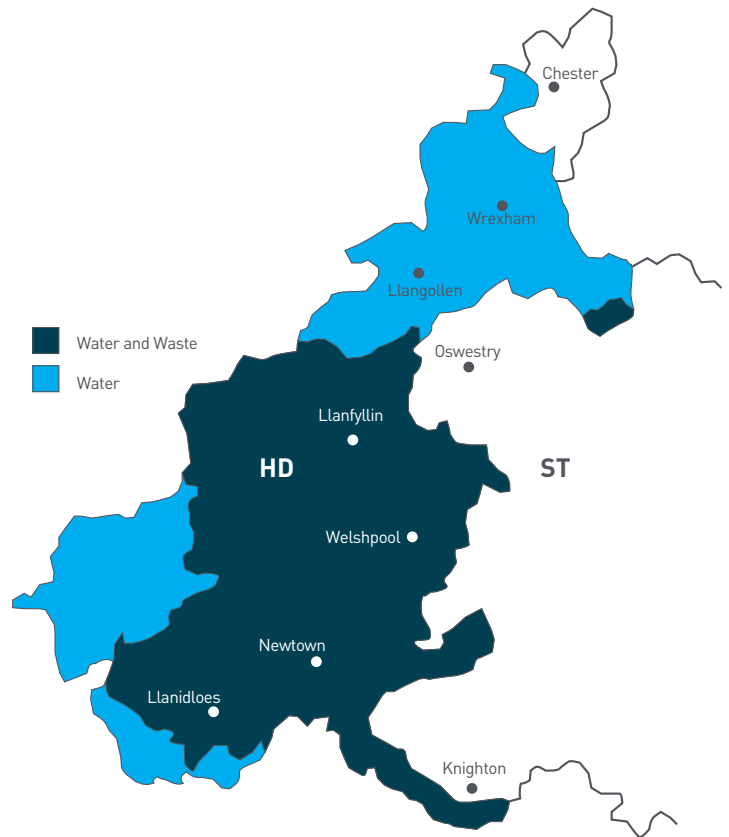
In addition to the APR, the following documents will be made available on our website in our regulatory library at hdcymru.co.uk:

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

About us

As one of the 11 regulated water and sewerage companies in England and Wales, Hafren Dyfrdwy provides Mid and North-East Wales with world-class water services at the most affordable price in Wales.

When Hafren Dyfrdwy was launched in 2018, we knew our enduring focus would be on Wales and on delivering for Welsh customers, both now and for generations to come. This thinking was behind our chosen name – Hafren Dyfrdwy means ‘Severn Dee’, representing the two major rivers in our region.



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

Shaping our business plan for AMP7 involved extensive customer engagement, listening and discussing the issues that are important to our customers over an 18 month period. As a result, our business plan takes a long-term view, delivering for our customers today and putting firm building blocks in place to continue to improve services and protect them for future generations. This approach centres around our core principle of being a socially purposeful company.

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

Hafren Dyfrdwy Cyfyngedig is a subsidiary of Severn Trent Water Limited, the primary regulated water and waste water business of Severn Trent Plc. The full ownership structure of Hafren Dyfrdwy within the Severn Trent Group can be found on the [Severn Trent Plc](#) website.

The Annual Report and Accounts of [Severn Trent Plc](#) and [Severn Trent Water Limited](#) are available on their respective websites.

2020/21 Quick facts and performance highlights

Quick facts

61 million

Litres of drinking water supplied each day

18 million

Litres of waste water treated each day

c.108,000

Number of households and businesses served

132

Average number of employees



Delivering water that is good to drink and is always there



Waste water taken safely away



Customer, community and environment

6.6%

Year-on-year reduction in leakage

100%

Compliance at our treatment works

< £1 per day

Lowest average bills in England and Wales

35%

Year-on-year reduction in water quality complaints

Zero

Serious pollutions in over 10 years

4th place

Developer Services Measure of Experience ('D-MeX')

0.1

Compliance Risk Index score*

28%

Reduction in blockages

208

Hectares of land with improved biodiversity

Read more about our performance in the Annual Performance Summary chapter from page 41.

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

Gosod dyheadau a pherfformio i bawb yr ydym yn eu gwasanaethu

Setting aspirations and performing for all those we serve

We recognise how important our natural environment is to the wellbeing of our employees and customers and are fully committed to playing our part in the vision to create a better future for Wales in full consideration of the Well-being of Future Generations (Wales) Act 2015. We are committed to environmental leadership and embrace the new approach to sustainable management of natural resources in Wales.

We serve a comparatively small area of Wales, but 60% of that area is on land that is protected as either Sites of Special Scientific Interest ('SSSI') or Special Areas of Conservation ('SAC'). Legislation looks to us to actively enhance the environment, not simply to prevent deterioration, and we are fully committed to this. That's why our PR19 business plan focuses on how we can add value and align our long-term plans to drive towards these goals.

This is our first year of AMP7 reporting, and our opportunity to share how we are progressing against our deliverables. Our business plan focuses on nine outcomes that were designed to meet the needs of our customers and wider society. These have a long-term perspective, looking up to 25 years ahead, and are underpinned by the performance commitments designed to hold us to account to our customers. Our Purpose, Values and culture are absolutely essential in delivering long-term success and building and maintaining trust as a public service provider. It was with this in mind, that we launched our new Purpose and Values last year – setting out a clear statement of direction that is representative of who we are, why we do what we do, and how we do it.

Our Purpose, '**gofalu am un o hanfodion bywyd**' / '**taking care of one of life's essentials**', unites everyone at Hafren Dyfrdwy. A large number of our employees were involved in its development, making it a Purpose made by our people, for our people. It included feedback from a range of stakeholders too, including from customer engagement undertaken when developing our business plan, to ensure that our Purpose aligns with our company strategy, which considers short and long-term goals. These goals are focused on driving long-term sustainable performance for the benefit of all those we serve. Our framework of Values, '**bod yn ddewr**' / '**having courage**', '**cofleidio chwilfrydedd**' / '**embracing curiosity**', '**dangos gofal**' / '**showing care**' and '**ymfalchio**' / '**taking pride**', support our long-standing Code of Conduct, Doing the Right Thing, and drives delivery of our strategy.

Our social purpose was developed in full consideration of the Well-being of Future Generations (Wales) Act 2015 and is aligned to its ambitions to improve social, cultural, environmental and economic wellbeing in the region we serve. Through actively thinking about, and considering, the long-term impact of our decisions on our employees and communities, we can make a long-lasting positive change to current and future generations. Through having a social purpose at the heart of our decision making, we can make decisions for the long term; adding value for our customers, the communities we serve and the environment; and treating all of our employees and other stakeholders fairly.



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

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

How the Board oversees the delivery of our strategy:

- Delivering the outcomes and social purpose our customers want from our five-year business plan.
- Sharing our longer-term ambitions that go far beyond our business plan for 2020-2025, including our 30-year drought plan, Water Resource Management Plan and long-term leakage reduction targets.
- Fostering the engagement of employees to deliver our plans.
- Focusing on exceeding targets this year on lead pipe replacements.
- Focusing on our wider stakeholder commitments including diversity and equality opportunities in our workforce and supply chain.
- Focusing on supporting our local communities through our social tariffs and other charitable contributions.
- Participating in a strategy day specifically to consider our carbon and energy strategy.
- Monitoring and assessing the culture through regular meetings with the Executive Committee, senior management and direct engagement with employees.
- Considering updates in respect of river quality and the role the Company could play in driving the river quality agenda.

This section provides some insight into how the Board engages with our stakeholders to understand what matters to them and further inform the Board's decision making and the actions taken as a consequence.

Community engagement

Our aim is to be a force for good in the communities we serve and, in doing so, create value for all our stakeholders.

- Employees who live and work in our communities met members of the Board during the year.
- Environmental matters are regularly considered by the Board.
- Members of the Board attended the North Wales Confederation of British Industry ('CBI') Annual event in respect of carbon reduction.
- Members of the Board engaged with CBI Wales in respect of the Company's COVID-19 Emergency Fund and grants made within the region to organisations most in need of support.

Employee Engagement

Our greatest asset is our experienced, diverse and dedicated workforce. Our relationship with them is open and honest, and they are appropriately supported, developed and rewarded to be their best in all that they do.

- Employee voice and workforce engagement are discussed at Board meetings.
- Diversity and Inclusion considered by the Board.
- Company Purpose and culture discussed at Board meetings.
- Board considers QUEST survey results and steps taken to address feedback.

Customer Engagement

In serving our customers, we want to provide both value and a great experience.

- Customer Delivery performance is discussed at every Board meeting.
- Customers are kept informed on progress on delivery of our AMP7 business plan.
- The Board met with members of Powys County Council to discuss Welsh Language Standards and the associated benefits to customers.

Regulators and the Government

We work closely with our regulators to shape our industry to help ensure the right outcomes for customers and the environment.

- Regulatory matters are regularly considered by the Board, including Water Resources Management Plan and Scheme of Wholesale Charges.
- Regulatory stakeholders attended Board meetings and events during the year, including from Welsh Government and Natural Resources Wales.
- Regulatory consultation updates are considered by the Board.
- The Board met with Natural Resources Wales and representatives from CCW, Ofwat and the Welsh Government to discuss future collaborative working relationships.
- Annual attendance at the Wales Water Forum with representatives from the Welsh Government as well as stakeholders from CCW, Natural Resources Wales and Drinking Water Inspectorate.
- The Board engaged with Local Authority representatives, regulatory stakeholders and charities during the year.

A happy and motivated workforce is vital to securing the trust of our customers and stakeholders and we continuously adapt how we listen, and respond to, the views of the people. We're delighted with our QUEST employee engagement score of 8.6 which places us in the top quartile of all UK businesses and in the top 5% of energy and utility companies globally. Our score is up by 0.6 from the previous year and when we review the 14 specified drivers of engagement, all 14 are up year-on-year and above benchmark.

We believe our Purpose makes all the difference. Our workforce lives and breathes our social purpose. This also includes our supply chain, who are part of our community. We continue to work closely with them to ensure our culture and Values are aligned. Through our Sustainable Supply Chain Charter we encourage all suppliers to sign up to the same commitments as ourselves; for example, becoming accredited real Living Wage employers and sharing our zero tolerance to modern slavery.

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

We strive to do the right thing for all of our stakeholders. Our Purpose has shaped our decision making and this year has focused on creating value beyond the commitments in our AMP7 business plan. COVID-19 has had a global impact and we are acutely aware that some of our customers and supply chain will continue to experience affordability pressures for some time. We have provided extra support for customers in financial need through our vulnerability schemes including WaterSure, Here2Help and our Priority Services Register.

Our wonderful employees went above and beyond and donated and delivered essential items to DASU, a Wrexham-based domestic violence charity, and Wrexham Foodbank. We have also been working closely with Xplore! in Wrexham town centre and have sponsored two bespoke interactive exhibits that highlight the importance of water in our lives.

In terms of performance, everyone in the Company plays a key part in delivering our business plan. Our Purpose and Values are translated and embedded into company objectives through each management level. These are focused on improving performance for the customers and communities we serve, in line with our overall strategic objectives. This is also reflected in our employee bonus scheme, where 51% of measures are non-financial, customer-focused targets. Despite this being a year like no other, as a result of the COVID-19 pandemic, we have continued to focus on delivering for our customers and some of our fantastic achievements are explained later in this report from page 41.



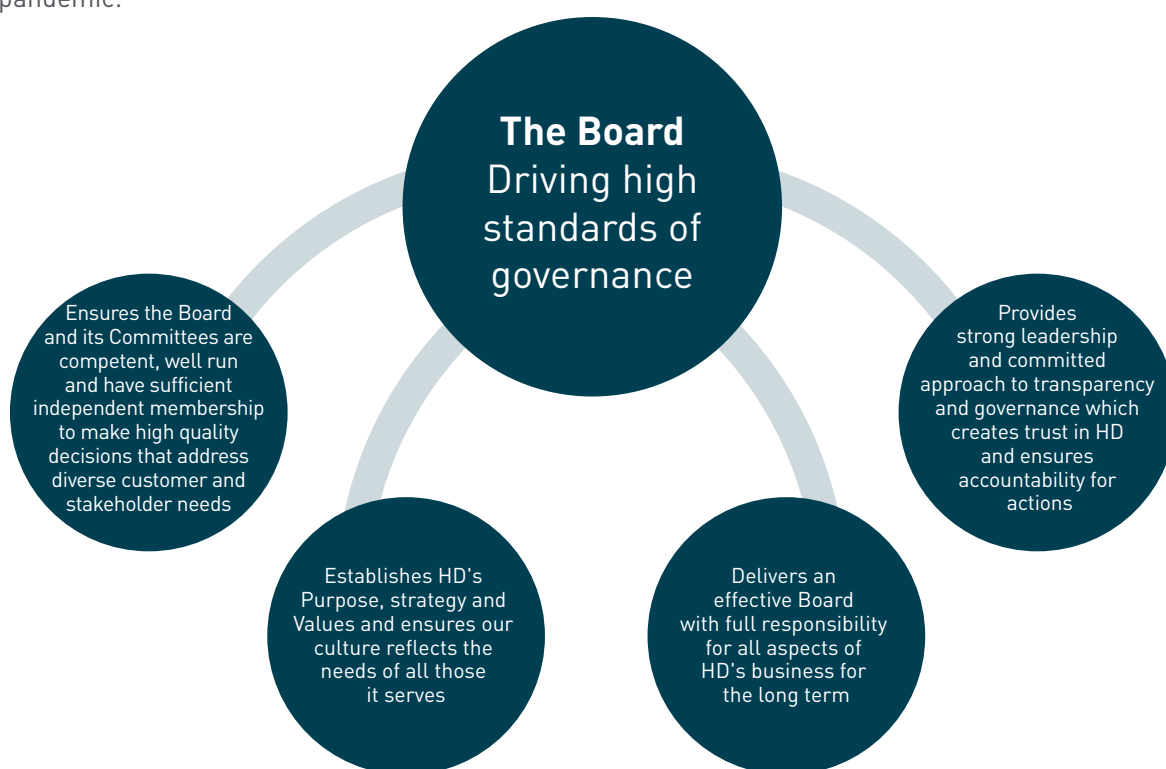
Our approach to Board leadership, transparency and governance

Our approach to Board leadership, transparency and governance

Our Board is committed to Ofwat's principles for Board leadership, transparency and governance, with its emphasis on the importance of strong Board leadership and the special responsibilities attached to regulated monopoly companies providing an essential public service. As such, this chapter has been formulated to fully articulate how we apply the principles and provide direction to additional published information where relevant.

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

The Board adopted the approach implemented for non-key workers across the business, with Board meetings being held virtually whilst restrictions were in place. Significant effort was applied to ensure that all matters on the Board's forward plan were considered during the year and external stakeholders continued to attend virtual Board events throughout the pandemic. The Board values the insight gained from stakeholder engagement and places significant importance on maintaining close relationships with them, taking account of, and responding to, their views.



Throughout this section we reference a number of different documents where you can find more detailed information on both our Hafren Dyfrdwy and Severn Trent Group policies, which are available on our websites.

Documents available at hdcymru.co.uk

- Detailed information about the Hafren Dyfrdwy Cyfyngedig Board, Charter of and Matters Reserved to the Board
- Articles of Association
- Charter of Expectations
- Our Assurance Summary
- **[Hafren Dyfrdwy Code of Practice](#)**

Documents available at severntrent.com

- Group Company Structure
- Our Code of Conduct, Doing the Right Thing
- Group Conflicts of Interest Policy

1. Purpose, Values and culture

Our Purpose and Values

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

Our Purpose and Values set the cultural tone of our organisation, guide our behaviours and express the intent behind what we do. We believe that if we are united by a clear social purpose we will deliver better outcomes for all our stakeholders – our customers, our colleagues, the society we live in and the environment we depend on. We are first and foremost driven by our Purpose '**Gofalu am un o hanfodion bywyd**' / '**Taking care of one of life's essentials**' and we are guided by our Values:

- Bod yn ddewr / Having courage;
- Cofleidio chwilfrydedd / Embracing curiosity;
- Dangos gofal / Showing care; and
- Ymfalchïo / Taking pride.

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

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

Questions around Purpose, Values and strategy were posed to the workforce in our most recent employee engagement survey, QUEST. It is clear from the results that our Purpose and Values strongly resonate with our employees as demonstrated by the overall employee engagement score of 8.6 out of 10 – placing us in the top quartile of all UK businesses and in the top 5% of energy and utility companies globally. Employees agree that our Values provide a good fit with the things they consider important in life and they feel inspired by the Purpose of our Group. The positive impact our new Purpose and Values has had on the workforce will serve to hold us – collectively and individually – to account in making sure our actions always align with our Purpose and Values.

Our Purpose reflects why we do what we do

Gofalu am un o hanfodion bywyd Taking care of one of life's essentials

Our strategy provides us with what we do

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

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



Culture

To support the creation of long-term value for the mutual benefit of our employees, customers and communities, the Board recognises the importance of building and promoting a culture of integrity and openness, where inclusion and diversity are valued.

As set out above, at the heart of our culture is a closely held set of Values. Doing the Right Thing, our Code of Conduct, helps us put our Values into practice. Our Values and Code of Conduct embody the principles by which the Group operates and provide a consistent framework for responsible business practices.

Our Code of Conduct sets out clear guidance on the standards of behaviour that we expect from everyone who works for us including our supply chain partners. Our Values apply to how we report information just as much as any other service we provide for our customers. The Board and Executive Committee also recognise the importance of their roles in setting the tone for the Company's culture and that is why they complete a Doing the Right Thing e-learning course every year together with all employees.

The Board also has oversight of a number of accompanying policies. These policies, together with Doing the Right Thing, explain how to identify and deal with suspected wrongdoing, fraud or malpractice; how to ensure that the highest standards of safety are maintained; and how to apply good ethics and sound judgment.

During the year, the Board has focused on deepening its understanding of the Company's culture even further, through a dedicated Culture and Engagement session in January 2021. The session was centred on the results of our employee survey, QUEST, and the Board considered the positive and more challenging aspects revealed by the survey and discussed the Company's approach to addressing areas of employee focus. The session also charted the development of Hafren Dyfrdwy's culture, which now reflected many aspects of the Group's culture, but also maintained a distinct and positive individual identity.

Members of the Board also attend the Company Forum, to listen directly to what employees have to say and for our employees to observe at first hand matters that the Board is reviewing and considering.

Whilst national lockdown restrictions permitted, a number of socially distanced COVID-secure site visits were undertaken by Board members. The Board also sent a personal message of thanks to all employees in recognition of their outstanding dedication throughout the pandemic. Site visits enable the Board to observe the true culture of the Company and understand first hand the key issues identified by our workforce, and provide an opportunity to feedback specific personal insights.

We do not see corporate governance as something we do because we have to. We choose to see it as something that should be ingrained in the way we behave, how we make decisions, how we run our business and ultimately, how we build trust. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity.

Our Board continually monitors, assesses and reinforces our Values and culture to satisfy itself that the behaviours throughout the business are aligned with the Company's Purpose. Where misalignment is identified by our Board, appropriate corrective action is taken. Additional detail can be found on pages 48-49 in our **Annual Report and Accounts ('ARA')**.

Setting aspirations and performing for all those we serve

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

Whistleblowing

Our Whistleblowing Policy 'Speak Up' sets out the ethical standards expected of everyone that works for, and with us and includes the procedure for raising concerns in strict confidence. Our workforce can raise concerns through their line manager, senior management and through our confidential and independent whistleblowing helpline, 'Safecall'.

All investigations are carried out independently with findings being reported directly to both the Group Audit and Corporate Sustainability Committees. The Board as a whole monitors and reviews the effectiveness of the whistleblowing arrangements annually, to ensure that it has sufficient oversight of whistleblowing to support its work on culture, risk and stakeholder engagement and all significant whistleblowing matters are reported directly to the Board.

The Board has reviewed these arrangements again this year, noting the proposed improvements to the process, and is satisfied that they are effective, facilitate the proportionate and independent investigation of reported matters and allow appropriate follow-up action to be taken.

2. Standalone regulated company

The differing interests of stakeholders are considered in the business decisions we make across the Company, at all levels, and are reinforced by our Board setting the right tone from the top. Our Board's role is to ensure the long-term success of Hafren Dyfrdwy. Responsibility to all our stakeholders for the approval and delivery of the Company's strategy and for creating and overseeing the framework to support its delivery sits with our Board.

Maintaining the highest standards of governance is integral to the effective delivery of our strategy and requires that our Board takes decisions that create sustainable long-term value for the mutual benefit of our customers, employees and the communities we serve. The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. Details of the experience of our Board can be found on pages 52-53 in the [ARA](#). Our Board's collective experience enables it to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between our Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of the Company in full consideration of the impact on all stakeholders.

As at the date of this report, six members of our Board and Board Committees are independent Non-Executive Directors and there is a clear division of responsibilities between the roles of Chair and Managing Director. To allow these responsibilities to be discharged effectively, our Chair and Managing Director maintain regular dialogue outside the Boardroom, to ensure an effective flow of information. The requirements of our Board are clearly documented in the Hafren Dyfrdwy Articles of Association, Schedule of Matters Reserved to the Board and Charter of Expectations. The Board reviewed and approved the Schedule of Matters Reserved to the Board and Charter of Expectations in March 2021. All of these documents are available on our website.

Management of Conflicts of Interest

Severn Trent Plc has a Conflicts of Interest Policy in place for all Group companies, including Hafren Dyfrdwy. Our Board and its Committees consider potential conflicts at the outset of every meeting and the Board formally reviews the authorisation of any potential conflicts of interest every six months with any conflicts being recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties and the practical steps that are to be taken to avoid conflict situations. When reviewing conflict authorisations, the Board considers any other appointments held by the Director as well as the findings of the Board Effectiveness evaluation. The Policy continues to be applied practically throughout the year, such as considering the potential conflict presented by Directors having roles on other Group companies.

3. Board leadership and transparency

Board membership

As at 31 March 2021, the following individuals were Directors of Hafren Dyfrdwy Cyfyngedig.

John Coghlan	Chair
Ann Beynon	Independent Non-Executive Director
Christine Hodgson	Independent Non-Executive Director (Appointed 1 April 2020)
James Jesic	Executive Director (Appointed 15 July 2020)
Sally Jones-Evans	Independent Non-Executive Director
Mohammed Mehmet	Independent Non-Executive Director
Helen Miles	Executive Director (Appointed 15 July 2020)

There were a number of changes to the membership of the Board during 2020/21 and following year end:

James Bowling	Executive Director (Resigned 14 July 2020)
Liv Garfield	Executive Director (Resigned 14 July 2020)
Christine Hodgson	Independent Non-Executive Director (Appointed 1 April 2020)
Sharmila Nebhrajani	Independent Non-Executive Director (Appointed 1 April 2021)

As set out above, independent Non-Executive Directors form the majority of the Board, with six out of eight Directors (75%) being independent Non-Executive Directors (including the Chair) as at 1 April 2021. Further details on each of the Directors, including Committee membership and meeting attendance, are available within pages 41-53 of the [ARA](#).

Group structure

Hafren Dyfrdwy is an operating subsidiary of the FTSE100 listed company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company.

The ownership structure of Hafren Dyfrdwy Cyfyngedig within the Severn Trent Group can be found on the [Severn Trent Plc](#) website.

Dividend policy

The Severn Trent Plc dividend policy is set out in the Regulatory Statements chapter from page 35, alongside information about the dividends Severn Trent Plc has paid and how these take account of delivery for customers and obligations to other stakeholders.

Severn Trent Plc also publishes its own ARA and a history of dividend payments by Severn Trent Plc going back to 1990 is available on the [Severn Trent Plc](#) website. Severn Trent Plc's [dividend policy](#) is disclosed in its ARA to ensure clarity about how its investors are rewarded based on performance through the Group's activities. Further information can be found in the [Severn Trent Plc ARA](#).

Executive pay policy

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

Details of the Group's Remuneration Policy are set out within the Regulatory Statements chapter from page 35. This section explains how the criteria for awarding short and long-term performance elements are substantially linked to stretching delivery for customers and are rigorously applied.

Our approach to risk

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

Overseeing risk

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

The well-established Severn Trent Plc Enterprise Risk Management ('ERM') approach has been implemented within Hafren Dyfrdwy to manage and mitigate risks.

Our approach cannot eliminate all risk entirely, but ensures we have the right structure to effectively navigate the challenges and opportunities we face, and only accept risk that is appropriate to achieving our strategic objectives.

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

Risk reporting

The ERM process is operated by the Central ERM Team and underpinned by a standardised methodology to ensure consistency.

ERM Champions and Co-ordinators operate throughout Hafren Dyfrdwy, with support and challenge from the Central ERM Team, continually identifying and assessing risks and reporting on a quarterly basis. Standardised criteria are used to consider the likelihood and velocity of occurrence and potential financial and reputational impacts.

The potential causes, impact and mitigating controls related to each risk are well documented. This assessment allows us to put in place effective strategies to remediate defective controls or implement additional controls.

Our significant risks form our Group risk profile which is reported to the Executive Committee for review and challenge. This is then reported to the ST Plc Audit Committee, ST Plc Board and HD Board on a six-monthly basis. The report provides an assessment of the effectiveness of controls over each risk and action plans to improve controls where necessary.

Our Principal Risks

The Directors have carried out a robust assessment of the Principal Risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, to identify risks that could:

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

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

There may be additional risks that emerge in the future and we undertake regular horizon scanning to identify and report these to the Board. Risks can present significant value-creation and possibilities for innovation.

The Principal Risks, what they mean for us and what we are doing to manage them are set out on pages 16-19 of our [ARA](#).

4. Board structure and effectiveness

Board structure

The Hafren Dyfrdwy Cyfyngedig Board comprises a majority of Independent Non-Executive Directors. The Chair of the Board also serves as an Independent Non-Executive Director on the Severn Trent Plc Board to ensure that the highest standards of corporate governance are applied at the regulated subsidiary level and to promulgate greater visibility and supervision of Hafren Dyfrdwy Cyfyngedig by the Severn Trent Plc Board. As a subsidiary of a FTSE100 Company, Hafren Dyfrdwy Cyfyngedig has chosen to apply the principles of the 2018 UK Corporate Governance Code (the 2018 Code') to its governance arrangements where appropriate and reasonably practicable to ensure the highest standards of governance. The two companies operate as distinct legal entities.

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

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board and our stakeholder engagement processes enable our Board to understand what matters to stakeholders and carefully consider all the relevant factors and select the course of action that best leads to the success of Hafren Dyfrdwy in the long term. Further detail can be found in our dedicated Section 172 Statement on pages 35-37 within the [ARA](#).

Our Governance Framework

The Board is supported by the Hafren Dyfrdwy Governance Framework, which is set out on the next page. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

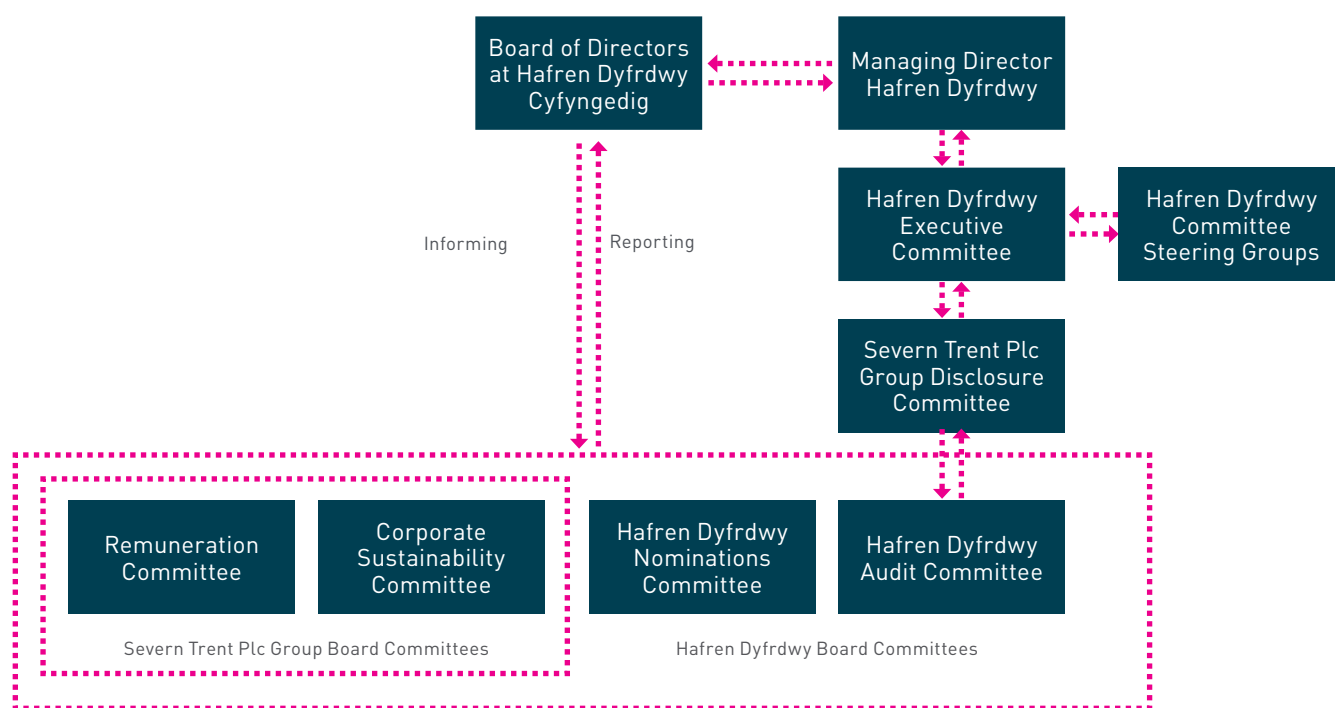
In line with the 2018 Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Board regularly reviews the Terms of Reference of each Committee. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

During the year, the Board decided to establish a dedicated Hafren Dyfrdwy Audit Committee, which will be constituted for the reporting year 2021/22. Membership of the Committee will comprise Independent Non-Executive Directors only (excluding the Chair, in line with the 2018 Code). Sharmila Nebhrajani has been appointed to Chair the Audit Committee as her existing membership of the Severn Trent Plc Audit Committee will ensure that the Severn Trent Plc high standards of supervision are also applied to Hafren Dyfrdwy. Sharmila will also provide the link needed for the Severn Trent Plc Audit Committee to discharge its responsibilities in respect of Group companies, whilst also ensuring that the Hafren Dyfrdwy Audit Committee retains oversight for matters applicable to Hafren Dyfrdwy.

Cooperation between the two Committees will also be supported by John Coghlan, in his capacity as Chair of the Severn Trent Plc Audit Committee, and Christine Hodgson, who attends all Severn Trent Plc Audit Committee meetings on an invitation basis.

The dedicated Hafren Dyfrdwy Audit Committee will operate on behalf of Hafren Dyfrdwy in providing advice, assurance review and recommendations only, ahead of the Board making final decisions. The Directors remain responsible for the discharge of the Company's legal and regulatory obligations and the content of any financial statements and regulatory submissions.

Governance Framework



The Severn Trent Plc Disclosure Committee oversees the Group's reporting obligations under the Companies Act 2006, the 2018 Code, and the Company's annual and continuing regulatory reporting requirements, considering the materiality, accuracy, reliability and timeliness of information disclosed and assessment of assurance received.

Board appointments

As at 1 April 2021, the Board comprised six independent Non-Executive Directors (including the Chair) and two Executive Directors.

There is clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chair and Managing Director are separately held and their responsibilities are well defined, set out in writing and regularly reviewed by the Board.

The Chair and the other Non-Executive Directors meet routinely without the Executive Directors, and individual Directors meet often outside formal Board meetings in order to gain first hand experience of our operations and engage with our workforce.

As was the case during the year, any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Nominations Committee (although decisions on appointments are a matter reserved to the Board). All Nominations Committee members are also Directors of Hafren Dyfrdwy Cyfyngedig. Further details of the activities of the Nominations Committee during the year can be found within pages 54-57 of our [ARA](#).

All proposed appointees meet with Ofwat as part of the appointment process. Sharmila Nebhrajani met with Ofwat as part of her appointment process during the year. Ofwat contacted the Chair following this meeting and confirmed that they did not have any specific areas to highlight for her Hafren induction following this meeting.

The Board and the Nominations Committee also spent a significant amount of time considering Board succession during the course of the year to ensure that the Board has the right mix of skills and experience, as well as the capability to provide effective challenge and promote diversity. Additional detail can be found in pages 41-53 of our [ARA](#).

