

# ANNUAL PERFORMANCE REPORT

HAFREN DYFRDWY CYFYNGEDIG

2023/24



HAFREN

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WONDERFUL ON TAP

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## TAKING CARE OF ONE OF LIFE'S ESSENTIALS

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This Annual Performance Report ('APR') covers the year from 1 April 2023 to 31 March 2024 and is our fourth APR to be published for the 2020-25 period (known as 'AMP7').

## WELCOME TO THE HAFREN DYFRDWY ANNUAL PERFORMANCE REPORT 2023/24

### Croeso!

We are delighted to present this year's APR for Hafren Dyfrdwy, which covers the fourth year of AMP7. We hope you enjoy reading about our performance and activities during the year and our plans for the future.

The APR provides our customers and other stakeholders with clear and transparent information on all aspects of our performance in 2023/24, 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 our customers and stakeholders with:

A clear and assured account of our financial performance for each price control, based on Ofwat's regulatory accounting 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.



**John Coghlan**  
Chair  
Hafren Dyfrdwy Cyfyngedig



**James Jesic**  
Managing Director  
Hafren Dyfrdwy Cyfyngedig

## ADDITIONAL REGULATORY AND STATUTORY PUBLICATIONS

In addition to the APR, the following documents are available in our [Regulatory Library](https://hdcymru.co.uk) at [hdcymru.co.uk](https://hdcymru.co.uk):

**Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts** for the year ended 31 March 2024.

**APR data tables** have been published separately in order to make our data freely available to everyone to access, use and share.



Every five years, water companies in Wales and England put together their plans for the future.

Our **PR24 Business Plan** sets out our proposed investment for 2025-30, based on what is important to our customers, communities, regulators and Government.

**Regulatory Reporting and Assurance Approach**



**Our approach to regulatory reporting and assurance** sets out the rigorous and robust assurance and performance reporting framework we have in place.

**Our accounting methodology statement** which explains the systems and processes used to populate the data tables in our regulatory accounts.



## ABOUT US

As one of the 11 regulated water and wastewater companies in Wales and England, Hafren Dyfrdwy provides Mid and North-East Wales with high-quality services at one of the most affordable prices in Wales and England. We are regulated by Ofwat, the economic regulator of the water sector in Wales and England.

Companies' business plans, as part of a five-yearly price review, set out their plans for investment, performance improvements and the potential impact on customers' bills for the upcoming Asset Management Plan ('AMP') period. We have been working on our plans for the period 2025-30 ('AMP8') and submitted these to Ofwat in October 2023.

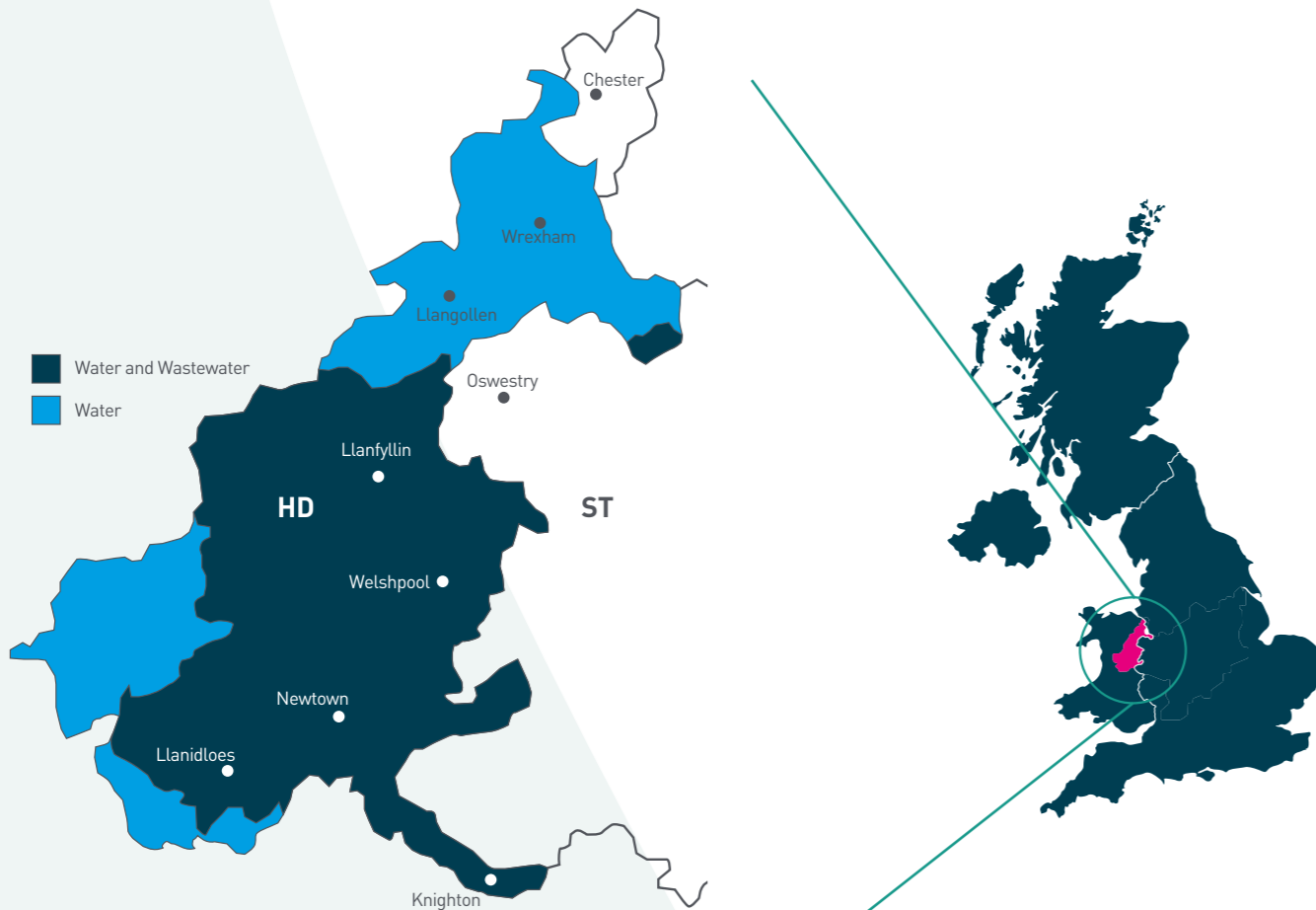
Ofwat's Draft Determinations were issued on 11 July 2024 and Final Determinations are expected in December 2024.

We are pleased to present our performance for the fourth year of AMP7, which is produced in line with

Ofwat's guidance. The report provides clear and transparent information on progress against the delivery of our customer commitments, service levels, costs and financial and environmental performance.

We have applied our established assurance approach to the data and narrative contained within this APR and, where relevant, to the supporting publications which are referenced throughout this report. This ensures that the information we provide is appropriately challenged, reviewed and approved.

Hafren Dyfrdwy Cyfyngedig is a subsidiary of Severn Trent Draycote Limited and Severn Trent Plc is its ultimate parent company. Severn Trent Plc is listed on the London Stock Exchange. The full ownership structure of Hafren Dyfrdwy within the Severn Trent Group can be found on the Severn Trent Plc website. Additional information about Severn Trent Plc, along with its 2023/24 Annual Report and Accounts, is available on the Severn Trent Plc website.



## 2023/24 OVERVIEW AND PERFORMANCE HIGHLIGHTS

### Quick facts

**59 million**  
Litres of drinking water supplied each day

**19 million**  
Litres of wastewater treated each day

**109,032**  
Households and businesses served

**207**  
Average number of employees during the year



**Delivering water that is good to drink and is always there**

**Wastewater taken safely away**

**Customer, community and environment**

**140**

Lead pipes replaced

**37%**

Year-on-year improvement in supply interruption duration

**Bills around £1 per day**

Lowest average combined bills in Wales and England

**62%**

Improvement in drinking water complaints across AMP7

**0**

Serious pollutions (Category 1 and 2) extending our run to over 13 years

**c.£51,000**

Awarded to six charitable projects in the region during the year

**0.11**

Forecast industry-leading Compliance Risk Index score\*

**11%**

Increase in customer bills supported year on year

**132**

Hectares of land with improved biodiversity

**Read more about our performance in the Performance Summary section.**

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

# OUR STRATEGY

## Introduction to our strategy

**We are a proud, local company serving over 109,000 households and businesses across our communities in Mid and North-East Wales. We are really proud of being a custodian of a valued Welsh asset – its water – as well as working in such a rich, natural environment.**

Our strategy recognises the important role our company plays in the lives of local people, for our environment and within Wales more broadly. It is underpinned by a set of seven strategic priorities, which help guide us, and ensure we do right by all our stakeholders and deliver on Welsh policy goals and priorities – such as the Well-being of Future Generations.

We believe such delivery is achieved by striking the right long-term balance across our customers and communities, the environment we depend on and our workforce.

From improving ODI performance to our active involvement in the Wales Better River Quality Taskforce, and from making progress towards net zero to expanding our social tariff offering, our strategy both captures and furthers our hyper-local ambition.

## Our seven strategic priorities

1. Increase our abilities to source and deliver water to **guarantee future water supplies**
2. Help our customers to be more water conscious to **ensure water is used more wisely**
3. Deliver a **high-quality, affordable service** and support our most vulnerable customers
4. Improve the resilience of our network to **lower the risk of flooding and pollution**
5. Adopt more sustainable practices to **protect and enhance our environment**
6. Work with our communities to make a **positive social difference**
7. Invest in our high performing culture to **maintain a safe, inclusive and fair workplace**

These priorities not only drive us to be a leading, community-focused water and wastewater company, but also that we continue to make a meaningful and positive environmental and social difference, not only to our local region, but to Wales as a whole.

In delivering our services and sustainable improvements in performance, we recognise the importance of harnessing strong connections and close relationships with our customers and communities. In turn, this helps us deliver the operational and financial performance our stakeholders expect. Successful delivery is not about putting any specific outcome or stakeholder's need first, rather it is found by striking the right balance between the needs of our customers and communities, the environment we depend on and our workforce.

## Underpinned by our values

Our **courage** drives us to set bold ambitions, our **curiosity** inspires us to try new approaches, our **caring** culture promotes fairness and equality for our people, customers and communities, and our **pride** ensures that we succeed on this journey.



### Having Courage

We always do the right thing and have courage to challenge the norm and speak up if things aren't quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.



### Showing Care

We keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.



### Embracing Curiosity

We search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.