Board induction

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. One-to-one meetings are also arranged with the Managing Director, Chief Financial Officer and the Company Secretary, along with other members of senior management. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they get a first hand understanding of the water and waste water businesses and have a chance to experience our unique culture. We provide briefings on the key duties of being a Director of a regulated water company and proposed appointees meet with Ofwat as part of the appointment process.

We continually enhance the Board's induction programme, building in feedback from new Directors and the Board Effectiveness evaluation.

Board skills and experience

An effective Board requires the right mix of skills and experience. Our Board is a diverse and effective team focused on promoting the long-term success of the Company. The matrix below details some of the key skills and experience that our Board has gained across a range of comparably sized companies. These are particularly valuable to the effective oversight of the Company and execution of our strategy. Full biographies for each Director can be found on pages 41-45 in our [ARA](#).

Board skills	John Coghlan	Ann Beynon	Sally Jones-Evans	Mohammed Mehmet	Christine Hodgson	James Jesic	Helen Miles	Sharmila Nebhrajani
Strategy	✓	✓	✓	✓	✓	✓	✓	✓
M&A	✓				✓		✓	
Corporate finance/ treasury	✓				✓		✓	✓
Accounting	✓		✓		✓		✓	✓
Regulation	✓	✓	✓	✓	✓	✓	✓	✓
Technology/ innovation	✓	✓	✓	✓	✓	✓	✓	✓
Customer		✓	✓	✓	✓	✓	✓	
Brands		✓	✓	✓	✓			
Engineering						✓		
Utility sector	✓	✓		✓	✓	✓	✓	✓
Climate change		✓			✓	✓	✓	✓
People management	✓	✓	✓	✓	✓	✓	✓	✓
Commercial procurement	✓	✓	✓	✓	✓		✓	
Construction/ Infrastructure delivery	✓	✓		✓		✓	✓	
Large capital programmes	✓			✓	✓	✓	✓	
Political affairs		✓	✓	✓	✓			✓

Board effectiveness

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

Our annual Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on the quality and effectiveness of its decision making, the range and level of discussion and for each member to consider their own contribution and performance.

This year's review concluded that the Board is well established and operating effectively, with positive feedback received from both within and outside the Board. The review highlighted that Boardroom dynamics are excellent and all Directors are highly engaged and committed. Each individual brings their own skills and experience to Board debates, which are characterised by a mutual sense of trust and respect between Executives and Non-Executives. In addition, Board dialogue outside of formal meetings has vastly improved with Directors regularly interacting informally, both on a one-to-one and group basis.

The review concluded that, whilst the Board was operating well, there was scope for minor areas of further improvement and more information on the Board's action plan for 2021/22 can be found on pages 50-51 in the [ARA](#).

Board Diversity Policy

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with the Severn Trent Group Board Diversity Policy (the 'Policy', available on the [Severn Trent Plc](#) website) to include candidates from diverse backgrounds and those with non-listed company experience. The Board believes diversity in its membership is vital for ensuring the Company is well equipped to make decisions that meet the needs of the Company's wide range of employees, customers and other stakeholders. As such, the Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Parker and McGregor-Smith reviews.

A diverse organisation benefits from differences in skills, regional and industry experience, background, race, gender, sexual orientation, religion, belief and age, as well as culture and personality. The Board is focused on ensuring that the diversity of our employee base reflects the diversity of our region – including the gender, social and ethnic background, skills and experience amongst our customers and the communities that we serve.

In reviewing the Policy during 2021, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths throughout the organisation, including on the Board itself. The objectives and targets of the Policy, and an update against each of them in respect of Hafren Dyfrdwy, are set out overleaf.

Policy objectives

Policy objectives	Implementation	Progress against objectives
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management of the Company.	Annual review of the Board's composition with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considers the composition of the Board and the contribution, commitment and independence of individual Directors.	A formal review was undertaken in May with regards to the composition of the Board and the performance, contribution and commitment of individual Directors in the context of the Board Effectiveness evaluation. No concerns were raised in relation to the composition of the Board.
Ensure consideration is given to candidates for Non-Executive Director Board appointments from a wide pool. Ensure Board appointment 'long lists' include diverse candidates, including diversity of social and ethnic backgrounds and cognitive and personal strengths.	The Board recognises the importance and benefits of greater diversity, including gender diversity, social and ethnic background and cognitive and personal strengths, throughout the organisation, including on the Board itself.	All recommendations in respect of Board appointments will be conducted in full consideration of the Policy, 2018 Code and additional relevant guidance. Board appointments made during and following the year end as follows; <ul style="list-style-type: none"> • 1 April 2020 – Non Executive Director – Christine Hodgson • 15 July 2020 – Executive Director – James Jesic • 15 July 2020 – Executive Director – Helen Miles • 1 April 2021 – Non Executive Director – Sharmila Nebhrajani
Ensure the Board only engages executive search firms that have signed up to the voluntary code of conduct on gender diversity and best practice.	The Company only engages with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.	We continue only to engage with executive search firms that have signed up to the Voluntary Code of Conduct for Executive Search Firms.
Ensure focus is given to the development of a pipeline of diverse high calibre candidates for Board level roles and report annually on the diversity of the Executive pipeline as well as the diversity of the Board.	Regular Board consideration of the importance and benefits of greater diversity including gender diversity, social and ethnic background and cognitive and personal strengths. This includes representation of these cohorts in the Company's talent pipeline and on the Board itself.	Consideration was given during the year to diversity and inclusion within the Company.

Policy targets

Policy Targets for 2020/21	Progress against Target
33% female representation on the Board by 2020.	62.5% female representation on our Board as at 1 April 2021.
Minimum of one Board Director from an ethnic minority background by 2021.	Two Directors from an ethnic minority background on our Board as at 1 April 2021.

Our approach to regulatory reporting

Our approach to regulatory reporting

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

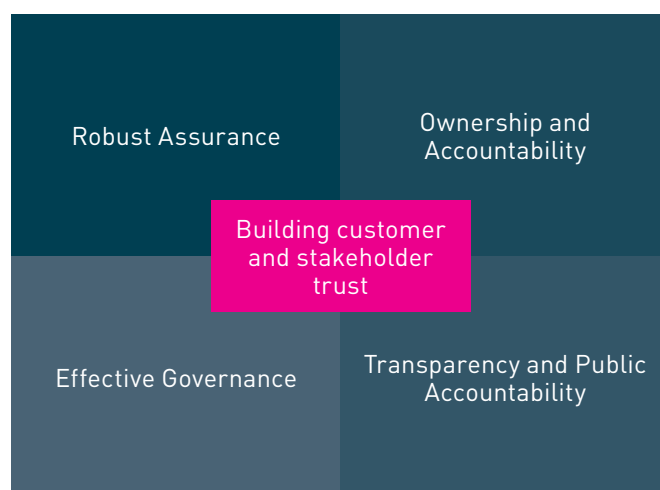
The following section provides oversight of our assurance framework and compliance processes in relation to our APR. Our frameworks and internal controls support the Board to make a number of signed statements within the APR including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement from page 27-34.

Our Assurance Framework

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

Our established framework is underpinned by four main principles that provide consistency and clarity for our people, and allows flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

- **Robust assurance** – we operate a three lines of assurance model, targeted at areas of greatest risk.
- **Ownership and accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- **Effective governance** – provided by our Board, the ST Plc Audit Committee, the ST Plc Executive Disclosure Committee and Executive Committee.
- **Transparency and public accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.



1. Robust assurance

We operate a three lines of assurance model. Using a risk-based approach provides an effective programme of assurance which considers areas that we know are of prime importance to our customers and regulators; or may have a significant financial value, alongside the likelihood of reporting issues or regulatory change. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, may be targeted with first or second line only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable processes exist, and increased where new risks are emerging, resulting in a proportionate assurance spend and value for money for our customers. Our three lines of assurance is explained in greater detail in our APR assurance approach in Appendix A from page 149.

Internal audit

Internal Audit is an independent assurance function available to the Board, the Audit Committee and all levels of management. The Internal Audit function is supported by three main co-sourcing partners, PricewaterhouseCoopers, Ernst & Young and BDO. These arrangements are reviewed annually and it is considered that this structure adds value, through greater access to specific areas of expertise, increased flexibility with regards to resources, and the ability to challenge management independently. Our co-sourcing partners specialists continue to bring expertise to support the team and delivery of the audit plan where relevant.

The role of Internal Audit is to provide assurance that the Group's risk management and internal control systems are well designed and operate effectively and that any corrective action is taken in a timely manner. Each year, Internal Audit develops an annual risk-based audit plan for approval by the Audit Committees; this is supported by regular reporting that enables it to monitor delivery of the audit plan. The Audit Committee's role is to challenge the plan, specifically whether the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit Committees on the findings of the audit, including any action that may be required. Where any failings or weaknesses are identified during the review of internal control systems, management puts in place robust actions to address these on a timely basis. Action closure is reported to and monitored by the Audit Committee and Action closure is reported to and monitored by the Audit Committee, in order to demonstrate that management places a strong focus on closing audit actions and ensuring timely completion.

An internal control system can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. A review of the effectiveness of Internal Audit was carried out in 2019. The review, performed by BDO, concluded that the Internal Audit function is fit for purpose, is operating efficiently and effectively, and in line with good practice. The effectiveness review is carried out every three years which is more frequent than required as we believe the Internal Audit function is absolutely key in providing the Audit and Executive Committees with the assurance they need when delivering our strategy. This year the Severn Trent Plc Audit Committee also reviewed the quality and effectiveness of Internal Audit and approved the approach and Internal Audit plan for 2021/22 at its meeting in March 2021. Internal Audit reports are presented to and considered by the Audit Committee, to ensure that the Audit Committee is satisfied that management has resolved or are in the process of resolving any outstanding issues or actions through to completion.

Internal Audit has the highest level of independence within the Company and also provides third line assurance (in addition to our external assurance providers) for a number of our regulatory submissions, including our ARA and APR. This is explained in greater detail in our APR assurance approach from page 149.

2. Ownership and accountability

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

Performance reporting

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

Compliance processes

As a regulated company we are subject to statutory and regulatory duties and obligations, primarily set out through the Water Industry Act 1991 and our Instrument of Appointment (the 'Licence'). The Licence also requires us to perform duties imposed under other statutory and regulatory obligations as necessary to fully discharge our duties as a water and sewerage undertaker. Our approach to achieving compliance with these obligations is based on our established and robust governance and systems of internal controls. We set ourselves high standards, though it is important to understand that such systems cannot provide absolute guarantees.

Our compliance framework 'Licence to Operate' has been in place since 2018 and covers over 950 duties and obligations. It provides a robust process to set high levels of compliance backed up with rigorous risk-based assurance. We refreshed the Licence to Operate as we entered our first year of AMP7 reporting to ensure that the new APR requirements were assigned to owners, and that amendments to Regulatory Accounting Guidelines ('RAG') guidance were reflected within it. We have also included a self-assessment disclosure to consider any impact on compliance as a result of COVID-19.

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

Each duty and obligation is assigned to a responsible manager, a senior leader and Director. The senior leaders are responsible for the development, implementation and testing of controls to ensure compliance in areas such as policy and standards, procedures, training, management information as well as completing regular reviews of these controls. An annual process of self-certification takes place and we receive a declaration from each responsible manager, strategic leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as a departure from compliance). The Compliance Team assesses and spot-checks declarations for consistency and accuracy, and works collaboratively with the Company to ascertain the level of materiality of any non-compliances. The Licence to Operate framework helps to inform the Board of any departures from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. Material departures are set out on page 29.

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

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

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

3. Effective governance

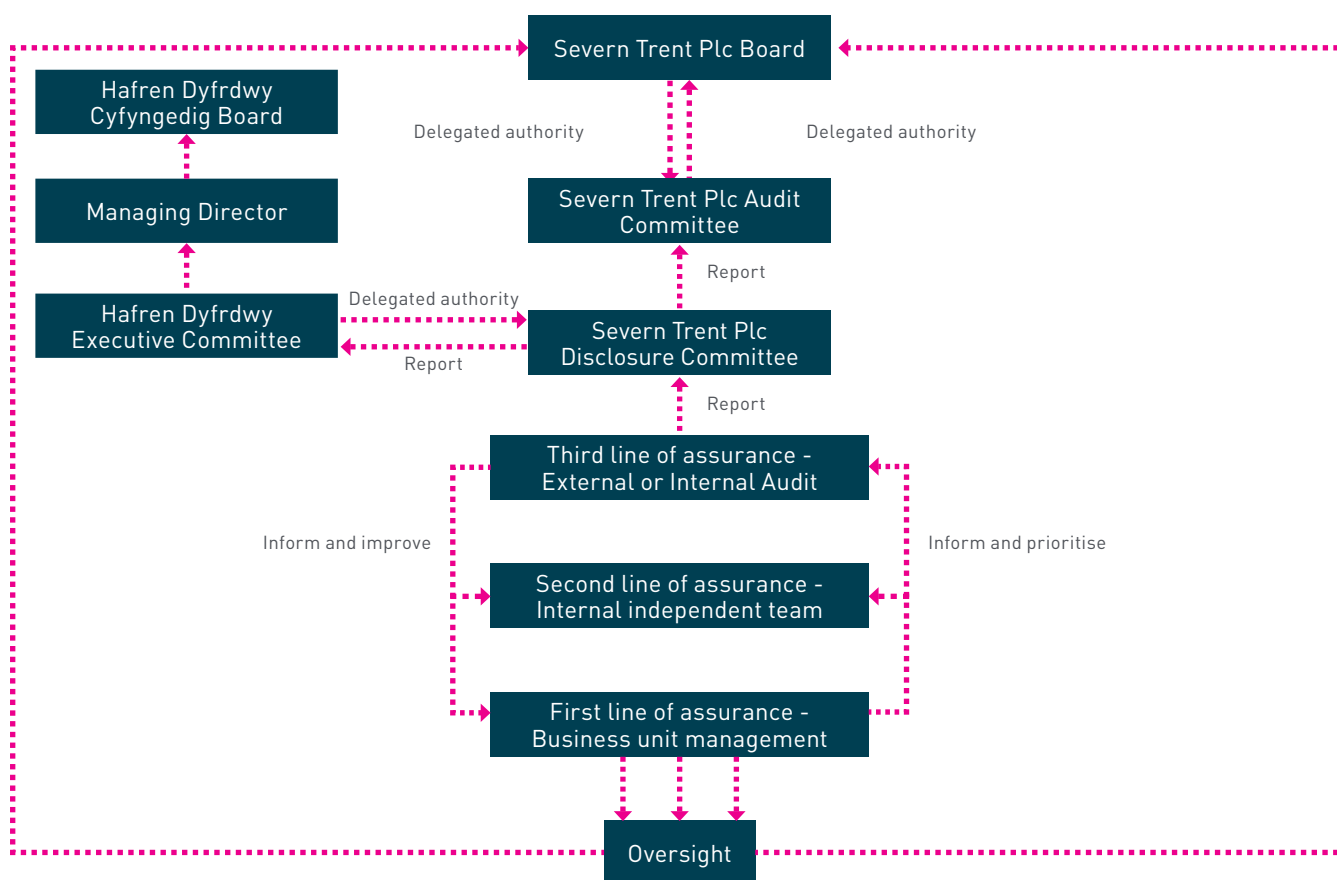
The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail on page 19. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees.

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

The Disclosure Committee oversees the reporting obligations of the Group, considering the materiality, accuracy, reliability and timeliness of information disclosed, and reviews the level of assurance received. The effectiveness of the controls over reporting are monitored by the Severn Trent Plc Audit Committee, which receives regular reports of the assurance conducted by the external auditor.

Overall accountability for the preparation and production of the APR which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives ('ODIs') rests with the Managing Director.

Governance and Assurance frameworks



4. Transparency and public accountability

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

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

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

We publish additional information to ensure the Severn Trent Group structure and performance is transparent for our customers. Our company structure, which shows how the companies including Hafren Dyfrdwy, Severn Trent Water, and other associated companies are connected under the Severn Trent Group umbrella, can be found on our website. We demonstrate and explain how we ensure we are fair when balancing the short and long-term needs to manage our financial risk for Hafren Dyfrdwy, share returns with customers where we outperform, and consider long-term viability.

Our Board Statements

Risk and Compliance Statement



Having taken into consideration the information contained within the chapters titled 'Our approach to Board leadership, transparency and governance' and 'Our approach to regulatory reporting', the Board approves the Annual Performance Report ('APR'), the associated APR data tables, and the noted departures. The Board confirms that:

- We have a full understanding of, and we meet all of our relevant statutory, licence and regulatory obligations in all material respects, except where indicated on page 29.
- We have taken appropriate steps to understand and meet customer expectations.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to identify, manage, mitigate and review our risks.
- We meet the Ofwat objectives on Board leadership, transparency and governance and ensure that we explain clearly how we meet those objectives.
- We have reviewed our governance to ensure we conduct the regulated company as if it were a public limited company separate from any other business.
- COVID-19 impacts have been considered when making our declaration.

Signed for and on behalf of the Board.

James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig

John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig

Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

Departures from the Statement

There are three departures proposed for inclusion in this year's Risk and Compliance Statement relating to areas where we will be re-stating data previously submitted. In all cases, the impact materiality has been assessed as low with reference to financial or wider customer impact. However, in accordance with our internal procedures we have chosen to include these to ensure the highest levels of transparency. All departures regardless of materiality are reviewed and scrutinised by our Disclosure Committee before it is endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.

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

Statement from non-financial assurer - Jacobs

2020-21 Assurance Statement

Jacobs

Independent Technical Assurance Statement – HDD

To the Hafren Dyfrdwy Cyfyngedig Board

Jacobs has been appointed by Hafren Dyfrdwy (HDD) to provide independent technical assurance of the data that feeds into their regulatory submissions. For the Annual Performance Report 2021 (APR21) submission we were asked to review the 2020-21 HDD performance commitments (Part 3) and non-financial data (within Parts 4-9) on a risk-based approach.

Through a series of meetings and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR21 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and the ST Plc Audit Committee.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR21 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is also good evidence of engagement from the teams involved in producing the performance data and of governance and programme management. We note that the Board has included issues we noted during our review in the declared departures from compliance in its statement.

Yours sincerely



Alexandra Martin
Director of Operations

Accuracy and Completeness of Data and Information Statement

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

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

Board assurance approach

Robust Assurance:

We operate an established and robust three lines of assurance model, which is explained in greater detail in our APR assurance approach from page 149, our **Risks, Strengths and Weaknesses Statement** and our **ARA**. Using a risk-based approach we provide an effective programme of assurance which ensures we can continually reassess our assurance activity as risk changes or new risks emerge. Data and information are approved by data owners, senior leaders and Directors. Following which, the Severn Trent Plc Audit Committee apply scrutiny and challenge ahead of publication.

Effective Governance:

Hafren Dyfrdwy is an operating subsidiary of the FTSE100 company Severn Trent Plc, which means we operate at the highest standards expected of a publicly listed company. The Board is supported by the Severn Trent Plc Governance Framework, which comprises the Board, Executive Committee and their respective Committees. In line with the 2018 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with their respective Terms of Reference. The Governance Framework is also subject to periodic review every year to ensure that it remains appropriate. The Governance Framework is explained in greater detail on page 47 of the **ARA** and page 19 of the APR.

The Hafren Dyfrdwy Cyfyngedig Board is fully committed to Ofwat's principles for Board leadership, transparency and governance with its emphasis on the importance of strong Board leadership and the special responsibilities attached to regulated monopoly companies providing an essential public service. As Hafren Dyfrdwy is not a listed company, it is not required to comply with the 2018 UK Corporate Governance Code (the '2018 Code'). However, Hafren Dyfrdwy has elected to comply with the 2018 Code, where appropriate and reasonably practicable, to ensure the highest standards of governance.

During the year, the Board decided to constitute a dedicated Hafren Dyfrdwy Audit Committee to commence discharging its duties with effect from 14 July 2021, with membership comprising independent Non-Executive Directors only (excluding the Chair, in line with the 2018 Code) Membership of the Hafren Dyfrdwy Audit Committee:

- Sally Jones-Evans – Independent Non-Executive Director.
- Ann Beynon – Independent Non-Executive Director.
- Mohammed Mehmet – Independent Non-Executive Director.
- Sharmila Nebhrajani – Independent Non-Executive Director.

In line with the 2018 Code, the Chair will not act as a member, nor Chair the Committee, but he will be invited to attend these meetings. As the 2018 Code requires at least one member of the Committee to have recent and relevant financial experience it was decided to appoint Sharmila Nebhrajani (who is a member of the Institute of Chartered Accountants in England and Wales) to the Board as an additional Independent Non-Executive Director and as Chair of its Audit Committee.

Sharmila Nebhrajani's membership on both the Hafren Dyfrdwy Audit Committee and Severn Trent Plc Audit

Committee will ensure that the Severn Trent Plc high standards of supervision and assurance are also applied to Hafren Dyfrdwy. This will also ensure there is adequate cooperation within the Group, and between the two Committees, to enable the Severn Trent Plc Audit Committee to discharge its responsibilities in respect of Group companies, whilst also ensuring that the Hafren Dyfrdwy Audit Committee retains oversight for matters applicable to Hafren Dyfrdwy. Co-operation between the two Committees will also be supported by John Coghlan, in his capacity as Chair of the Severn Trent Plc Audit Committee, and Christine Hodgson, who attends all Severn Trent Plc Audit Committee meetings on an invitation basis.

The dedicated Audit Committee for Hafren Dyfrdwy will operate on behalf of Hafren Dyfrdwy in providing advice, assurance review and recommendations only, ahead of the Board making final decisions. The Directors will remain responsible for the discharge of Hafren Dyfrdwy's legal and regulatory obligations and the content of any financial statements and regulatory submissions.

Specific examples where the Board used individual Directors and committees in carrying out its activities are listed below but more information is provided on pages 48-49 of the [ARA](#).

Hafren Dyfrdwy Nominations Committee	Oversaw the internally conducted Board Effectiveness evaluation, which concluded that the Board continued to operate effectively.
Severn Trent Plc Group Audit Committee	<p>Reviewed the proposed audit plan for the 2020/21 statutory audit, including the key audit risks and level of materiality applied by Deloitte, audit reports from Deloitte on the financial statements and the areas of particular focus for the 2020/21 audit.</p> <p>Reviewed the integrity of the regulatory reporting process relating to the Annual Performance Reports, and other regulatory submissions.</p> <p>Reviewed the 2020/21 Annual Report and Accounts and provided a recommendation to the Board that, as a whole, they complied with the 2018 Code principle to be 'fair, balanced and understandable and provide the information necessary for stakeholders to assess the Company's position, performance, business model and strategy'.</p> <p>Reviewed the effectiveness of the Enterprise Risk Management processes and procedures and internal control systems, prior to making a recommendation to the Board.</p>
Severn Trent Plc Corporate Sustainability Committee	<p>Oversaw the approach of environmental standards, particularly those that relate to the activities where we have most significant environmental impacts in respect of energy management and climate change, water quality, resource productivity (including leakage and waste), biodiversity and land use.</p> <p>A dedicated Hafren Dyfrdwy Sustainability Strategy discussion took place at the Board strategy day in June 2021.</p>
Hafren Dyfrdwy Executive Committee	Reviewed and approved APR data ahead of publication.

Our Board engages and challenges the assurance approach taken

For all regulatory publications we have a detailed regulatory forward plan and proof-point process that provides assurance to the Board and Severn Trent Plc Audit Committee that an appropriate level of assurance activity has been undertaken, and findings discussed with the Board. Throughout this activity, we ensure that high standards of governance, in line with our regulatory framework as well as market practice for audit committees, are maintained. A 12-month forward view of the plan and proof-point process is provided at every Severn Trent Plc Audit Committee Audit Committee meeting. The Severn Trent Plc Audit Committee ensure that regular updates are provided to the Board under its Terms of Reference.

For example the Board continue to monitor reservoir risk at Board and Severn Trent Plc Audit Committee meetings aligned with the funding secured to deliver improvements to reservoirs in AMP7. This year, the Board also completed a strategic deep dive relating to reservoir risk and scrutinised the processes, internal controls and resources in place to effectively manage reservoir risk, extend asset life and guarantee serviceability. This review concluded that the Company's approach to reservoir safety management was robust and comprised intensive and frequent site operator inspections, supported by regular monitoring by a team of qualified engineers, technicians and surveyors.

The Hafren Dyfrdwy assurance map will provide the Severn Trent Plc Audit Committee with an overview of the assurance undertaken across the Company, enabling it to discharge its duties. This is currently being reviewed by Hafren Dyfrdwy Board and Severn Trent Plc Audit Committee. The assurance map provides detail of the structure and types of assurance applied (including Internal Audit and external assurance providers), aggregated licence to operate and Enterprise Risk Management ('ERM') risks recorded, outputs of the effectiveness of assurance undertaken, and the findings of the assurance undertaken. The Board received a tailored presentation of the AMP7 assurance map in June 2021 and the Severn Trent Plc Audit Committee will be updated every six months. Following the appointment of Sharmila Nebhrajani as an Independent Non-Executive Director to the Board of Severn Trent Plc and Severn Trent Water Limited on 1 May 2020 and prior to her appointment as an Independent Non-Executive Director of the Hafren Dyfrdwy Board on 1 April 2021, a one-to-one briefing session providing a detailed review of our compliance and assurance processes, our corporate reporting requirements and an introduction to our third line external assurance providers was completed.



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

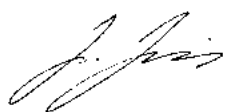
We also sought external assurance on our AMP7 assurance map by Ernst & Young in October 2020. They concluded that the approach was 'comprehensive and robust' We are confident the assurance map supports the identification of potential weaknesses using a holistic view of assurance activities and RAG status,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

Furthermore, we also provide an annual **Risks, Strengths and Weaknesses Statement**. This is a key regulatory publication where we explain in detail our assurance and governance frameworks and link outputs of the assessments to the planned assurance activities and approach for the financial year ahead. It considers a range of factors to determine and shape our assurance plan and ensure that weaknesses in assurance approaches are improved. Customer and stakeholder engagement, internal assessments including Licence to Operate, ERM and emerging risks and trends across the sector help to determine where we need to focus the assurance we apply to our regulatory reporting. We also make sure that regulator feedback is incorporated, and we welcome feedback from stakeholders following publication on our website.

Considerations of the Board

The Board considers that the Company has applied the governance and assurance frameworks described within this APR, the ARA, and the Risks, Strengths and Weaknesses statement. Following reasonable and relevant enquiries, our Board believe the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is reasonably able to do so, that the data and information provided to Ofwat in the reporting year, and information published in our role as a water and waste water undertaker is accurate and complete in all material respects, except where indicated on page 29.

Signed for and on behalf of the Board.



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

Regulatory Statements

Regulatory statements

The following section contains the statements required by the terms of our licence conditions and the statutory requirements set out in the Water Industry Act 1991 and where required is endorsed and signed by the Board. See also our Board's Risk and Compliance Statement on page 28.

1. Disclosures required by RAG 3

a. Link between Directors' pay and standards of performance

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

We operate a unified remuneration structure at the Severn Trent Group level. The [Severn Trent Plc Annual Report and Accounts \('ARA'\)](#) provides detailed disclosures of our Remuneration Policy and how this has been applied in the year, as well as the proposed 2021 Remuneration Policy which will be put forward for Shareholder approval at the Severn Trent Plc Annual General Meeting on 8 July 2021. The policy and application to Hafren Dyfrdwy is summarised below:

i) Non-Executive Directors

The Chair and Non-Executive Directors do not participate in the Company's incentive arrangements (i.e. annual bonus or share schemes) and were paid no remuneration other than their respective Directors' fees. Details can be found in the [Hafren Dyfrdwy ARA](#).

ii) Executive Directors

Hafren Dyfrdwy has Executive Directors who have responsibility for both regulated entities with Severn Trent Plc. At a Group level, the Executive Directors receive remuneration through the annual bonus and long-term incentive plan ('LTIP').

Their remuneration is linked to the achievement of performance measures. A recharge is made to Hafren Dyfrdwy in respect of duties carried out by the Executive Directors on behalf of the Company, based on a proportion of time spent.

In 2020/21 this amounted to 0.75% for the Group Chief Executive and 0.75% for the Group Chief Financial Officer.

The Group Chief Executive and Group Chief Financial Officer stepped down from the Hafren Dyfrdwy Cyfyngedig Board on 14 July 2020, therefore, the recharges set out above are proportionate to time served on the Board. James Jesic and Helen Miles were appointed as Hafren Dyfrdwy Managing Director and Chief Financial Officer, respectively, from 15 July 2020.

The 2020/21 bonus was based upon four main components:

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

Half of the annual bonus is delivered as cash, and the balance is deferred into shares for a further three years. We have an established internal governance processes for setting performance targets and reviewing delivery. This process uses cross-company Executive level meetings to review and challenge performance and delivery plans presented by strategic leaders accountable for each customer ODI. This process allows Executive level challenge, peer challenge and scrutiny from the Regulatory Team which ensures there is a transparent link to customer expectations (as expressed by customer ODI targets), wider regulatory expectations and our licence conditions.

b. Disclosure of information to auditor

The Companies Act requires Directors to make a statement in the Company's Annual Report and Accounts regarding the provision of information to the auditor. RAG3 requires an equivalent statement to also be made in the Annual Performance Report. This statement is set out below.

In the case of each of the persons who are Directors of the Company at the date when this report was approved, so far as each of the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

c. Governance and dividend policy

As a subsidiary of a FTSE100 listed company, Hafren Dyfrdwy has chosen to apply the principles of the 2018 UK Corporate Governance Code (the '2018 Code') to its governance arrangements where appropriate and reasonably practicable. These are the same principles that apply to listed companies. Details of how the Company has applied the Code during the year are set out in the Company's Annual Report and Accounts, which is available on the Company's website.

The Company's **Annual Report and Accounts** includes a long-term viability statement in the Strategic Report on pages 21-25. The Company's dividend policy is to declare dividends which are consistent with the Company's regulatory obligations and at a level which is decided each year after consideration of a number of factors, including customer service, regulatory uncertainty, customer ODI rewards or penalties, actual and potential efficiencies, future cash flow requirements and balance sheet considerations.

The amount declared is expected to vary each year as the impact of factors changes. No dividend was paid in the current or prior year and the Directors do not recommend a dividend in respect of the year ended 31 March 2021.

d. Long-term Viability Statement

The Directors' full assessment of financial viability can be found in the **HD ARA** on pages 21-25.

The Directors have assessed the viability of the Company over a seven year period to March 2028, taking into account the Company's current position and Principal Risks. Based on that assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 March 2028.

e. Statement of Directors' responsibilities

The Directors are responsible for the preparation of the APR and for its fair presentation in accordance with the basis of preparation and accounting policies.

Further to the requirements of Company law, the Directors are required to prepare financial statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by the Water Services Regulation Authority. This additionally requires the Directors to:

- i) Confirm that, in their opinion, the Company has sufficient financial and management resources for the next 12 months;
- ii) 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;
- iii) Report to the Water Services Regulation Authority changes in the Company's activities which may be material in relation to the Company's ability to finance its regulated activities;
- iv) Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length; and
- v) Keep proper accounting records which comply with Condition F and the Regulatory Accounting Guidelines.

f. Tax strategy for the appointed business

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to 'tax' include taxes that we incur (corporation tax, business rates, employers' National Insurance Contributions ('NIC'), VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employees' NIC).

Our approach to tax

Our approach to tax is overseen by the Severn Trent Plc Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, recognising the interests of all of our stakeholders;
- We will not undertake aggressive tax planning or any planning that is not aligned with the economic and commercial activities of our business;
- We will make use of widely claimed incentives offered by Government to encourage investment; and
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible. This is particularly true for our regulated business where the taxes we pay are included in the calculation of customers' bills.

Tax governance

Responsibility for tax governance sits with the Group Chief Financial Officer, with oversight from the Severn Trent Plc Board and the Severn Trent Plc Audit Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with Group risk management procedures, tax risks are recorded and monitored throughout the year. If a material uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC's framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by, the Group's Severn Trent Plc Audit Committee, who also receive tax status updates as part of the interim and year-end financial reporting programmes.

Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC is kept up to date with business developments, including any commercial transactions with potentially significant tax implications.

Where queries or misunderstandings arise, then these are managed on the basis of full disclosure and we will seek to work with HMRC to bring any items to resolution.

Tax transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing regular information on our tax affairs in a clear and straightforward way that enhances our stakeholders' understanding and provides confidence that we are paying our fair share of tax.