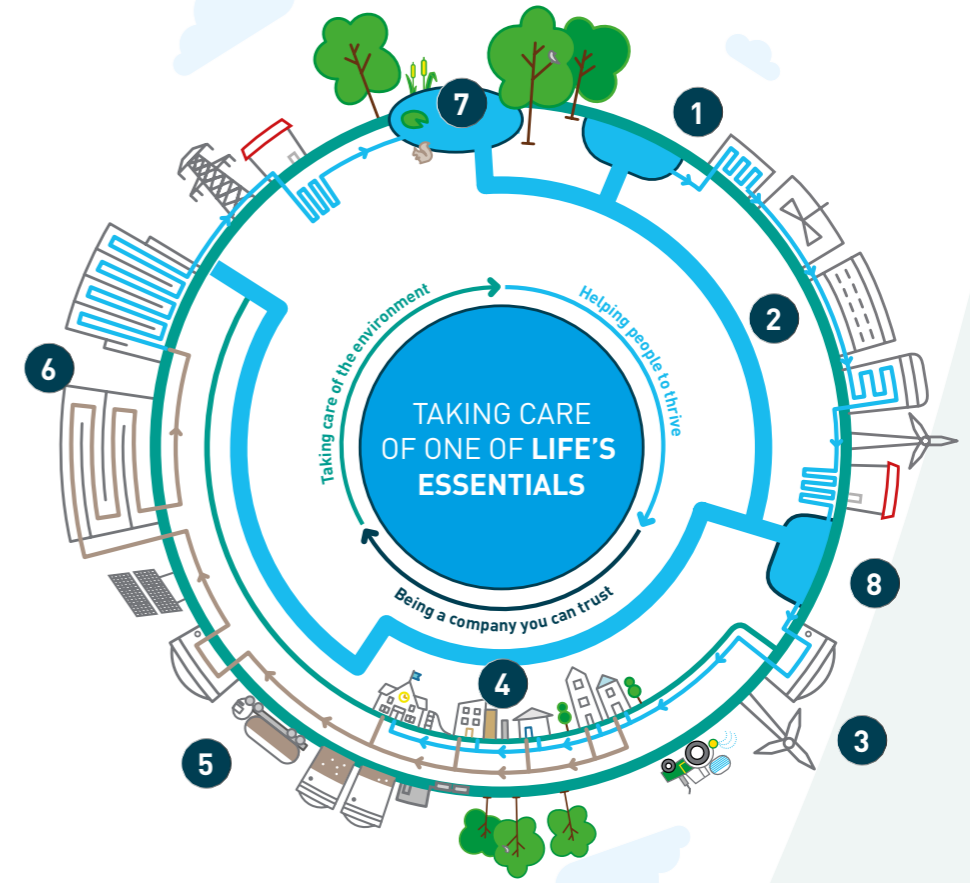
### Taking Pride

We make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.

# OUR BUSINESS MODEL

## What we do

**We provide clean water and wastewater services and develop renewable energy solutions through our business. In the course of providing these services, we create social and environmental value across Mid and North-East Wales.**



### 1 Collect raw water

We collect water from reservoirs, rivers and underground aquifers across our region.

### 2 Clean raw water

Our groundwater and surface water treatment works clean raw water to the highest standards, making it safe to drink.

### 3 Distribute clean water

Our network of pipes and our enclosed storage reservoirs bring a continuous supply of clean water direct to our customers' taps.

### 4 Customers enjoy our services

More than 109,000 households and businesses use our services, delivered by a team of over 200 employees, and supported by our local contact centres, always ready to help.

### 5 Collect wastewater

Our network of sewers and pumping stations collect wastewater from homes and businesses and take it to our wastewater treatment works.

### 6 Clean wastewater

Wastewater is carefully screened and treated in our wastewater treatment works to meet stringent environmental standards.

### 7 Recycle water to the environment

We safely return treated water to rivers and watercourses.

### 8 Renewable energy

We invest in hydro technology to help us keep our energy costs down as well as contributing to our net zero plans.

## OUR COMMITMENT TO IMPROVING STORM OVERFLOWS

Storm overflow spills are one of the biggest issues facing our sector today and we are firmly committed to reducing their usage as quickly as possible to meet the expectations of our customers and wider stakeholders.

We are an active member of the Better River Quality Taskforce in Wales<sup>1</sup>, which is aiming for rapid change and improvement in the management and environmental regulation of overflows. A particular focus for the Taskforce is reducing the adverse impact of overflow discharges – in other words, reducing harm. To help prioritise our overflow improvements we assess potential impact, in line with Natural Resources Wales ('NRW') guidelines, on the environment and expected reductions in harm. Alongside this, we have a broader objective to reduce the average number of spills across our overflows to fewer than 20 a year.

Through the PR24 process, we are seeking to strike the optimal balance across reducing the average number of spills, identifying overflows with the potential to cause harm and the impact these activities have on bills and customer affordability. Reflecting our Get River Positive ambitions, alongside the growing public and stakeholder focus on spills, we are planning to submit a new overflow investment proposal to accelerate activities delivering reductions in spill frequency by 2030.

### What are storm overflows?

Every day, we take away over 19 million litres of wastewater from toilets, bathrooms and kitchens in homes and businesses. But wastewater also flows into our network from roads, highways and public spaces; combining and flowing through our 496 km network of pipes to on of our 50 wastewater treatment works to be treated safely and returned to the environment. During periods of sustained rainfall, the volume of wastewater entering our network increases significantly and, as we have seen this year, weather patterns are changing with some of the wettest months on recorded.

Like many other countries, the UK's sewerage system was designed as a combined system, with a single piped network which collects wastewater from homes and businesses and also collects rainwater from roofs, roads and other hardstanding areas. To mitigate the risk of flooding properties when there is too much water in the system, for example in periods of sustained rainfall, the combined sewerage system was designed with overflows. These act as relief points during heavy rainfall allowing diluted flows to discharge into rivers and watercourses to protect customers' homes from flooding. We have 50

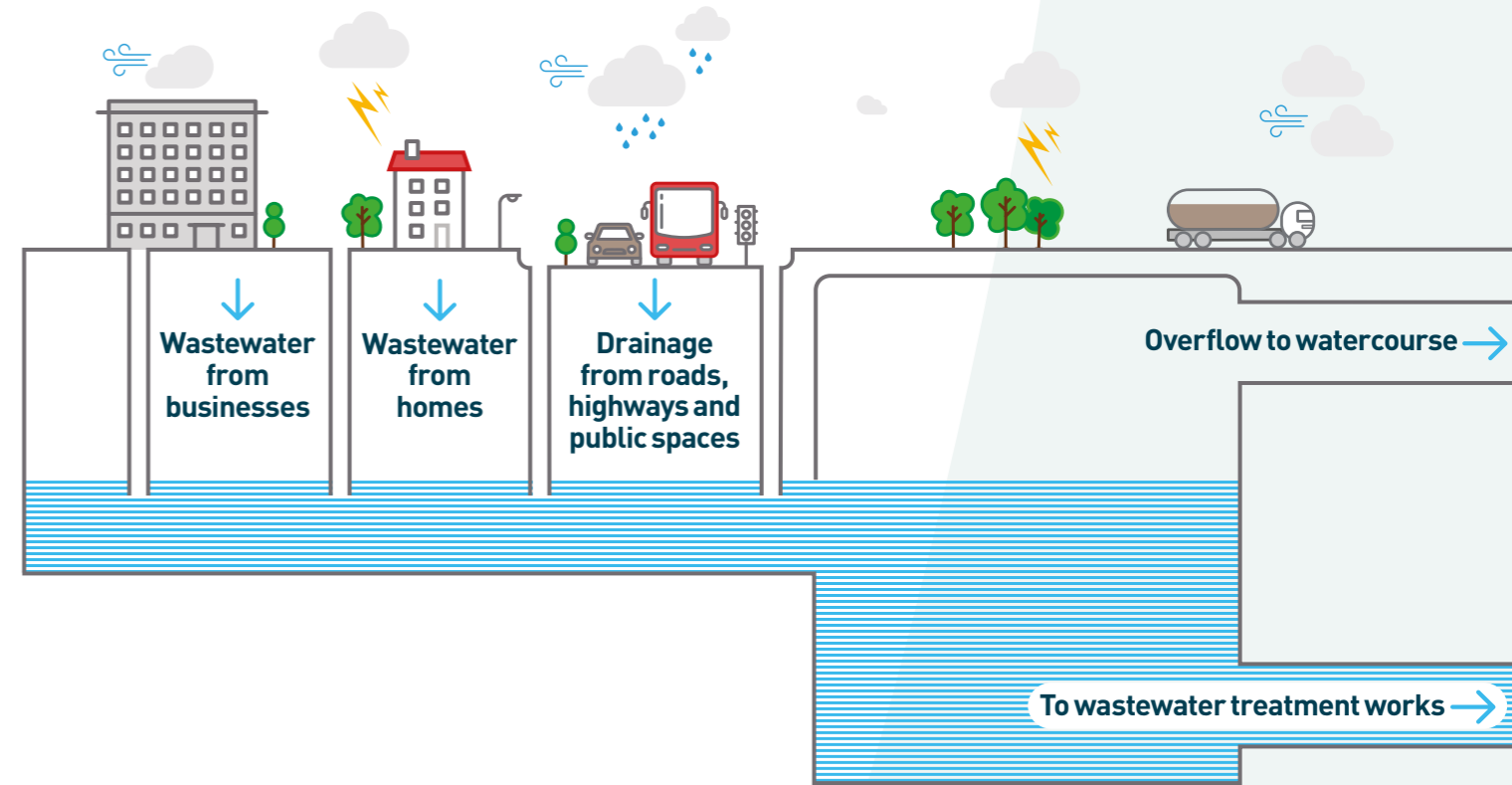
overflows within our wastewater system and these are made up of a mix of overflows on our network (commonly referred to as combined sewer overflows 'CSOs') and those located on our wastewater treatment sites.

Each overflow is designed in accordance with a permit condition as outlined by NRW. The permits specify the conditions under which a spill is permitted. Whilst these overflows operate within permit conditions and serve an important purpose, our stakeholders care deeply about reducing their usage – and so do we. NRW has set stringent targets to protect the environment and specific deadlines to ensure no storm overflow is causing harm by 2040, with an interim target of 60% by 2030 and 80% by 2035. Our entire organisation is energised to deliver this. We are also focused on reducing our number of spills and we are determined to achieve our stretch ambition to nearly halve our number of spills by 2030. We are investing and working hard to deliver the reductions we have committed to, while at the same time protecting customers' homes and businesses from sewer flooding as we implement our solutions.

### How do we monitor storm overflows?

How we monitor and report overflow performance is strictly defined by NRW, and every year water and sewerage companies in Wales are required to formally submit performance data to NRW. All of our storm overflows have Event Duration Monitors ('EDMs') installed which report the number of times they spill, when they are spilling, and the length of time each overflow discharged. We were the first water company in Wales to install EDMs on 100% of our overflows. Taking measurements every 2-15 minutes and providing over 12.5 million data points per year, this insight is helping to inform our knowledge and prioritise what action and investment is needed. In addition to our EDMs, we also have 12 early warning monitors fitted across our network which continually analyse changes in depth and/or flow so we can proactively identify and respond to any potential problems before they occur.

We take the delivery of our commitments incredibly seriously and we believe transparency is vital to demonstrate our progress to customers and broader stakeholders. Our EDM data is subject to several levels of internal and external assurance before it is reported to the regulators. To ensure we are being transparent with our customers and stakeholders, we publish our annual EDM data containing all of the monitoring information for our storm overflows on our website each year. We have also developed an online storm overflow map in an accessible format that provides live updates on all of our overflows. Our storm overflow ('SO') performance of 38.8 spills on average in 2023 (against 24.9 in 2021 and 29.0 in 2022).



An increase in utilisation of overflows was not unexpected given the higher levels of rainfall observed this year – being 34% more than during 2022/23 – however we were still disappointed by the increase. While we have felt its impact, weather cannot be an excuse for us or our sector. Climate change is something we must all adapt to, and it is our job to protect our customers and the environment from

its impact on our operations. The unprecedented weather this year has highlighted that we need to go further, move quicker, and find more creative and innovative solutions to meet the expectations of our stakeholders.

### Delivering improvements in 2023/24

This year we have invested in a programme of interventions to deliver near-term improvements to our SOs. To ensure we make demonstrable progress, at the pace our stakeholders expect, we have assembled a team of operational, engineering and regulatory staff to focus specifically on spills. This team reports directly into our Executive Committee to ensure maximal oversight on the pace of our improvement activities.

We are proud of our collaborative approach and are sharing our insights with the wider sector, drawing on expertise from across the Severn Trent Group.

A summary of our progress during 2023/24 is set out below, including case studies of schemes completed to bring the scale and pace of our activity to life:

- Three treatment works have been identified as suitable for additional storage and this will be delivered in 2024/25. Where we already planned for additional storage, we have reviewed those plans again and taken the opportunity to increase the size where it is environmentally impactful to do so.

These assets will allow us to capture and store more flows during periods of high rainfall and dramatically reduce spills at those sites;

- We have intervened at five treatment works to expand the treatment capacity through optimisation of our process, reducing spills to the environment and freeing up our storm storage for periods of particularly high rainfall. A further site has been identified as suitable for the addition of submerged aerated filter ('SAF') treatment units;
- We have identified three smaller sites that are particularly suited to the addition of reed beds that will provide nature-based treatment and prevent storm sewage entering rivers;
- We have loaded all SOs into 'Storm Harvester'. This is a platform that uses machine learning to identify whether an overflow is providing unusually elevated flow readings that might reflect a downstream blockage, allowing us to intervene ahead of this becoming a problem and prevent untreated wastewater entering rivers;

- We have reviewed the asset information on all of our network SOs from previous surveys, regular operational visits and telemetry data to identify areas where quick wins interventions are available;
- We have undertaken modelling of nearly half of the CSOs in our network to establish whether there is an opportunity to modernise them and increase the weir height without increasing sewer flooding risk. This enables us to increase the flow of wastewater to our treatment works, reducing the potential for a spill into the river. We have identified four significant opportunities already;
- Two network SOs have been identified as being at risk of the river flowing into them, triggering our EDM to record a false spill and overloading the capacity of our sewers with river water. These have been fitted with either a flap valve or a non-return valve, that will prevent river inflow into our network, which would fill our sewers with river water; and
- In a similar intervention, we have identified manholes that are susceptible to river flooding (being flooded by high river levels) and are sealing them to prevent this resulting in river inflow into our network.

## TREATMENT CAPACITY

At Pentrefelin treatment works, we identified an opportunity to increase how much sewage was treated by optimising our process.

In 2023, we recorded 62 spills at this site, but since implementing these changes in January 2024, we have had just one spill.

## RAISING WEIR HEIGHT

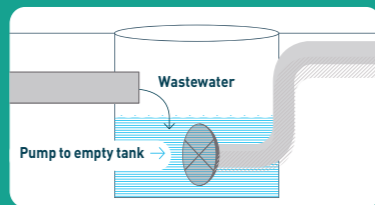
In Carno, our modelling shows that by raising the height of the weir within the overflow chamber we can drastically reduce the number of spills from 31 per year. This change increases the flow of wastewater to our treatment works just downstream from where we are building more storage to meet our National Environment Programme commitment and are going above and beyond this requirement so we can maximise the flows that we catch and treat during periods of intense rain.

### Investment

### Solution – how it works

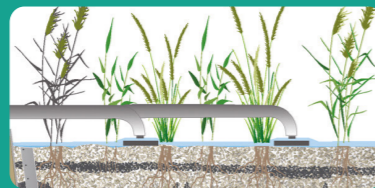
New storage capacity, including large-scale storm tanks and smaller modular solutions, including SAFs, that can be deployed at scale.

Water butts supplied to customers' homes to reduce surface water.



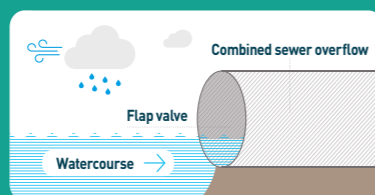
Storm tanks hold wastewater back during severe weather events before returning it to our treatment works when rainfall has subsided and capacity to treat is available.

Nature-based treatment, such as reed beds.



Reed bed systems help treat increased wastewater flows during severe weather events, reducing the treatment required when rainfall has subsided and capacity to treat is available.

Installation of solutions to optimise assets, such as flap valves and enhancement at specific CSOs.



Flap valves work as a safety mechanism during periods of severe weather, by stopping river inundation into our treatment works when river levels are high.

## GET RIVER POSITIVE – 2024 UPDATE

**Rivers are the beating heart of the environment in which we live and are places where we can come together and celebrate nature. They do so much for the communities around them. As a water company, we know that we can do more to protect and improve the health of rivers.**

We are going beyond that and enhancing them – for our children, and for our children’s children too.

We have joined forces with Dŵr Cymru Welsh Water, Welsh Government, NRW and Ofwat to form the Better River Quality Taskforce, with independent advice from Afonydd Cymru and Consumer Council for Water ('CCW'). Together we are looking at how we all manage the water environment in Wales and working to deliver detailed plans to drive rapid change and improvement.





### Pledge One

#### Ensure storm overflows and sewage treatment works do not harm rivers

- Using better data, we will find and fix problems quicker than ever before. By reviewing EDM data from the last three years, we are developing improvement plans for each of our overflows, prioritising those with potential for causing harm (for example, due to high number of spills or sensitivity of the receiving water body).
- Working in partnership with the Taskforce to deliver the Storm Overflow Roadmap. We continue to review the actions set out under the Roadmap and how we can deliver against them for the benefit of the environment and our customers. We have been working with NRW to implement the new storm overflow classification approach, GN066, a new methodology that focuses on assessing and then reducing environmental harm. This engagement has involved extensive consultation and collaboration to ensure that a methodology is established ahead of the process going live. This process has provided an opportunity for Hafren Dyfrdwy to leverage expertise within the larger Severn Trent Group Data Science Team and share that with both NRW and Dŵr Cymru Welsh Water to help improve outcomes for people and rivers across Wales.



### Pledge Two

#### Create more opportunities for everyone to enjoy our region's rivers

- Working with local clubs to increase opportunities for water-based activities at our reservoir sites. We are working with Denbighshire County Council and local outdoor activities organisations, based in Llangollen, to create a new access point into the River Dee for rafts and kayaks, from our site at Horseshoe Falls.



### Pledge Three

#### Support others to improve and care for our rivers

- Making sure that our Community Fund continues to offer support to community groups and charities that are improving our region's rivers. Since the Community Fund's inception in 2021, we have supported nine community environmental projects to a value of over £50,000.
- Using our convening powers to help others address their contribution to river health and wider natural environment. We continue to support the current First Minister's action plan to relieve pressures on Special Areas of Conservation ('SAC') river catchments, tackling pollution and addressing planning constraints. In developing our PR24 Business Plan, we have identified an opportunity to work with our neighbouring water companies – United Utilities, Dŵr Cymru Welsh Water and Severn Trent Water – to form the Dee Water Partnership. We will work alongside farmers, other landowners and tenants to promote land management best practices and reduce the risk of high turbidity levels in the River Dee and its tributaries, which can pose a significant risk to drinking water supplies across the Dee catchment.



### Pledge Four

#### Enhance our rivers and create new habitats so wildlife can thrive

- Protecting, improving and creating new habitats for native wildlife to thrive – such as curlew, black grouse and the Welsh Clearwing moth. As well as routine management of birch trees within the Welsh clearwing moth habitat at Lake Vyrnwy, 351 locally-grown native broadleaf trees were planted to create a better 'ffridd'<sup>1</sup> composition. Three hen harrier nests were identified on the Vyrnwy Estate, with a further three nearby, producing a total of 13 chicks in 2023, a number of which are now part of a satellite tracking project.
- Accelerating our peatland restoration programme – to deliver significant carbon benefits, improve the health of rivers and reservoirs and improve raw water quality for less intensive treatment processes. We continue to strengthen our partnership with RSPB Cymru to deliver a programme of peatland restoration work across the Vyrnwy Estate. Over the last two years, more than 10,000 peat and timber reinforced peat dams were constructed; 32km of ditches and 20km of gully were blocked; and, over 8km of peat 'hags' were reprofiled. This resulted in an estimated 254 hectares of blanket bog (peatland) being re-wet.
- Working with community groups and organisations to care for rivers and further address issues across our region. We continue to engage with both the Middle Dee Catchment Partnership and Severn Uplands Catchment Partnership to identify opportunities for working together to improve these vital rivers and their surrounding environments. We have supported Montgomeryshire Wildlife Trust in setting up a project in Welshpool to monitor the local population of rare Pearl Fritillary butterflies and create wildlife corridors to improve their access to breeding sites; this will involve local volunteers in a citizen science project.
- Recognising the valuable role that woodland can play in safeguarding the natural environment, including improving water quality, managing our estate to deliver structurally diverse, highly productive, forests for biodiversity and natural amenity. We have worked with Tilhill Forestry, our forest management contractors for the Vyrnwy Estate, to develop a 10-year forest management plan, focusing on biodiversity, amenity and commercial sustainability. This includes delivering biodiversity improvements and increasing the forestry estate's share of native broadleaf trees from 16% to 30% – a total of 600 hectares.



### Pledge Five

#### Be open and transparent about performance and plans

- Ensuring that our performance information is easily accessible and transparent on our website. All of our EDM data is available on our website. In April 2024, we launched our storm overflow map, which shows near-real time data from our EDM monitors on our outfalls.

<sup>1</sup>Ffridd is a widespread habitat zone, found throughout Wales. It lies between the managed lowlands and the uplands, at altitudes between 100m and 450m. It is a vital component of the landscape, allowing species to adapt to changing conditions by making altitudinal and longitudinal movements, as they seek suitable areas to fulfill their various life-cycles.



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# OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

## OUR APPROACH TO BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE

Transparency is one of the most important things in our sector and we are focused on delivering for all of our stakeholders, particularly our customers, upholding the highest levels of corporate governance and demonstrating transparency in our reporting in a way that is meaningful for our stakeholders.

Ofwat’s revised principles, as set out in its Board leadership, transparency and governance framework (the ‘Framework’), came into effect in April 2019 and reinforced the important role of effective corporate governance and strong board leadership in driving high standards and securing the proper discharge of functions. Hafren Dyfrdwy’s Licence requires the Company to meet the Framework objectives and explain in an effective, accessible and clear manner how this has been achieved.

We regularly review how we report on matters relating to Board leadership and governance, to identify ways that this can be further enhanced, and feedback from stakeholders is welcomed. The Board is satisfied that all objectives under the Framework have been met during 2023/24 and this section provides detail on how this has been achieved and outlines how the Company continues to deliver for its customers and other stakeholders. The Board, supported by the Executive Committee, is committed to the long-term sustainable success of the Company, which means focusing on how best to deliver for the customers we serve and our wider stakeholders.



Throughout this section we reference a number of different documents and reports that provide further detail to support our statements. You can find more detailed information on both our Hafren Dyfrdwy and Severn Trent Group policies on our websites.

We provide relevant cross references to these documents throughout this section and the Annual Performance Report.

**Reports that we reference within this Annual Performance Report:**

- Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts
- Severn Trent Plc Annual Report and Accounts

**Documents available at [hdcymru.co.uk](http://hdcymru.co.uk)**

- Detailed information about the Hafren Dyfrdwy Cyfyngedig Board 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](http://severntrent.com)**

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

### OBJECTIVE 1: THE BOARD OF THE APPOINTEE ESTABLISHES THE COMPANY’S PURPOSE, STRATEGY, AND VALUES, AND IS SATISFIED THESE AND ITS CULTURE REFLECT THE NEEDS OF ALL THOSE IT SERVES.