In 2020/21, the Group received the Fair Tax Mark accreditation for a second year.

Non-UK operations

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

Scope

This Tax Strategy covers the period ended 31 March 2021 and applies to Hafren Dyfrdwy Cyfyngedig.

2. Ring Fencing Certificate (Conditions K and P)

Licence conditions K (disposals of land) and P (ring fencing) require the Company, at all times, to ensure that if a special administrator were appointed to manage the regulated activities, that administrator would have sufficient control over the regulated business and assets to be able to do so. In addition to the statement set out above under licence condition F and the Regulatory Accounting Guidelines, the Company is required to confirm that it is in compliance with these conditions and make suitable sufficiency statements to that effect. This statement is set out here.

In accordance with the requirements of the Water Services Regulation Authority, our Board confirmed that, as at 31 March 2021:

- i) In the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activity (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment);
- ii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it management resources and systems of planning and internal control, which are sufficient to enable it to carry out those functions; and
- iii) In the opinion of the Directors, the Appointee will for at least the next 12 months, have available to it rights and resources other than financial resources, which are sufficient to enable it to carry out those functions.

In reaching this conclusion, the Board has considered:

- financial resources and facilities;
- management resources;
- systems of planning and internal control;
- rights and resources other than financial resources;
- contracting; and
- the expected impact of COVID-19.

The Company is dependent on its contracts with Severn Trent Water to carry out its Regulated Activities in its Powys region. These contracts include the necessary provisions and requirements in respect of the standard of service to be supplied to the company to ensure that the Company is able to carry out the Regulated Activities.

The Board has considered the Company's prospects and the potential impacts of the Principal Risks and uncertainties that would impact the above factors. Details of matters considered and the conclusions reached are set out on pages 21-25 in the Viability Statement in the Company's [ARA](#).

Management provide the Board with evidence that each of the factors set out above has been addressed in assessing whether the company has sufficient resources to enable it to carry out its Regulated Activity for the next 12 months. The Board, through its Audit Committee, scrutinises and challenges the evidence provided to assure itself that the process is robust. The Board is satisfied that in the current year a robust process has been followed. Further information relating to our internal controls is detailed in our Board governance and compliance section and our assurance summary.



James Jesic
Managing Director
Hafren Dyfrdwy Cyfyngedig



John Coghlan
Chair
Hafren Dyfrdwy Cyfyngedig



Ann Beynon
Independent Non-Executive Director
Hafren Dyfrdwy Cyfyngedig

For and on behalf of the Board
9 July 2021

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

Financial resource and facilities	<ul style="list-style-type: none"> • The Appointee's performance expectations against Final Determinations 2020-2025, underpinned by historical track record. • The Appointee's available cash resources and borrowing facilities. • The Appointee's long-term viability statement of seven years included within the 2020/21 ARA. • Investments requirements to deliver stretching performance commitments in AMP7.
Management resources	<ul style="list-style-type: none"> • The tone at the top and culture within the Appointee filtered through the Appointee's Code of conduct. • The Appointee's 'Our Purpose and Values' and culture embedded through annual e-learning and supported through Group policies. • Annual employee engagement survey, QUEST, to assist understanding of what's going well and where improvements can be made across the Company. • Management and the Board ensure that appropriate and effective succession planning arrangements are in place, supported by the Board Diversity Policy. • The Appointee's ambition to be a socially purposeful company, giving back to communities, and providing opportunities for people to learn, retrain and develop is enhanced through the Severn Trent Academy at Hawksley Park. • The Appointee's recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience and knowledge.
Systems of planning and internal control	<ul style="list-style-type: none"> • The Appointee's risk-based approach to assurance, including internal and external audits as well as Jacobs assurance review of non-financial operational performance processes and data. • The Severn Trent Plc Audit Committee which provides oversight over the integrity of the Appointee's financial data, risk management and assessment of the effectiveness of the system of internal controls. • The Appointee's Enterprise Risk Management process. • The Appointee's performance in regards to its performance commitments identified in the additional regulatory information section from page 41. • Business continuity plans, response to COVID-19. • The Appointee's policies to prevent, detect and resolve unethical behaviour through implementation of its Whistleblowing Policy 'Speak up', Group financial crime and anti-bribery and anti-corruption policy, security policy and environment policy.
Rights and resources other than financial resources	<ul style="list-style-type: none"> • Our Purpose and Values and Code of Conduct. • COVID-secure working arrangements enhanced by digital transformation. • Asset Maintenance policies and systems to monitor asset health. • Overall Equipment Effectiveness' approach - delivering tangible benefits through: reducing planned work volumes and associated time to complete the tasks, reducing cost and improving asset performance.
Contracting	<ul style="list-style-type: none"> • The Company is dependent on its contracts with Severn Trent Water to carry out its regulated activities in its Powys region.
Material issues or circumstances	<ul style="list-style-type: none"> • COVID-19 management ensuring the swift implementation of plans to provide services to customers while keeping their people safe and well.

Annual Performance Summary

Performance summary

Our Purpose is **'Gofalu am un o hanfodion bywyd' / 'Taking care of one of life's essentials'** - from start to finish, ensuring our customers and communities experience the very best of our essential product every day. We're looking after every drop of water all the way from our upland catchments to our customers' taps, taking waste water safely away and recycling it back into the environment – cleaner than when we took it.

We are pleased to present our progress against the delivery of our customer outcomes for the first year of our business plan for the 2020-2025 period.

We have met 71% of our measures in 2020/21 delivering a step change improvement from 51% in 2019/20. Our performance improvement is a result of our teams' hard work and development of collaborative partnerships - such as our successful delivery of the lead replacement programme with Wrexham County Borough Council.

Improving core service in water and waste water

As a company that covers a highly rural area, with a relatively small population base, it can be difficult to achieve our stretching industry comparative targets, many of which are set in reference to levels achieved by the larger sewerage companies or more urban water only companies.

In water, we've delivered strongly on the measures of importance to our customers, including an industry leading CRI score of 0.1, exceeding our lead pipe replacement target four times over and delivering a 6.6% leakage reduction.

As a result of a major supply interruption incident in Wrexham in early May, we're reporting a company total under performance penalty of £0.52 million (net of triggered sharing mechanisms - further details provided on page 58). We remain committed to seeking more innovative and efficient ways to improve services for our customers.

In waste, we've focused on assets, undertaking a more in-depth investigation when problems are reported on our network, we have engaged with our customers and businesses in relation to what not to flush. As a result of this activity, we've seen a 28% reduction in blockages and beaten our pollutions target by 28%.

Supporting our customers and communities

We have the lowest average combined bill in England and Wales. Recognising just how difficult the COVID-19 pandemic has been for our region, we have proactively engaged with customers and worked with local partners, such as Wrexham County Borough Council, Newydd Housing and Mid-Wales housing, to promote support schemes – WaterSure and Here2Help. This has resulted in a 20% year-on-year increase in the number of customers financially supported through bill reductions.

We've helped support the wellbeing of customers by supporting 100% of customers registered on our Priority Services Register ('PSR') during an incident. We have also invested in our communities - collecting 1,286 customer commitments to change behaviour through our education programme and supported the thriving Welsh language with 100% compliance to our performance commitment.

Enhancing the natural environment

Our ambition is to be an environmental leader in land and water management, showcasing Lake Vyrnwy as an exemplar site.

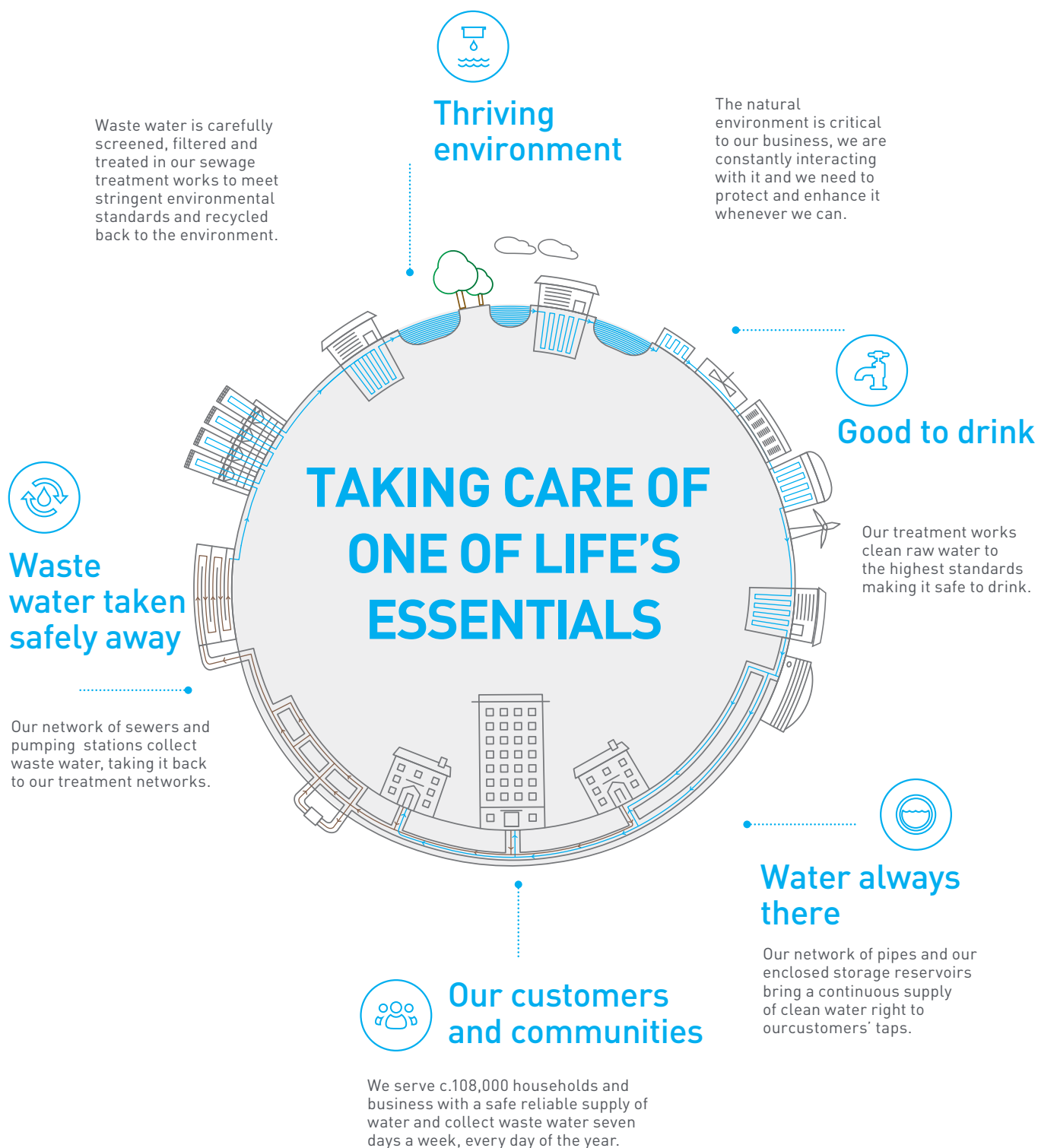
We've taken the first steps starting with >200ha of biodiversity improvements and full delivery of the National Environment Programme ('NEP').

This year we funded the RSPB to undertake a range of works at Lake Vyrnwy to improve habitats for curlew, black grouse and the Welsh clearwing moth. They also began a programme of removing conifers that had encroached onto the blanket bog; this is the first stage in our longer-term peatland restoration programme which will continue across the AMP.

Delivering for Wales

Our approach embraces the synergies across the entire water cycle with customers and communities at its heart. This is underpinned by our strategy that prevention is better than cure and creating a calmer network will deliver multiple benefits. Our plan has been developed in full consideration of the Well-being of Future Generations (Wales) Act 2015 and we aspire to always operate in a way that is socially and environmentally sustainable.

Our Business Model



Delivering our commitments

We measure our performance against 31 performance commitments, or Outcome Delivery Incentives ('ODIs') across the AMP. This table lists all of those which are in-period, as opposed to end of AMP, together with our targets.

Outcome	In-Period Performance Commitment	Unit
Water	Water Quality Compliance ('CRI')	score
	Number of complaints about drinking water quality	nr
	Number of lead pipes replaced	nr
	Water supply interruptions	hh:mm:ss
	Leakage	ML/d (3-yr average)
	Per capita consumption ('PCC') ²	litres/person/day (3-yr average)
	Risk of severe restrictions in a drought	%
	Mains repairs	nr/1,000km of mains
	Unplanned outage	%
	Properties at risk of receiving low pressure	%
Waste	Treatment works compliance	%
	Internal sewer flooding	nr/10,000 sewer connections
	Pollution incidents	nr/10,000km waste water network
	Sewer blockages	nr
	Risk of sewer flooding in a storm	%
	Sewer collapses	nr/1,000km sewer network
Customers, community and environment	Hectares managed for biodiversity	nr
	Satisfactory sludge disposal	%
	Inspiring our customers to use water wisely	nr
	Reduction in the number of void supply points	%
	Customer measure of experience ('C-MeX') ³	rank
	Developer services measure of experience ('D-MeX') ³	rank
	Non-household customer experience	score
	Welsh language services	%
	Priority services for customers in vulnerable circumstances ⁴	%
	Help to pay when you need it	%
	Supporting our priority service customers during an incident	%
	Delivery of national environment programme requirements	"met" or "not met"

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

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

³ D-MeX and C-MeX ODI values are calculated as per methodology in the Final Determination.

⁴ Priority Services Register ('PSR') comprises three metrics - PSR % reach, % attempted contact and % actual contact - all of which need to have been met to hit the overall regulatory target, which we have achieved. We have included % reach as the lead measure in this table, and provide more detail on the other two measures on page 104.

⁵ ODI value includes PCC, C-MeX and D-MeX, net of triggered sharing mechanisms - further details on page 58. Please note this may include rounding in the decimal place.

2020/21				2021/22		2022/23	2023/24	2024/25
Target	Performance Achieved		ODI Reward/ Penalty Value (£m, 2017/18 prices)	Target	Target	Target	Target	Target
0.00	0.10	✓ ¹	0.00	0.00	0.00	0.00	0.00	0.00
432	311	✓	0.02	375	317	317	317	317
50	214	✓	0.15	75	35	35	35	35
06m 30s	1h 08m 31s	✗	-0.62	06m 08s	05m 45s	05m 23s	05m 00s	05m 00s
15.0	14.2	✓	0.00	14.7	14.2	13.8	13.3	13.3
132.3	139.5	✗	-0.10	131.1	129.9	128.8	127.9	127.9
0.0	-	✓	Reputational	0.0	0.0	0.0	0.0	0.0
121.0	108.0	✓	0.00	118.9	116.7	114.6	112.5	112.5
2.34	1.03	✓	0.00	2.34	2.34	2.34	2.34	2.34
7	17	✓	0.00	28	28	28	28	28
100.00	100.00	✓	0.00	100.00	100.00	100.00	100.00	100.00
1.68	2.81	✗	-0.04	1.63	1.58	1.44	1.34	1.34
138.00	98.81	✓	0.00	137.00	117.00	117.00	97.00	97.00
290	247	✓	0.00	287	283	279	276	276
6.64	10.90	✗	Reputational	6.64	6.64	6.64	6.64	6.64
5.37	16.33	✗	-0.02	5.37	5.37	5.37	5.37	5.37
100.00	208.00	✓	0.04	150.00	150.00	30.00	20.00	20.00
100.00	100.00	✓	0.00	100.00	100.00	100.00	100.00	100.00
797	1,286	✓	Reputational	797	797	797	797	797
5.94	5.07	✓	0.04	5.58	5.22	4.86	4.50	4.50
-	11th	✗	-0.03	-	-	-	-	-
-	4th	✓	0.03	-	-	-	-	-
4.5	4.3	✗	-0.01	4.5	4.5	4.5	4.5	4.5
100.0	100.0	✓	Reputational	100.0	100.0	100.0	100.0	100.0
1.0	2.2	✓	Reputational	2.5	4.0	5.5	7.0	7.0
70	35	✗	Reputational	71	72	72	73	73
100	100	✓	Reputational	100	100	100	100	100
met	met	✓	Reputational	met	met	met	met	met
Total ⁵		71%	-£0.52m					

Delivering water that is good to drink and is always there

Providing a safe supply of water for our customers to enjoy whilst ensuring that water is always there when it is needed today and for future generations is at the very heart of our Purpose of **gofalu am un o hanfodion bywyd / taking care of one of life's essentials.**

exceeding target
and replacing

214 lead
pipes

35%



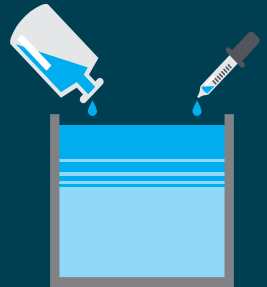
year-on-year
reduction in
water quality
complaints

6.6%
reduction in
leakage



0.1

potentially industry
leading Compliance
Risk Index Score



68mins 31 seconds



average supply interruptions

Creating a calm network

We are managing the transport of water and change in pressure all day every day as it flows around our c.2,600km of network. When our pipes weaken and fail, water is lost through leakage with customers potentially experiencing problems with pressure, discoloured water or even interrupted supply.

Our approach to understanding pressure variations and behaviour in our network with data-led insight means we are not only able to carry out timely proactive maintenance, creating a calmer network, but are also able to improve the service for our customers.

We're pleased that we have made a 17% reduction in the number of properties that experience low pressure and beat our target for mains repairs and unplanned outage.

Improving water quality

We've seen another year with an exceptional CRI score of 0.1 which we expect to be industry leading. Our investment in our 86 service reservoirs is a long-term approach to ensure we continue to provide wholesome water for our customers reducing the risk of water quality failures. In AMP6 we increased our investment in this asset group focusing first on the assets with the greatest risks: replacing Sugny-Pwll, building a new reservoir at Llangollen and decommissioning the old Victorian reservoir at Berwyn. Our AMP7 plan is driven from our inspection programme – taking a risk-based approach.

The number of complaints we receive about water quality continues to reduce. This year we've seen a 35% year-on-year improvement and have met our AMP target four years early. We've continued to invest in areas of the network most at risk of discolouration with proactive flushing, targeting c.14% of our network in 2020/21. We know that when our customers contact us about their water quality, a third talk to us about the taste and smell of their water. There is more we can do to tackle this issue and our improvement activity is focused on identifying temporal and spatial hot-spots of complaints.

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

We are pleased to be playing our part in the Welsh Government's long-term ambition of a lead-free Wales. Working in partnership with Wrexham County Borough Council and private homeowners we've replaced 214 lead pipes this year, over four times our target.

Safeguarding our reservoir assets from failure

Reservoir failure presents a real danger to the public and is one of the biggest risks we face.

In Hafren Dyfrdwy we have 15 dams and impounding reservoirs and we take our duty of care very seriously.

In the five year period to 2025, 11 of our reservoirs will be undergoing their Section 10 inspections. The Section 10 reports provide a thorough review of the safety of dams against today's design standards we are on-track with our programme.

Maintaining supply

Our supply interruptions performance was disappointing. A single event on the Wrexham ring main in early May 2020 added 57 minutes 09 seconds to our performance; significantly in excess of the industry wide target of 6 minutes 30 seconds.

As a company that serves a small population, but covers a large geographical area, we are particularly susceptible to volatility in this measure. As we've seen this year, when a single, large event impacts our customers it can have a outsized impact on the normalised value as our customer base is significantly smaller than other water and sewerage companies.

We're committed to improving our supply interruptions performance. Our improvement plan is focused on preventing asset failure where we can by maintaining a calm network, responding to events more quickly, utilising a range of techniques to restore customer supply, returning services to normal with efficient, fast and robust repairs, all while keeping our customers informed. This year we've:

- Installed additional loggers across the network to be our eyes on the ground, letting us know about an issue so we can start to respond before our customers feel any loss of service; and
- Focused on being ready to act - developing and enacting a plan ready to restore supply to as many customers as we can.

Wrexham ring main

In the early hours of May 2021, we became aware of issues with the Llwyn Onn booster station resulting in reduced pressures around the Wrexham ring main. We faced an exceptionally challenging operational incident with a total of 22 district metered areas, consisting of nearly 23,000 properties potentially, at risk of an interruption to supply across Wrexham during the first global pandemic lockdown.

Field staff identified the issue as a burst main which resulted in a critical pump shutting down. The burst was quickly isolated and repaired. On recharge a second burst occurred – this was isolated and supplies were restored by mid-afternoon for the majority of customers. An unexpected issue was encountered at a pressure relief valve which prevented water flowing into one district metered area. Once this was resolved, all supplies were restored to all areas with the last customer coming back on at around 11pm that evening.

We kept our website up-to-date throughout the day with the latest information and all social channels were updated to match. Bottled water was delivered to all our registered vulnerable customers, to any customers aged over 70 in the areas affected for the longest periods and to individuals who made requests. This equated to over 700 properties. We also ensured we kept in close contact with the hospitals, schools and care homes to keep them updated throughout the event and provide additional support where needed.

We have carried out a detailed review and have already taken key actions to increase visibility of pressure and flows, trialling smart AVK loggers, and operational status of key valves around the Wrexham ring main - a contributing factor affecting focus and response times.



Driving progress in innovation to reduce leakage

Reducing leaks is a critical component to ensure a sustainable water cycle; reducing stress on the environment through a reduction in the volume of water that needs to be abstracted and reducing the energy used to treat water and move it around our network.

In 2020/21 we met our leakage target with a 6.6% reduction on our three-year average. We are pleased that through the Ofwat Innovation Fund we've secured funding to investigate if existing fibre networks (e.g. broadband, traffic signalling/monitoring) can be used to detect leaks alongside partners Focus Sensors, Costain, Dŵr Cymru and Portsmouth Water.

Customer demand

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

We have seen a 4.5% increase on the three-year average for PCC, missing our Year 1 target.

This year we have seen a shift in water usage from non-household customers to household customers.

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

We need to enable clear and transparent understanding of individual household water usage and the value of water beyond the bill that they pay, at the same time as providing options to help reduce consumption.

The continuing uncertainty about future shifts in consumption patterns has resulted in Ofwat revising their approach and delaying any decision for incentive payments for PCC until the 2024 price review.

Systems driven long-term solutions

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

Transparent reporting

In AMP7 we aligned how we report leakage and PCC to be consistent with the industry definition. To ensure we are clear and transparent we are reporting our current position, progress from 2019/20 and actions we are taking. For further details see page 60.

Educating current and future generations

We are investing in a partnership with Xplore! Science Centre in Wrexham. We've sponsored two bespoke interactive exhibits highlighting the importance of water efficiency and what not to put down the loo. Through creating water pipe pathways to typical appliances in the home and an interactive floor projection demonstrating how much water is used from everyday activities such as brushing your teeth, we explain and educate about how everyone can save our wonderful water.

Waste water taken safely away

We know that escape of sewage from our waste water network is one of the worst service failures that can occur. Whether it's in a customer's property or impacting on the environment, it is clearly a priority for us to make improvements.

100%



compliance at our
treatment works -
industry leading

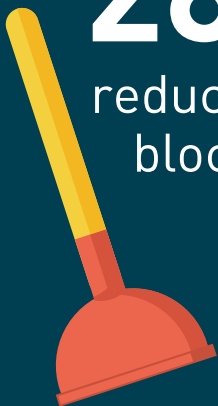


Zero

serious
pollution in
over 10 years

28%

reduction in
blockages



6

internal sewer
floodings -
unfortunately
missing our target

Striving for excellence

In waste we operate solely in Powys with just over 20,000 connected properties and just under 500 km of sewer. Our waste water system includes a mixture of larger towns such as Newtown and Welshpool as well as lots of small, rural communities. Historically we have performed well; while service failure is relatively rare, when it does impact it can be devastating, often resulting in a discharge of sewage either into customers’ homes and gardens or to the environment.

Escapes from our sewage network are caused by either hydraulic overload or a blockage within the network. We take a holistic approach and, by making interventions that create a calmer network, we can deliver multiple benefits for our customers and the environment. Driving down the number of blockages is an essential part of improving performance across the waste water system because it reduces the risk of internal and external sewer flooding across the network and of pollutions at the treatment works.

Each year, we undertake maintenance across our network, cleanse sewers and clear blockages to make sure the system flows freely. We target the highest risk areas and remove the build-up of fats, oils and greases, as well as other items that should not be in the sewer such as wet wipes and nappies. We have seen a 28% year-on-year improvement in blockages thanks, in part, to our revised policy to undertake a more in-depth investigation when a blockage does occur.

We are continuously working to improve our waste service to customers’ and while we have had just six internal sewer floodings (2.81 per 10,000 connections), a 41% year-on-year improvement, we missed our very stretching target of no more than four internal sewer flooding incidents (1.68 per 10,000 connections). Our targets in the Final Determination are common to all eleven water and sewerage companies (‘WASCs’) and are set at the industry forecast upper quartile performance (normalised per 10,000 connections) as laid out in the table below. The very small population base in Hafren Dyfrdwy means that each individual internal sewer flooding is equivalent to 0.47 per 10,000 connections.

	2020/21	2021/22	2022/23	2023/24	2024/25	Percentage improvement over the AMP
Final Determination industry forecast upper quartile target (per 10,000 connections)	1.68	1.63	1.58	1.44	1.34	20%
Hafren Dyfrdwy absolute number of internal sewer floodings	4	3	3	3	3	25%



For the next smallest WASC each internal sewer flooding is equivalent to c.0.013 per 10,000 connections. Working with such small absolute numbers means that we've been set the challenge of delivering a 25% improvement in performance from the first to the second year of the AMP, and then holding that performance steady through to 2024/25. By contrast, the challenge for the rest of the sector is less than a 3% improvement between the first and second year, and 20% by the end of the AMP. In facing into this challenge we also have to work with the rurality of our area that makes predicting and tackling new areas of risk and beating our performance commitment even trickier given the need to have no more than three internal sewer floodings per/year.

Although we don't have a performance commitment for external sewer floodings that impact on homes and gardens, we do measure and undertake root cause analysis of these events. We are pleased to report we have seen a 29% year-on-year improvement. Disappointingly, we had eight sewer collapses (16.33 per 1,000 km of sewer network) this year and missed our stretching target of three (5.37 per 1,000 km of sewer network).

Our impact on the environment

We are pleased to report our industry leading performance at our sewage treatment works. We measure the quality of the treated waste water that is returned to sewers against strict criteria and definitions reporting the results to Natural Resources Wales ('NRW').

Our works operators, control systems and monitoring have worked superbly throughout year to make sure we complied with all required criteria for the whole year, resulting in us reporting 100% compliance. We have continued our excellent performance in pollutions, with no serious pollutions in over ten years and only five category 3 waste pollutions (98.81 per 10,000 km of waste water network), beating our target.

Transparent reporting

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

During our preparation for the APR21 assurance for this obligation, we identified that, whilst the risk modelling was undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020.

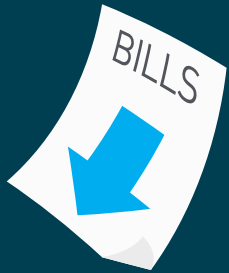
There is no increased risk of flooding to customers as the risk was correctly modelled in accordance with the requirements. The issue solely relates to the collation of/calculation of the reported risk.



Customer, Community and Environment

We're committed to providing an outstanding service every day to every customer in our region. We're in a unique position to make a real difference in our communities and the environment, improve the wellbeing of customers and society, support those in need and deliver for Wales.

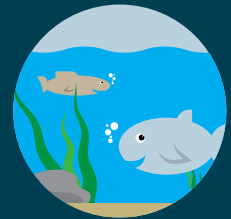
<£1/day



lowest
average bills
in England
and Wales

208 ha

land with
improved
biodiversity



4th place

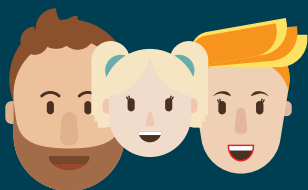


Developer Services
Measure of Experience



1,286

commitments to
change behaviour



11th place

Customer
Measure of
Experience

100%

vulnerable
customers
supported in
incidents



Helping people to thrive

Nobody should have to choose between paying for their water bill and being able to afford household essentials. Water should be affordable for all and we are proud to say we have the lowest bills in England and Wales; less than £1/day on average.

An independent review of water affordability by the Consumer Council for Water ('CCWater') concluded that one in eight people¹ in Wales consider their bill unaffordable. We provide help by:

- Supporting customers with water health checks;
- Providing flexibility with payment plan concessions/ payment breaks; and
- Reducing water bills through WaterSure or our Here2Help social tariff.

We set ourselves an ambitious target of helping 70% of customers who find their bill unaffordable in 2020/21 rising to 73% in 2024/25. Our ambition is that we provide impactful support, rather than spreading it thinly and not making a difference to customers' lives. Our social tariff offers up to 90% of the water and waste bill in Powys and water bill in Wrexham (with Dŵr Cymru providing the waste service).

We've made year-on-year improvements across all support mechanisms offered in 2020/21. We have increased the numbers of customers we have supported on our social tariff by 32%; of these 78% receive 90% of their bill, paying on average just £32/year. Overall we've increased the number of customers we've supported to 4,321. Disappointingly this is only 35% and we've missed our target.

	2019/20	2020/21
	Number of customers	
Water health checks including proactive metering	126	242
Matching plus	N/A	11
Payment breaks	N/A	245
Payment plan concessions	1,040	1,767
Social tariff	872	1,153
WaterSure/WaterSure Plus	847	903
Total customers helped	2,885	4,321

When we were developing our PR19 plans c.2,500 customers were incorrectly included in our baseline from which we set our improvements. Further details are provided on page 59.

We recognise that we need to do more to raise awareness of the support we can provide to customers. In order to increase the visibility of our Help2Pay schemes this year we have:

- Made the options clear and accessible providing a range and choice that is easy to access. We're currently redesigning our qualifying criteria for our Here2Help social tariff, making it easier to apply.
- Worked with local partners to proactively reach out to customers. Knowing that more than 6 in 10 people who live in poverty are in rented accommodation - we are working with Wrexham County Borough Council, Newydd Housing and Mid-Wales housing to provide Help2Pay leaflets in tenancy packs.
- Provided One-Stop Bill Assistance. Working with third parties so that they can sign customers up to schemes and services on our behalf. Partners include Warm Wales, Citizens Advice (Powys & Wrexham) and Flintshire County Council.
- Taken a holistic approach. We've introduced a debt referral process with Citizens Advice (Powys & Wrexham) which will offer our customers holistic independent support to help them manage their finances.
- Introduced annual Water Health Checks. Contacting customers after 12 months to check whether they have any issues with their bill, that their circumstances haven't changed and talking to them about our schemes and services.
- Recognised that circumstances can change rapidly, for example, our COVID-19 response included extending our support schemes with Payment Breaks to help customers new to debt or those in short-term financial difficulties (payment shock).

We are taking a full end-to-end view of the affordability journey – measuring the effectiveness of our Here2Help social tariff 12 months after the scheme has completed. This is an end of AMP commitment. This new measure seeks to understand the sustained and lasting effect that financial support tariffs can provide. This year we are reporting that our performance has deteriorated from the baseline of 25.9% of customers who continue to pay their bills 12 months after scheme completion to 11%.

1. Consumer Council for Water, Independent review of water affordability (2021) defines water poverty as a situation where a household struggles to pay their water bill due to low income. Low income households spending more than 5% of their income (after housing costs) can be considered to be facing water poverty.

2. Joseph Rowntree Foundation Briefing: Poverty in Wales 2020.

Supporting our customers

We recognise that the need for support can be driven from a wide range of circumstances in the short and long term and this includes non-financial support.

Our Priority Services Register ('PSR') allows us to understand when our customers might need our help and to tailor the support we provide. We have met all three elements that make up this performance commitment. As part of our COVID-19 response we contacted customers on the PSR as a wellbeing check – this allowed us to be proactive and identify customers that may start to struggle and need our support at a future date. In addition, we've supported 100% of our customers who are on the PSR during an incident on our clean water network.

We are addressing aged debt issues and have rolled out an approach to manage our void properties, which will deliver fairer charges to our customers and keep bills low. We have delivered a 15% reduction in connected void points this year alone.

An outstanding customer experience

We want to consistently exceed our customers' expectations and deliver an outstanding experience, regardless of whether they have had to contact us or not. Ofwat's measure of customer experience ('C-MeX') places the same weighting on the perceptions of all of our customers as on those who contact us. Our results reflect progress from a shadow year position of 12th to finish 2020/21 in 11th place. We recognise there is more to do particularly around service delivery and letting our customers know what is happening and when.