- A) THE BOARD DEVELOPS AND PROMOTES THE COMPANY’S PURPOSE IN CONSULTATION WITH A WIDE RANGE OF STAKEHOLDERS AND REFLECTING ITS ROLE AS A PROVIDER OF AN ESSENTIAL PUBLIC SERVICE.
- B) THE BOARD MAKES SURE THAT THE COMPANY’S STRATEGY, VALUES AND CULTURE ARE CONSISTENT WITH ITS PURPOSE.
- C) THE BOARD MONITORS AND ASSESSES VALUES AND CULTURE TO SATISFY ITSELF THAT BEHAVIOUR THROUGHOUT THE BUSINESS IS ALIGNED WITH THE COMPANY’S PURPOSE. WHERE IT FINDS MISALIGNMENT IT TAKES CORRECTIVE ACTION.
- D) COMPANIES’ ANNUAL REPORTING EXPLAINS THE BOARD’S ACTIVITIES AND ANY CORRECTIVE ACTION TAKEN. IT ALSO INCLUDES AN ANNUAL STATEMENT FROM THE BOARD FOCUSING ON HOW THE COMPANY HAS SET ITS ASPIRATIONS AND PERFORMED FOR ALL THOSE IT SERVES.

### PURPOSE, VALUES AND CULTURE

Our Board recognises the importance of the Company’s strategy, purpose, values and culture in delivering long-term success and building and maintaining trust in its activities. As such, approval of the Company’s strategic aims and objectives is a matter reserved to the Board. 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 VALUES

- **Having courage** – we always do the right thing and have courage to challenge the norm and speak up if things aren't quite right. We are prepared to step out of our comfort zones and act with both today and the future in mind.
- **Embracing curiosity** – we search out safe, better and faster ways of doing things through innovation and are always curious and willing to learn.
- **Showing care** – we help keep our promises to customers and show care by treating everyone fairly and equally. We try to enhance the environment around us and spend every pound wisely.
- **Taking pride** – we make a difference for our customers every day, owning problems and working with others until they are solved. We take pride in what we do and champion our work in the communities we work and live in.



Our purpose and values were formulated following extensive consultation with colleagues across the Severn Trent Group – from the frontline of our operations to our Board – to ensure that they both reflect our role as a provider of an essential public service and are meaningful and inspiring to our workforce, customers and the communities in which we live and operate. The Board recognises the importance of building and promoting a culture of integrity and openness where diversity and inclusion are valued.

Our purpose and values underpin our culture of doing the right thing and this behaviour is demonstrated by our colleagues every day, in the decisions they make and the actions they take. The Board and Executive Committee recognise the importance of their roles in setting the tone for the Company's culture and they complete the Doing the Right Thing e-learning course every year, together with all of our employees. We also expect our supply chain partners to apply the same standards to their behaviour so that we can ensure everyone who works for us adheres to the same responsible business practices.

To fulfil its role of monitoring and assessing values and culture and satisfy itself that behaviour throughout the business is aligned with our purpose, the Board considers culture at every meeting, through a standing people update from the Managing Director, which is complemented by dedicated reports on topics such as employee engagement, health, safety and wellbeing and diversity and inclusion. Through an independent lens, the Board reviews the approach and progress of work to identify areas where there is any risk of modern slavery occurring in our supply chain and fully endorses the Group's Anti-slavery and Human Trafficking Statement.

In addition, to deepen their understanding of the Company's values and culture, Board members undertake site visits throughout the year to meet colleagues in person, observe the true culture of the company, the way in which the workforce applies our values in all that they do and discuss first-hand the key issues identified by them. Board members also attend the Company Forum, to listen directly to what employees have to say and to provide updates on matters being considered by the Board.

During the year, the Ask Our Board sessions held previously evolved into our first ever Meet Our Board event, which provided an opportunity for Board members to engage with Hafren Dyfrdwy employees in person. Colleagues were invited to interact with Board members in an informal setting, thereby providing a

further opportunity for the Board to engage with our people and gain an appreciation of the Company's culture. In return, colleagues had the chance to get to know individual Board members and find out more about the Board's role.

The Board believes that our strong values and culture are a key strength and there are resulting benefits in employee engagement, retention and productivity, which is why questions around our purpose, values and culture feature heavily within our annual employee engagement survey. 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 8.9 out of 10 – placing us in the top quartile of all UK businesses and in the top 3% of energy and utility companies globally.

Employees agree that our values align with our purpose and provide a good fit with the things they consider important in life and they feel inspired by the purpose of our company. The Board considers both the positive and more challenging aspects of the annual employee engagement survey and discusses the action plans to be put in place for areas of employee focus, in order to ensure any misalignment with our values and culture is addressed.

This robust programme of activity enables the Board to satisfy itself that policies, practices and behaviours throughout the business are aligned with our purpose and culture. No misalignment was identified during the year and, as such, no corrective action was required to be taken.

Details of how the Board monitors culture and engages with employees are included throughout the Strategic Report of the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

## STAKEHOLDER ENGAGEMENT

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 associated long-term impacts on our stakeholders as a consequence of Board decisions, are considered in depth by the Board in its decision-making processes. Whilst it is not always possible to provide positive outcomes for all stakeholders, and the Board sometimes has to make decisions based on competing priorities, the unwavering commitment to our enduring purpose means that the best course of action is selected to maintain our high standards of business and delivering for our customers. We believe our purpose, strategy, vision and values will promote the long-term sustainable success of the Company, further customers' interests, create value for shareholders and take account the needs of other stakeholders. Additionally, as individual Directors, the Board is mindful of the statutory duty to act in the way each of them considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the Section 172 Statement (1) (a-f) of the Companies Act 2006. Further detail can be found in our dedicated Section 172 Statement within the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

### CUSTOMER ENGAGEMENT

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

- Customer delivery performance is discussed at every Board meeting.
- The Board reviews and approves the APR, which updates customers on progress against our AMP7 Business Plan.
- The Board oversees the provision of additional support to customers who are vulnerable or may need help paying their bills.

### COLLEAGUE ENGAGEMENT

Having a dedicated and engaged workforce is vital for delivering our strategy and fulfilling our purpose.

Our relationship with our colleagues is open and honest, and they are appropriately supported, developed and rewarded so that they can be their best in all they do.

- Employee voice and workforce engagement are discussed at Board meetings, including the annual employee survey.
- The Board considers employee engagement survey results and the steps taken to address feedback.
- Individual Board members attend the Company Forum and feedback on discussions at subsequent Board meetings.
- 'Meet Our Board' events provide a platform for colleagues to engage informally with Board members in person.
- The Board undertakes site visits to meet colleagues in person and discuss their experiences first hand.
- In addition to Board attendance, our Company Forum brings together employee representatives at quarterly meetings, including Trade Union representatives.

### CUSTOMER VULNERABILITY STRATEGY

In February 2024, the new customer-focused licence condition 'G' came into effect, which outlined service expectations which included the 'service for all' vulnerability guidance. In developing our Customer Vulnerability Strategy, the Company engaged with key stakeholders, including Ofwat, the Consumer Council for Water ('CCW'), local community stakeholders and local authorities, to listen to and understand their views and the challenges they face. The Customer Vulnerability Strategy was then written in full consideration of these discussions, with the objective of addressing vulnerability in our region. Our Customer Vulnerability Strategy is available on our website.

### WORKING WITH OUR REGULATORS

We work closely with our regulators to shape our industry and help ensure the right outcomes for customers and the environment. Our relationships with the Government, our regulators, and other agencies support us in ensuring that we meet the highest customer service and environmental standards, while offering our customers the lowest prices. We continue to maintain a positive relationship with our economic regulator, Ofwat, grounded in our sector-leading performance for customers and all of our stakeholders.

- Welsh Government provides strategic and policy direction for the industry and our regulators.
- Ofwat is the economic regulator for the industry in Wales and England. Ofwat principally exercises its duty to protect the interests of customers through periodic reviews of charges ('price reviews') every five years.
- The Drinking Water Inspectorate ('DWI') independently checks that water supplies in Wales and England are safe and that drinking water quality is acceptable to consumers.
- Natural Resources Wales ('NRW') is the environmental regulator in Wales. It oversees how the country's natural resources are maintained, improved and used, both now and in the future.
- The CCW speaks on behalf of water consumers in Wales and England. It provides advice to consumers and takes up complaints on their behalf.

### COMMUNITY ENGAGEMENT

Our aspiration is to be a force for good in the communities we serve.

- The Board receives updates on the work and priorities of the Community Fund.
- Our Board undertakes a number of site visits centred on community and the environment.
- Employees who live and work in our communities meet the Board at the Employee Forum, 'Meet Our Board' event and site visits.
- Corporate responsibility, community activities and volunteering programmes are discussed at Board meetings.
- Environmental matters, including progress on our river pledges, are considered by the Board at every meeting.

## OBJECTIVE 2. THE APPOINTEE HAS AN EFFECTIVE BOARD WITH FULL RESPONSIBILITY FOR ALL ASPECTS OF THE APPOINTEE'S BUSINESS FOR THE LONG TERM.

A) THE REGULATED COMPANY SETS OUT ANY MATTERS THAT ARE RESERVED FOR SHAREHOLDERS OR PARENT COMPANIES (WHERE APPLICABLE); AND EXPLAINS HOW THESE ARE CONSISTENT WITH THE BOARD OF THE REGULATED COMPANY HAVING FULL RESPONSIBILITY FOR ALL ASPECTS OF THE REGULATED COMPANY'S BUSINESS, INCLUDING THE FREEDOM TO SET, AND ACCOUNTABILITY FOR, ALL ASPECTS OF THE REGULATED COMPANY'S STRATEGY.

B) BOARD COMMITTEES, INCLUDING BUT NOT LIMITED TO AUDIT, REMUNERATION AND NOMINATION COMMITTEES, REPORT INTO THE BOARD OF THE REGULATED COMPANY, WITH FINAL DECISIONS MADE AT THE LEVEL OF THE REGULATED COMPANY.

C) THE BOARD OF THE REGULATED COMPANY IS FULLY FOCUSED ON THE ACTIVITIES OF THE REGULATED COMPANY; TAKES ACTION TO IDENTIFY AND MANAGE CONFLICTS OF INTEREST, INCLUDING THOSE RESULTING FROM SIGNIFICANT SHAREHOLDINGS; AND ENSURES THAT THE INFLUENCE OF THIRD PARTIES DOES NOT COMPROMISE OR OVERRIDE INDEPENDENT JUDGEMENT.

### STANDALONE REGULATED COMPANY

Hafren Dyfrdwy has been part of the Severn Trent Group since 2017. The Board confirms that there are no items or topics relating to the strategy or regulated activities of Hafren Dyfrdwy contained within the Severn Trent Plc Board's schedule of matters reserved.

The Hafren Dyfrdwy Board therefore has full responsibility for all aspects of its business as an Appointee and meetings of the Board focus on our purpose of taking care of one of life's essentials, with attention given to how this is being delivered to ensure the long-term success of the Company.

Separate, dedicated Board meetings are held for Hafren Dyfrdwy and standing items at Board meetings include an overview of operational and financial performance – including performance against operational and financial key performance indicators ('KPIs'), customer and colleague updates, and regulatory matters. The Board also receives updates on these topics in the months where no formal Board meetings are scheduled, through written briefings from the Managing Director. These standing items and regular briefings allow the Board to stay fully apprised of the Company's performance and updates on any matters requiring Board discussion and decision making.

There is currently one Director that serves on our Board who also serves on the Boards of Severn Trent Plc and Severn Trent Water Limited. Hafren Dyfrdwy represents approximately 2% per cent of Severn Trent Plc's revenues and, as such, decisions taken for Hafren Dyfrdwy are unlikely to conflict with those of Severn Trent Plc and Severn Trent Water Limited (also part of the Severn Trent Group).

However, if that were to be the case, the Director would be responsible for taking decisions on behalf of each entity in accordance with Section 172 of the Companies Act 2006, by acting in the way they consider, in good faith, would be the most likely to promote the success of the Company.

The Board is supported by the Company Secretary, to whom all Directors have access for advice and corporate governance services, including the commission of independent advice should it be necessary for the Board to seek this on any matter.

There is a Conflicts of Interest Policy in place, supported by an established process to manage Conflicts of Interest should they present. Conflicts of Interest are considered as part of the Director appointment process and any potential conflicts of interest are declared at the start of every meeting. This includes reviewing all other appointments held by Directors and the findings of the annual Board Effectiveness evaluation. Should the Board determine that any Director has a conflict of interest in relation to any matter under its consideration, the Director in question would recuse themselves from any involvement in that particular item.

### MANAGING CONFLICTS OF INTEREST

An example of how we manage conflicts of interest in practice is from when Hafren Dyfrdwy re-tendered its sludge disposal service, which had to date been provided by Severn Trent Water. The competitive tender process was overseen by both the Legal and Internal Audit Teams to ensure RAG 5 compliance with complete separation between the respective teams acting for Hafren Dyfrdwy and Severn Trent Water. Additionally, no Director of Hafren Dyfrdwy was involved with the tender submission from Severn Trent Water, including the then Executive Directors who sat on the Severn Trent Plc Executive Committee and the then Non-Executive Directors who also sat on the Severn Trent Water Limited Board.

The Board was kept updated on the progress of the tender and, following assessment under the OJEU process, authorised the award of the tender to a provider outside of the Severn Trent Group. The new provider is based in Wales, demonstrating the Board's independence and commitment to further support local business with all Hafren Dyfrdwy sludge now treated within the country.

### BOARD COMMITTEES

The Board delegates certain roles and responsibilities to its two Board Committees: the Nominations Committee and the Audit and Risk Committee. The Committees assist the Board by discharging their duties effectively, 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 reserves for its own determination matters of strategic and regulatory importance and reviews the Terms of Reference for each Committee on a regular basis.

The Severn Trent Plc Group Remuneration Committee (the 'Remuneration Committee') operates on behalf of Hafren Dyfrdwy and all Group companies. This arrangement has been in place since the acquisition of Dee Valley Limited in 2017 and is reviewed annually to ensure its continued effectiveness.

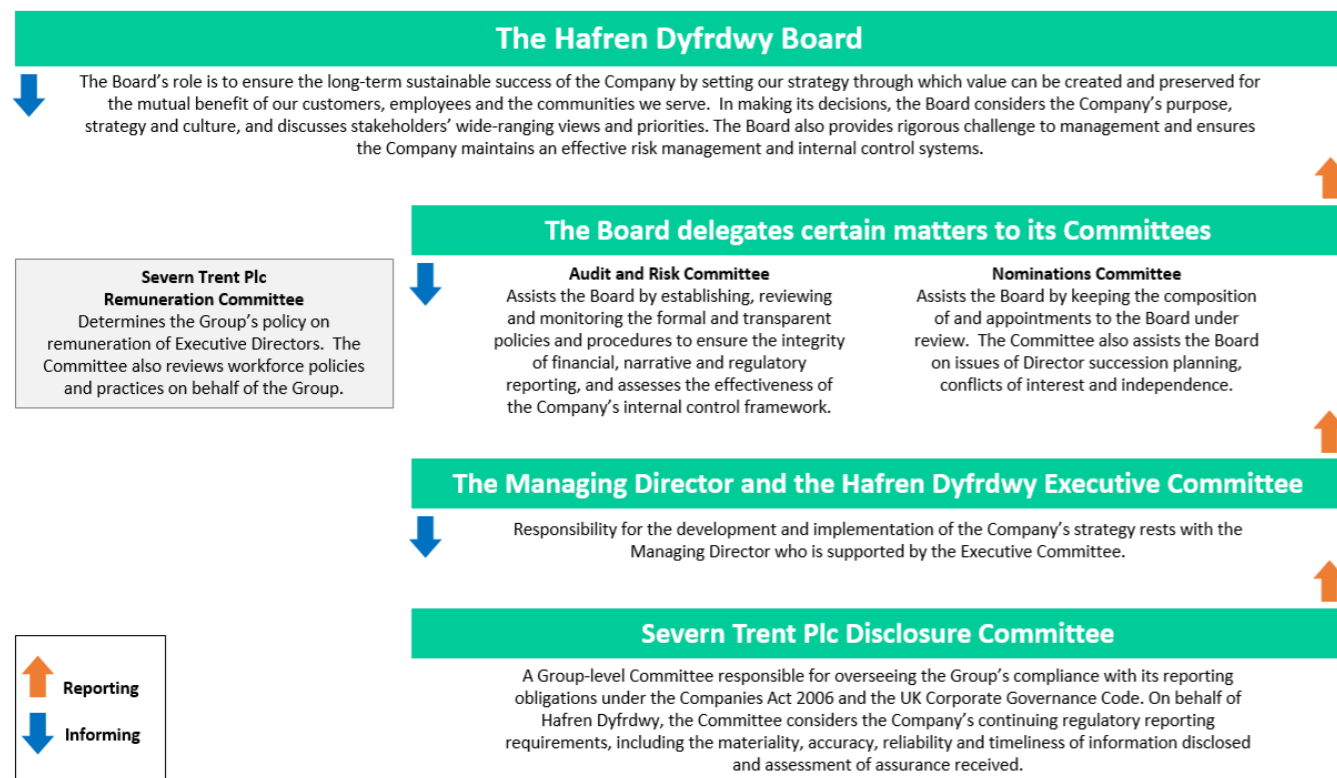
The Remuneration Committee is wholly comprised of Independent Non-Executive Directors and the Chair of Severn Trent Plc. One member of the Remuneration Committee also serves as a Non-Executive Director on the Board of Hafren Dyfrdwy.

We consider that the governance arrangements in respect of the Remuneration Committee are appropriate as Hafren Dyfrdwy is part of the Severn Trent Plc Group of companies and employee pay is part of a unified remuneration structure and consistent policy framework. Central to the Group's remuneration policy is the use of measurable targets against which payments can be made.

These governance arrangements ensure that the Remuneration Committee has access to wide-ranging data and information on the overall performance of the Company. The Board has a dedicated schedule of Matters Reserved to the Board and the schematic overleaf summarises the governance framework for Hafren Dyfrdwy.

## OUR GOVERNANCE FRAMEWORK: EFFECTIVE GOVERNANCE LED BY OUR BOARD

The Board is supported by the Hafren Dyfrdwy Governance Framework, which is set out below. The Governance Framework comprises the Board, Executive Committee and the 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 periodically reviews the Terms of Reference of each Committee.

The Governance Framework is also subject to periodic review to ensure that it remains appropriate. In 2021, the Board decided to constitute a dedicated Hafren Dyfrdwy Audit and Risk Committee, effective 15 July 2021, with membership comprising Independent Non-Executive Directors only (excluding the Chair, in line with the 2018 Code).

The dedicated Hafren Dyfrdwy Audit and Risk Committee operates 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 Hafren Dyfrdwy's legal and regulatory obligations and the content of any financial statements and regulatory submissions.

The Severn Trent Plc Disclosure Committee oversees the Group's reporting obligations under the Companies Act 2006, the 2018 Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules 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.

## OBJECTIVE 3: THE BOARD OF THE APPOINTEE'S LEADERSHIP AND APPROACH TO TRANSPARENCY AND GOVERNANCE ENGENDERS TRUST IN THE APPOINTEE AND ENSURES ACCOUNTABILITY FOR THEIR ACTIONS

- A) AN EXPLANATION OF GROUP STRUCTURE.
- B) AN EXPLANATION OF DIVIDEND POLICIES AND DIVIDENDS PAID, AND HOW THESE TAKE ACCOUNT OF DELIVERY FOR CUSTOMERS AND OTHER OBLIGATIONS (INCLUDING TO EMPLOYEES).
- C) AN EXPLANATION OF THE PRINCIPAL RISKS TO THE FUTURE SUCCESS OF THE BUSINESS, AND HOW THESE RISKS HAVE BEEN CONSIDERED AND ADDRESSED.
- D) THE ANNUAL REPORT INCLUDES DETAILS OF BOARD AND COMMITTEE MEMBERSHIP, NUMBER OF TIMES MET, ATTENDANCE AT EACH MEETING AND WHERE RELEVANT, THE OUTCOME OF VOTES CAST.
- E) AN EXPLANATION OF THE COMPANY'S EXECUTIVE PAY POLICY AND HOW THE CRITERIA FOR AWARDING SHORT AND LONG-TERM PERFORMANCE RELATED ELEMENTS ARE SUBSTANTIALLY LINKED TO STRETCHING DELIVERY FOR CUSTOMERS AND ARE RIGOROUSLY APPLIED. WHERE DIRECTORS' RESPONSIBILITIES ARE SUBSTANTIALLY FOCUSED ON THE REGULATED COMPANY AND THEY RECEIVE REMUNERATION FOR THESE RESPONSIBILITIES FROM ELSEWHERE IN THE GROUP, POLICIES RELATING TO THIS PAY ARE FULLY DISCLOSED AT THE REGULATED COMPANY LEVEL.

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 and, ultimately, how we build trust.

### 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. In addition to the objectives under Ofwat's Framework, 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 to do so. Further details of how the 2018 Code principles and provisions were applied during the year are set out in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#) available on our website.

A detailed explanation of the structure of Hafren Dyfrdwy within the Severn Trent Group can be found on the Severn Trent Plc website.

### DIVIDEND POLICY

No dividends have been paid by Hafren Dyfrdwy since its acquisition by the Group in 2017 and the Company dividend policy is set out in the Regulatory Statements section.

## RISK MANAGEMENT

The Principal Risks and uncertainties to the success of the business and the ways in which these risks are managed, monitored and mitigated are set out on pages 75 to 78 of the [Severn Trent Plc Annual Report and Accounts 2023/24](#) and in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

## BOARD AND COMMITTEE MEMBERSHIP

The table below sets out details of the membership of the Hafren Dyfrdwy Board and its Committees as at 31 March 2024, alongside the number of scheduled meetings attended and the maximum number of meetings that could have been attended during the 2023/24 year.

Committee Member	Role	Board Meetings Attended During 2023/24	Audit and Risk Committee Meetings Attended During 2023/24	Nominations Committee Meetings Attended During 2023/24
John Coghlan	Chair	7/7	N/A	5/5
James Jesic	Managing Director	7/7	N/A	N/A
Adam Stephens	Chief Financial Officer	7/7	N/A	N/A
Ann Beynon	Independent Non-Executive Director	7/7	5/5	5/5
Christine Hodgson	Independent Non-Executive Director	7/7	N/A	5/5
Sally Jones-Evans	Independent Non-Executive Director	7/7	5/5	5/5
Mohammed Mehmet*	Independent Non-Executive Director	6/7	4/5	5/5

\*Mohammed Mehmet was unable to attend one meeting of the Board due to a long-standing personal commitment. Mohammed received all relevant papers in advance of the meeting date and providing comments to the Chair on the matters to be considered.

## EXECUTIVE PAY POLICY

We operate a unified remuneration scheme at the Severn Trent Group level across the two regulated businesses (Hafren Dyfrdwy and Severn Trent Water). The Severn Trent Plc Annual Report and Accounts 2023/24 provides detailed disclosures of our Remuneration Policy, and how this has been applied in the year. Matters of relevance to Hafren Dyfrdwy are disclosed within the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#), ensuring full transparency about our Executive pay decisions for our customers and wider society. As a key part of our approach to demonstrate transparency, all targets are measurable so that our performance against them can be independently verified.