Our Developer Services customers place us 4th for Ofwat's measure of service for developers ('D-MeX'). This demonstrates the stepchange we have made from 13th place in 2019/20. We know that although our quantitative performance has been strong, our qualitative score has been much more variable. We've identified three key focus areas for improvement: customer ownership, timeliness of response and quality of online services.

Our non-household ('NHH') customers' expectations of us are just as high - our bespoke AMP7 performance commitment targets us to achieve a score of 4.5/5. We've made improvements from 2019/20 but have just fallen short of our target scoring 4.3/5. We know there is more to do, particularly in Powys around customer communication and brand awareness.

We're pleased to report that we've achieved 100% compliance on our Welsh language commitment.

A positive difference in our communities

During the year, our Education Team launched online lessons to support our customers and communities who were home schooling during lockdown. We've secured 1,286 commitments - engaging in lessons about the water cycle, the importance of looking after our sewers and caring for the environment.

We want to make a positive difference in the community - we've supported community projects and charities in mid and north Wales such as DASU (the Domestic Abuse Safety Unit) and the Wrexham food bank.

Giving communities access to nature

Our work with North Wales Wildlife Trust focuses on improving SSSI sites that are open to the public, offering local communities improved access to nature. The first project, at Marford Quarry Nature Reserve SSSI, involves landscaping and clearing scrub to create wildflower rich grassland at a former gravel quarry that is one of the richest habitats in Wales for invertebrates such as bees, ants and wasps, as well as the only site in North Wales for wild liquorice.



Taking care of the environment

The natural environment is intrinsically linked to everything we do - from abstracting raw water to returning treated waste water and disposing safely of our other waste. We also recognise the significant societal benefits from the natural environment and the positive impact it can have on wellbeing.

We delivered double our Year 1 target of 100 hectares of biodiversity improvements across two key projects in partnership with North Wales Wildlife Trust, restoring abandoned quarries, creating quality invertebrate habitats and RSPB Cymru at Lake Vyrnwy - undertaking improvement works across the site of special scientific interest ('SSSI'). We're also pleased to be able to report that we have delivered our NEP obligations.

Lake Vyrnwy

The Lake Vyrnwy estate includes just under 10,000 hectares of open moorland, blanket bog, farmland and forest surrounding a 7.6 km long reservoir. RSPB Cymru leases over 4,500 hectares of uplands within the Lake Vyrnwy catchment, which is designated as a SSSI. This year we funded the RSPB to undertake a range of works at the Vyrnwy estate to improve habitats for curlew, black grouse and the Welsh clearwing moth. They also began a programme of removing conifers that had encroached onto the blanket bog; this is the first stage in our longer term peatland restoration programme which will continue across this AMP. In total, 143 hectares of land were improved or managed for biodiversity across the Vyrnwy estate in 2020/21.



Clear and transparent reporting

It's important that our customers, stakeholders and regulators can trust the information we report; they need to be confident that they can trust us to act responsibly and always in our customers' best interests.

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

Sharing mechanism

For the 2020/21 report year, Hafren Dyfrdwy triggered both of the sharing thresholds in waste water. Reaching the cap on biodiversity has triggered the outperformance threshold on waste water. In contrast, missing the target on internal sewer flooding has exceeded the underperformance trigger. We met neither of the water service triggers. In total, the net impact of the sharing mechanisms is just under £8,000 favourable to Hafren Dyfrdwy as shown in the tables below (i.e. £9,000 - £1,300).

At PR19 Ofwat applied two ODI protection mechanisms to Hafren Dyfrdwy. The first offers customers protection from significant outperformance; this mechanism is consistent across all companies. The second is unique to Hafren Dyfrdwy and provides the Company with protection from significant underperformance.

Both mechanisms are set at $\pm 3\%$ of RoRE ('Return on Regulated Equity') for each relevant price control; any ODI performance greater than 3% in either direction is then shared 50:50 with customers. Both of the mechanisms are part of the standard RoRE calculation and do not require additional management decisions to determine their value.

The Final Determination is designed so that the sharing mechanisms are calculated independently of each other. Metrics outperforming are considered separately to those in penalty, and measures in water are considered separate to those in waste. As such, multiple sharing mechanisms can be triggered each year.

Due to the size of the Hafren Dyfrdwy regulatory capital value, the overall value of the sharing mechanism thresholds are relatively small. The values are shown in the table below in 2017/18 price base.

	Wholesale Water	Wholesale Waste
Wholesale RCV £m, annual average	71.594	1.541
Regulatory equity (notional)	40%	40%
Aggregate sharing threshold % of RoRE	$\pm 3\%$	$\pm 3\%$
ODI sharing threshold £m (2017/18 prices)	± 0.8591	± 0.0185

Mechanics of the outperformance sharing mechanism	Wholesale waste outperformance (£m, 2017/18 prices)	Wholesale waste underperformance (£m, 2017/18 prices)
ODI outperformance pre-sharing	0.0212	(0.0365)
Aggregate sharing threshold	0.0185	(0.0185)
Sharing Threshold Triggered	Yes	Yes
Performance subject to sharing	0.0027	(0.0180)
Company share of performance (50%)	0.0013	(0.0090)

Code	Measure	Commentary																														
E4	Risk of sewer flooding in a storm	<p>Risk of sewer flooding in a storm is a reputational performance commitment. It is designed to assess risk in catchments with a population over 2,000 people and where a catchment is deemed to be in a high or medium vulnerability grade.</p> <p>We are reporting 10.90% against a target of 6.64%.</p> <p>During our preparation for the APR assurance audit for this obligation, we identified that, whilst the risk modelling had been undertaken in accordance with the required methodology, some catchment risks had not been included in the data input used to calculate the reportable number. As a result we have identified the need to restate the shadow reporting of this obligation for 2019 and 2020.</p> <p>There is no increased risk of flooding to customers as the risk was correctly modelled in accordance with the requirements. The issue solely relates to the collation of/calculation of the reported risk.</p> <p>The reporting on this commitment will be restated with commentary to support. Economic modelling and financial modelling will not be impacted. The associated process description template ('PDT') has been updated to ensure additional checks are in place to ensure modelled risk is correctly collated and included in the reported risk.</p>																														
H2	Help to pay when you need it	<p>Help to pay when you need it is a reputational commitment to measure the increase in the number of customers that receive help through one of our support tariffs (detailed in the table below). We set ourselves an ambitious target of helping 70% of customers who find their bill unaffordable (13% of household customers) in 2020/21 rising to 73% in 2024/25.</p> <p>Following the creation of Hafren Dyfrdwy a number of Dee Valley Water customers were wrongly identified as receiving payment plan concessions. The data with this error was then incorrectly included when we were developing our baseline as part of PR19.</p> <table> <tr> <th></th><th>2017/18</th><th>2017/18 (revised)</th></tr> <tr> <th></th><th colspan="2">Number of customers</th></tr> <tr> <td>Water health checks</td><td>90</td><td>90</td></tr> <tr> <td>Matching plus</td><td>N/A</td><td>N/A</td></tr> <tr> <td>Payment breaks</td><td>N/A</td><td>N/A</td></tr> <tr> <td>Payment plan concessions</td><td>4,098</td><td>1,597</td></tr> <tr> <td>Social tariff</td><td>479</td><td>479</td></tr> <tr> <td>WaterSure/WaterSure plus</td><td>1,354</td><td>1,354</td></tr> <tr> <td>Total customers helped</td><td>6,021</td><td>3,520</td></tr> <tr> <td>% of customers helped of the number of customers who find their bills unaffordable (assumed to be 13%)</td><td>45%</td><td>23%</td></tr> </table> <p>In 2020/21 we are reporting 35% (4,321) of our customers who find their bills unaffordable have been supported. To reach our end of AMP target of 73% we would need to support an additional 4,600 customers.</p> <p>Our ambition is that we provide impactful support, rather than spreading it thinly and not making a difference to customers' lives. We will continue to explore all avenues with customers to raise awareness of the support that we can give either through: water health checks, provide payment breaks and payment concessions (the same total bill is being paid, but the payment is spread) as well as our social tariff and WaterSure (schemes that reduce the cost of the bill a customer has to pay). We will engage with Ofwat in 2021/22 in further detail about this performance commitment.</p>		2017/18	2017/18 (revised)		Number of customers		Water health checks	90	90	Matching plus	N/A	N/A	Payment breaks	N/A	N/A	Payment plan concessions	4,098	1,597	Social tariff	479	479	WaterSure/WaterSure plus	1,354	1,354	Total customers helped	6,021	3,520	% of customers helped of the number of customers who find their bills unaffordable (assumed to be 13%)	45%	23%
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WaterSure/WaterSure plus	1,354	1,354																														
Total customers helped	6,021	3,520																														
% of customers helped of the number of customers who find their bills unaffordable (assumed to be 13%)	45%	23%																														
D1	Inspiring our customers to use water wisely	<p>Inspiring customers to use water wisely is a financial incentive penalty/reward performance commitment measuring the number of customers agreeing to change one or more of the three target behaviours (using wonderful water wisely, knowing what not to put down the sink; and choosing tap water for healthy you and healthy environment).</p> <p>Our education program is typically delivered as an assembly to a whole school, with follow on workshops to the Year 3 and 4 children. COVID-19 forced the closure of schools resulting in the cancellation of all our future bookings. As the pandemic lockdown unfolded we recognised that we could assist both teachers and parents suddenly thrust into home-schooling with educational materials.</p> <p>We surveyed a small number of teachers from across our region about what a return to school in September 2020 would look like both for in person visits as well as digital content. As a result, we developed a bespoke educational livestream that met the following criteria to try and make it as easy for teachers as possible. It was:</p> <ul style="list-style-type: none"> • Simple for teachers to use; • Required only a web browser and an internet connection in the school; • Allowed us to provide live education sessions over the internet from our Education Team members working from home; • Allowed us to collect behavioural change commitments at the time of each education session; and • Allowed live face-to-face interactivity with the remote class through a Q&A box, whilst safeguarding children by not having them on video. Each session was bespoke as the uniquely generated lesson can only be accessed by those the teacher has sent the unique link to. <p>Our online lessons went live mid-October.</p>																														

Code	Measure	Commentary
A3	Number of lead pipes replaced	<p>Number of lead pipes replaced is a financial incentive penalty/reward performance commitment. In order to tackle lead in customers' homes we want to maximise our impact, replacing both the communication pipe (the pipe we own) and the supply pipe (the pipe that the customer owns).</p> <p>In instances where a customer has been offered but refused a free Hafren Dyfrdwy lead service pipe replacement, the customer is provided with a Reg30 customer permission proforma to sign and acknowledge that they wish to decline the offer. A copy of the signed Reg30 customer permission proforma is then saved and tagged on the Hafren Dyfrdwy lead performance commitment central job tracker for future reference and auditing purposes.</p>
B2	Leakage	<p>In AMP7 we aligned how we report leakage to be consistent with the industry definition. To ensure we are clear and transparent we are reporting our progress from 2019/20, along with the actions we are taking.</p> <p>We have made excellent progress in 2020/21 and are now reporting over 60% of our consistency components as green. Delivering the Netbase upgrade and embedding our new non-household night use model has delivered critical improvements to our night flow losses and night use estimation.</p> <p>We are still behind the curve to reach the 90% availability threshold for compliance due to poor availability of property coverage from metered zones to generate leakage nightlines. We are investing in a series of capital improvements to bring up compliance.</p> <p>This year we have continued to improve our source data sets, using company specific data where possible. Collecting data for "Other Water Use", which includes operational use and unbilled (legal and illegal), we are over the Distribution Input ('DI') threshold to be green. We expect that further strengthening the data collection in 2021/22 will turn this component back to green.</p> <p>Before we can report 100% green (consistent with the industry definition) we need to quantify service reservoir losses and install more customer meters.</p>
B3	Per Capita Consumption	<p>In AMP7 we aligned how we report PCC to be consistent with the industry definition. To ensure we are clear and transparent we are reporting our progress from 2019/20, along with the actions we are taking.</p> <p>We are reporting one of the four consistency components as amber until we have installed additional meters. This will provide a full and separate representation of unmeasured PCC customers. This year we have continued to estimate unmeasured PCC based on small area monitor data in Severn Trent Water and extrapolated for Hafren Dyfrdwy. To date we have installed 850 individual property meters, with a further 900 planned.</p> <p>We anticipate we will be green (consistent with the industry definition) in our 2021/22 APR.</p>
B4	Risk of severe restrictions in a drought	<p>We carried out an update of the 25-year (2020/21 to 2044/45) average risk. This average risk update applied only to the year in question (i.e. not any update to previous years or years after the year in question). The reported risk, as assured externally by Jacobs, remains unchanged from the previous year (i.e. the shadow reporting year in the final year of AMP6), and in line with our performance commitment target for Year 1 of AMP7. This has remained unchanged as there have been no updates to the components of the risk calculation as our AMP7 supply / demand enhancement improvements have not yet been completed / realised. A balance sheet of supply / demand changes does not accompany this text commentary as there is no change in terms of performance from the previous year or the performance commitment target.</p>
B6	Unplanned outage	<p>This measure has been assured by an independent third line assurance and we are compliant against all AMP7 methodology components.</p>
B8	Improving reservoir resilience	<p>As part of our year end reporting and assurance for this performance commitment we have made available a Section 10(6) Certificate (issued to us by an independent Defra appointed Panel Engineer) which confirms we have closed out the relevant Section 10(3)(c) measure in the Interest of Safety. During the year end assurance session, we provided an email receipt from NRW, confirming NRW acknowledges the said Section 10(6) Certificate.</p>

Code	Measure	Commentary
F1	Reduction in voids	We have considered the impact of the temporary vacancy flag on the measure and confirm that none of the market eligible properties we serve used this flag during the reporting year.
G1	C-MeX	We offer a range of contact channels for our customers which exceed the minimum of five channels as set out by Ofwat. Customers can contact us by the following methods: letter, email, telephone, WhatsApp, Livechat, Apple chat, short message service ('SMS') and social media (Facebook direct message, Twitter direct message, Instagram direct message).
G2	D-MeX	As part of our year end assurance we have utilised our standard three lines of assurance processes to ensure that our performance is an accurate reflection against the selected Water UK metrics in D-MeX. We confirm we have not found any material issues as a result of this process.
H1	Priority services for customers in vulnerable circumstances	<p>PSR reach:</p> <p>The % split across the PSR membership categories A to E is forecast to continue at Year 1 end and no changes to the weighting in Year 2. The forecast will be reassessed at the end of Year 2 to enable sampling of new campaigns and continued PSR activity.</p> <p>PSR data-checking:</p> <p>We monitor for operational purposes PSR membership month-on-month. Over the year we have had 874 customers added and 330 removed.</p> <p>Third parties are not utilised to support attempted contact activity at present, as such all activity is direct from Hafren Dyfrdwy and reported in our attempted contacts measure.</p>
H4	Supporting our customers during an incident	We've recently shared our Hafren Dyfrdwy PSR vulnerable customer offering with CCWater Wales for them to review and feedback. A further meeting is planned in July and following this we will publish CCWater's view.
NEP		We have received a draft letter from NRW confirming that we have met all of our NEP requirements for 2020/21. We have agreed some minor adjustments to two of the schemes; initially set as requiring delivery by March 2021 for work associated with driver installing event duration monitors to storm tanks (U_MON3); other schemes had an end of AMP deadline. NRW has agreed that the work associated with these two sites can be delivered in line with all other schemes.

Regulatory accounts for the year ended 31 March 2021

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of Hafren Dyfrdwy Cyfyngedig

Opinion

We have audited the sections of Hafren Dyfrdwy Cyfyngedig's Annual Performance Report for the year ended 31 March 2021 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.6, 1F.8, 1F.12 to 1F.14, 1F.18 and 1F.23 to 1F.24 of the statement of financial flows (table 1F) and the notes to the regulatory accounts; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis (wholesale) (table 2B), the cost analysis (retail) (table 2C), the historical cost analysis of fixed assets (table 2D), the analysis of capital contributions (table 2E), residential retail (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation (wholesale) (table 2M), residential retail - social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

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

In our opinion, Hafren Dyfrdwy Cyfyngedig's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2), set out on pages 81-82.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.12, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and has not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs 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 67-98 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

- Understanding the nature of the company, its business model and related risks including the impact of the Covid-19 pandemic,
- Evaluating the underlying data and key assumptions used in the Directors' assessment, and evaluating the Directors' plans for future financing including the extension of the current revolving credit facility with Severn Trent PLC, the ultimate parent company;
- Understanding the funding available through group credit facilities, including consideration of their maturity period, evaluating the group's ability to provide such funding to support the Company's forecasted future cash flows, future commitments and net current liability position at balance sheet date;
- Challenging the assumptions used in the cash flow forecasts, including testing for consistency with board approved budgets and future plans for AMP 7, and performing sensitivity analysis relating to these assumptions;
- Assessing the headroom under both the base case and sensitised forecasts considering the reduced facilities available from the immediate parent; and
- Reviewing the appropriateness of the disclosures provided in the financial statements.

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

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

Other information

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

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

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 37 the directors are responsible for the preparation of the Annual Performance Report in accordance with 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 3.12, appendix 2).

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

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

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

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

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

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

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

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

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

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

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

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2021 on which we reported on page 9 July 2021, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

1A - Income statement

Year ended 31 March 2021

Line description		Adjustments				Total appointed activities
		Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
1A.1	Revenue	32.891	-0.786	-1.151	-1.937	30.954
1A.2	Operating costs	-38.161	0.677	1.629	2.306	-35.855
1A.3	Other operating income	0.000	0.000	0.000	0.000	0.000
1A.4	Operating profit	-5.270	-0.109	0.478	0.369	-4.901
1A.5	Other income	0.000	0.211	-0.074	0.137	0.137
1A.6	Interest income	1.601	-1.600	0.000	-1.600	0.001
1A.7	Interest expense	-1.285	-0.472	0.000	-0.472	-1.757
1A.8	Other interest expense	0.000	0.600	0.000	0.600	0.600
1A.9	Profit before tax and fair value movements	-4.954	-1.370	0.404	-0.966	-5.920
1A.10	Fair value gains/(losses) on financial instruments	0.000	0.000	0.000	0.000	0.000
1A.11	Profit before tax	-4.954	-1.370	0.404	-0.966	-5.920
1A.12	UK Corporation tax	1.546	0.000	-0.077	-0.077	1.469
1A.13	Deferred tax	-0.873	0.235	0.000	0.235	-0.638
1A.14	Profit for the year	-4.281	-1.135	0.327	-0.808	-5.089
1A.15	Dividends	0.000	0.000	0.000	0.000	0.000
A	Tax analysis					
1A.16	Current year	-1.526	0.000	0.077	0.077	-1.449
1A.17	Adjustments in respect of prior years	-0.020	0.000	0.000	0.000	-0.020
1A.18	UK Corporation tax	-1.546	0.000	0.077	0.077	-1.469
B	Analysis of non-appointed revenue	Non-appointed				
1A.19	Imported sludge	0.000				
1A.20	Tankered waste	0.000				
1A.21	Other non-appointed revenue	1.151				
1A.22	Revenue	1.151				

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

	Adjustments		Reclassifications					Total differences
	Capitalised interest	Depreciation on capitalised interest	External electricity sales	Infrastructure Renewals Income	Non operating income	Deferred credits	Pension interest	
	£m	£m	£m	£m	£m	£m	£m	
Revenue	-	-	-0.293	-0.332	-	-0.161	-	-0.786
Operating costs	-	0.102	0.293	0.332	-0.050	-	-	0.677
Other operating income	-	-	-	-	-	-	-	-
Operating profit	-	0.102	-	-	-0.050	-0.161	-	-0.109
Other income	-	-	-	-	0.050	0.161	-	0.211
Interest income	-	-	-	-	-	-	-1.600	-1.600
Interest expense	-1.472	-	-	-	-	-	1.000	-0.472
Other interest expense	-	-	-	-	-	-	0.600	0.600
Profit before tax and fair value movements	-1.472	0.102	-	-	-	-	-	-1.370
Fair value losses on financial instruments	-	-	-	-	-	-	-	-
Profit before tax	-1.472	0.102	-	-	-	-	-	-1.370
UK corporation tax	-	-	-	-	-	-	-	-
Deferred tax	0.235	-	-	-	-	-	-	0.235
Profit for the year	-1.237	0.102	-	-	-	-	-	-1.135

1B - Statement of comprehensive income

Year ended 31 March 2021

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1B.1 Profit for the year	-4.281	-1.135	0.327	-0.808	-5.089
1B.2 Actuarial gains/(losses) on post employment plans	-3.722	0.000	0.000	0.000	-3.722
1B.3 Other comprehensive income	0.000	0.000	0.000	0.000	0.000
1B.4 Total Comprehensive income for the year	-8.003	-1.135	0.327	-0.808	-8.811

1C - Statement of financial position

Year ended 31 March 2021

Line description	Statutory £m	Adjustments			Total appointed activities £m
		Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	
A Non-current assets					
1C.1 Fixed assets	211.617	-5.790	0.000	-5.790	205.827
1C.2 Intangible assets	7.022	0.000	0.000	0.000	7.022
1C.3 Investments - loans to group companies	0.000	0.000	0.000	0.000	0.000
1C.4 Investments - other	0.000	0.000	0.000	0.000	0.000
1C.5 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.6 Retirement benefit assets	17.103	0.000	0.000	0.000	17.103
1C.7 Total	235.742	-5.790	0.000	-5.790	229.952
B Current assets					
1C.8 Inventories	0.404	0.000	0.000	0.000	0.404
1C.9 Trade & other receivables	24.736	0.000	-3.071	-3.071	21.665
1C.10 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.11 Cash & cash equivalents	0.184	0.000	0.000	0.000	0.184
1C.12 Total	25.324	0.000	-3.071	-3.071	22.253
C Current liabilities					
1C.13 Trade & other payables	-28.743	1.357	0.841	2.198	-26.545
1C.14 Capex creditor	0.000	-1.191	0.000	-1.191	-1.191
1C.15 Borrowings	-3.446	0.000	0.000	0.000	-3.446
1C.16 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.17 Current tax liabilities	-1.187	0.000	0.000	0.000	-1.187
1C.18 Provisions	-1.393	0.000	0.000	0.000	-1.393
1C.19 Total	-34.769	0.166	0.841	1.007	-33.762
1C.20 Net current assets / (liabilities)	-9.445	0.166	-2.230	-2.064	-11.509
D Non-Current liabilities					
1C.21 Trade & other payables	-13.938	13.697	0.000	13.697	-0.241
1C.22 Borrowings	-32.944	0.000	0.000	0.000	-32.944
1C.23 Financial instruments	0.000	0.000	0.000	0.000	0.000
1C.24 Retirement benefit obligations	0.000	0.000	0.000	0.000	0.000
1C.25 Provisions	-4.270	0.000	0.000	0.000	-4.270
1C.26 Deferred income - G&C's	0.000	-13.798	0.000	-13.798	-13.798
1C.27 Deferred income - adopted assets	0.000	-0.065	0.000	-0.065	-0.065
1C.28 Preference share capital	0.000	0.000	0.000	0.000	0.000
1C.29 Deferred tax	-17.354	1.090	0.000	1.090	-16.264
1C.30 Total	-68.506	0.924	0.000	0.924	-67.582
1C.31 Net assets	157.791	-4.700	-2.230	-6.930	150.861
E Equity					
1C.32 Called up share capital	153.051	0.000	0.000	0.000	153.051
1C.33 Retained earnings & other reserves	4.740	-4.700	-2.230	-6.930	-2.190
1C.34 Total Equity	157.791	-4.700	-2.230	-6.930	150.861

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

	Adjustments	Reclassifications		Total differences
	Capitalisation of interest	Capital creditor reclassification	Deferred income reclassification	
	£m	£m	£m	£m
Non-current assets				
Fixed assets	-5.790	-	-	-5.790
Intangible assets	-	-	-	-
Investments - loans to group companies	-	-	-	-
Investments - other	-	-	-	-
Financial instruments	-	-	-	-
Retirement benefit assets	-	-	-	-
Total non-current assets	-5.790	-	-	-5.790
Current assets				
Inventories	-	-	-	-
Trade and other receivables	-	-	-	-
Financial instruments	-	-	-	-
Cash and cash equivalents	-	-	-	-
Total current assets	-	-	-	-
Current liabilities				
Trade and other payables	-	1.191	0.166	1.357
Capex creditor	-	-1.191	-	-1.191
Borrowings	-	-	-	-
Financial instruments	-	-	-	-
Current tax liabilities	-	-	-	-
Provisions	-	-	-	-
Total current liabilities	-	-	0.166	0.166
Net current assets/(liabilities)	-	-	0.166	0.166
Non-current liabilities				
Trade and other payables	-	-	13.697	13.697
Borrowings	-	-	-	-
Financial instruments	-	-	-	-
Retirement benefit obligations	-	-	-	-
Provisions	-	-	-	-
Deferred income - grants and contributions	-	-	-13.798	-13.798
Deferred income - adopted assets	-	-	-0.065	-0.065
Preference share capital	-	-	-	-
Deferred tax	1.090	-	-	1.090
Total non-current liabilities	1.090	-	-0.166	0.924
Net assets	-4.700	-	-0.000	-4.700
Equity				
Called up share capital	-	-	-	-
Retained earnings and other reserves	-4.700	-	-	-4.700
Total equity	-4.700	-	-	-4.700

1D - Statement of cash flows

Year ended 31 March 2021

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
A Operating activities					
1D.1 Operating profit	-5.270	-0.109	0.478	0.369	-4.901
1D.2 Other income	1.109	-1.059	-0.074	-1.133	-0.024
1D.3 Depreciation	8.624	-0.102	0.000	-0.102	8.522
1D.4 Amortisation - G&C's	-0.161	0.161	0.000	0.161	0.000
1D.5 Changes in working capital	8.752	0.000	-0.404	-0.404	8.348
1D.6 Pension contributions	-0.200	0.000	0.000	0.000	-0.200
1D.7 Movement in provisions	1.402	0.000	0.000	0.000	1.402
1D.8 Profit on sale of fixed assets	0.000	0.000	0.000	0.000	0.000
1D.9 Cash generated from operations	14.256	-1.109	0.000	-1.109	13.147
1D.10 Net interest paid	-1.756	0.000	0.000	0.000	-1.756
1D.11 Tax paid	2.408	0.000	0.000	0.000	2.408
1D.12 Net cash generated from operating activities	14.908	-1.109	0.000	-1.109	13.799
B Investing activities					
1D.13 Capital expenditure	-10.724	0.000	0.000	0.000	-10.724
1D.14 Grants & Contributions	0.000	1.109	0.000	1.109	1.109
1D.15 Disposal of fixed assets	0.007	0.000	0.000	0.000	0.007
1D.16 Other	0.000	0.000	0.000	0.000	0.000
1D.17 Net cash used in investing activities	-10.717	1.109	0.000	1.109	-9.608
1D.18 Net cash generated before financing activities	4.191	0.000	0.000	0.000	4.191
C Cashflows from financing activities					
1D.19 Equity dividends paid	0.000	0.000	0.000	0.000	0.000
1D.20 Net loans received	-24.491	0.000	0.000	0.000	-24.491
1D.21 Cash inflow from equity financing	20.000	0.000	0.000	0.000	20.000
1D.22 Net cash generated from financing activities	-4.491	0.000	0.000	0.000	-4.491
1D.23 Increase (decrease) in net cash	-0.300	0.000	0.000	0.000	-0.300

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

	Adjustments		Reclassifications		Total differences
	Depreciation on capitalised interest	Grants and Contributions adjustment	Non-operating income reclass	Deferred credits reclass	
	£m		£m	£m	£m
Statement of cashflows					
Operating profit	0.102	-	-0.050	-0.161	-0.109
Other income	-	-1.109	0.050	-	-1.059
Depreciation	-0.102	-	-	-	-0.102
Amortisation - grants and contributions	-	-	-	0.161	0.161
Changes in working capital	-	-	-	-	-
Pension contributions	-	-	-	-	-
Movement in provisions	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	-	-
Cash generated from operations	-	-1.109	-	-	-1.109
Net interest paid	-	-	-	-	-
Tax paid	-	-	-	-	-
Net cash generated from operating activities	-	-1.109	-	-	-1.109
Investing activities	-	-	-	-	-
Capital expenditure	-	-	-	-	-
Grants and contributions	-	1.109	-	-	1.109
Disposal of fixed assets	-	-	-	-	-
Other	-	-	-	-	-
Net cash used in investing activities	-	1.109	-	-	1.109
Net cash generated before financing activities	-	-	-	-	-
Cashflows from financing activities	-	-	-	-	-
Equity dividends paid	-	-	-	-	-
Net loans received	-	-	-	-	-
Cash outflow from equity financing	-	-	-	-	-
Net cash used in financing activities	-	-	-	-	-
Increase/(decrease) in net cash	-	-	-	-	-

1E - Net debt analysis

Year ended 31 March 2021

Line description	Fixed rate	Floating rate	Index linked		Total
			RPI	CPI/CPIH	
	£m	£m	£m	£m	£m
A Interest rate risk profile					
1E.1 Borrowings (excluding preference shares)	0.110	3.340	32.940	0.000	36.390
1E.2 Preference share capital					0.000
1E.3 Total borrowings					36.390
1E.4 Cash					-0.184
1E.5 Short term deposits					0.000
1E.6 Net Debt					36.206
A Gearing					
1E.7 Gearing					45.487%
1E.8 Adjusted gearing					N/A
B Interest					
1E.9 Full year equivalent nominal interest cost	0.004	0.067	1.699	0.000	1.770
1E.10 Full year equivalent cash interest payment	0.004	0.067	1.197	0.000	1.268
C Indicative interest rates					
1E.11 Indicative weighted average nominal interest rate	3.492%	2.000%	5.158%	0.000%	4.863%
1E.12 Indicative weighted average cash interest rate	3.492%	2.000%	3.635%	0.000%	3.484%
D Time to maturity					
1E.13 Weighted average years to maturity	25.990	0.900	11.500	0.000	10.571

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

	Total £m
Current borrowings	3.446
Non-current borrowings	32.944
Total borrowings	36.390
Cash and cash equivalents	-0.184
Net debt	36.206

1F - Financial flows (price base - 2017/18 CPIH average)

Year ended 31 March 2021

Line description		12 Months ended 31 March 2021				
		Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity
		%	%	%	£m	£m
A Return on regulatory equity						
1F.1	Return on regulatory equity	4.10%	3.79%	4.10%	1.200	1.108
1F.2	Regulatory equity	29.254	29.254	26.999		
B Financing						
1F.3	Gearing		0.13%	0.14%		0.038
1F.4	Gearing benefits sharing		0.00%	0.00%		0.000
1F.5	Variance in corporation tax		4.87%	5.28%		1.425
1F.6	Group relief		0.00%	0.00%		0.000
1F.7	Cost of debt		-0.59%	-0.67%		-0.174
1F.8	Hedging instruments		0.00%	0.00%		0.000
1F.9	Return on regulatory equity including Finance adjustments	4.10%	8.20%	8.85%	1.200	2.397
C Operational performance						
1F.10	Totex out / (under) performance		-5.09%	-5.51%		-1.488
1F.11	ODI out / (under) performance		-1.79%	-1.94%		-0.523
1F.12	C-Mex out / (under) performance		0.00%	0.00%		0.000
1F.13	D-Mex out / (under) performance		0.00%	0.00%		0.000
1F.14	Retail out / (under) performance		0.08%	0.08%		0.023
1F.15	Other exceptional items		0.00%	0.00%		0.000
1F.16	Operational performance total		-6.80%	-7.37%		-1.988
1F.17	RoRE	4.10%	1.40%	1.48%	1.200	0.409
1F.18	Actual performance adjustment 2015-20	1.12%	1.03%	1.12%	0.327	0.302
1F.19	Total earnings	5.22%	2.43%	2.60%	1.527	0.703
1F.20	RCV growth from inflation	1.01%	1.01%	1.01%	0.296	0.296
1F.21	Voluntary sharing arrangements		0.00%	0.00%		0.000
1F.22	Total shareholder return	6.23%	3.44%	3.61%	1.823	1.007
E Dividends reconciliation						
1F.23	Gross dividend	0.00%	0.00%	0.00%	0.000	0.000
1F.24	Interest received on intercompany loans	0.00%	0.00%	0.00%	0.000	0.000
1F.25	Retained value	6.23%	3.44%	3.61%	1.823	0.976

Average 2020-2025					
Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
4.10%	3.79%	4.10%	1.200	1.108	1.108
29.254	29.254	26.999			
	0.13%	0.14%		0.038	0.038
	0.00%	0.00%		0.000	0.000
	4.87%	5.28%		1.425	1.425
	0.00%	0.00%		0.000	0.000
	-0.59%	-0.67%		-0.174	-0.182
	0.00%	0.00%		0.000	0.000
4.10%	8.20%	8.85%	1.200	2.397	2.389
	-5.09%	-5.51%		-1.488	-1.488
	-1.79%	-1.94%		-0.523	-0.523
	0.00%	0.00%		0.000	0.000
	0.00%	0.00%		0.000	0.000
	0.08%	0.08%		0.023	0.023
	0.00%	0.00%		0.000	0.000
	-6.80%	-7.37%		-1.988	-1.988
4.10%	1.40%	1.48%	1.200	0.409	0.401
1.12%	1.03%	1.12%	0.327	0.302	0.302
5.22%	2.43%	2.60%	1.527	0.711	0.703
1.01%	1.01%	1.01%	0.296	0.296	0.273
	0.00%	0.00%		0.000	0.000
6.23%	3.44%	3.61%	1.823	1.007	0.976
0.00%	0.00%	0.00%	0.000	0.000	0.000
0.00%	0.00%	0.00%	0.000	0.000	0.000
6.23%	3.44%	3.61%	1.823	1.007	0.976

1F - Financial flows

Year ended 31 March 2021

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

The table below outlines the key components of RoRE:

	2020/21 %
Base return	4.1%
Financing performance:	
Financing	-0.5%
Variance on tax	4.9%
Totex	-5.1%
Retail	0.1%
ODIs	-1.8%
Regulatory return for the year	1.7%

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

Base regulated equity return

The FD base equity return of 4.1% (in the table above) represents the base notional return before post financeability adjustments.