## ANNUAL BONUS SCHEME

Hafren Dyfrdwy's Executive Directors have responsibilities across both regulated entities owned by Severn Trent Plc. At a Group level, the Executive Directors' remuneration includes their participation in the Annual Bonus Scheme ('ABS'). Of the 3% bonus received by the Executive Directors in respect of Hafren Dyfrdwy performance, the outcome is split equally between financial (profit before interest and tax ('PBIT')) and customer service performance metrics (outcome delivery incentives ('ODIs')).

Details of the link between the Executive Director's pay and standards of performance are outlined in the Regulatory Statements section.

## OBJECTIVE 4: THE BOARD OF THE APPOINTEE AND THEIR COMMITTEES ARE COMPETENT, WELL RUN, AND HAVE SUFFICIENT MEMBERSHIP, ENSURING THEY CAN MAKE HIGH QUALITY DECISIONS THAT ADDRESS DIVERSE CUSTOMER AND STAKEHOLDER NEEDS.

A) BOARDS AND BOARD COMMITTEES HAVE THE APPROPRIATE BALANCE OF SKILLS, EXPERIENCE, INDEPENDENCE AND KNOWLEDGE OF THE COMPANY. BOARDS IDENTIFY WHAT CUSTOMER AND STAKEHOLDER EXPERTISE IS NEEDED IN THE BOARDROOM AND HOW THIS NEED IS ADDRESSED.

B) INDEPENDENT NON-EXECUTIVE DIRECTORS ARE THE LARGEST SINGLE GROUP ON THE BOARD.

C) THE CHAIR IS INDEPENDENT OF MANAGEMENT AND INVESTORS ON APPOINTMENT AND DEMONSTRATES OBJECTIVE JUDGEMENT THROUGHOUT THEIR TENURE. THERE IS AN EXPLICIT DIVISION OF RESPONSIBILITIES BETWEEN RUNNING THE BOARD AND EXECUTIVE RESPONSIBILITY FOR RUNNING THE BUSINESS.

D) THERE IS AN ANNUAL EVALUATION OF THE PERFORMANCE OF THE BOARD. THIS CONSIDERS THE BALANCE OF SKILLS, EXPERIENCE, INDEPENDENCE AND KNOWLEDGE, ITS DIVERSITY, HOW STAKEHOLDER NEEDS ARE ADDRESSED AND HOW THE OVERARCHING OBJECTIVES ARE MET. THE APPROACH IS REPORTED IN THE ANNUAL REPORT AND ANY WEAKNESSES ARE ACTED ON AND EXPLAINED.

E) THERE IS A FORMAL, RIGOROUS AND TRANSPARENT PROCEDURE FOR NEW APPOINTMENTS WHICH IS LED BY THE NOMINATION COMMITTEE AND SUPPORTS THE OVERARCHING OBJECTIVE.

F) TO ENSURE THERE IS A CLEAR UNDERSTANDING OF THE RESPONSIBILITIES ATTACHED TO BEING A NON-EXECUTIVE DIRECTOR IN THIS SECTOR, COMPANIES ARRANGE FOR THE PROPOSED, FINAL CANDIDATE FOR NEW NON-EXECUTIVE APPOINTMENTS TO THE REGULATED COMPANY BOARD TO MEET OFWAT AHEAD OF A FORMAL APPOINTMENT BEING MADE.

G) THERE IS A MAJORITY OF INDEPENDENT MEMBERS ON THE AUDIT, NOMINATION AND REMUNERATION COMMITTEES.

## BOARD COMPOSITION AND INDEPENDENCE

The Hafren Dyfrdwy Board and Board Committees have the appropriate balance of skills, experience, and knowledge to take complete responsibility for setting the long-term strategy of the Company and oversee its implementation. Our Board is a diverse and effective team, focused on ensuring that the Company's purpose continues to reflect the needs of those we serve and is delivered by colleagues who fully embrace our culture and values. The matrix below shows some of the key skills and experience that our current Directors possess, gained from a wide range of organisations and industries. Full biographies for each of our Directors can be found in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

## BOARD EFFECTIVENESS

An evaluation of the Board’s effectiveness is undertaken and conducted in accordance to the guidance set out in the Framework, 2018 Code and Financial Reporting Council’s Guidance on Board Effectiveness.

Our Board evaluation provides the Board and its Committees with an opportunity to consider and reflect on both the composition (the balance of skills, experience, independence, knowledge, diversity) and performance (quality and effectiveness of its decision making, how stakeholder needs are addressed, whether the Company’s purpose has been achieved) of the Board. Each member is also asked to consider their own contribution and performance.

This year, the review was facilitated internally by the Company Secretary, who is well placed as an independent sounding board. One-to-one meetings took place during December 2023 and January 2024, and key themes were shared with the Board along with a 2024 action plan. Detail is presented in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

## BOARD DIVERSITY

When undertaking any recruitment, the Board ensures that the recruitment processes are in line with the Board Diversity Policy (the ‘Policy’, available on the Hafren Dyfrdwy website) to include candidates from diverse backgrounds and those with a wide range of 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 stakeholders. As such, the Board remains focused on promoting broader diversity and creating an inclusive culture in line with the recommendations of the Hampton-Alexander, FTSE Women Leaders, Parker and McGregor-Smith reviews.

In setting the Policy, recognition was given to the importance and benefits of greater diversity, including gender diversity, social and ethnic backgrounds and cognitive and personal strengths, throughout the company 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 below.

### Board Composition

Policy Target	Position as at Date of Report
Aim to achieve and maintain the position where at least 40% of the individuals on the Board are women.	✓ 43% of the individuals on the Board of Directors are women
Aim to achieve and maintain the position where at least one member of the Board is from a minority ethnic background (defined by reference to categories recommended by the Office for National Statistics (‘ONS’) excluding those listed, by the ONS, as coming from a White ethnic background).	✓ One individual on the Board of Directors is from a minority ethnic background.

	Strategy	M&A	Corporate Finance / Treasury	Accounting	Utility Sector	Regulation	Political Affairs	Technology / Innovation / Cyber	Customer	Welsh Language	Brand	People Management	Sustainability, Including Climate Change	Engineering	Construction / Infrastructure Delivery	Commercial Procurement	Large Capital Programmes
Ann Beynon	✓				✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	
John Coghlan	✓	✓	✓	✓	✓	✓		✓	✓			✓				✓	✓
Christine Hodgson	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	✓
James Jesic	✓				✓	✓	✓	✓	✓			✓	✓	✓	✓		✓
Sally Jones-Evans	✓			✓	✓	✓		✓	✓		✓	✓				✓	
Mohammed Mehmet	✓				✓	✓	✓	✓	✓		✓	✓			✓	✓	✓
Adam Stephens	✓	✓	✓	✓	✓	✓							✓				

Of the seven Directors, two are Executive Directors and five are Non-Executive Directors. The details of their career background, relevant skills, Committee membership, tenure and external appointments can be found within their individual biographies in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

There is clear division between Executive and Non-Executive responsibilities, which ensures accountability and oversight. The Chair and the other Independent Non-Executive Directors meet routinely without the Executive Directors, and individual Directors undertake site visits to gain first-hand experience of our operations and engage with our workforce.

Of the five Non-Executive Directors currently serving on the Hafren Dyfrdwy Board, one Director – Christine Hodgson – also sits on the Boards of Severn Trent Plc and Severn Trent Water Limited. The Board is of the opinion that, when assessed against the circumstances set out in the 2018 Code and given the thorough monitoring of potential conflicts of interest, Christine Hodgson retains independence in relation to each Board, and therefore the five Independent Non-Executive Directors form the largest single group on the Hafren Dyfrdwy Board (71%), with the two Executive Directors forming the remaining 29%.

Ofwat has previously provided feedback suggesting that full independence could only be demonstrated by those sitting solely on the Hafren Dyfrdwy Board. In the interests of openness and transparency, in applying this criterion to the current membership of the Board, four Directors would be considered Independent Non-Executive Directors, as defined by Ofwat, and together they still form the largest single group on the Board at 57%.

In respect of the Board Committees, membership is formed by Non-Executive Directors only, with no Executive Directors serving on either Committee. The Nominations Committee is chaired by John Coghlan, the Chair of the Board. The Audit and Risk Committee is chaired by Sally Jones-Evans, an Independent Non-Executive Director with recent and relevant financial experience.

## BOARD INDEPENDENCE

The independence of the Board is a matter of utmost importance given the vital role Non-Executive Directors play in scrutinising the performance of management and holding individual Executive Directors to account against agreed performance objectives. The Chair regularly holds meetings with Non-Executive Directors without the Executive Directors or any management present, and Non-Executive Directors can obtain independent professional advice, at the Company’s expense, in the performance of their duties. All Directors have access to the advice and services of the Company Secretary, whose appointment and removal is a matter reserved for the Board.

Recruitment and Selection

Policy Objective	Implementation
Ensure that the Board comprises individuals with a range of skills, experience, knowledge, perspectives and backgrounds.	Annual review of the Board's composition by the Nominations Committee with particular consideration being given to the balance of skills, experience and independence of the Board. The Board Effectiveness evaluation specifically considered the composition of the Board and the contribution, commitment and independence of individual Directors.
Ensure that Board candidate lists will be inclusive according to the widest definition of diversity.	The Board and Nominations Committee recognise 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.
Consider candidates for Board appointments from a wide pool.	
Oversee plans for diversity and inclusion across the business and receive regular updates in relation to these.	The Board receives updates on diversity and inclusion across the Company at least annually.

**BOARD APPOINTMENTS AND INDUCTION**

Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is overseen by the Nominations Committee with the decision on appointments remaining a matter reserved to the Board. All Nominations Committee members are Independent Non-Executive Directors of the Company. Further details of the activities of the Nominations Committee can be found within the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

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 wastewater 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.

All proposed appointees meet with Ofwat as part of the pre-appointment process to ensure there is a clear understanding of the responsibilities attached to being a Non-Executive Director in the water sector.

# PERFORMANCE SUMMARY

## DELIVERING OUR COMMITMENTS

We measure our performance against 31 Performance Commitments, or ODIs, across the AMP. This table lists all of our commitments together with targets.