Following the Financial Flows workshop with companies earlier in the year, we were expecting the calculation of the actual equity return on the basis of the notional company to be the same as the headline FD base RoRE of 4.1% (rather than 3.79% as calculated in table 1F). In our view, the base return is a fixed % that has been allowed for in company revenues and shouldn't therefore vary because a company has a different actual capital structure to the notional company.

Financing performance

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

Financing

Our average gearing has reduced by 15% during the year due to an equity injection (£20 million) made by Severn Trent during the first quarter of the year to reduce net debt and compensate for the lower RCV resulting from the border variation. While our nominal cost of debt has increased by around 1%, the impact of lower actual inflation than Ofwat's FD assumption of 2% has also contributed to the overall negative impact on cost of debt performance (-0.6%) in the year.

As our average actual gearing is higher (63.1%) than the FD gearing assumption, there is a small benefit of £0.038 million on financing performance.

Variance on tax

For the reporting year, our actual current tax credit of £1.4 million is lower than the tax charge of £0.02 million allowed in the FD. This is mainly due to lower profits before tax than assumed in the FD and expenditure not deductible for tax being higher than the forecast in the FD. There was no benefit during the year relating to group relief. Tax losses have been surrendered at full value to the group.

Operational performance

The operational performance component of financial flows covers performance on wholesale totex, retail costs and ODIs.

Wholesale totex

Our wholesale totex performance is explained in detail in table 4C. For the current year, our total totex performance is £6.4 million above the FD totex allowance reflecting the active decision our Executive and Board have made to continue investing in the asset base of the company to drive RCV growth across AMP7. While we have incurred higher operating expenditure than assumed in the FD, we have invested additional capital expenditure on resilience and maintenance of base assets.

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

- For the totex allowance in the financial model, business rates and abstraction charges (which were part of base modelled costs) were profiled over the AMP using the % allocations in the cost sharing model. The published FD data however, assumes that the annual allocation of the business rates and abstraction charges allowance is evenly spread over the 5 years. We think to ensure that companies report annual performance correctly against the FD allowance, Ofwat should use the % allocations in the cost sharing model to allocate business rates and abstraction charges over the AMP. We have corrected the HD values on the 'F_Inputs' worksheet of the Financial Flows data file submitted as part of our APR.
- There appears to be an error in the published FD data file as the income offset values for both network controls is zero in all years. We believe the income offset values (sourced from the PR19 Grants and contributions model) should be as follows:

	2020/21	2021/22	2022/23	2023/24	2024/25
Total value of income offset allowances (App28)					
Water network	0.283	0.301	0.319	0.324	0.329
Waste water network	0.005	0.006	0.006	0.006	0.006

We have corrected the HD values on the 'F_Inputs' worksheet of the Financial Flows data file submitted as part of our APR.

- We think there is an formula error in table 4C where the company share of totex subject to sharing is being calculated on the variance to the FD before the adjustment of timing of expenditure (line 4C.6).

As stated in the guidance for table 1F (line 1F.10) totex out/ (under) performance should be adjusted for timing differences (i.e. line 4C.8).

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

Line description	12 Months ended 31 March 2021				
	Water resources	Water network plus	Waste water network plus	Bioresources	Wholesale
Totex (net of business rates, abstraction licence fees and grants and contributions)					
Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	3.932	18.984	4.072	0.623	27.611
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	8.846	21.024	4.635	0.522	35.027
Variance	4.914	2.040	0.563	-0.101	7.416
Variance due to timing of expenditure	3.397	-0.658	0.000	0.000	2.739
Variance due to efficiency	1.517	2.698	0.563	-0.101	4.677
Customer cost sharing rate	50%	50%	50%	0%	
Company share of totex over/under spend on variance due to efficiency	0.759	1.349	0.281	-0.101	2.288
Totex - business rates and abstraction licence fees					
Final determination allowed totex - business rates and abstraction licence fees	0.736	1.409	0.111	0.120	2.376
Actual totex - business rates and abstraction licence fees	0.938	0.882	0.274	0.000	2.094
Variance - business rates and abstraction licence fees	0.202	-0.527	0.163	-0.120	-0.282
Customer cost sharing rate - business rates and abstraction fees	75%	75%	75%	75%	
Company share of totex over/underspend - business rates and abstraction licence fees	0.050	-0.132	0.041	-0.030	-0.071
Totex not subject to cost sharing					
Final determination allowed totex - not subject to cost sharing	1.577	1.999	-0.023	0.000	3.553
Actual totex - not subject to cost sharing	1.768	1.026	0.027	0.003	2.824
Variance - 100% company allocation	0.191	-0.973	0.050	0.003	-0.729
Total company share of totex over/under spend *	-1.000	-0.244	-0.372	0.128	-1.488

*Signage has been reversed for RoRE (as overspend should be reflected as underperformance and under spend as outperformance).

Retail household cost performance

Our retail performance is broadly in line with the FD cost allowance, with performance of £0.02 million in the year. While our bad debt costs have increased due to the effects of COVID-19, we have been able to make efficiencies in other areas of customer services to reduce total costs. We have also recently launched a number of initiatives to improve cash collection and mitigate the impact of the pandemic.

ODI performance

We have made a good start to the AMP by delivering a 51% improvement across our measures compared to 2019-20. On our water measures, we have continued to show a year-on-year improvement but as a result of a major supply interruption incident in Wrexham in early May, we're reporting a company total under performance penalty of £0.52 million (net of triggered sharing mechanisms - further details provided on page 58).

On waste water, our performance on biodiversity has triggered the outperformance ODI cap, while our performance on internal sewer flooding has triggered the underperformance ODI cap. This has resulted in a small adjustment (£8,000) to our total waste water penalty. As per the RAG guidance, we haven't included our forecast of C-Mex performance (-£0.034 million) in financial flows.

Actual performance adjustment for 2015-20

The actual performance adjustment of 1.12% primarily relates to additional revenue received in the year for the under recovery of wholesale revenues (WRFIM) and ODI performance over AMP6.

Total shareholder return

While we have spent additional capital on our asset base relative to the FD allowance, our overall performance has generated £0.98 million in additional shareholder returns, which is equivalent to 3.6% on RoRE. Consistent with the FD, we have assumed our high RCV growth will be funded by equity and have therefore paid no dividends to shareholders in the year.

Current tax reconciliation

Year ended 31 March 2021

The current tax credit after prior year adjustments for the year ended 31 March 2021 is higher than the standard rate of corporation tax in the UK.

The differences to the standard rate of corporation tax and the reconciliation to the current tax charge allowed in price limits are outlined in the below table:

	Actual £m	FD £m	Variance £m
Profit / (Loss) on ordinary activities before tax	-5.920	-3.278	-2.642
Tax at the standard rate of corporation tax in the UK 19%	-1.125	-0.623	-0.502
Tax effect of expenditure not (taxable) / deductible in determining taxable profits	0.237	0.007	0.230
Capital allowances in excess of depreciation	-0.494	-0.533	0.039
Other temporary differences	-0.067	-0.024	-0.043
Impact of change in tax rate	0.000	-0.062	0.062
Current tax charge / (credit) before prior year adjustments	-1.449	-1.235	-0.214
Prior year adjustment	-0.020	0.000	-0.020
Current tax charge / (credit) after prior year adjustments	-1.469	-1.235	-0.234

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

- The Final Determination ('FD') profit before tax was higher than the profit before tax within the appointed business;
- Expenditure that is not deductible for tax purposes has increased from the level assumed within the FD tax charge; and
- The FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate has remained at 19% resulting in an increase in the tax charge when compared to the FD.

The main factors that will impact future tax charges will include:

- Any changes in tax rates or allowances;
- The level of capital expenditure in the appointed business; and
- Any other changes in tax legislation or practice not reflected in the FD.

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

We are committed to paying the right amount of tax at the right time. As well as corporation tax on profits, which is included in the tax charge in our accounts, we incur a range of taxes, charges and levies imposed by government agencies, including business rates, employer's national insurance and environmental taxes.

Notes to the Regulatory Accounts

1. Regulatory reporting

The regulatory accounts as reported on pages 62-98 should be read in conjunction with the financial review set out in the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2021 to aid understanding of the performance of the business.

a) Differences in recognition and measurement between statutory and regulatory financial accounts

i) Borrowing costs

Borrowing costs where directly related to the construction of an asset are capitalised in the statutory accounts. These amounts are not capitalised in the regulatory financial reporting statements in accordance with the RAGs.

b) Differences in presentation between statutory and regulatory financial accounts

i) Revenue and cost classification

Certain items which are netted off against operating costs within the statutory accounts are grossed up and shown as revenue for regulatory reporting. This includes recharges for costs of repair from damages. Other items such as income from renewable energy incentives and diversions and amortisation of grants and contributions are shown as revenue in the statutory accounts and negative operating costs for regulatory reporting. In the 2020/21 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as operating costs.

ii) Cash flow presentation

Grants and contributions received are presented as operating cash flows in the statutory accounts but as investing cash flows in the regulatory accounts.

c) Difference in presentation of specific items required to be separately disclosed in the regulatory financial statements

- i) Profit or loss on disposal of fixed assets and non-operating income are included in operating costs in the statutory accounts but are shown as other operating income and other income respectively in the regulatory financial statements. In addition, interest income and costs relating to defined benefit pension schemes are included in finance income or cost respectively in the statutory accounts but are shown as other interest expense in the regulatory accounts.

- ii) The capex creditor and deferred income from grants and contributions and adopted assets included within trade and other payables in the statutory accounts are shown as separate items in the regulatory accounts.

- iii) Intra-group loans have been reclassified from trade and other receivables to investments.

d) Price control segments

The regulatory accounts have been prepared in accordance with RAG 2.08 'Guideline for classification of costs across the price controls'.

The section 2 data tables have been prepared in accordance with our Accounting Separation Methodology Statement which can be found at hdcymru.co.uk. Our methodology statement explains the basis for allocation of operating and capital expenditure and has been updated for changes to the requirements in the year. Wherever possible, direct costs and assets have been directly attributed to price controls. Where this is not possible, appropriate cost allocations have been applied as described in the methodology. Material changes to the allocation approach compared to the previous year are documented in the methodology statement.

2. Accounting policies

a) Basis of preparation

The regulatory financial statements are separate from the statutory financial statements of the Company. They have been prepared on a going concern basis as set out in the Strategic report of the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2021 on page 25.

The regulatory financial statements have been prepared in accordance with Condition F of the Instruments of Appointment of the Water and Sewerage Undertakers and the Regulatory Accounting Guidelines as issued by the WSRA.

b) Revenue recognition

Turnover represents income receivable from regulated water and waste water activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and waste water charges unbilled at the year end. The accrual is estimated using a defined methodology based upon a measure of unbilled water consumed by tariff, which is calculated from historical billing information. There have been no changes in methodology in the year.

The Water Industry Act 2014, Chapter 1 A 'Licensing of Water Suppliers' describes the duties imposed on a water and sewerage undertaker and the licence conditions involved. Regulated activities are consequently those activities that are necessary in order for the appointee to fulfil the functions and duties of a water and sewerage undertaker.

Turnover is not recognised in respect of unoccupied properties. Properties are classified as unoccupied when:

- The company is informed that a customer has left a property and it is not expected to be reoccupied immediately;
- New properties are connected but are not occupied;
- Properties are disconnected following a customer's request; or
- The identity of the customer is unknown.

The following activities are undertaken to ensure properties classified as unoccupied are in fact not occupied:

- Where the Company is informed that the customer has left a property and the property is expected to be occupied by someone else, a welcome letter is sent to the property encouraging the occupier to contact the Company;
- If there is no response to the welcome letter within two months a void letter is sent to the property explaining that we have classified the property as empty and may schedule the property for disconnection;
- Meter readings are taken for metered unoccupied properties; where consumption is recorded, a letter is sent to the property, and
- Inspections are organised throughout the year by geographical area.

Non-appointed income primarily relates to waste water billing activities on behalf of United Utilities and Welsh Water customers.

c) Bad debts

Provisions are charged to operating costs to reflect the Company's assessment of the risk of non-recoverability of debtors based on the lifetime expected credit losses for receivables.

Write-offs in relation to court or debt recovery costs are not included in the bad debt provision.

Debt can only be written off if it is a legitimate charge against the debtor (if it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note) and if one of the following criteria is met:

- The customer does not have any assets or has insufficient assets on which to levy execution;
- The customer is bankrupt and no dividend has been, or is likely to be, received;
- The customer has died without leaving an estate or has left an insufficient estate on which to levy execution and the Company has been unable to prove its case in court; or
- All available economic options for collection of the debt have been pursued or that debt recovery procedures have proved to be ineffective or uneconomic to continue.

Uneconomic circumstances are those where, following the application of debt recovery procedures:

- The customer could not be traced without incurring an unreasonable degree of expenditure; or
- The company has an insufficiently sound case to justify further expenditure on debt recovery procedures; or
- The likelihood of recovering the debt is so small in particular circumstances that further expenses on debt recovery cannot be justified.

The above write-off rules apply primarily to customers to whom the company has ceased to provide a service. Only in exceptional circumstances is debt relating to continuing customers considered for write-off.

d) Other accounting policies

All other accounting policies applied to the regulatory financial reporting accounts are set out in pages 70 to 75 of the Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2021, including the capitalisation policy which is outlined within the property, plant and equipment accounting policy note.

2A - Segmental income statement

Year ended 31 March 2021

Line description		Retail household	Retail non-household	Water resources	Water Network+	Waste water Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
2A.1	Revenue - price control	2.965	0.349	2.830	15.572	2.347	0.772	24.835
2A.2	Revenue - non price control	0.000	0.000	5.371	0.704	0.038	0.006	6.119
2A.3	Operating expenditure - excluding PU recharge impact	-2.014	-0.481					
2A.4	PU opex recharge	-0.095	-0.032					
2A.5	Operating expenditure - including PU recharge impact	-2.109	-0.513	-4.301	-15.897	-3.966	-0.549	-27.335
2A.6	Depreciation - tangible fixed assets	-0.033	0.000	-0.369	-5.458	-1.679	-0.001	-7.540
2A.7	Amortisation - intangible fixed assets	-0.490	-0.106	0.000	-0.384	0.000	0.000	-0.980
2A.8	PU recharge impact	-0.095	-0.032	-0.103	0.424	-0.192	-0.002	0.000
2A.9	Depreciation & amortisation - including PU recharge impact	-0.618	-0.138	-0.472	-5.418	-1.871	-0.003	-8.520
2A.10	Other operating income	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2A.11	Operating profit	0.238	-0.302	3.428	-5.039	-3.452	0.226	-4.901
A	Surface water drainage rebates							
2A.12	Surface water drainage rebates							0.009

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

2B - Totex analysis (wholesale)

Year ended 31 March 2021

Line description		Water Resources	Water Network+	Waste water Network+	Bioresources	Total
		£m	£m	£m	£m	£m
A Base operating expenditure						
2B.1	Power	0.048	2.103	0.459	0.001	2.611
2B.2	Income treated as negative expenditure	-0.293	0.000	0.000	0.000	-0.293
2B.3	Abstraction charges/discharge consents	0.610	0.025	0.216	0.000	0.851
2B.4	Bulk supply/Bulk discharge	0.397	2.979	0.001	0.000	3.377
2B.5	Renewals expensed in year (infrastructure)	0.080	2.970	0.302	0.000	3.352
2B.6	Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000
2B.7	Other operating expenditure	1.869	7.534	2.661	0.545	12.609
2B.8	Local authority and cumulo rates	-0.278	-0.628	0.287	0.000	-0.619
2B.9	Total base operating expenditure	2.433	14.983	3.926	0.546	21.888
B Other operating expenditure						
2B.10	Enhancement operating expenditure	0.017	0.040	0.022	0.000	0.079
2B.11	Developer services operating expenditure	0.000	0.314	0.000	0.000	0.314
2B.12	Total operating expenditure excluding third party services	2.450	15.337	3.948	0.546	22.281
2B.13	Third party services	1.851	0.901	0.010	0.003	2.765
2B.14	Total operating expenditure	4.301	16.238	3.958	0.549	25.046
C Grants and contributions						
2B.15	Grants and contributions - operating expenditure	0.000	-0.340	0.008	0.000	-0.332
D Capital expenditure						
2B.16	Base capital expenditure	1.323	3.070	0.997	0.000	5.390
2B.17	Enhancement capital expenditure	5.821	2.594	0.178	0.000	8.593
2B.18	Developer services capital expenditure	0.000	1.093	0.048	0.000	1.141
2B.19	Total gross capital expenditure (excluding third party)	7.144	6.757	1.223	0.000	15.124
2B.20	Third party services	0.000	0.000	0.000	0.000	0.000
2B.21	Total gross capital expenditure	7.144	6.757	1.223	0.000	15.124
E Grants and contributions						
2B.22	Grants and contributions - capital expenditure	-0.770	-0.181	-0.024	0.000	-0.975
2B.23	Net Totex	10.675	22.474	5.165	0.549	38.863
F Cash expenditure						
2B.24	Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000
2B.25	Other cash items	0.000	0.000	0.000	0.000	0.000
2B.26	Totex including cash items	10.675	22.474	5.165	0.549	38.863

2C - Cost analysis (retail)

Year ended 31 March 2021

Line description		Household	Non-household	Total
		£m	£m	£m
A	Operating expenditure			
2C.1	Customer services	0.301	0.083	0.384
2C.2	Debt management	0.304	0.000	0.304
2C.3	Doubtful debts	0.952	0.283	1.235
2C.4	Meter reading	0.168	0.002	0.170
2C.5	Services to developers		0.000	0.000
2C.6	Other operating expenditure	0.289	0.113	0.402
2C.7	Local authority and Cumulo rates	0.000	0.000	0.000
2C.8	Total operating expenditure excluding third party services	2.014	0.481	2.495
B	Depreciation			
2C.9	Depreciation on tangible fixed assets existing at 31 March 2015	0.000	0.000	0.000
2C.10	Depreciation on tangible fixed assets acquired after 1 April 2015	0.033	0.000	0.033
2C.11	Amortisation on intangible fixed assets existing at 31 March 2015	0.000	0.000	0.000
2C.12	Amortisation on intangible fixed assets acquired after 1 April 2015	0.490	0.106	0.596
C	Recharges			
2C.13	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.000	0.000	0.000
2C.14	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	0.000	0.000	0.000
2C.15	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.095	0.032	0.127
2C.16	Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.000	0.000	0.000
2C.17	Net recharges costs	0.095	0.032	0.127
2C.18	Total retail costs excluding third party and pension deficit repair costs	2.632	0.619	3.251
2C.19	Third party services operating expenditure	0.000	0.000	0.000
2C.20	Pension deficit repair costs	0.000	0.000	0.000
2C.21	Total retail costs including third party and pension deficit repair costs	2.632	0.619	3.251
D	Debt written off			
2C.22	Debt written off	0.154	0.218	0.372
E	Capital expenditure			
2C.23	Capital expenditure	0.018	0.000	0.018
F	Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale			
2C.24	Demand-side water efficiency - gross expenditure	0.018		
2C.25	Demand-side water efficiency - expenditure funded by wholesale	0.018		
2C.26	Demand-side water efficiency - net retail expenditure	0.000		
2C.27	Customer-side leak repairs - gross expenditure	0.297		
2C.28	Customer-side leak repairs - expenditure funded by wholesale	0.297		
2C.29	Customer-side leak repairs - net retail expenditure	0.000		

Difference between allowed and actual revenue under the wholesale control

Overall household retail costs of £2.6 million are £0.1 million (4%) lower than the Final Determination (FD).

Customer Services and Other costs were £0.4 million favourable to the FD due to efficiencies within the Customer team which has enabled the absorption of work relating to Customer Enquiries and Complaints, previously outsourced.

Doubtful Debt costs were £0.4 million adverse to the FD. An additional £0.2 million has been provided this year for expected losses in relation to future increases in unemployment as a result of the COVID-19 pandemic. The remaining variance relates to an increased provision on both old and new debt reflecting a decline in cash collection performance. We have launched a series of initiatives to bring this performance back in line including increased use of data and outbound dialling activity.

2D - Historic cost analysis of fixed assets

Year ended 31 March 2021

Line description		Retail Household	Retail non-household	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
A Cost								
2D.1	At 1 April 2020	0.938	0.035	11.421	187.302	43.283	0.077	243.056
2D.2	Disposals	0.000	0.000	0.000	-0.092	0.000	0.000	-0.092
2D.3	Additions	0.018	0.000	7.143	7.061	1.225	0.032	15.479
2D.4	Adjustments	-0.097	0.000	0.000	-0.004	0.000	0.000	-0.101
2D.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.6	At 31 March 2021	0.859	0.035	18.564	194.267	44.508	0.109	258.342
B Depreciation								
2D.7	At 1 April 2020	-0.639	-0.009	-1.595	-40.048	-2.746	-0.001	-45.038
2D.8	Disposals	0.000	0.000	0.000	0.080	0.000	0.000	0.080
2D.9	Adjustments	0.000	0.000	0.000	-0.017	0.000	0.000	-0.017
2D.10	Charge for the year	-0.033	0.000	-0.369	-5.458	-1.679	-0.001	-7.540
2D.11	At 31 March 2021	-0.672	-0.009	-1.964	-45.443	-4.425	-0.002	-52.515
2D.12	Net book amount at 31 March 2021	0.187	0.026	16.600	148.824	40.083	0.107	205.827
2D.13	Net book amount at 1 April 2020	0.299	0.026	9.826	147.254	40.537	0.076	198.018
C Depreciation charge for year								
2D.14	Principal services	-0.033	0.000	-0.369	-5.458	-1.679	-0.001	-7.540
2D.15	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
2D.16	Total	-0.033	0.000	-0.369	-5.458	-1.679	-0.001	-7.540

The net book value includes £35 million in respect of assets in the course of construction.

2E - Analysis of capital contributions

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

Year ended 31 March 2021

Line description		Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
		£m	£m	£m	£m
A Grants and contributions - water resources					
2E.1	Diversions - s185	0.000	0.000	0.000	0.000
2E.2	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.3	Price control grants and contributions	0.000	0.000	0.000	0.000
2E.4	Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.5	Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.6	Other contributions (non-price control)	0.000	0.770	0.000	0.770
2E.7	Total	0.000	0.770	0.000	0.770
2E.8	Value of adopted assets	0.000	0.000		0.000
B Grants and contributions - water network+					
2E.9	Connection charges	0.000	0.072	0.000	0.072
2E.10	Infrastructure charge receipts	0.000	0.187	0.000	0.187
2E.11	Requisitioned mains	0.000	0.085	0.000	0.085
2E.12	Diversions - s185	0.340	0.000	0.000	0.340
2E.13	Other contributions (price control)	0.000	0.000	0.000	0.000
2E.14	Price control grants and contributions before deduction of income offset	0.340	0.344	0.000	0.684
2E.15	Income offset	0.000	0.163	0.000	0.163
2E.16	Price control grants and contributions after deduction of income offset	0.340	0.181	0.000	0.521
2E.17	Diversions - NRSWA	0.000	0.000	0.000	0.000
2E.18	Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.19	Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.20	Total	0.340	0.181	0.000	0.521
2E.21	Value of adopted assets	0.000	0.000		0.000

2E - Analysis of capital contributions

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

Year ended 31 March 2021

Line description		Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
C Grants and contributions - wastewater network+					
2E.22	Receipts for on-site work	0.000	0.000	0.000	0.000
2E.23	Infrastructure charge receipts	0.000	0.063	0.000	0.063
2E.24	Diversions - s185	0.003	0.000	0.000	0.003
2E.25	Other contributions (price control)	0.000	-0.039	0.000	-0.039
2E.26	Price control grants and contributions before deduction of income offset	0.003	0.024	0.000	0.027
2E.27	Income offset	0.000	0.000	0.000	0.000
2E.28	Price control grants and contributions after deduction of income offset	0.003	0.024	0.000	0.027
2E.29	Diversions - NRSWA	-0.011	0.000	0.000	-0.011
2E.30	Diversions - other non-price control	0.000	0.000	0.000	0.000
2E.31	Other contributions (non-price control)	0.000	0.000	0.000	0.000
2E.32	Total	-0.008	0.024	0.000	0.016
2E.33	Value of adopted assets	0.000	0.000		0.000
		Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
D Movements in capitalised grants and contributions					
2E.34	Brought forward	0.983	11.652	0.213	12.848
2E.35	Capitalised in year	0.770	0.181	0.024	0.975
2E.36	Amortisation (in income statement)	0.000	-0.159	0.000	-0.159
2E.37	Carried forward	1.753	11.674	0.237	13.664

2F - Residential retail

Year ended 31 March 2021

Line description		Revenue	Number of customers	Average household retail revenue per customer
		£m	000s	£
A	Residential revenue			
2F.1	Wholesale charges	15.308		
2F.2	Retail revenue	2.965		
2F.3	Total residential revenue	18.273		
B	Retail revenue			
2F.4	Revenue Recovered ("RR")	2.965		
2F.5	Revenue sacrifice	0.000		
2F.6	Actual revenue (net)	2.965		
C	Customer information			
2F.7	Actual customers ("AC")		95.165	
2F.8	Reforecast customers		95.564	
D	Adjustment			
2F.9	Allowed revenue ("R")	2.844		
2F.10	Net adjustment	-0.121		
E	Other residential information			
2F.11	Average residential retail revenue per customer			31.156

2G - Non-household water - revenues by tariff type

Year ended 31 March 2021

Line description		Wholesale charges revenue	Retail revenue	Total revenue	Number of connections	Average non-household retail revenue per connection	Allowed average non-household retail cost	Outcome delivery incentive (ODI) payment	Allowed average non-household retail cost after ODI payment	Allowed margin	Allowed average non-household retail revenue per connection
		£m	£m	£m	000s	£	£	£	£	%	£
A Default tariffs - customer group 1											
26.1	Tariff type 1	2.780	0.235	3.015	6.917	33.986	49.970	0.000	49.970	1.150%	50.545
26.2	Tariff type 2	0.970	0.017	0.987	0.075	227.697	173.200	0.000	173.200	0.610%	174.257
26.3	Total default tariffs customer group 1	3.750	0.252	4.002	6.992	36.064	51.292	0.000	51.292	1.130%	51.872
B Default tariffs - customer group 2											
26.4	Tariff type 1	0.078	0.001	0.079	0.013	85.235	0.000	0.000	0.000	0.000	0.000
26.5	Total default tariffs	3.828	0.253	4.081	7.005	36.155	51.292	0.000	51.292	1.130%	51.872
C Non-Default tariffs											
26.6	Total non-default tariffs	1.554	0.039	1.593	0.012	3,265.092					
26.7	Total	5.382	0.292	5.674	7.017	41.677					
D Revenue per customer											
26.8	Total									7.017	41.677

Number of customers
000s

Average non-household retail revenue per customer £

2H - Non-household wastewater - revenues by tariff type

Year ended 31 March 2021

Line description	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections	Average non-household retail revenue per connection	Allowed average non-household retail cost	Outcome delivery incentive (ODI) payment	Allowed average non-household retail cost after ODI payment	Allowed margin	Allowed average non-household retail revenue per connection
	£m	£m	£m	000s	£	£	£	£	%	£

A	Default tariffs - customer group 1										
2H.1	Tariff type 1	0.684	0.052	0.736	1.219	42.623	45.360	0.000	45.360	1.130%	45.873
2H.2	Tariff type 2	0.079	0.004	0.083	0.009	414.575	183.500	0.000	183.500	0.680%	184.748
2H.3	Tariff type 3	0.026	0.001	0.027	0.001	1,005.192	59.570	0.000	59.570	0.770%	60.029
2H.4	Total default tariffs	0.789	0.057	0.846	1.229	46.130	46.383	0.000	46.383	1.117%	46.901

C Non-Default tariffs						
2H.5	Total non-default tariffs	0.000	0.000	0.000	0.000	0.000
2H.6	Total	0.789	0.057	0.846	1.229	46.130

Number of customers	Average non-household retail revenue per customer £
000s	

D Revenue per customer			
2H.7	Total	1.229	46.130

2I - Revenue analysis

Year ended 31 March 2021

Line description		Household	Non-household	Total	Water resources	Water network+	Total
		£m	£m	£m	£m	£m	£m
A Wholesale charge - water							
21.1	Unmeasured	6.124	0.088	6.212	0.992	5.220	6.212
21.2	Measured	6.854	5.294	12.148	1.838	10.310	12.148
21.3	Third party revenue	0.000	0.000	0.000	0.000	0.042	0.042
21.4	Total wholesale water revenue	12.978	5.382	18.360	2.830	15.572	18.402
		Household	Non-household	Total	Wastewater network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m
B Wholesale charge - wastewater							
21.5	Unmeasured - foul charges	0.960	0.012	0.972	0.710	0.262	0.972
21.6	Unmeasured - surface water charges	0.353	0.008	0.361	0.264	0.097	0.361
21.7	Unmeasured - highway drainage charges	0.051	0.000	0.051	0.037	0.014	0.051
21.8	Measured - foul charges	0.507	0.715	1.222	0.958	0.264	1.222
21.9	Measured - surface water charges	0.440	0.046	0.486	0.358	0.128	0.486
21.10	Measured - highway drainage charges	0.019	0.008	0.027	0.020	0.007	0.027
21.11	Third party revenue	0.000	0.000	0.000	0.000	0.000	0.000
21.12	Total wholesale wastewater revenue	2.330	0.789	3.119	2.347	0.772	3.119
C Wholesale charge - Additional Control							
21.13	Unmeasured	0.000	0.000	0.000			
21.14	Measured	0.000	0.000	0.000			
21.15	Total wholesale additional control revenue	0.000	0.000	0.000			
21.16	Wholesale Total	15.308	6.171	21.479			21.521
D Retail revenue							
21.17	Unmeasured	1.271	0.010	1.281			1.281
21.18	Measured	1.694	0.339	2.033			2.033
21.19	Measured - foul charges	0.000	0.000	0.000			0.000
21.20	Retail Total	2.965	0.349	3.314			3.314
E Third party revenue - non-price control							
21.21	Bulk supplies - water			0.752			0.752
21.22	Bulk supplies - wastewater			0.035			0.035
21.23	Other third party revenue			5.227			5.227
E Principal services - non-price control							
21.24	Other appointed revenue			0.105			0.105
21.25	Total appointed revenue			30.912			30.954

2J - Infrastructure network reinforcement costs

Year ended 31 March 2021

Line description		Network reinforcement capex	On site/site specific capex (memo only)
		£m	£m
A	Wholesale water network+ (treated water distribution)		
2J.1	Distribution and trunk mains	0.029	0.000
2J.2	Pumping and storage facilities	0.000	0.000
2J.3	Other	0.000	0.000
2J.4	Total	0.029	0.000
B	Wholesale waste water network+ (sewage collection)		
2J.5	Foul and combined systems	0.000	0.000
2J.6	Surface water only systems	0.000	0.000
2J.7	Pumping and storage facilities	0.000	0.000
2J.8	Other	0.000	0.000
2J.9	Total	0.000	0.000

2K - Infrastructure charges reconciliation

Year ended 31 March 2021

Line description	Water	Wastewater	Total
	£m	£m	£m

A	Impact of infrastructure charge discounts			
2K.1	Infrastructure charges	0.187	0.063	0.250
2K.2	Discounts applied to infrastructure charges	0.000	0.000	0.000
2K.3	Gross Infrastructure charges	0.187	0.063	0.250
B	Comparison of revenue and costs			
2K.4	Variance brought forward	0.000	0.000	0.000
2K.5	Revenue	0.187	0.063	0.250
2K.6	Costs	-0.029	0.000	-0.029
2K.7	Variance carried forward	0.158	0.063	0.221

For 2020/21, infrastructure charges are based on the Licence Condition C industry capped limit and not related to costs, therefore costs and revenue cannot be reconciled.