Outcome	Performance Commitment	Unit	2023/24				2024/25
			Target	Performance Achieved	PCL met	ODI Reward/ Penalty Value <sup>1</sup>	Target
Water	Water Quality Compliance ('CRI')	score	0.00	0.11	✓	0.000	0.00
	Number of complaints about drinking water quality	nr	317	187	✓	0.018	317
	Number of lead pipes replaced	nr	35	140	✓	0.105	35
	Water supply interruptions	hh:mm:ss	00:05:23	00:11:20	✗	-0.226	00:05:00
	Leakage <sup>2</sup>	MI/d (3-yr average)	15.7	16.4	✗	-0.071	15.2
	Per capita consumption ('PCC') <sup>2,3</sup>	litres/person/day (3-yr average)	124.4	130.6	-	-	123.5
	Risk of severe restrictions in a drought	%	0	0	✓	Reputational	0.0
	Mains repairs	nr/1,000km of mains	114.6	104.8	✓	0.000	112.5
	Unplanned outage	%	2.34	0.31	✓	0.000	2.34
	Improving reservoir resilience	%	36.4	36.4	✓	0.000	81.8
	Properties at risk of receiving low pressure	%	28	48	✓	0.000	28
Waste	Treatment works compliance	%	100.00	100.00	✓	0.000	100.00
	Internal sewer flooding	nr/1,000 sewer connections	1.44	2.28	✗	-0.029	1.34
	Pollution incidents	nr/10,000km wastewater network	117.00	19.92	✓	0.000	97.00
	Sewer blockages	nr	279	216	✓	0.000	276
	Risk of sewer flooding in a storm	%	6.64	8.68	✗	Reputational	6.64
	Sewer collapses	nr/1,000km sewer network	5.37	8.06	✗	-0.004	5.37
Customers, community and environment	Hectares managed for biodiversity	nr	30.00	132.27	✓	0.012	20.00
	Satisfactory sludge disposal	%	100.00	100.00	✓	0.000	100.00
	Inspiring our customers to use water wisely	nr	797	2795	✓	Reputational	797
	Reduction in the number of void supply points	%	4.86	4.81	✓	0.004	4.50
	Customer measure of experience ('C-MeX')	rank	-	8th	✓	0.019	-
	Developer services measure of experience ('D-MeX')	rank	-	3rd	✓	0.032	-
	Non-household customer experience	score	4.5	4.3	✗	-0.012	4.5
	Welsh language services	%	100.0	100.0	✓	Reputational	100.0
	Priority services for customers in vulnerable circumstances	%	5.5	7.2	✓	Reputational	7.0
	Help to pay when you need it	%	72	72	✓	Reputational	73
	Supporting our priority service customers during an incident	%	100	100	✓	Reputational	100
	Delivery of national environment programme requirements	"met" or "not met"	"met"	"met"	✓	Reputational	"met"
	Effectiveness of affordability support <sup>3</sup>	%	N/A	N/A	-	N/A	10.0
	Length of river water quality improved <sup>3</sup>	km	46.0	0.0	-	-	0.0
			<b>Total</b>		<b>79%</b>	<b>-0.152</b>	

<sup>1</sup>stated in £ millions and in 2017/18 prices

<sup>2</sup> These targets are revised, please see Improving Clarity and Transparency section for more information

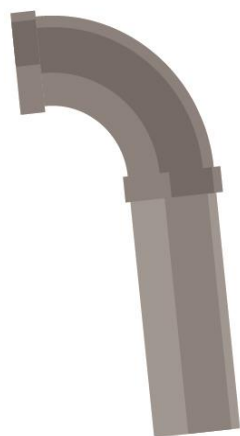
<sup>3</sup> These performance commitments are noted as end of AMP measures and therefore do not have a relevant 2023/24 target

## GOOD TO DRINK

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 **taking care of one of life's essentials**.

140

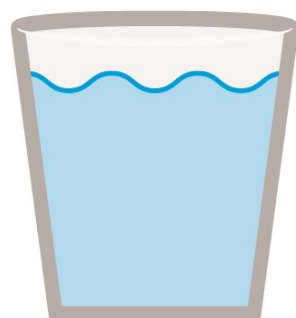
lead pipes replaced exceeding our target by four times



187

water quality complaints

130 ahead of our target



0.11

one of the industry-leading Compliance Risk Index scores



### WATER QUALITY COMPLIANCE - COMPLIANCE RISK INDEX ('CRI')

We continued our strong performance in water quality, with upper quartile performance on the Compliance Risk Index ('CRI') at 0.11. For a fifth consecutive year we have had no bacteriological failures at any of our water treatment works. This has helped to minimise our CRI risk and consistently achieve a result within the range outlined in the plan.

### WATER QUALITY COMPLAINTS

Water quality complaints reduced by a further 23% this year to 187, achieving a 62% improvement on performance across the AMP.

We have continued to see benefits from investigating the potential illegal use of hydrants by installing locking caps and continuing our maintenance programme, targeting underground assets and installing temporary air valves in hot spot areas.

We've continued to invest in our mains cleaning programme which helps to offset general network deterioration and reduces discolouration in high-risk areas.

### LEAD PIPES REPLACED

Lead pipes were widely used to link our water mains to properties until banned in 1970. Through continuous chemical treatment of water supplies, we are significantly below the legal prescribed concentration value ('PCV') limit of 10 µg/L of lead. However, we have committed to replacing lead pipes in our region and delivering our part in the Welsh Government's long-term ambition of a lead-free Wales.

This year alone, we have replaced lead pipes to 140 properties, which is four times our target of 35. This takes our AMP total to 872 pipes replaced. Our continued partnership with Wrexham County Council has enabled us to deliver quickly for customers and with minimal disruption.

### LEAKAGE

We take reducing leaks on our network seriously and it plays core part of delivering a sustainable water cycle; reducing stress on the environment through a reduction in the volume of water that needs to be abstracted and lowering the energy used to treat water and transport it around our network.

We continue to deliver further progress when it comes to finding and fixing leaks, successfully completing over 1,300 repairs on our network. We saw consistent leakage performance across the first three quarters of the year comparable to 2022-23. However our run rate going into Year 5 improved following quarter four performance.

As part of our ongoing focus to improve data quality in the leakage calculation we have validated all components of the water balance including verifying all water production and bulk transfer meters, completing multiple on site property and consumption checks. We implemented a new methodology for upstream trunk mains leakage reporting and improved estimates of meter accuracy.

We are concentrating on increasing the number of commercial properties permanently logged removing variability in reporting that helps our teams. New loggers with better communications for the region have now been installed.

In our Year 4 in-period final determination Ofwat required us to use data on unmeasured consumption from HD sources only, which we can confirm we are reporting on that basis for the current year. This has resulted in a restatement of our performance which is explained in the Improving Clarity and Transparency section.

We are working to reduce pressure in the network, particularly in Powys where due to the topography of the land this requires careful attenuation to deliver balanced performance. We are also undertaking more 'step tests' at night to pinpoint small leaks across our large rural area. Our overall leakage performance improved by 1.1Ml/d compared to last year, based on a rolling three year average, which was below the target of 15.7Ml/d. Whilst we are super disappointed to have missed our target for the year, going forwards we are continuing to invest our time and effort to meeting our Year 5 target.

## WATER ALWAYS THERE

Our customers expect clean water to be there when they need it. We ensure our distribution network is able to deliver this through careful maintenance and responding effectively if problems occur. We've committed to solve pressure problems and minimise the time customers are off supply.

42%

reduction in properties at risk of low pressure (from the start of the AMP)

37%

improvement in supply interruption average duration year-on-year

0.31%

unplanned outage  
87% better than target



100%

of our priority service customers supported during an incident, throughout the AMP to date



### PER CAPITA CONSUMPTION ('PCC')

As set out in our Water Resources Management Plan 2019 and sustainability strategy, we play a key role in protecting water sources and providing sustainable, long-term plans to meet future demand for water.

We are pleased that our PCC has decreased by 3.3% from last year. The performance trend is indicative of recovery to pre-pandemic levels by the end of the AMP period.

As part of improving our performance we continue to share messages with our customers on water usage and promote our water saving products.

For more detail on how we are meeting the AMP7 methodology, please refer to the 'Improving Clarity and Transparency' section.

### PROPERTIES AT RISK OF LOW PRESSURE

Low water pressure can affect how customers are able to use our product, and their overall experience of our service.

We have continued to optimise and refine our network, improving performance to provide customers with sufficient pressure to meet standards of service. This has resulted in an improvement of 42% since the start of the AMP, significantly ahead of our target.

### SUPPLY INTERRUPTIONS

We manage the transportation of water through 2,641km of treated water mains every day and unfortunately on occasions these pipes fail, causing disruption to our customers. On average this year, customers experienced an impact of 11 minutes and 20 seconds which represents a 37% improvement on 2022/23, however we have ambition to go further for our customers in future years.

We recognise there remains some way to go before we catch-up with the targets in place for all companies. Underlying this need for improvement, are the extra challenges we face from serving a hyper rural network that has low population density and a difficult topography. We have identified that overcoming these extra challenges will incur additional cost, hence our PR24 Business Plan has set out the need for extra investment and how we would use this to deliver improvements our customers.

This year we've experienced over 200 events that caused interruption to supply – resulting in an impact of over 6 minutes in Powys and an impact of over 4 minutes in Wrexham.

The teams have focused their efforts over the last year on network resilience calming techniques and speed of response to an event. We are on track with our pressure management programme and have created Demand Management Area ('DMA') care plans through a holistic review alongside the investigation of large one-off events, which brings together collective local knowledge with an asset optimisation lens, to drive improvements to the high-risk areas. These areas have been highlighted previously as having the largest impact on our supply interruptions to our customers and so we have drawn up network resilience plans and are investing on enhancing our network and securing supplies.

We have taken a holistic review and along with investigating large one-off events, we've also started looking at poor performance DMAs. i.e. DMAs which have large number events, but small individual supply interruption impacts. Numerous small scale capital projects have been delivered to reduce overall supply interruption events in the areas and increase network flexibility.

## WASTEWATER TAKEN SAFELY AWAY

We know that escape of sewage from our wastewater 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.



5 internal sewer floodings, which is worse than our regulatory target (3 incidents)

26%

reduction in blockages

(from the start of the AMP)



4 Sewer collapses, a 34% improvement on prior year

### INTERNAL SEWER FLOODING

Internal sewer flooding is our worst service failure for customers. This year we had five incidents, unfortunately missing our target. The largest proportion of internal flooding is as a result of blockages in the network.

Recognising there is more we can do to support following an event, after flooding occurred at a charity shop in October we helped with the clean up and set up donation hubs at three of our offices. Hafren Dyfrdwy colleagues delivered these donations to help restock the charity shop so they could reopen in December, in time for the busy Christmas shopping period.

We continue to work with community groups and our third-party environmental inspectors, Environmental Compliance and Services Ltd to drive down the number of fats, oils and grease ('FOG's) events by sharing messages of what is and is not appropriate to be flushed down the toilet or flow down the sink. Having our new community roadshow van, 'Dilys', has enabled us to access harder to reach communities more readily to educate, as well as engage customers with our customer campaigns and our affordability bill support.

We have our programme of routine maintenance to continue monitoring the health of our network and combined with our proactive response this will help improve our performance going forwards.

### SEWER COLLAPSES

Collapses can occur when our sewer network becomes damaged. We experienced four sewer collapses last year, our best performance to date this AMP. Whilst this is a 34% improvement on last year, we marginally missed our target, and will continue with actions to further improve performance.

Third party interference, such as telecoms work resulting in a sewer collapse in Newtown, was a significant root cause this year, which we recharged in full.

### SEWER BLOCKAGES

Our blockage performance has improved year on year, with an 11% improvement on last year, and a 26% improvement since the start of the AMP. A blockage is typically the FOGs build up in our network, alongside items like wet wipes being disposed of in the sewer.

Throughout the year we have operated our enhanced reactive response to high-risk blockages which included detailed CCTV surveys of the sewers and remedial action to reduce the risk of a repeat incident.

We survey our network every time we visit a potential blockage location to give us more intelligence. This footage is then reviewed by our in-house team to verify the crews initial determination on site, promoting early intervention where possible.

## CUSTOMERS AND COMMUNITY

We're committed to providing an outstanding service every day to customers in our region. We're in a unique position to make a real difference to both our communities and the environment, while improving the well-being of customers and society, supporting those in need and delivering for Wales.

3<sup>rd</sup> place 8<sup>th</sup> place

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

Customer Measure of Experience ('C-MeX')

4.3

100%

non-household customer experience



vulnerable customers supported during incidents



11%

increase in the number of customers supported in the year

### C-MEX (CUSTOMER MEASURE OF 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 our customers as on those who contact us and this year we finished 8<sup>th</sup> in the sector.

With the insourcing of customer call backs and the launch of a new local centre in Newtown, we are continuing to see improvements in our customer measures resulting in a reduction in the total number of complaints we have received, with this year being our lowest ever number.

Our people are our best asset and having more dedicated local staff who are passionate about our service is driving our improved performance. We continue to focus on our key customer messages: how we can support them; provide education; improve water efficiency; and help our customers during the cost of living crisis. By continuing to build a strong network of partners across the region, this will also improve our brand awareness and build trust, ensuring our hyper-local approach remains at the heart of what we do. Our customers want us to be out in the community which we will continue.