2L - Analysis of land sales

Year ended 31 March 2021

This table is not required as there were no land sales in this financial year.

2M - Revenue reconciliation (wholesale)

Year ended 31 March 2021

Line description		Water Resources	Water Network+	Waste water Network+	Bioresources	Total
		£m	£m	£m	£m	£m
A Revenue recognised						
2M.1	Wholesale revenue governed by price control	2.830	15.572	2.347	0.772	21.521
2M.2	Grants & contributions (price control)	0.000	0.521	0.027		0.548
2M.3	Total revenue governed by wholesale price control	2.830	16.093	2.374	0.772	22.069
B Calculation of the revenue cap						
2M.4	Allowed wholesale revenue before adjustments (or modified by CMA)	3.359	16.393	2.556	0.921	23.229
2M.5	Allowed grants & contributions before adjustments (or modified by CMA)	0.000	0.476	0.111	0.000	0.587
2M.6	Revenue adjustment	0.000	0.000	0.000	0.000	0.000
2M.7	Other adjustments	0.000	0.000	0.000	0.000	0.000
2M.8	Revenue cap	3.359	16.869	2.667	0.921	23.816
C Calculation of the revenue imbalance						
2M.9	Revenue cap	3.359	16.869	2.667	0.921	23.816
2M.10	Revenue Recovered	2.830	16.093	2.374	0.772	22.069
2M.11	Revenue imbalance	0.529	0.776	0.293	0.149	1.747

2M - Revenue analysis and wholesale control reconciliation

Year ended 31 March 2021

Difference between allowed and actual revenue under the wholesale control

Wholesale revenue for 2020/21 of £22.1 million is £1.7 million (7.5%) lower than the amount assumed in the revenue cap.

Water Resources

Water resources revenue of £2.8 million is £0.5 million (16%) lower than the revenue cap due to lower commercial volumes as a result of COVID-19.

Water Network+

Water network+ revenue of £16.1 million is £0.8 million lower than the revenue cap due to:

- £0.8 million lower Core Tariff revenue, mainly due to lower commercial volumes as a result of COVID-19.
- This has been partly offset by £0.05 million higher capital revenue.

Waste Water Network+

Waste network+ revenue of £2.4 million is £0.3 million (11%) lower than the revenue cap due to:

- £0.2 million lower Core Tariff revenue, mainly due to lower commercial volumes as a result of COVID-19.
- £0.1 million lower capital revenue.

Bioresources

Bioresources revenue of £0.9 million is £0.1 million (16%) lower than the revenue cap due to lower commercial volumes as a result of COVID-19.

2N - Residential retail - social tariffs

Year ended 31 March 2021

Line description		Revenue	Number of customers	Average amount per customer
		£m	000s	£
A	Number of residential customers on social tariffs			
2N.1	Residential water only social tariffs		1.000	
2N.2	Residential wastewater only social tariffs		0.000	
2N.3	Residential dual service social tariffs		0.249	
B	Number of residential customers not on social tariffs			
2N.4	Residential water only no social tariffs		74.948	
2N.5	Residential wastewater only no social tariffs		1.466	
2N.6	Residential dual service no social tariffs		16.117	
C	Social tariff discount			
2N.7	Average discount per water only social tariffs customer			141.617
2N.8	Average discount per wastewater only social tariffs customer			0.000
2N.9	Average discount per dual service social tariffs customer			255.281
D	Social tariff cross-subsidy - residential customers			
2N.10	Total customer funded cross-subsidies for water only social tariffs customers	0.142		
2N.11	Total customer funded cross-subsidies for wastewater only social tariffs customers	0.000		
2N.12	Total customer funded cross-subsidies for dual service social tariffs customers	0.064		
2N.13	Average customer funded cross-subsidy per water only social tariffs customer			1.865
2N.14	Average customer funded cross-subsidy per wastewater only social tariffs customer			0.000
2N.15	Average customer funded cross-subsidy per dual service social tariffs customer			3.884
E	Social tariff cross-subsidy - company			
2F.16	Total customer funded cross-subsidies for water only social tariffs customers	0.000		
2N.17	Total customer funded cross-subsidies for wastewater only social tariffs customers	0.000		
2N.18	Total customer funded cross-subsidies for dual service social tariffs customers	0.000		
2N.19	Average customer funded cross-subsidy per water only social tariffs customer			0.000
2N.20	Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			0.000
2N.21	Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			0.000
F	Social tariff support - willingness to pay			
2N.22	Level of support for social tariff customers reflected in business plan			3.500
2N.23	Maximum contribution to social tariffs supported by customer engagement			3.500

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

We support our low-income households with the Here2Help social tariff. If customers qualify, we offer up to a 90% discount of the average household bill. Further information is available on our website.

20 - Historic cost analysis of intangible fixed assets

Year ended 31 March 2021

Line description		Water Resources	Water Network+	Wastewater Network+	Bioresources	Retail household	Retail non-household	Total
		£m	£m	£m	£m	£m	£m	£m
A Cost								
20.1	At 1 April 2020	0.000	3.826	0.000	0.000	4.754	1.063	9.643
20.2	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.3	Additions	0.000	0.000	0.000	0.000	0.097	0.000	0.097
20.4	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.6	At 31 March 2021	0.000	3.826	0.000	0.000	4.851	1.063	9.740
B Amortisation								
20.7	At 1 April 2020	0.000	-0.655	0.000	0.000	-0.897	-0.186	-1.738
20.8	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.9	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.10	Charge for year	0.000	-0.384	0.000	0.000	-0.490	-0.106	-0.980
20.11	At 31 March 2021	0.000	-1.039	0.000	0.000	-1.387	-0.292	-2.718
20.12	Net book amount at 31 March 2021	0.000	2.787	0.000	0.000	3.464	0.771	7.022
20.13	Net book amount at 1 April 2020	0.000	3.171	0.000	0.000	3.857	0.877	7.905
C Amortisation for year								
20.14	Principal services	0.000	-0.384	0.000	0.000	-0.490	-0.106	-0.980
20.15	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
20.16	Total	0.000	-0.384	0.000	0.000	-0.490	-0.106	-0.980

The net book value includes £0.1 million in the respect of assets in the course of construction.

Additional regulatory information

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

Line description		Unique ID	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
					Previous reporting year	Current reporting year			£m
A	Common PCs - Water (Financial)								
3A.1	Water quality compliance (CRI)	PR19HDD_A1	number	2		0.10	Yes	0.000	
3A.2	Water supply interruptions	PR19HDD_B1	hh:mm:ss	0		01:08:31	No	-0.618	
3A.3	Leakage	PR19HDD_B2	%	1		6.6	Yes	0.000	
3A.3	[For use by NES and SSC only]								
3A.4	Per capita consumption	PR19HDD_B3	%	1		-4.5	No	-0.101	
3A.4	[For use by SSC only]								
3A.5	Mains repairs	PR19HDD_B5	number	1		108.0	Yes	0.000	
3A.6	Unplanned outage	PR19HDD_B6	%	2		1.03	Yes	0.000	
B	Bespoke PCs - Water and Retail (Financial)								
3A.7	Number of complaints about drinking water quality	PR19HDD_A2	nr	0		311	Yes	0.024	
3A.8	Number of lead pipes replaced	PR19HDD_A3	nr	0		214	Yes	0.150	
3A.9	Properties at risk of receiving low pressure	PR19HDD_B7	%	0		17	Yes	0.000	
3A.10	Hectares managed for biodiversity*	PR19HDD_C2	nr	2		208.00	Yes	0.042	
3A.11	Reduction in the number of void supply points	PR19HDD_F1	%	2		5.07	Yes	0.039	
3A.12	Non household customer experience	PR19HDD_G3	score	1		4.3	No	-0.012	
3A.13	Improving reservoir resilience	PR19HDD_B8	%	1		9.1	-	0.000	
3A.27	Financial water performance commitments achieved		%	0			75		
3A.28	Overall performance commitments achieved (excluding C-MEX and D-MEX)		%	0			75		

*In the FD, this performance commitment is allocated 50% to water resources and 50% to wastewater network+. 3A.10 includes the full ODI value.

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

Line description	Unique ID	Unit	Decimal places	Performance level - actual		PCL met?	Outperformance or underperformance payment	Forecast of total 2020-25 outperformance or underperformance payment
				Previous reporting year	Current reporting year		£m	£m
A	Common PCs - Waste water (Financial)							
3B.1	Internal sewer flooding	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	2	2.81	No	-0.040	
3B.2	Pollution incidents	PR19HDD_E2	Pollution incidents per 10,000 km of sewer length	2	98.81	Yes	0.000	
3B.3	Sewer collapses	PR19HDD_E5	Number of sewer collapses per 1,000 km of all sewers	2	16.33	No	-0.017	
3B.4	Treatment works compliance	PR19HDD_C4	%	2	100.00	Yes	0.000	
B	Bespoke PCs - Waste water (Financial)							
3B.5	Length of river water quality improved	PR19HDD_C1	nr	1	0.0	-	0.000	
3B.6	Satisfactory sludge disposal	PR19HDD_C3	%	2	100.00	Yes	0.000	
3B.7	Sewer blockages	PR19HDD_E3	nr	0	247	Yes	0.000	
3B.19	Financial wastewater performance commitments achieved		%	0		67		

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

Line description	Unit	Value
3C.1 Annual customer satisfaction score for the customer service survey	Nr	77.99
3C.2 Annual customer satisfaction score for the customer experience survey	Nr	84.78
3C.3 Annual C-MeX score	Nr	81.38
3C.4 Annual net promoter score	Nr	31.50
3C.5 Total household complaints	Nr	526
3C.6 Total connected household properties	Nr	99,026
3C.7 Total household complaints per 10,000 connections	Nr	53.117
3C.8 Confirmation of communication channels offered	TRUE or FALSE	TRUE

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

Line description		Unit	Value
3D.1	Qualitative component annual results	Nr	79.02
3D.2	Quantitative component annual results	Nr	99.01
3D.3	D-MeX score	Nr	89.01
3D.4	Developer services revenue (water)	£m	0.684
3D.5	Developer services revenue (wastewater)	£m	0.027

Calculating the D-MeX quantitative component

Water UK performance metric		Unit	First reporting period [1 April to 30 September]	Second reporting period [1 October to 31 March]	Quantitative score (annual)
3D.W1	S1.1	Nr	100.00%	75.00%	
3D.W2	S3.1	%	100.00%	nil return	
3D.W3	S7.1	%	100.00%	100.00%	
3D.W4	W1.1	%	100.00%	100.00%	
3D.W5	W17.1	%	100.00%	100.00%	
3D.W6	W18.1	%	100.00%	100.00%	
3D.W7	W20.1	%	100.00%	100.00%	
3D.W8	W23.1	%	100.00%	100.00%	
3D.W9	W27.1	%	nil return	100.00%	
3D.W10	W3.1	%	100.00%	100.00%	
3D.W11	W30.1	%	100.00%	100.00%	
3D.W12	W4.1	%	99.23%	100.00%	
3D.W13	W6.1	%	100.00%	100.00%	
3D.W14	W8.1	%	100.00%	100.00%	
3D.6, 3D.7	D-MeX quantitative score (for the relevant reporting period)	%	99.94%	98.08%	
3D.8	D-MeX quantitative score (annual)	nr			0.99

3E - Outcome performance - Non financial performance commitments

Line description		Unique ID	Unit	Decimal places	Performance level - actual		PCL met?
					Previous reporting year	Current reporting year	
A Common							
3E.1	Risk of severe restrictions in a drought	PR19HDD_B4	%	1		0.0	Yes
3E.2	Priority services for customers in vulnerable circumstances - PSR reach	PR19HDD_H1	%	1		2.2	Yes
3E.3	Priority services for customers in vulnerable circumstances - Attempted contacts	PR19HDD_H1	%	1		72.1	Yes
3E.4	Priority services for customers in vulnerable circumstances - Actual contacts	PR19HDD_H1	%	1		34.3	Yes
3E.5	Risk of sewer flooding in a storm	PR19HDD_E4	%	2		10.90	No
B Bespoke PCs							
3E.6	Inspiring our customers to use water wisely	PR19HDD_D1	nr	0		1,286	Yes
3E.7	Welsh language services	PR19HDD_G4	%	1		100.0	Yes
3E.8	Help to pay when you need it	PR19HDD_H2	%	0		35	No
3E.9	Effectiveness of the affordability support	PR19HDD_H3	%	1		-57.0	
3E.10	Priority services during an incident	PR19HDD_H4	%	0		100	Yes
3E.11	WINEP Delivery	PR19HDD_NEP01	text	0		Met	Yes
3E.29	Non-financial performance commitments achieved		%	0			80

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

Line description	Unit	Standardising data indicator	Standardising data numerical value	Performance level - Actual (current reporting year)	Performance level - Calculated (i.e. standardised)
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A Performance commitments set in standardised units - Water

3F.1	Mains repairs - Reactive	Mains repairs per 1,000 km	Mains length in km	2,628.50	216	82.18
3F.2	Mains repairs - Proactive	Mains repairs per 1,000 km	Mains length in km	2,628.50	68	25.87
3F.3	Mains repairs	Mains repairs per 1,000 km	Mains length in km	2,628.50	284	108.05
3F.4	Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (ML/d)	206.00	30	146.63

Performance level - actual (2017/18)	Performance level - actual (2018/19)	Performance level - actual (2019/20)	Baseline (average from 2017/18 to 2019/20)
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B Performance commitments measured against a calculated baseline

3F.5	Leakage	ML/d	17.8	14.8	13.0	15.2
3F.6	Per capita consumption (PCC)	lpd	128.6	136.4	135.4	133.5

Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted
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C Water supply interruptions

3F.7	Water supply interruptions	Average number of minutes lost per property per year	Number of properties	105.79	7,249,389	43,587
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Current company level peak week production capacity (PWPC ML/d)	Reduction in company level PWPC ML/d	Outage proportion of PWPC %
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D Unplanned or planned outage

3F.8	Unplanned outage	73.76	0.76	1.03%
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Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	PSR reach	Total number of households on the PSR over a 2 year period	Number of attempted contacts over a 2 year period
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E Priority services for customers in vulnerable circumstances

3F.9	Priority services for customers in vulnerable circumstances	95.64	2,072	2.2%	495	357
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Performance level - actual (2020/21)	Performance level - actual (2021/22)	Performance level - actual (2022/23)	Performance level - actual (2023/24)	Performance level - actual (2024/25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs
14.7					14.2	6.6
146.6					139.5	-4.5

Calculated performance level

01:08:31

Attempted contacts %	Number of actual contacts over a 2 year period	Actual contacts %
72.1%	170	34.3%

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

Line description	Unique reference	Unit	Standardising data indicator	Standardising data numerical value	Performance level - actual current reporting year	Calculated performance level
A Performance commitments set in standardised units						
3G.1 Internal sewer flooding - customer proactively reported	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.35	6	2.81
3G.2 Internal sewer flooding - company reactively identified (ie neighbouring properties)	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.35	0	0.00
3G.3 Internal sewer flooding	PR19HDD_E1	Number of internal sewer flooding incidents per 10,000 sewer connection	Number of sewer connections	21.35	6	2.81
3G.4 Pollution incidents	PR19HDD_E2	Pollution incidents per 10,000 km of sewer length	Sewer length in km	506.00	5	98.81
3G.5 Sewer collapses	PR19HDD_E5	Number of sewer collapses per 1,000 km of all sewers	Sewer length in km	490.00	8	16.33

3H - Summary information on outcome delivery incentive payments

Line description		Initial calculation of performance payments (excluding CMEX and DMEX)
		£m (2017-18 prices)
A Initial calculation of in period revenue adjustment by price control		
3H.1	Water resources	-0.33
3H.2	Water network plus	-0.20
3H.3	Wastewater network plus *	-0.04
3H.4	Bioresources (sludge)	0.00
3H.5	Residential retail	0.04
3H.6	Business retail	-0.01
3H.7	Dummy control	0.00
B Initial calculation of end of period revenue adjustment by price control		
3H.8	Water resources	0.00
3H.9	Water network plus	0.00
3H.10	Wastewater network plus	0.00
3H.11	Bioresources (sludge)	0.00
3H.12	Residential retail	0.00
3H.13	Business retail	0.00
3H.14	Dummy control	0.00
C Initial calculation of end of period RCV adjustment by price control		
3H.8	Water resources	0.00
3H.9	Water network plus	0.00
3H.10	Wastewater network plus	0.00
3H.11	Bioresources (sludge)	0.00
3H.12	Residential retail	0.00
3H.13	Business retail	0.00
3H.14	Dummy control	0.00

*The value in 3H.3 is before the underperformance sharing mechanism is applied. See page 58 for more information.

3I - Supplementary outcomes information

Line description	Current company level peak week production capacity (PWPC) ML/d	Reduction in company level PWPC ML/d	Outage proportion of PWPC %
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A Unplanned or planned outage				
3I.1	Planned outage	73.76	0.00	0.00%

Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk
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B Risk of severe restrictions in drought							
3I.2	Risk of severe restrictions in drought	75.17	0.02	61.14	2.87	217,867.00	0.00

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

C	Risk of sewer flooding in a storm										
31.3	Risk of sewer flooding in a storm	39,198.63	16,598.46	42.34%	0.00	0.00%	22,600.17	57.66%	89.10%	2.97%	7.93%

Number of patch repairs or relining undertaken on sewer and not included in reported sewer collapses.

D Sewer collapses		
3A.1	Sewer collapses	1

4A - Water bulk supply

Year ended 31 March 2021

This table is a nil return, as Hafren Dyfrdwy do not have any trades that qualify under the RAG 4.09 definitions.

Year ended 31 March 2021

Line description		Instrument identifier	Credit rating	Currency	Class/subordination	Further information	Instrument start date (if after 31/07/21)	Years to maturity	Principal sum outstanding as at 31 March 2021 (excluding unamortised debt issue costs)	Amount used to calculate nominal interest cost and cash interest payment (might be equal or differ from principal sum outstanding)	Years to maturity x principal sum
							Date	Years	£m (nominal)	£m (nominal)	£m (nominal)
A	Fixed rate instruments										
4B.1	3 1/2 % undated irredeemable debentures		DV-DEB	GBP				0.0	0.106	0.106	0.000
4B.2	Lease liabilities			GBP				801.0	0.004	0.004	2.854
4B.201	Totals for fixed rate instruments								0.110	0.110	2.854
B	Floating rate instruments										
4B.202	Overdraft		Overdraft	GBP				0.0	0.000	0.000	0.000
4B.203	IC loan - Floating		6,317	GBP				0.9	3.340	3.340	3.006
4B.402	Totals for floating rate instruments								3.340	3.340	3.006
C	RPI linked instruments										
4B.403	Intercompany index linked loan with Severn Trent Water Limited		DV-B	GBP				11.5	32.9	32.9	378.820
4B.603	Totals for RPI linked instruments								32.941	32.941	378.820
D	CPI linked instruments										
4B.604	CPI linked instrument 1										0.000
4B.804	Totals for CPI linked instruments								0.000	0.000	0.000
4B.805	Totals for all instruments								36.391	36.391	384.680
E	Inflation Assumptions										
4B.806	RPI %		1.47%								
4B.807	CPI %		0.75%								
F	Indicative interest rates										
4B.808	Indicative weighted average nominal interest rate		4.86%								
4B.809	Indicative weighted average cash interest rate		3.48%								
G	Indicative debt portfolio breakdown										
4B.810	Floating rate debt as percentage of total debt (gross)		9.18%								
4B.811	Fixed rate debt as percentage of total debt (gross)		0.30%								
4B.812	RPI linked debt as percentage of total debt (gross)		90.52%								
4B.813	CPI linked debt as percentage of total debt (gross)		0.00%								
4B.814	All index (CPI and RPI) linked debt as percentage of total debt (gross)		90.52%								
4B.815	Fixed rate debt and index linked debt as percentage of total debt (gross)		90.82%								
4B.816	Weighted average years to maturity		10.6								

Real RPI Coupon	Real CPI Coupon	Reference Interest Rate	Margin over market index	Nominal Interest Rate	Nominal Interest Cost (Full year equivalent)	Cash Interest Payment (Full year equivalent)	Unamortised debt issue costs as at 31 March 2021	Value per balance sheet at 31 March 2021	Fair value of debt at 31 March 2021
%	%	%	%	%	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)	£m (nominal)
2.00%	2.73%			3.50%	0.004	0.004	0.000	0.106	0.106
1.75%	2.48%			3.25%	0.000	0.000	0.000	0.004	0.004
					0.004	0.004	0.000	0.110	0.110
0.00%	0.00%	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.000	0.000
0.52%	1.24%	0.50%	1.50%	2.00%	0.067	0.067	0.000	3.340	3.340
					0.067	0.067	0.000	3.340	3.340
3.64%				5.16%	1.699	1.197	0.000	32.941	32.941
					1.699	1.197	0.000	32.941	32.941
				0.00%	0.000	0.000			
					0.000	0.000	0.000	0.000	0.000
					1.770	1.268	0.000	36.391	36.391

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

Year ended 31 March 2021

Line description		12 months ended 31 March 2021				Price control period to date			
		Water resources	Water network plus	Wastewater network plus	Bioresources	Water resources	Water network plus	Wastewater network plus	Bioresources
		£m	£m	£m	£m	£m	£m	£m	£m
A	Totex (net of business rates, abstraction licence fees and grants and contributions)								
4C.1	Final determination allowed totex (net of business rates, abstraction licence fees and grants and contributions)	4.116	19.875	4.263	0.653	4.116	19.875	4.263	0.653
4C.2	Actual totex (net of business rates, abstraction licence fees and grants and contributions)	8.613	20.477	4.849	0.546	8.613	20.477	4.849	0.546
4C.3	Transition expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
4C.4	Disallowable costs	-0.650	-1.525	0.000	0.000	-0.650	-1.525	0.000	0.000
4C.5	Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	9.263	22.002	4.849	0.546	9.263	22.002	4.849	0.546
4C.6	Variance	5.147	2.127	0.586	-0.107	5.147	2.127	0.586	-0.107
4C.7	Variance due to timing of expenditure	3.556	-0.689	0.000	0.000	3.556	-0.689	0.000	0.000
4C.8	Variance due to efficiency	1.591	2.816	0.586	-0.107	1.591	2.816	0.586	-0.107
4C.9	Customer cost sharing rate	0.500	0.500	0.500	0.000	0.500	0.500	0.500	0.000
4C.10	Customer share of totex over/underspend	2.574	1.064	0.293	0.000	2.574	1.064	0.293	0.000
4C.11	Company share of totex over/underspend	2.574	1.064	0.293	-0.107	2.574	1.064	0.293	-0.107
B	Totex - business rates and abstraction licence fees								
4C.12	Final determination allowed totex - business rates and abstraction licence fees	0.771	1.475	0.116	0.126	0.771	1.475	0.116	0.126
4C.13	Actual totex - business rates and abstraction licence fees	0.982	0.917	0.287	0.000	0.982	0.917	0.287	0.000
4C.14	Variance - business rates and abstraction licence fees	0.211	-0.558	0.171	-0.126	0.211	-0.558	0.171	-0.126
4C.15	Customer cost sharing rate - business rates and abstraction licence fees	0.750	0.750	0.750	0.750	0.750	0.750	0.750	0.750
4C.16	Customer share of totex over/underspend - business rates and abstraction licence fees	0.158	-0.419	0.128	-0.095	0.158	-0.419	0.128	-0.095
4C.17	Company share of totex over/underspend - business rates and abstraction licence fees	0.053	-0.140	0.043	-0.032	0.053	-0.140	0.043	-0.032
B	Totex not subject to cost sharing								
4C.18	Final determination allowed totex - not subject to cost sharing	1.651	2.093	-0.024	0.000	1.651	2.093	-0.024	0.000
4C.19	Actual totex - not subject to cost sharing	1.851	1.074	0.027	0.003	1.851	1.074	0.027	0.003
4C.20	Variance - 100% company allocation	0.200	-1.019	0.052	0.003	0.200	-1.019	0.052	0.003
4C.21	Total company share of totex over/under spend	2.827	-0.095	0.388	-0.136	2.827	-0.095	0.388	-0.136
B	RCV								
4C.22	Total company share of totex over/under spend	2.827	-0.095	0.388	-0.136	2.827	-0.095	0.388	-0.136
4C.23	PAYG rate	0.683	0.731	0.547	1.000	0.683	0.731	0.547	1.000
4C.24	RCV element of totex over/underspend	0.896	-0.025	0.176	0.000	0.896	-0.025	0.176	0.000
4C.25	Adjustment for ODI outperformance payment or underperformance payment					0.000	0.000	0.000	0.000
4C.26	RCV determined at FD at 31 March					57.409	19.646	2.541	0.000
4C.27	Projected 'shadow' RCV					58.305	19.621	2.716	0.000

Wholesale totex analysis commentary

Year ended 31 March 2021

Totex baseline (lines 1-11)

Gross variance and timing differences

Actual wholesale totex is just under £8 million above the FD allowance for year 1 of the AMP, before timing differences. This is in part an active decision by the Executive and Board to continue to invest in the HD asset base to drive RCV growth across AMP7.

We have added back the rates rebate netted off the rates in table 2B, of c.£2.2 million, which relates to a historic DVW claim in the disallowable costs line.

We have included two timing differences; our reservoirs programme and the Water Industry National Environment Programme ('WINEP') eels obligations.

Our reservoirs programme assumed a flat phased budget of c.£8 million over the AMP. We've undertaken the investigations on four of the reservoirs (c.£350,000) which have confirmed around £4.5 million worth of maintenance to be completed under Section 10 notice. We have accrued for this work in our 2020/21 accounts. Our timing adjustment has looked at the total cost being booked in 2020/21 compared to the FD allowance of £1.5 million resulting in a timing adjustment of around £3.5 million.

Our second timing adjustment is related to the WINEP eels programme which has a single obligation at Sesswick. Our PR19 plan assumed early delivery with the project completing at the end of Year 2. As part of our internal planning process and appropriate phasing of the capital programme we have reprofiled the Sesswick eels project to now be delivered during Years 3 and 4 of the AMP – this will still deliver the WINEP obligation of 31 December 2025. This results in a timing adjustment of £0.689 million.

Net variance excluding timing differences

In water resources, as noted above, our capital investment shows a significant increase compared to the FD assumption, in part driven by the accrual for future enhancement expenditure and increased maintenance activity on these assets. We have also allowed around £1 million opex provision for corrective action for the repair or decommissioning of one of our mothballed dams increasing the totex costs above our FD allowance.

Water network plus totex is just under £3 million higher than assumed in the FD. Over £1 million of this variance is due to increased bulk supply costs. We have also chosen to invest more than the FD assumption in resilience with around £1.2 million variance to the PR19 position. We also have higher operating costs including manpower costs, hired and contracted services and inter-company recharges.

In wastewater we have incurred around £0.6 million more than assumed in the FD. We have seen more power costs at our sewage treatment works, and additional expenditure driven by a higher volume of tankering.

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

Abstraction licences and business rates:

Abstraction licence costs are in line with the FD. For business rates, we have seen c.£0.3 million lower costs within water (which is shown in line 13 excluding the rebate value).

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

Totex not subject to cost sharing for Hafren Dyfrdwy consists of two opex cost groups, third party and non S185 diversions (net of grants and contributions) and one capex element (income offset payments).

In both water resources and wastewater network plus the costs are broadly in line with the FD allowance. However, in water network plus we have incurred around 50% of the assumed costs in the FD.

In total we have seen costs c.£750,000 lower than the FD.

RCV (lines 22-27)

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

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

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

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

RCV			Water resources	Water Network +	Water water Network +	Bioresources
Total customer share of totex over/under spend (year average prices)	£m	3	2.731	0.654	0.423	-0.094
Total customer share of totex over/under spend (year end prices)	£m	3	2.746	0.657	0.425	-0.095
Weighted average PAYG rate	%	3	70.632%	71.290%	47.169%	100.000%
RCV element of totex over/underspend	£m	3	0.806	0.189	0.224	0.000
Adjustment for ODI outperformance payment or underperformance payment	£m	3	0.000	0.000	0.000	0.000
RCV determined at FD at 31 March	£m	3	57.409	19.646	2.541	0.000
Projected 'shadow' RCV	£m	3	58.216	19.835	2.765	0.000

Year ended 31 March 2021

Line description		Water resources	Network+				Total
			Raw water transport	Raw water storage	Water treatment	Treated water distribution	
		£m	£m	£m	£m	£m	£m
A	Operating expenditure						
4D.1	Base operating expenditure	2.330	0.912	-0.008	3.797	10.706	17.737
4D.2	Enhancement operating expenditure	0.017	0.000	0.000	0.035	0.005	0.057
4D.3	Developer services operating expenditure	0.000	0.000	0.000	0.000	0.314	0.314
4D.4	Total operating expenditure excluding third party services	2.347	0.912	-0.008	3.832	11.025	18.108
4D.5	Third party services	1.851	0.055	0.000	0.179	0.667	2.752
4D.6	Total operating expenditure	4.198	0.967	-0.008	4.011	11.692	20.860
Grants and contributions							
4D.7	Grants and contributions - operating expenditure	0.000	0.000	0.000	0.000	-0.340	-0.340
Capital expenditure							
4D.8	Base capital expenditure	1.323	0.000	0.000	0.702	2.368	4.393
4D.9	Enhancement capital expenditure	5.821	0.000	0.000	0.003	2.591	8.415
4D.10	Developer services capital expenditure	0.000	0.000	0.000	0.000	1.093	1.093
4D.11	Total gross capital expenditure (excluding third party)	7.144	0.000	0.000	0.705	6.052	13.901
4D.12	Third party services	0.000	0.000	0.000	0.000	0.000	0.000
4D.13	Total gross capital expenditure	7.144	0.000	0.000	0.705	6.052	13.901
Grants and contributions							
4D.14	Grants and contributions - capital expenditure	-0.770	0.000	0.000	0.000	-0.181	-0.951
4D.15	Net totex	10.572	0.967	-0.008	4.716	17.223	33.470
Cash expenditure							
4D.16	Pension deficit recovery payments	0.000					0.000
4D.17	Other cash items						0.000
4D.18	Totex including cash items	10.572	0.967	-0.008	4.716	17.223	33.470
Atypical expenditure							
4D.19	Item 1						0.000
4D.20	Item 2						0.000
4D.21	Item 3						0.000
4D.22	Item 4						0.000
4D.23	Item 5						0.000
4D.24	Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000

Year ended 31 March 2021

[illegible]

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

Year ended 31 March 2021

This table is not required as Hafren Dyfrdwy do not have any qualifying projects.

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

Year ended 31 March 2021

This table is not required as Hafren Dyfrdwy do not have any qualifying projects.

4H - Financial metrics

Year ended 31 March 2021

Line description		Units	DPs	Current year	AMP to date
A Financial indicators					
4H.1	Net debt	£m	3	36.206	
4H.2	Regulatory equity	£m	3	43.390	
4H.3	Regulatory gearing	%	2	45.49%	
4H.4	Post tax return on regulatory equity	%	2	-14.60%	
4H.5	RORE (return on regulatory equity)	%	2	1.40%	1.40%
4H.6	Dividend yield	%	2	0.00%	
4H.7	Retail profit margin - Household	%	2	8.03%	
4H.8	Retail profit margin - Non household	%	2	-86.53%	
4H.9	Credit rating - Fitch	Text	n/a	n/a	
4H.10	Credit rating - Moody's	Text	n/a	n/a	
4H.11	Credit rating - Standard and Poor's	Text	n/a	n/a	
4H.12	Return on RCV	%	2	-4.30%	
4H.13	Dividend cover	dec	2	0.00	
4H.14	Funds from operations (FFO)	£m	3	5.451	
4H.15	Interest cover (cash)	dec	2	4.10	
4H.16	Adjusted interest cover (cash)	dec	2	1.27	
4H.17	FFO/Net debt	dec	2	0.15	
4H.18	Effective tax rate	%	2	24.48%	
4H.19	RCF	£m	3	5.451	
4H.20	RCF/Net debt	dec	2	0.15	
B Revenue and earnings					
4H.21	Revenue (actual)	£m	3	24.835	
4H.22	EBITDA (actual)	£m	3	-2.500	
D Borrowings					
4H.23	Proportion of borrowings which are fixed rate	%	2	0.30%	
4H.24	Proportion of borrowings which are floating rate	%	2	9.18%	
4H.25	Proportion of borrowings which are index linked	%	2	90.52%	
4H.26	Proportion of borrowings due within 1 year or less	%	2	9.47%	
4H.27	Proportion of borrowings due in more than 1 year but no more than 2 years	%	2	0.00%	
4H.28	Proportion of borrowings due in more than 2 years but but no more than 5 years	%	2	0.00%	
4H.29	Proportion of borrowings due in more than 5 years but no more than 20 years	%	2	90.52%	
4H.30	Proportion of borrowings due in more than 20 years	%	2	0.01%	

4I - Financial derivatives

Year ended 31 March 2021

This table is not required as Hafren Dyfrdwy do not have any financial derivatives.

4J - Base expenditure analysis

(water resources and water network+)

Year ended 31 March 2021

Line description		Water resources	Water network+			Treated water distribution	Total
			Raw water transport	Raw water storage	Water treatment		
		£m	£m	£m	£m	£m	£m
A	Operating expenditure (excl. atypicals)						
4J.1	Power	0.048	0.627	0.000	0.089	1.387	2.151
4J.2	Income treated as negative expenditure	-0.293	0.000	0.000	0.000	0.000	-0.293
4J.3	Bulk supply	0.397	0.159	0.000	0.526	2.294	3.376
4J.4	Renewals expensed in year (infrastructure)	0.080	0.000	0.000	0.000	2.970	3.050
4J.5	Renewals expensed in year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000
4J.6	Other operating expenditure	1.766	0.207	0.000	3.215	4.536	9.724
4J.7	Local authority and Cumulo rates	-0.278	-0.081	-0.008	-0.058	-0.481	-0.906
B	Service Charges						
4J.8	Canal & River Trust abstraction charges/ discharge consents	0.000	0.000	0.000	0.000	0.000	0.000
4J.9	Environment Agency / NRW abstraction charges/ discharge consents	0.610	0.000	0.000	0.025	0.000	0.635
4J.10	Other abstraction charges/ discharge consents	0.000	0.000	0.000	0.000	0.000	0.000
C	Other operating expenditure						
4J.11	Costs associated with Traffic Management Act	0.000	0.000	0.000	0.000	0.000	0.000
4J.12	Costs associated with lane rental schemes	0.000	0.000	0.000	0.000	0.000	0.000
4J.13	Statutory water softening	0.000	0.000	0.000	0.000	0.000	0.000
4J.14	Total base operating expenditure	2.330	0.912	-0.008	3.797	10.706	17.737
D	Capital expenditure						
4J.15	Maintaining the long term capability of the assets - infra	0.000	0.000	0.000	0.000	0.000	0.000
4J.16	Maintaining the long term capability of the assets - non-infra	1.323	0.000	0.000	0.702	2.368	4.393
4J.17	Total base capital expenditure	1.323	0.000	0.000	0.702	2.368	4.393
E	Traffic Management Act	Units					
4J.18	Projects incurring costs associated with Traffic Management Act	nr	0.000	0.000	0.000	0.000	0.000

Year ended 31 March 2021

[illegible]

4L - Enhancement expenditure

(water resources and water network+)

Year ended 31 March 2021

Line description			Expenditure in	
			Water resources	Raw water transport
			£m	£m
A	EA/NRW environmental programme (WINEP/NEP)			
4L.1	Ecological improvements at abstractions	Capex	0.000	0.000
4L.2	Ecological improvements at abstractions	Opex	0.000	0.000
4L.3	Ecological improvements at abstractions	Totex	0.000	0.000
4L.4	Eels Regulations (measures at intakes)	Capex	0.003	0.000
4L.5	Eels Regulations (measures at intakes)	Opex	0.000	0.000
4L.6	Eels Regulations (measures at intakes)	Totex	0.003	0.000
4L.7	Invasive Non Native Species	Capex	0.000	0.000
4L.8	Invasive Non Native Species	Opex	0.000	0.000
4L.9	Invasive Non Native Species	Totex	0.000	0.000
4L.10	Drinking Water Protected Areas (schemes)	Capex	0.000	0.000
4L.11	Drinking Water Protected Areas (schemes)	Opex	0.000	0.000
4L.12	Drinking Water Protected Areas (schemes)	Totex	0.000	0.000
4L.13	Water Framework Directive measure	Capex	0.000	0.000
4L.14	Water Framework Directive measure	Opex	0.000	0.000
4L.15	Water Framework Directive measure	Totex	0.000	0.000
4L.16	Investigations	Capex	0.000	0.000
4L.17	Investigations	Opex	0.000	0.000
4L.18	Investigations	Totex	0.000	0.000
4L.19	Total environmental programme expenditure	Totex	0.003	0.000
B	Supply-demand balance			
4L.20	Supply-side improvements delivering benefits in 2020-2025	Capex	0.006	0.000
4L.21	Supply-side improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.22	Supply-side improvements delivering benefits in 2020-2025	Totex	0.006	0.000
4L.23	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Capex	0.000	0.000
4L.24	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Opex	0.000	0.000
4L.25	Demand-side improvements delivering benefits in 2020-2025 (excl leakage and metering)	Totex	0.000	0.000
4L.26	Leakage improvements delivering benefits in 2020-2025	Capex	0.000	0.000
4L.27	Leakage improvements delivering benefits in 2020-2025	Opex	0.000	0.000
4L.28	Leakage improvements delivering benefits in 2020-2025	Totex	0.000	0.000
4L.29	Internal interconnectors delivering benefits in 2020-2025	Capex	0.000	0.000
4L.30	Internal interconnectors delivering benefits in 2020-2025	Opex	0.000	0.000
4L.31	Internal interconnectors delivering benefits in 2020-2025	Totex	0.000	0.000
4L.32	Supply demand balance improvements delivering benefits starting from 2026	Capex	0.000	0.000
4L.33	Supply demand balance improvements delivering benefits starting from 2026	Opex	0.000	0.000
4L.34	Supply demand balance improvements delivering benefits starting from 2026	Totex	0.000	0.000
4L.35	Strategic regional water resources	Capex	0.000	0.000
4L.36	Strategic regional water resources	Opex	0.000	0.000
4L.37	Strategic regional water resources	Totex	0.000	0.000
4L.38	Total supply demand expenditure	Totex	0.006	0.000

report year	Cumulative expenditure on schemes completed in the report year									
Water network+				Total	Water resources	Network+				Total
Raw water storage	Water treatment	Treated water distribution	Raw water transport			Raw water storage	Water treatment	Treated water distribution		
£m	£m	£m	£m			£m	£m	£m	£m	
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.003						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.003						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
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	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						

4L - Enhancement expenditure

(water resources and water network+ cont.)

Year ended 31 March 2021

Line description		Expenditure in	
		Water resources	Raw water transport
		£m	£m
C	Metering		
4L.39	New meters requested by existing customers (optants)	Capex	
4L.40	New meters requested by existing customers (optants)	Opex	
4L.41	New meters requested by existing customers (optants)	Totex	
4L.42	New meters introduced by companies for existing customers	Capex	
4L.43	New meters introduced by companies for existing customers	Opex	
4L.44	New meters introduced by companies for existing customers	Totex	
4L.45	New meters for existing customers - business	Capex	
4L.46	New meters for existing customers - business	Opex	
4L.47	New meters for existing customers - business	Totex	
4L.48	Total metering expenditure	Totex	
D	Other enhancement		
4L.49	Improvements to taste, odour and colour	Capex	0.000
4L.50	Improvements to taste, odour and colour	Opex	0.000
4L.51	Improvements to taste, odour and colour	Totex	0.000
4L.52	Meeting lead standards	Capex	0.000
4L.53	Meeting lead standards	Opex	0.000
4L.54	Meeting lead standards	Totex	0.000
4L.55	Addressing raw water deterioration	Capex	0.000
4L.56	Addressing raw water deterioration	Opex	0.017
4L.57	Addressing raw water deterioration	Totex	0.017
4L.58	Improvements to river flow	Capex	0.000
4L.59	Improvements to river flow	Opex	0.000
4L.60	Improvements to river flow	Totex	0.000
4L.61	Enhancing resilience to low probability high consequence events	Capex	0.001
4L.62	Enhancing resilience to low probability high consequence events	Opex	0.000
4L.63	Enhancing resilience to low probability high consequence events	Totex	0.001
4L.64	Security - SEMD	Capex	0.008
4L.65	Security - SEMD	Opex	0.000
4L.66	Security - SEMD	Totex	0.008
4L.67	Security - Non-SEMD	Capex	0.000
4L.68	Security - Non-SEMD	Opex	0.000
4L.69	Security - Non-SEMD	Totex	0.000
4L.70	Reservoir Safety	Capex	5.803
4L.80	Total other enhancement expenditure	Totex	5.829
E	Total enhancement		
4L.81	Total enhancement expenditure	Capex	5.821
4L.82	Total enhancement expenditure	Opex	0.017
4L.83	Total enhancement expenditure	Totex	5.838

report year				Cumulative expenditure on schemes completed in the report year						
Water network+				Total	Water resources	Raw water transport	Network+			Total
Raw water storage	Water treatment	Treated water distribution					Raw water storage	Water treatment	Treated water distribution	
£m	£m	£m		£m	£m	£m	£m	£m	£m	£m
		0.178		0.178						
		0.000		0.000						
		0.178		0.178						
		0.000		0.000						
		0.000		0.000						
		0.000		0.000						
		0.000		0.000						
		0.000		0.000						
		0.000		0.000						
		0.178		0.178						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.003	0.350	0.353						
	0.000	0.000	0.000	0.000						
	0.000	0.003	0.350	0.353						
	0.000	0.000	0.000	0.000						
	0.000	0.035	0.005	0.057						
	0.000	0.035	0.005	0.057						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	1.584	1.585						
	0.000	0.000	0.000	0.000						
	0.000	0.000	1.584	1.585						
	0.000	0.000	0.000	0.008						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.008						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	0.000						
	0.000	0.000	0.000	5.803						
	0.000	0.038	1.939	7.806						
	0.000	0.003	2.591	8.415						
	0.000	0.035	0.005	0.057						
	0.000	0.038	2.596	8.472						

4M - Enhancement expenditure

(waste water network+ and bioresources)

Year ended 31 March 2021

Line description		Expenditure in report					
		Wastewater network+				Bioresources	
		Sewage collection		Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport
		Foul	Surface water drainage				
		£m	£m	£m	£m	£m	£m
A	EA/NRW environmental programme (WINEP/NEP)						
4M.1	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.2	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.3	Conservation drivers	0.000	0.000	0.000	0.000	0.000	0.000
4M.4	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.5	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.6	Event Duration Monitoring at intermittent discharges	0.000	0.000	0.000	0.000	0.000	0.000
4M.7	Flow monitoring at sewage treatment works	0.000	0.000	0.000	0.000	0.000	0.000
4M.8	Flow monitoring at sewage treatment works	0.000	0.000	0.000	0.000	0.000	0.000
4M.9	Flow monitoring at sewage treatment works	0.000	0.000	0.000	0.000	0.000	0.000
4M.10	Schemes to increase flow to full treatment	0.000	0.000	0.000	0.014	0.000	0.000
4M.11	Schemes to increase flow to full treatment	0.000	0.000	0.000	0.000	0.000	0.000
4M.12	Schemes to increase flow to full treatment	0.000	0.000	0.000	0.014	0.000	0.000
4M.13	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.14	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.15	Schemes to increase storm tank capacity	0.000	0.000	0.000	0.000	0.000	0.000
4M.16	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.000	0.000	0.000	0.000	0.000	0.000
4M.17	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.000	0.000	0.000	0.000	0.000	0.000
4M.18	Storage schemes to reduce spill frequency at CSOs, storm tanks, etc	0.000	0.000	0.000	0.000	0.000	0.000
4M.19	Chemical removals schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.20	Chemical removals schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.21	Chemical removals schemes	0.000	0.000	0.000	0.000	0.000	0.000
4M.22	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.000	0.000	0.000
4M.23	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.000	0.000	0.000
4M.24	Chemicals monitoring/ investigations/ options appraisals	0.000	0.000	0.000	0.000	0.000	0.000
4M.25	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.26	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.27	Nitrogen removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.28	Phosphorus removal	0.000	0.000	0.000	0.055	0.000	0.000
4M.29	Phosphorus removal	0.000	0.000	0.000	0.000	0.000	0.000
4M.30	Phosphorus removal	0.000	0.000	0.000	0.055	0.000	0.000
4M.31	Reduction of sanitary parameters	0.000	0.000	0.000	0.037	0.000	0.000
4M.32	Reduction of sanitary parameters	0.000	0.000	0.000	0.000	0.000	0.000
4M.33	Reduction of sanitary parameters	0.000	0.000	0.000	0.037	0.000	0.000
4M.34	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.35	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.36	UV disinfection (or similar)	0.000	0.000	0.000	0.000	0.000	0.000
4M.37	Investigations	0.011	0.000	0.000	0.000	0.000	0.000
4M.38	Investigations	0.000	0.000	0.000	0.000	0.000	0.000
4M.39	Investigations	0.011	0.000	0.000	0.000	0.000	0.000
4M.40	Total environmental programme expenditure	0.011	0.000	0.000	0.106	0.000	0.000

[illegible]

4M - Enhancement expenditure

(waste water network+ and bioresources cont.)

Year ended 31 March 2021

		Expenditure in report					
		Wastewater network+				Bioresources	
Line description		Sewage collection		Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport
		Foul	Surface water drainage				
		£m	£m	£m	£m	£m	£m
C	Other enhancement						
4M.41	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	0.011	0.000	0.000
4M.42	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	0.000	0.000	0.000
4M.43	Growth at sewage treatment works (excluding sludge treatment)	0.000	0.000	0.000	0.011	0.000	0.000
4M.44	Reduce flooding risk for properties	0.007	0.000	0.000	0.001	0.000	0.000
4M.45	Reduce flooding risk for properties	0.000	0.000	0.000	0.000	0.000	0.000
4M.46	Reduce flooding risk for properties	0.007	0.000	0.000	0.001	0.000	0.000
4M.47	First time sewerage	0.000	0.000	0.000	0.000	0.000	0.000
4M.48	First time sewerage	0.000	0.000	0.000	0.000	0.000	0.000
4M.49	First time sewerage	0.000	0.000	0.000	0.000	0.000	0.000
4M.50	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.51	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.52	Sludge enhancement (quality)	0.000	0.000	0.000	0.000	0.000	0.000
4M.53	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.54	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.55	Sludge enhancement (growth)	0.000	0.000	0.000	0.000	0.000	0.000
4M.56	Odour	0.000	0.000	0.000	0.000	0.000	0.000
4M.57	Odour	0.000	0.000	0.000	0.000	0.000	0.000
4M.58	Odour	0.000	0.000	0.000	0.000	0.000	0.000
4M.59	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.60	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.61	Enhancing resilience to low probability high consequence events	0.000	0.000	0.000	0.000	0.000	0.000
4M.62	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.63	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.64	Security - SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.65	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.66	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.67	Security - Non-SEMD	0.000	0.000	0.000	0.000	0.000	0.000
4M.68	Transferred private drains and sewers	0.034	0.004	0.004	0.000	0.000	0.000
4M.69	Transferred private drains and sewers	0.000	0.000	0.000	0.000	0.000	0.000
4M.70	Biodiversity (Waste water)	0.000	0.000	0.000	0.000	0.000	0.000
4M.71	Biodiversity (Waste water)	0.000	0.011	0.000	0.011	0.000	0.000
4M.78	Total other enhancement programme expenditure	0.041	0.015	0.004	0.023	0.000	0.000
D	Total enhancement						
4M.79	Total enhancement expenditure	0.052	0.004	0.004	0.118	0.000	0.000
4M.80	Total enhancement expenditure	0.000	0.011	0.000	0.011	0.000	0.000
4M.81	Total enhancement expenditure	0.052	0.015	0.004	0.129	0.000	0.000

[illegible]

4N - Developer services expenditure

(water resources and water network+)

Year ended 31 March 2021

Line description			Expenditure in report year					Total
			Water resources	Water network+				
				Raw water transport	Raw water storage	Water treatment	Treated water distribution	
			£m	£m	£m	£m	£m	£m
4N.1	New connections	Capex	0.000	0.000	0.000	0.000	0.474	0.474
4N.2	New connections	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4N.3	Requisition mains	Capex	0.000	0.000	0.000	0.000	0.590	0.590
4N.4	Requisition mains	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4N.5	Infrastructure network reinforcement	Capex	0.000	0.000	0.000	0.000	0.029	0.029
4N.6	Infrastructure network reinforcement	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4N.7	s185 diversions	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4N.8	s185 diversions	Opex	0.000	0.000	0.000	0.000	0.314	0.314
4N.9	Other price controlled activities	Capex	0.000	0.000	0.000	0.000	0.000	0.000
4N.10	Other price controlled activities	Opex	0.000	0.000	0.000	0.000	0.000	0.000
4N.11	Total developer services expenditure - capex	Capex	0.000	0.000	0.000	0.000	1.093	1.093
4N.12	Total developer services expenditure - opex	Opex	0.000	0.000	0.000	0.000	0.314	0.314
4N.13	Total developer services expenditure	Totex	0.000	0.000	0.000	0.000	1.407	1.407

40 - Developer services expenditure

(waste water network+ and bioresources)

Year ended 31 March 2021

Line description			Expenditure in report year								Total
			Wastewater network+					Bioresources			
			Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
			£m	£m	£m	£m	£m	£m	£m	£m	
40.1	New connections and requisition sewers	Capex	0.038	0.005	0.005	0.000	0.000	0.000	0.000	0.000	0.048
40.2	New connections and requisition sewers	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.3	Infrastructure network reinforcement	Capex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.4	Infrastructure network reinforcement	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.5	s185 diversions	Capex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.6	s185 diversions	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.7	Other price controlled activities	Capex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.8	Other price controlled activities	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.9	Total developer services expenditure	Capex	0.038	0.005	0.005	0.000	0.000	0.000	0.000	0.000	0.048
40.10	Total developer services expenditure	Opex	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40.11	Total developer services expenditure	Totex	0.038	0.005	0.005	0.000	0.000	0.000	0.000	0.000	0.048

4P - Expenditure on non-price control diversions

Year ended 31 March 2021

Line description	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
A Connections volume data					
4P.1 Diversions - NRSWA	-	0.010	0.008	-	0.018
4P.2 Diversions - other non-price control	-	-	-	-	0.000
4P.3 Total expenditure on non-price control diversions	0.000	0.010	0.008	0.000	0.018

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

Year ended 31 March 2021

Line description	Water nr	Waste water nr	Total nr
A Connections volume data			
4Q.1 New connections (residential – excluding NAVs)	285	75	360
4Q.2 New connections (business – excluding NAVs)	28	2	30
4Q.3 Total new connections served by incumbent	313	77	390
4Q.4 New connections – SLPs	43		
B Properties volume data			
4Q.5 New properties (residential – excluding NAVs)	359	80	439
4Q.6 New properties (business – excluding NAVs)	28	2	30
4Q.7 Total new properties served by incumbent	387	82	469
4Q.8 New residential properties served by NAVs	0	0	0
4Q.9 New business properties served by NAVs	0	0	0
4Q.10 Total new properties served by NAVs	0	0	0
4Q.11 Total new properties	387	82	469
4G.12 New properties – SLP connections	43		
C New water mains data			
4Q.13 Length of new mains (km) - requisitions	2		
4Q.14 Length of new mains (km) - SLPs	2		

4R - Connected properties, customers and population

Year ended 31 March 2021

Line description	Unmeasured	Measured	Total	Voids
	000s	000s	000s	000s

A	Customer numbers - average during the year				
4R.1	Residential water only customers	30.998	45.593	76.591	2.747
4R.2	Residential wastewater only customers	1.052	0.423	1.475	0.098
4R.3	Residential water and wastewater customers	9.180	7.920	17.100	0.953
4R.4	Total residential customers	41.230	53.936	95.166	3.798
4R.5	Business water only customers	0.305	5.416	5.721	1.284
4R.6	Business wastewater only customers	0.154	0.064	0.218	0.112
4R.7	Business water & wastewater customers	0.059	1.055	1.114	0.279
4R.8	Total business customers	0.518	6.535	7.053	1.675
4R.9	Total customers	41.748	60.471	102.219	5.473

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

A Property numbers - average during the year							
4R.10	Residential properties billed	40.178	53.512	93.690	10.232	8.343	18.575
4R.11	Residential void properties			3.701			1.051
4R.12	Total connected residential properties			97.391			19.626
4R.13	Business properties billed	0.363	6.471	6.834	0.212	1.120	1.332
4R.14	Business void properties			1.563			0.391
4R.15	Total connected business properties			8.397			1.723
4R.16	Total connected properties			105.788			21.349

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

A	Property and meter numbers - at end of year									
4R.17	Total new residential properties connected in year	0.000	0.000	0.000	0.000	0.000	0.236	0.123	0.359	0.359
4R.18	Total new business properties connected in year	0.000	0.000	0.000	0.000	0.000	0.025	0.003	0.028	0.028
4R.19	Residential properties billed at year end	40.062	0.000	0.000	40.062	0.000	37.157	16.941	54.098	94.160
4R.20	Residential void properties at year end				1.494				1.802	3.296
4R.21	Total connected residential properties at year end				41.556				55.900	97.456
4R.22	Business properties billed at year end	0.386	0.000	0.000	0.386	0.000	6.476	0.000	6.476	6.862
4R.23	Business void properties at year end				0.125				1.351	1.476
4R.24	Total connected business properties at year end				0.511				7.827	8.338
4R.25	Total connected properties at year end				42.067				63.727	105.794

Line description	Water	Wastewater
	000s	000s

A Population data		
4R.26	Resident population	211.673
4R.27	Business population	39.199
		0.213

5A - Water resources asset and volumes data

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Water resources			
5A.1	Water from impounding reservoirs	ML/d	2	735.79
5A.2	Water from pumped storage reservoirs	ML/d	2	0.00
5A.3	Water from river abstractions	ML/d	2	22,249.66
5A.4	Water from groundwater works,excluding managed aquifer recharge ('MAR') water supply schemes	ML/d	2	6,625.38
5A.5	Water from artificial recharge ('AR') water supply schemes	ML/d	2	0.00
5A.6	Water from aquifer storage and recovery ('ASR') water supply schemes	ML/d	2	0.00
5A.7	Water from saline abstractions	ML/d	2	0.00
5A.8	Water from water reuse schemes	ML/d	2	0.00
5A.9	Number of impounding reservoirs	nr	0	9
5A.10	Number of pumped storage reservoirs	nr	0	0
5A.11	Number of river abstractions	nr	0	0
5A.12	Number of groundwater works excluding managed aquifer recharge ('MAR') water supply schemes	nr	0	3
5A.13	Number of artificial recharge ('AR') water supply schemes	nr	0	0
5A.14	Number of aquifer storage and recovery ('ASR') water supply schemes	nr	0	0
5A.15	Number of saline abstraction schemes	nr	0	0
5A.16	Number of reuse schemes	nr	0	0
5A.17	Total number of sources	nr	0	12
5A.18	Total number of water reservoirs	nr	0	9
5A.19	Total volumetric capacity of water reservoirs	ML	0	51,719
5A.20	Total number of intake and source pumping stations	nr	0	7
5A.21	Total installed power capacity of intake and source pumping stations	kW	0	1,957
5A.22	Total length of raw water abstraction mains and other conveyors	km	2	3.27
5A.23	Average pumping head – raw water abstraction	m.hd	2	5.01
5A.24	Energy consumption - raw water abstraction	MWh	3	543.850
5A.25	Total number of raw water abstraction imports	nr	0	0
5A.26	Water imported from 3rd parties' raw water abstraction systems	ML/d	2	0.00
5A.27	Total number of raw water abstraction exports	nr	0	0
5A.28	Water exported to 3rd parties' from raw water abstraction systems	ML/d	2	0.00
5A.29	Water resources capacity [measured using water resources yield]	ML/d	2	76.71

5B - Water resources operating cost analysis

Year ended 31 March 2021

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

A	Connections volume data							
5B.1	Power	0.002	0.000	0.016	0.029	0.000	0.000	0.047
5B.2	Income treated as negative expenditure	-0.293	0.000	0.000	0.000	0.000	0.000	-0.293
5B.3	Abstraction charges / discharge consents	0.000	0.000	0.539	0.071	0.000	0.000	0.610
5B.4	Bulk supply	0.397	0.000	0.000	0.000	0.000	0.000	0.397

A	Other operating expenditure							
5B.5	Renewals expensed in year (Infrastructure)	0.080	0.000	0.000	0.000	0.000	0.000	0.080
5B.6	Renewals expensed in year (Non-Infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
5B.7	Other operating expenditure excluding renewals - direct	0.250	0.000	0.114	0.201	0.000	0.000	0.565
5B.8	Other operating expenditure excluding renewals - indirect	0.532	0.000	0.243	0.426	0.000	0.000	1.201
5B.9	Local authority and Cumulo rates	-0.257	0.000	-0.018	-0.002	0.000	0.000	-0.277
5B.10	Total operating expenditure (excluding 3rd party)	0.711	0.000	0.894	0.725	0.000	0.000	2.330

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

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A Raw water transport and storage				
6A.1	Total number of balancing reservoirs	nr	0	1
6A.2	Total volumetric capacity of balancing reservoirs	ML	0	139
6A.3	Total number of raw water transport stations	nr	0	0
6A.4	Total installed power capacity of raw water transport pumping stations	kW	0	0
6A.5	Total length of raw water transport mains and other conveyors	km	2	44.97
6A.6	Average pumping head ~ raw water transport	m.hd	2	58.52
6A.7	Energy consumption ~ raw water transport	MWh	3	6504.769
6A.8	Total number of raw water transport imports	nr	0	0
6A.9	Water imported from 3rd parties' raw water transport systems	ML/d	2	0.00
6A.10	Total number of raw water transport exports	nr	0	0
6A.11	Water exported to 3rd parties' raw water transport systems	ML/d	2	0.00
6A.12	Total length of raw and pre-treated [non-potable] water transport mains for supplying customers	km	2	26.57

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

B Water treatment - treatment type analysis					
6A.13	All SD simple disinfection works	0.00	0	0.00	0
6A.14	W1 works	0.00	0	0.00	0
6A.15	W2 works	0.00	0	0.00	0
6A.16	W3 works	1.97	1	0.58	1
6A.17	W4 works	42.52	1	2.36	1
6A.18	W5 works	0.00	0	14.24	1
6A.19	W6 works	0.00	0	0.00	0

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

C Water treatment - works size			
6A.20	WTWs in size band 1	1.1	1
6A.21	WTWs in size band 2	7.9	2
6A.22	WTWs in size band 3	0.0	0
6A.23	WTWs in size band 4	0.0	0
6A.24	WTWs in size band 5	25.8	1
6A.25	WTWs in size band 6	65.3	1
6A.26	WTWs in size band 7	0.0	0
6A.27	WTWs in size band 8	0.0	0

Line	Item description	Units	DPs	Input
D Water treatment - other information				
6A.28	Total water treated at more than one type of works	ML/d	2	0.00
6A.29	Number of treatment works requiring remedial action because of raw water deterioration	nr	0	0
6A.30	Zonal population receiving water treated with orthophosphate	000's	3	186.750
6A.31	Average pumping head ~ water treatment	m.hd	2	7.42
6A.32	Energy consumption ~ water treatment	MWh	3	820.399
6A.33	Total number of water treatment imports	nr	0	0
6A.34	Water imported from 3rd parties' water treatment works	ML/d	2	0.00
6A.35	Total number of water treatment exports	nr	0	0
6A.36	Water exported to 3rd parties' water treatment works	ML/d	2	0.00

6B - Treated water distribution - assets and operations

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Assets and operations			
6B.1	Total installed power capacity of potable water pumping stations	kW	0	5,628
6B.2	Total volumetric capacity of service reservoirs	ML	1	72.9
6B.3	Total volumetric capacity of water towers	ML	1	0.0
6B.4	Distribution input	ML/d	2	61.15
6B.5	Water delivered (non-potable)	ML/d	2	0.44
6B.6	Water delivered (potable)	ML/d	2	49.16
6B.7	Water delivered (billed measured residential)	ML/d	2	15.90
6B.8	Water delivered (billed measured business)	ML/d	2	13.88
6B.9	Total annual leakage	ML/d	2	14.69
6B.10	Distribution losses	ML/d	2	11.23
6B.11	Water taken unbilled	ML/d	2	1.94
6B.12	Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	3	0.081
6B.13	Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	3	0.000
6B.14	Proportion of distribution input derived from river abstractions	Propn 0 to 1	3	0.582
6B.15	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge ('MAR') water supply schemes	Propn 0 to 1	3	0.337
6B.16	Proportion of distribution input derived from artificial recharge ('AR') water supply schemes	Propn 0 to 1	3	0.000
6B.17	Proportion of distribution input derived from aquifer storage and recovery ('ASR') water supply schemes	Propn 0 to 1	3	0.000
6B.18	Proportion of distribution input derived from saline abstractions	Propn 0 to 1	3	0.000
6B.19	Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	3	0.000
6B.20	Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	0	98
6B.21	Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	0	3
6B.22	Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	0	2
6B.23	Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	0	93
6B.24	Number of potable water pumping stations that pump water imported from a 3rd party supply into the treated water distribution system	nr	0	0
6B.25	Total number of service reservoirs	nr	0	86
6B.26	Number of water towers	nr	0	0
6B.27	Energy consumption ~ treated water distribution	MWh	3	12,039.816
6B.28	Average pumping head – treated water distribution	m.hd	2	110.99
6B.29	Total number of treated water distribution imports	nr	0	36
6B.30	Water imported from 3rd parties' treated water distribution systems	ML/d	2	8.37
6B.31	Total number of treated water distribution exports	nr	0	16
6B.32	Water exported to 3rd parties' treated water distribution systems	ML/d	2	6.27

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

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A Treated water distribution - mains analysis				
6C.1	Total length of potable mains as at 31 March	km	1	2,628.5
6C.2	Total length of potable mains relined	km	1	0.0
6C.3	Total length of potable mains renewed	km	1	4.0
6C.4	Total length of new potable mains	km	1	2.7
6C.5	Total length of potable water mains (≤320mm)	km	1	2,533.4
6C.6	Total length of potable water mains >320mm and ≤ 450mm	km	1	78.4
6C.7	Total length of potable water mains >450mm and ≤610mm	km	1	16.1
6C.8	Total length of potable water mains > 610mm	km	1	0.7
B Communication pipes				
6C.9	Number of lead communication pipes	nr	0	24,047
6C.10	Number of galvanised iron communication pipes	nr	0	4,611
6C.11	Number of other communication pipes	nr	0	77,136
C Treated water distribution - mains age profile				
6C.12	Total length of potable mains laid or structurally refurbished pre-1880	km	1	21.7
6C.13	Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	1	76.0
6C.14	Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	1	169.7
6C.15	Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	1	332.9
6C.16	Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	1	508.6
6C.17	Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	1	673.9
6C.18	Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	1	792.8
6C.19	Total length of potable mains laid or structurally refurbished post 2001	km	1	459.9
D Other				
6C.20	Company area	km ²	0	2,856
6C.21	Number of lead communication pipes replaced for water quality	nr	0	0
6C.22	Supply-side improvements delivering benefits in 2020-25	ML/d	2	0.00
6C.23	Demand-side improvements delivering benefits in 2020-25 (excluding leakage and metering)	ML/d	2	0.05
6C.24	Leakage improvements delivering benefits in 2020-25	ML/d	2	-1.66
6C.25	Internal interconnectors delivering benefits in 2020-25	ML/d	2	0.00
6C.26	Event Risk Index	nr	0	20

6D - Demand management - metering and leakage activities

Year ended 31 March 2021

Line	Item description	Units	DPs	Basic meter	Smart meter	
A	Metering activities - Totex expenditure					
6D.1	New optant meter installation	£m	3	0.001	0.177	
6D.2	New selective meter installation	£m	3	0.000	0.000	
6D.3	New business meter installation	£m	3	0.000	0.000	
6D.4	Residential meters renewed	£m	3	0.002	0.219	
6D.5	Business meters renewed	£m	3	0.000	0.001	
C	Metering activities - Explanatory variables					
6D.6	New optant meters installed	000s	3	0.050	0.655	
6D.7	New selective meters installed	000s	3	0.000	0.000	
6D.8	New business meters installed	000s	3	0.000	0.001	
6D.9	Residential meters renewed	000s	3	0.019	2.271	
6D.10	Business meters renewed	000s	3	0.000	0.007	
6D.11	New residential meters installation – supply-demand balance benefit	ML/d	2	0.00	0.00	
6D.12	New business meters installation – supply-demand balance benefit	ML/d	2	0.00	0.00	
6D.13	Residential meters renewed - supply-demand balance benefit	ML/d	2		0.00	
6D.14	Business meters renewed - supply-demand balance benefit	ML/d	2		0.00	
6D.15	Residential properties - meter penetration	%	1	39.5	18.0	
				Maintaining leakage	Reducing leakage	Total
D	Leakage activities - Totex expenditure					
6D.16	Total leakage activity	£m	3	2.424	0.479	2.903
D	Per capita consumption (excluding supply pipe leakage)					
6D.17	Per capita consumption (measured customers)	l/h/d	2	121.87		
6D.18	Per capita consumption (unmeasured customers)	l/h/d	2	178.76		

7A - Functional expenditure

(waste water network+)

Year ended 31 March 2021

Line	Item description	£'000
A	Costs of STWs in size bands 1 to 5	
7A.1	Direct costs of STWs in size band 1	251.198
7A.2	Direct costs of STWs in size band 2	427.525
7A.3	Direct costs of STWs in size band 3	490.740
7A.4	Direct costs of STWs in size band 4	265.841
7A.5	Direct costs of STWs in size band 5	596.618
7A.6	General & support costs of STWs in size bands 1 to 5	736.450
7A.7	Functional expenditure of STWs in size bands 1 to 5	2,768.372
B	Costs of large STWs (size band 6)	
7A.8	Service charges for STWs in size band 6	0
7A.9	Estimated terminal pumping costs size band 6 works	0
7A.10	Other direct costs of STWs in size band 6	0
7A.11	Direct costs of STWs in size band 6	0
7A.12	General & support costs of STWs in size band 6	0
7A.13	Functional expenditure of STWs in size band 6	0
C	Costs of STWs - all sizes	
7A.14	Total Functional expenditure for Sewage treatment	2,768.372

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

Year ended 31 March 2021

This table is a nil return because Hafren Dyfrdwy has no large sewage treatment works.

7C - Sewer and volume data

(waste water network+)

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A	Wastewater network			
7C.1	Connectable properties served by s101A schemes completed in the report year	nr	0	0
7C.2	Number of s101A schemes completed in the report year	nr	0	0
7C.3	Total pumping station capacity	kW	0	745
7C.4	Number of network pumping stations	nr	0	94
7C.5	Total number of sewer blockages	nr	0	247
7C.6	Total number of gravity sewer collapses	nr	0	5
7C.7	Total number of sewer rising main bursts	nr	0	3
7C.8	Number of combined sewer overflows	nr	0	46
7C.9	Number of emergency overflows	nr	0	6
7C.10	Number of settled storm overflows	nr	0	7
7C.11	Sewer age profile (constructed post 2001)	km	0	31
7C.12	Volume of trade effluent	ML/yr	2	85.39
7C.13	Volume of wastewater receiving treatment at sewage treatment works	ML/yr	2	6,649.34
7C.14	Length of gravity sewers rehabilitated	km	0	0
7C.15	Length of rising mains replaced or structurally refurbished	km	0	0
7C.16	Length of foul (only) public sewers	km	0	124
7C.17	Length of surface water (only) public sewers	km	0	51
7C.18	Length of combined public sewers	km	0	85
7C.19	Length of rising mains	km	0	34
7C.20	Length of other wastewater network pipework	km	0	2
7C.21	Total length of "legacy" public sewers as at 31 March	km	0	296
7C.22	Length of formerly private sewers and lateral drains (s105A sewers)	km	0	196

7D - Sewage treatment works data

(waste water network+)

Year ended 31 March 2021

Line description	Unit	Treatment categories								Total	Phosphorus	
		Primary	Secondary		Tertiary				<=0.5mg/l		>0.5 to <=1mg/l	
			Activated Sludge	Biological	A1	A2	B1	B2				

A Load received at sewage treatment works												
7D.1	Load received by STWs in size band 1	kg BOD ₅ /day	3	0	55	0	0	88	0	146.000	0	0
7D.2	Load received by STWs in size band 2	kg BOD ₅ /day	0	58	58	0	0	171	0	287.000	0	0
7D.3	Load received by STWs in size band 3	kg BOD ₅ /day	0	69	309	0	0	194	0	572.000	0	0
7D.4	Load received by STWs in size band 4	kg BOD ₅ /day	0	503	0	206	0	0	166	875.000	0	166
7D.5	Load received by STWs in size band 5	kg BOD ₅ /day	0	0	0	0	0	698	0	698.000	0	0
7D.6	Load received by STWs above size band 5	kg BOD ₅ /day	0	0	0	0	0	0	0	0.000	0	0
7D.7	Total load received	kg BOD₅/day	3.000	630.000	422.000	206.000	0.000	1,151.000	166.000	2,578.000	0.000	166.000
7D.8	Load received from trade effluent customers at treatment works	kg BOD ₅ /day								212		

B Number of sewage treatment works												
7D.9	STWs in size band 1	nr	1	0	12	0	0	9	0	22.000	0	0
7D.10	STWs in size band 2	nr	0	2	3	0	0	8	0	13.000	0	0
7D.11	STWs in size band 3	nr	0	1	6	0	0	4	0	11.000	0	0
7D.12	STWs in size band 4	nr	0	1	0	1	0	0	1	3.000	0	1
7D.13	STWs in size band 5	nr	0	0	0	0	0	1	0	1.000	0	0
7D.14	STWs above size band 5	nr	0	0	0	0	0	0	0	0.000	0	0
7D.15	Total number of works	nr	1.000	4.000	21.000	1.000	0.000	22.000	1.000	50.000	0.000	1.000

Line description	Unit	Current year
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C Population equivalent			
7D.16	Current population equivalent served by STWs	000	42.738
7D.17	Current population equivalent served by filter bed or activated sludge STWs with tightened/new P consents	000s	0.000
7D.18	Current population equivalent served by STWs with tightened/new N consents	000s	0.000
7D.19	Current population equivalent served by STWs with tightened/new sanitary parameter consents	000s	0.000
7D.20	Current population equivalent served by STWs with tightened/new UV consents	000s	0.000
7D.21	Population equivalent treatment capacity enhancement	000s	0.000
7D.22	Current population equivalent served by STW with tightened / new consents for chemicals	000s	0.000
7D.23	Cumulative shortfall in FFT addressed by WINEP / NEP schemes to increase STW capacity	000s	0.000
7D.24	Additional storm tank capacity provided at STWs	000s	0.000
7D.25	Additional volume of network storage at CSOs etc to reduce spill frequency	000s	0.000

Treatment works consents														
Phosphorus			BOD ₅						Ammonia					
>1mg/l	No permit	Total	<=7mg/l	>7 to <=10mg/l	>10 to <=20mg/l	>20mg/l	No permit	Total	<=1mg/l	>1 to <=3mg/l	>3 to <=10mg/l	>10mg/l	No permit	Total
0	146	146.000	0	0	19	89	38	146.000	0	0	19	13	114	146.000
0	286	286.000	0	29	114	143	0	286.000	0	0	116	81	90	287.000
0	572	572.000	0	0	99	473	0	572.000	0	0	336	97	139	572.000
0	709	875.000	0	0	0	876	0	876.000	0	0	372	503	0	875.000
0	698	698.000	0	0	0	698	0	698.000	0	0	698	0	0	698.000
0	0	0.000	0	0	0	0	0	0.000	0	0	0	0	0	0.000
0.000	2,411.000	2,577.000	0.000	29.000	232.000	2,279.000	38.000	2,578.000	0.000	0.000	1,541.000	694.000	343.000	2,578.000
0	22	22.000	0	0	2	9	11	22.000	0	0	2	2	18	22.000
0	13	13.000	0	1	5	7	0	13.000	0	0	6	3	4	13.000
0	11	11.000	0	0	2	9	0	11.000	0	0	6	2	3	11.000
0	2	3.000	0	0	0	3	0	3.000	0	0	2	1	0	3.000
0	1	1.000	0	0	0	1	0	1.000	0	0	1	0	0	1.000
0	0	0.000	0	0	0	0	0	0.000	0	0	0	0	0	0.000
0.000	49.000	50.000	0.000	1.000	9.000	29.000	11.000	50.000	0.000	0.000	17.000	8.000	25.000	50.000

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

Year ended 31 March 2021

Line	Item description	Units	DPs	Input
A Other				
7E.1	Total sewerage catchment area	km ²	0	15
7E.2	Designated coastal bathing waters	nr	0	0
7E.3	Number of intermittent discharge sites with event duration monitoring	nr	0	2
7E.4	Number of monitors for flow monitoring at STWs	nr	0	0
7E.5	Number of odour related complaints	nr	0	0
B Other				
7E.6	Energy consumption - sewage collection	MWh	3	728.119
7E.7	Energy consumption - sewage treatment	MWh	3	2,667.332
7E.8	Energy consumption - wastewater network +	MWh	3	3,395.451

8A - Bioresources sludge data

Year ended 31 March 2021

Line	Item description	Unit	DPs	Current year
8A.1	Total sewage sludge produced, treated by incumbents	ttds/ year	1	0.0
8A.2	Total sewage sludge produced, treated by 3rd party sludge service provider	ttds/ year	1	0.8
8A.3	Total sewage sludge produced	ttds/ year	1	0.8
8A.4	Total sewage sludge produced from non-appointed liquid waste treatment	ttds/ year	1	0.0
8A.5	Percentage of sludge produced and treated at a site of STW and STC co-location	%	2	0.00
8A.6	Total sewage sludge disposed by incumbents	ttds/ year	1	0.0
8A.7	Total sewage sludge disposed by 3rd party sludge service provider	ttds/ year	1	0.0
8A.8	Total sewage sludge disposed	ttds/ year	1	0.0
8A.9	Total measure of intersiting 'work' done by pipeline	ttds*km/ year	0	0
8A.10	Total measure of intersiting 'work' done by tanker	ttds*km/ year	0	0
8A.11	Total measure of intersiting 'work' done by truck	ttds*km/ year	0	0
8A.12	Total measure of intersiting 'work' done (all forms of transportation)	ttds*km/ year	0	0
8A.13	Total measure of of intersiting 'work' done by tanker (by volume transported)	m ³ *km/yr	0	0
8A.14	Total measure of 'work' done in sludge disposal operations by pipeline	ttds*km/ year	0	0
8A.15	Total measure of 'work' done in sludge disposal operations by tanker	ttds*km/ year	0	0
8A.16	Total measure of 'work' done in sludge disposal operations by truck	ttds*km/ year	0	0
8A.17	Total measure of 'work' done in sludge disposal operations (all forms of transportation)	ttds*km/ year	0	0
8A.18	Total measure of 'work' done by tanker in sludge disposal operations (by volume transported)	m ³ *km/yr	0	0
8A.19	Chemical P sludge as % of sludge produced at STWs	%	2	11.17

8B - Bioresources operating expenditure analysis

Year ended 31 March 2021

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

B	Other operating expenditure					
8B.5	Renewals expensed in year (Infrastructure)	£m	0.000	0.000	0.000	0.000
8B.6	Renewals expensed in year (Non-Infrastructure)	£m	0.000	0.000	0.000	0.000
8B.7	Other operating expenditure excluding renewals - direct	£m	0.000	0.000	0.000	0.000
8B.8	Other operating expenditure excluding renewals - indirect	£m	0.000	0.003	0.000	0.003
8B.9	Total functional expenditure	£m	0.000	0.003	0.000	0.003
8B.10	Local authority and Cumulo rates	£m	0.000	0.000	0.000	0.000
8B.11	Total operating expenditure (excluding 3rd party)	£m	0.000	0.003	0.000	0.003

C	Sludge treatment type		Untreated sludge	Raw sludge liming	Conventional AD	Incineration of raw sludge	Incineration of digested Sludge	Photo-conditioning/ composting	Advanced Anaerobic Digestion	Other	Total
8B.12	Power	£m	0.000	0.000	0.001	0.000	0.000	0.000	0.000	0.000	0.001
8B.13	Income treated as negative expenditure	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.14	Discharge consents	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.15	Bulk discharge	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

D	Other operating expenditure										
8B.16	Renewals expensed in year (infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.17	Renewals expensed in year (non-infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.18	Other direct operating expenditure	£m	0.000	0.000	0.519	0.000	0.000	0.000	0.000	0.000	0.519
8B.19	Other indirect operating expenditure	£m	0.000	0.000	0.018	0.000	0.000	0.000	0.000	0.000	0.018
8B.20	Total functional expenditure	£m	0.000	0.000	0.538	0.000	0.000	0.000	0.000	0.000	0.538
8B.21	Local authority and cumulo rates	£m	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
8B.22	Total operating expenditure (excluding third party services)	£m	0.000	0.000	0.538	0.000	0.000	0.000	0.000	0.000	0.538

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

F	Other operating expenditure							
8B.27	Renewals expensed in year (Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000
8B.28	Renewals expensed in year (Non-Infrastructure)	£m	0.000	0.000	0.000	0.000	0.000	0.000
8B.29	Other operating expenditure excluding renewals - direct	£m	0.000	0.000	0.000	0.000	0.000	0.000
8B.30	Other operating expenditure excluding renewals - indirect	£m	0.000	0.000	0.000	0.003	0.000	0.003
8B.31	Total functional expenditure	£m	0.000	0.000	0.000	0.003	0.000	0.003
8B.32	Local authority and Cumulo rates	£m	0.000	0.000	0.000	0.000	0.000	0.000
8B.33	Total operating expenditure (excluding 3rd party)	£m	0.000	0.000	0.000	0.003	0.000	0.003

8C - Bioresources energy and liquors analysis

Year ended 31 March 2021

This table is a nil return for Hafren Dyfrdwy.

8D - Bioresources sludge treatment and disposal data

Year ended 31 March 2021

This table is a nil return for Hafren Dyfrdwy.

9A - Innovation competition

Year ended 31 March 2021

Line	Item description	Current year £m
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A	Allowed	
9A.1	Allowed innovation competition fund price control revenue	0.095

B	Revenue collected for the purposes of the innovation competition	
9A.2	Price control revenue collected from customers	0.095
9A.3	Non-price control revenue (e.g. royalties)	0.000
9A.4	Revenue collected from customers and transferred into the innovation competition fund	0.000

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

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

In the financial year 2020/21, £0.095 million has been collected from customers. We have an obligation to fund projects or compensate companies as innovation competition funding is ordered, and so we have provided for the full amount. This funding is to be used for the sole purpose of the innovation competition.

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

Supplementary disclosures

Year ended 31 March 2021

a) Borrowings and intercompany lending

Amounts paid to associated companies in the year and related payable balances at the year end are outlined below:

	Amounts paid £m	Interest rate %	Payable balance £m
Severn Trent Water Limited	0.952	3.635%	32.941
Severn Trent Water Limited	29.750	LIBOR + 1.500%	3.341

Amounts received from associated companies in the year and related receivable balances at the year end are outlined below:

	Amounts received £m	Interest rate %	Receivable balance £m
Severn Trent Water Limited	4.750	3.635%	-

b) Transfer of assets/liabilities, omissions, waivers, guarantees

There were no transfers of assets or liabilities to associated companies, no guarantees were issued in favour of associated companies.

There were no rights omitted to be exercised resulting in a reduction in the value of net assets of the company and no waivers of any consideration, remuneration, or any other payment receivable by the company.

c) Supply of services

Services supplied by the appointee to associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Bulk water supplies	Severn Trent Water Limited	1,666.897	Tariff	0.788
Bulk waste water supplies	Severn Trent Water Limited	1,666.897	Tariff	0.035
Water operational services	Severn Trent Water Limited	1,666.897	Cost	1.022
Records management	Severn Trent Data Portal Limited	1.063	Market tested	(0.008)
				1.837

Services received by the appointee from associated companies are outlined below.

Service	Company	Turnover of associate in the period £m	Terms of supply	Value £m
Pass through of management charges	Severn Trent Plc	-	Cost	0.196
Pass through of management charges	Severn Trent Water Limited	1,666.897	Cost	1.381
Retail support services	Severn Trent Water Limited	1,666.897	Cost	0.095
Wholesale support services	Severn Trent Water Limited	1,666.897	Cost	1.441
Bulk water supplies	Severn Trent Water Limited	1,666.897	Tariff	3.262
Bulk waste water supplies	Severn Trent Water Limited	1,666.897	Tariff	0.036
Water operational services	Severn Trent Water Limited	1,666.897	Cost	1.434
Waste water operational services	Severn Trent Water Limited	1,666.897	Cost	1.346
Treatment of imported sludge	Severn Trent Water Limited	1,666.897	Cost	0.366
Tankering fleet services	Severn Trent Water Limited	1,666.897	Cost	0.293
Technology services	Severn Trent Water Limited	1,666.897	Cost	0.616
				10.466

d) Service provided to the non appointed business

Service	Basis of recharge	Value of recharge £m
Other water companies billing activities	Direct and indirect costs	1.621
Rental income	Direct and indirect costs	0.008
		1.629

e) Group relief charges for tax losses

Charges are made between UK entities for the receipt of tax losses within the Severn Trent Group at the prevailing corporation tax rate in the period (FY21 - 19%).

Company	Turnover of associate in the period £m	Terms of supply	Value £m
Severn Trent Water Limited	1,699.522	Cost	-1.723

Appendix A: APR assurance approach and outputs

Appendix A: assurance approach and outputs

In this appendix you will find:

The APR assurance approach during COVID-19

APR specific governance approach

How we approach APR assurance

Outcome of assurance

A.1 The APR assurance approach during COVID-19

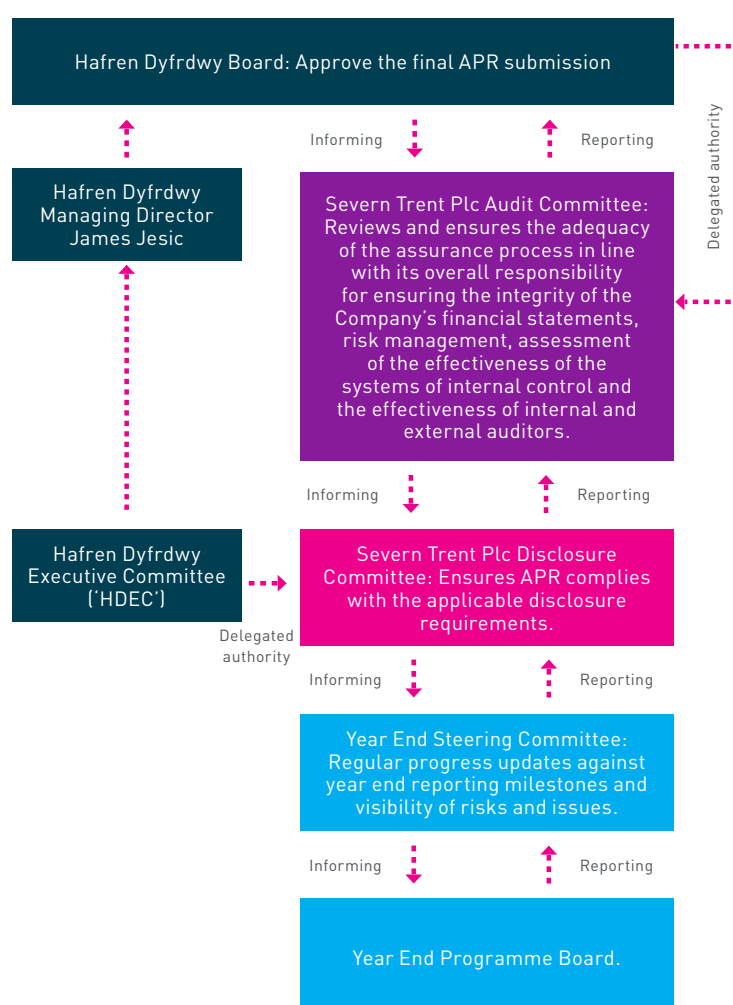
The 2020/21 APR assurance plan uses our established risk-based three lines of assurance approach to ensure it has been given the appropriate level of governance and assurance. You can read more about our company governance and assurance frameworks in [Risks, Strengths and Weaknesses statement and Assurance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

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

A.2 APR specific governance approach

Our compliance framework incorporates Ofwat's most recent APR and regulatory reporting requirements, the 2020/21 revised RAGs, and wider company duties (including Welsh Government directives such as the Well-being of Future Generations (Wales) Act 2015, which has helped us to shape some of our bespoke PCs).

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



A.3 How we approach APR assurance

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

As part of the performance reporting we are required to publish regulatory accounts that, among other things, set out financial information:

- On the allocation of cost by price control and subsections of the value chain;
- On non-appointed activity; and
- On transactions between associated companies.

In reporting on the above, we are required to comply with Ofwat's RAGs including 'RAG 2.08 Guideline for classification of costs across the price controls' and 'RAG 5.07- Guideline for transfer pricing in the water and sewerage sectors'. Over and above the RAGs, our licence places an obligation on us to ensure that every transaction between the appointee and any associated company is at arm's length, so that neither gives to nor receives from the other any cross subsidy (Condition F and Condition P). This also applies to the appointed and non-appointed activity within the Appointee. We have a number of controls in place to ensure that we apply the requirements as set out by Ofwat. Cost allocation activities within our Finance Team are subject to our established three lines of assurance process (the approach and outcome are explained on page 149). This area remains a focus for us with the introduction of new price controls this year, and to make sure that we allocate the correct costs to the correct areas of the Severn Trent Group.

A.3.1 First line assurance

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

Each line of the APR data tables are reviewed by our first line of assurance. This activity is undertaken by the teams responsible for reporting the data so that colleagues, with the right expertise, are conducting in-depth quality checks at the time the data is produced. They are also responsible for maintaining effective internal controls, implementing corrective actions to address process and control deficiencies if identified.

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

A.3.2 Second line assurance

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

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

A.3.3 Third line assurance

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

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

Internal Audit

Internal Audit performed several checks as part of its assurance to ensure that:

- [Processes followed were appropriate to produce the data required for our APR submission.
- Historical data used in the tables could be traced back to source or previously published information.
- Data was produced in line with the methodology documents and RAG4 requirements.
- Data from the working files was agreed to the APR data tables to be submitted.
- A sample of business cases were reviewed to check the correct allocation of costs.]

Deloitte financial audit opinion

Deloitte provided financial audit procedures over sections 1 and 2 of the APR. These sections provide a baseline level of historical cost financial information and are aligned to our price controls and associated regulatory performance commitments and incentives set out in Ofwat's 2019 Final Determination.

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

This is detailed in Deloitte's audit opinion, on page 63.

Jacobs technical assurance

The technical assurance applied by Jacobs complements our risk-based assurance framework, which is in part, informed by previous assurance findings, as well as emerging risk, and stakeholder feedback. Jacobs provided a staged approach to technical assurance on the elements of the APR that are tabled below. Stages one and two focused on documentation and process and were undertaken on measures where there had been changes to processes. During stage one, Jacobs reviewed the process description templates ('PDT's) which are followed to report against PCs. Stage two included a desktop review and interviews conducted virtually via Microsoft Teams. The reviews ensure that:

- Processes are in place to produce data that is consistent with the RAGs, PC definition or non-financial data definition.
- Improvements and changes in processes from previous assurance rounds are clearly stated.
- Accountability and responsibility for each stage of the process is clear with dependencies, assumptions, risks and mitigations identified.
- There are appropriate checks and controls identified.

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

- Data produced is consistent with the PDT and any deviations are identified and evidenced.
- Any rewards/penalties and data points are calculated in line with our Final Determination requirements. This focuses on the mechanistic calculation to give the gross reward/penalty position.

The assurance approach is summarised over the next few pages.

Regulatory Accounts

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

* See note on Deloitte financial audit opinion for 1F on page 152.

Performance Summary

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

Additional regulatory information - service level

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

Additional regulatory information - water resources

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

Additional regulatory information - water network plus

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

Additional regulatory information - waste water network plus

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

Additional regulatory information - bioresources

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

Additional regulatory information - innovation competition

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

A.4 Outcome of assurance

Our outcomes of assurance provide oversight of the assurance and audit activities completed by our third line assurance providers, both financial and non-financial. We have included letters of assurance from our technical assurers, Jacobs on page 30 of the APR. Deloitte provide an audit opinion on the Regulatory Accounting Statements on page 63.

Internal Audit outcome

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

Deloitte audit opinion

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

- The company's regulatory accounting statements covered by the opinion have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issues by the WRSA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12);
- proper accounting records have been kept by the Appointee as required by Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.



Jacobs' assurance outcome

Cost Allocation	
Requirements	Assurance undertaken
<p>We are required to publish regulatory accounts that, among other things, set out financial information:</p> <ul style="list-style-type: none"> • On the allocation of costs by price control and subsections of the value chain; • On non-appointed activity; and • On transactions between associated companies. <p>In reporting on the above, we are required to comply with Ofwat's RAGs including 'RAG 2.08 - Guideline for classification of costs across the price controls' and 'RAG 5.07 - Guideline for transfer pricing in the water and sewerage sectors'.</p> <p>Our licence also places an obligation on us to ensure that every transaction between the Appointee and any associated company is at arm's length, so that neither gives to nor receives from the other any cross subsidy (Condition F and Condition P). This also applies to the appointed and non-appointed activity within the appointee. Ofwat expects transactions between STW and HD to be at arm's length.</p>	<p>We asked Jacobs to review a sample of our cost allocation processes. We selected the sample based on the associated risk. The Jacobs scope covered:</p> <ul style="list-style-type: none"> • Allocations across price controls within HD and STW; • Allocations between appointed and non-appointed activity within HD and STW; and • Allocations and recharges of costs between the associate companies HD and STW. <p>Consistent with previous work in this area, Jacobs reviewed the documentation and processes with a focus on the consistency of the allocation approach with the RAGs. To that end, Jacobs sought to understand:</p> <ul style="list-style-type: none"> • The areas / activities that were being provided; • The costs associated with that activity; • How those costs are recharged, allocated and why; and • How our approach is compliant with the RAG.
Assurance outcome	
<p>Jacobs identified no material issues, and concluded 'Overall, based on our scope we consider:</p> <ul style="list-style-type: none"> • the Company has a full understanding of, and meets all of its relevant statutory, licence and regulatory obligations in all material respects; • the Company has sufficient processes and internal systems of control to fully meet its obligations; and • systems and processes are in place to ensure that the company undertakes transactions entered into by the appointed business with or for the benefit of associated companies, or other businesses or activities, or activities of the appointed business at arm's length.' 	

Full-year performance commitments

Requirements

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

Assurance undertaken

Jacobs' scope of assurance work included checking the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed;
- The processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;
- The processes are managed with a system of governance that demonstrates a sufficient system of internal control; and
- Data is competently sourced, processed and reported and fit for purpose.

Assurance outcome

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

- the processes used are robust, enabling risks to be identified, managed and reviewed;
- the processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;
- the processes are managed with a system of governance that demonstrates a sufficient internal system of control; and
- data is competently sourced, processed and reported and fit for purpose'.

Full-year Non-Financial

Requirements

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

Assurance undertaken

Jacobs' scope of assurance work included checking the following:

- The processes used are robust, enabling risks to be identified, managed and reviewed;
- The processes are sufficient, demonstrating an internal system of control and are consistent with the requirements of the regulatory obligations;
- The processes are managed with a system of governance that demonstrates a sufficient system of internal control;
- Data is competently sourced, processed and reported and fit for purpose; and
- The company has a full understanding of their regulatory obligations.

Assurance outcome

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

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

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

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

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

Hafren Dyfrdwy is required to report greenhouse gas emissions in the Directors' report within its **Annual Report**. This year, in line with new environmental reporting guidelines, we have also included additional energy data and more detail on how we manage energy use.

As Severn Trent Group, we have committed to achieving net zero operational carbon emissions by 2030, building on our long track record of making year-on-year reductions in our net emissions. We have now also made commitments to generate or procure 100% renewable electricity and move our fleet to 100% electric vehicles by 2030. We have also committed to setting targets under the stringent Science Based Target methodology.

As the majority of our carbon emissions are driven by our use of energy, managing carbon also means managing costs. We therefore aim to reduce carbon emissions and increase our generation of renewable energy.

The Severn Trent Group has held the Carbon Trust Standard continuously since 2009, which recognises our consistent emissions reductions and effective carbon management processes. We continue to report to the CDP each year which means our climate change information is publicly accessible. CDP requests information about climate change from companies on behalf of investors and scores each company on the quality and completeness of their responses. In 2019/20 our CDP score was B, an improvement from C in 2018/19.

To reduce our operational emissions further in Hafren Dyfrdwy we will continue to focus on improving our energy efficiency to offset the additional demands of a growing population and more stringent treatment quality requirements and increase the amount of renewable-backed energy we buy. We will also continue to decarbonise our fleet and encourage employees to take up low-carbon electric cars.

Pursuing these measures will continue to reduce our key sources of emissions, reduce our reliance on the electricity grid and bring financial benefits for our customers.

As we have successfully reduced our Scope 2 emissions, we are now focusing more on our Scope 1 emissions, which are not as clearly aligned with financial incentives and will require more innovation to solve.

Our GHG data is reported internally during the year to the Severn Trent Plc Corporate Sustainability Committee and to the Hafren Dyfrdwy Cyfyngedig Board. We have subjected our GHG data and processes to external assurance by Jacobs. Our approach to reporting is based on the GHG Protocol Corporate Accounting and Reporting Standard. We have included only emissions from the assets which we own and operate and which we can directly influence and reduce, known as the financial control boundary. We have not reported on indirect Scope 3 emissions.

We have calculated our emissions using the updated 'Carbon accounting in the UK Water Industry: methodology for estimating operational emissions, Version 15' (released in 2021). This is a peer-reviewed calculation tool developed and used by all the major water companies in the UK. It is updated each year to include the latest available emissions factors. All emissions arise in the UK.

Strengths

- Clear and ambitious Group targets on carbon (2030 triple carbon pledge and Science Based Targets).
- Strong leadership commitment and support from stakeholders and customers.
- Strong track record of carbon accounting, reporting and reduction.
- Collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.
- Best practice energy management approach with dedicated expertise and efficiency investment.

Weaknesses

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

Opportunities

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

Threats

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



Focus	Water (tCO ₂ e)	Waste water (tCO ₂ e)	Total
Scope 1 emissions			
Direct emissions from burning of fossil fuels	7	13	
Process and fugitive emissions	0	214	
Transport: Company owned or leased vehicles	249	249	
Total Scope one emissions	256	476	
Total Scope one emissions by GHG type		CO ₂	510
		CH ₄	0.1
		N ₂ O	221
Scope 2 emissions			
Grid electricity used by company (including Combined Heat and Power ('CHP') electricity purchased). Location-based method	4,187	734	
Scope 3 emissions			
Business travel on public transport and private vehicles used for company business	0	0	
Outsourced sludge tanker activity	0	0	
Electricity transmission and distribution ('T&D')	360	63	
Total Scope three emissions	360	63	
Total Scope three (from business travel, outsourced sludge tankers and electricity T&D) emissions split by GHG type		CO ₂	419
		CH ₄	1
		N ₂ O	3
Gross operational emissions (Scope 1, 2 and 3)			
By area (water and/or waste water)	4,803	1,273	
Overall total			
Exported renewables (generated onsite and exported)	0	0	
Emissions reduction from purchased renewable energy (market-based carbon accounting benefit)	-4,187	-734	
Total net operational emissions	616	539	
	Water	Waste water	
Annual operational GHG intensity ratio values	204.05	180.97	
Units	kgCO ₂ e/ML DI	kgCO ₂ e/ML FFT	

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

Embedded emissions

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

Strengths

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

Weaknesses

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

Opportunities

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

Threats

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