For customers who have an escalated complaint, we provide a tailored service from our in-house team to support a speedy collaborative resolution.

### D-MEX (DEVELOPER MEASURE OF EXPERIENCE)

We are proud to have once again achieved upper quartile in D-MeX, but are disappointed to have dropped to third place this year. This is in part due to the sensitivities of the scoring from a small sample size (22 customers). We have identified where we can improve our service for the year ahead, working with developers to improve how progress is tracked for their customer journey.

### NON-HOUSEHOLD CUSTOMER EXPERIENCE

Our performance is in line with last year at 4.3 out of 5, just missing our target. We continue to work hard to reach the next level of improved performance.

One of the key focus areas has been our customer journey where we have introduced more customer touchpoints, promoted our dedicated non-household team across our contact channels, and redesigned their bill.

### HELP TO PAY WHEN YOU NEED IT

This year we have continued to expand our programme for customers we support by a 11% increase year on year, against the backdrop of an ongoing cost of living crisis. Since the beginning of the AMP, we have increased our support by 52%. We continue to help by offering one of the most generous bill discounts available in the water sector. We also help customers become more water efficient which will not only help with their water bill (if on a water meter) but with their energy bill.

We were able to support over 9,000 customers this year, some of whom received discounts of up to 90% off their bill. Flexibility in making payments is key to helping our customers manage their finances. Feeling able to reach out and ask for our support is critical. We know that customers can experience short-term financial struggles so we continued to offer payment breaks to allow time for our customers to get back on track and remove some of the pressure they may be experiencing, with the number of customers supported increase by 32% across the year.

We know that the cost of living crisis will continue to be a significant worry for many of our customers and while their water bill may not be the main cause for concern, we still want to ensure we can help. We continue to expand our activity in communities across Wales through our community partnerships, working closely with external partners, such as local councils, charities and Citizens Advice, who can help us engage with customers that may need our support.

	2023/24	2022/23	2021/22	2020/21
Water Health checks (including proactive metering)	155	166	156	242
Matching plus	136	40	36	11
Payment breaks	2,568	1,745	2,449	245
Payment plan concessions	1,956	1,860	1,886	1,767
Social tariff	2,449	1,864	1,203	1,153
Watersure/WaterSure Plus	808	883	892	903
Get Water Fit	1,005	1,567	-	-
Citizens Advice referrals	3	5	-	-
<b>Total customers helped</b>	<b>9,080</b>	<b>8,130</b>	<b>6,622</b>	<b>4,321</b>

### SUPPORTING OUR PRIORITY SERVICE CUSTOMERS

We recognise that the need for support can be driven by a wide range of circumstances in the short and long term, and this includes non-financial support; providing bottled water support during an incident.

Our Priority Services Register ('PSR') allows us to understand when our customers might need our help and to tailor the support we provide – no matter the circumstance. It is therefore critical to ensure that customers on the PSR who require water are supported fully throughout an incident with alternative and convenient water supplies. We have rigorous processes in place to ensure we will support 100% of PSR customers during an incident and that is what we have done again this year.

## RESPECTING OUR NATURAL RESOURCES

As custodians of land and natural resources in Wales, it is critical for us to respect and preserve the environment. To ‘take care of one of life’s essentials’ we need to safeguard all that is around us and promote biodiversity, to build a stronger natural system.

Zero

serious pollutions in over 12 years

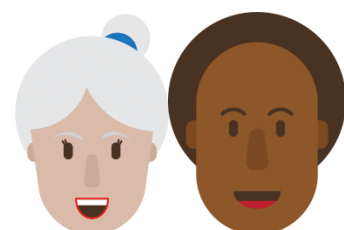


100%

compliance at our treatment works – an industry-leading score

1

Category 3 pollution



2,795

customers educated to use water wisely

### TREATMENT WORKS COMPLIANCE

We are very pleased to be able to say we have delivered 100% treatment works compliance this year; an industry-leading performance.

### POLLUTION INCIDENTS

We had no serious pollutions reported in 2023 (Category 1 and 2); extending our run to over 13 years. Additionally, we have achieved our best ever Category 3 pollution performance with one incident compared to two the previous year, beating our target yet again.

### HECTARES MANAGED FOR BIODIVERSITY

We are proud to have outperformed our target again this year. We have managed over 132 hectares for biodiversity, which is 4 times our target of 30 hectares.

We have worked in partnership with RSPB Cymru to deliver a range of projects. This has included work to prevent peat hags from further erosion by reprofiling them, creating peat dams and new timber-reinforced dams with the aim of raising water tables in gullies and surrounding peat. We have also repaired peat dams to ensure that they continue to provide water retention so that a variety of vegetation can flourish and diversify the local habitat.



Photo © Mike Perks, RSPB

### INSPIRING CUSTOMERS TO USE WATER WISELY

Following our education programme during the year, we took 2,795 customer promises to do more for the water cycle. This represents an increase of 83% since last year. These promises include challenging consumption behaviours, reducing fats, oils and greases and other unwanted materials from entering our sewers and caring for the environment. We are passionate about championing sustainability and supporting all our customers to play a part in this.

# IMPROVING CLARITY AND TRANSPARENCY

## IMPROVING CLARITY AND TRANSPARENCY

It is important that our customers, stakeholders and regulators have confidence in 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, we have provided additional commentary on those areas where we believe greater clarity would be beneficial.

### B1 SUPPLY INTERRUPTIONS

#### 2022/23 APR UPDATE

Following the submission of 2022/23 APR, an update to our supply interruptions 2022/23 performance was identified. This was shared with Ofwat as part of the query process and reflected in the 2022/23 APR In-period Final Determination and our republished data tables in January 2024. We have completed a review of our process to add additional checks and controls to prevent a similar issue arising in the future.

The updated performance for 2022/23 was **18:00 minutes**.

### B2 LEAKAGE

#### AMP7 COMMON METHODOLOGY

At FY23, we recognised that although we had made progress towards a fully compliant common methodology for leakage and Per Capita Consumption ('PCC'), there was still improvement required in the water balance. When using Hafren Dyfrdwy sources for unmeasured consumption, the gap was sufficiently large to be classed as non-compliant.

In the supporting documents for our Annual Performance Report in 2023, we provided a provisional number for leakage performance. Since then, we have reviewed all aspects of the water balance to improve the compliance position including; reporting trunk mains leakage on the basis of flow balance, adjusting distribution input meters to account for potential under-recording, applying a meter under registration to District Metered Area ('DMA') meters and updating the estimate of unmeasured household consumption using a combination of individual household monitors and DMA consumption estimates.

This activity has improved compliance against the AMP7 methodology, with the overall water balance gap improving to 3.4%. Although this is a significant improvement since 2022/23 APR reporting, the gap remains outside the 2% requirement. While we are not fully compliant, due to one component being red with six (out of 77) amber elements, we can confirm there is no material impact to the performance commitment reporting, which has also been confirmed by Jacobs in their Assurance Statement. We will continue to look for areas to further improve the calculation. A full RAG compliance checklist for this measure is provided in the Additional Regulatory Information section.

Our leakage targets are based on a percentage reduction from the three-year average baseline set between 2017/18 and 2019/20. Having identified these methodology improvements, aligned with good practice, we have back cast the impacts on our historic performance to ensure our baseline is set on a like-for-like basis. Our improvement targets in percentage terms remain unchanged. Jacobs note that where we have back cast the methodology, the water balance gap is greater than 5% in four out of the seven years and two of the three for the baseline years. In order to account for this, we have reconciled each year back to 5%.

Details are provided in the table below:

	AMP6			AMP7				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Baseline	17.9	15.3	14.9					
Three-year average			16.0					
AMP7 target				1.2%	3.4%	6.4%	9.4%	12.4%
				15.9	15.5	15.0	14.5	14.1
Restated baseline (Spot)	18.3	17.1	16.6					
Restated three-year average			17.3					
Revised targets three-year average				1.2%	3.4%	6.4%	9.4%	12.4%
				17.1	16.7	16.2	15.7	15.2
Actual three-year average				-1.7%	-1.2%	-1.2%	5.2%	
				17.6	17.5	17.5	16.4	

Following the restatement, we can confirm that our leakage and PCC target has not been achieved between Years 1-4 of AMP7. This is following the use of Individual Household Monitors ('IHM') data loggers which has improved our baseline calculation on leakage and PCC to provide a more accurate view of our performance on all components. The data has resulted in a water balance level where we are not compliant. However, through enhanced reporting we are in a better position to target leakage reduction activities through the improvement plans we have in place, ensuring we meet the restated targets in Year 5.

### B3 PER CAPITAL CONSUMPTION ('PCC')

#### AMP7 COMMON METHODOLOGY

For PCC all components of the AMP7 methodology are compliant, although there is one element (out of 24) that is amber (i.e. non-compliant but not materially impacting). We note that there is no material impact to the reporting, which has also been assured by Jacobs in their Assurance Statement (within our approach to Board leadership, transparency and governance section).

A full RAG compliance checklist for this measure is provided in the additional regulatory information section.

In line with the leakage restatement above, the changes within the water balance also impact on our PCC metric. Details are provided in the table below:

	AMP6			AMP7				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Baseline	128.8	135.0	133.9					
Three- year average			132.6					
AMP7 target				0.9%	1.8%	2.7%	3.5%	4.2%
				132.3	131.1	129.9	128.8	127.8
Restated baseline (Spot)	126.7	131.5	128.6					
Restated three-year average			128.9					
Revised targets				0.9%	1.8%	2.7%	3.5%	4.2%
				127.7	126.6	125.4	124.4	123.5
Actual three-year average				-1.9%	-3.6%	-4.8%	-1.3%	
				131.4	133.6	135.1	130.6	

## B6 UNPLANNED OUTAGE

### PEAK WEEK PRODUCTION CAPACITY REPORTING COMPLIANCE

As part of the in-period Final Determination, Ofwat challenged the sector’s interpretation of the AMP7 reporting guidance when calculating Peak Week Production Capacity (‘PWPC’). We have reviewed the process and reassessed compliance against the guidance which has confirmed full compliance including the PWPC component. Jacobs have assured the assessment and confirmed that our interpretation is reasonable as set out in their Assurance Statement (within our approach to Board leadership, transparency and governance section). The full compliance checklist for this measure is provided in the Additional Regulatory Information section. Below is an overview of our assessment for PWPC.

We define PWPC for each Groundwater or Surface Water treatment facility. In the case of Groundwater, some site groups are made up of several individual boreholes that feed to a treatment works and a PWPC value is determined at a source level for each borehole and at a group level for the overall treatment facility. In some cases, the sum of the individual boreholes PWPC is greater than that of the treatment works due to limiting factors on the works.

The PWPC of each treatment facility (or group) is reassessed on an annual basis. This includes integration of the actual realised flows for the previous reporting year to see if there has been a higher flow than the current recorded PWPC value. Where a higher seven-day rolling average flow is achieved and evidenced through telemetry systems, the new higher average value is used as the PWPC value. Where there is no increase in the seven-day average flow value and the value has been recorded within a five-year period the current PWPC is maintained.

Where a site’s PWPC does not change within the five-year rolling period it is identified that a capacity test needs to be undertaken, unless there have been any capital projects that would have had an impact on the available works output explaining the lower PWPC value. All sites and/or groups will have the information of its PWPC

detailed in an assessment pack. This will include details of the site’s/group’s actual output, or where undertaken, details of the capacity test.

Capacity tests are subject to appropriate risk and contingency plans being in place as well as restrictions due to operational constraint such as Water Quality restrictions. Where the need for a capacity test is identified a risk-based approach for each works on a site-by-site basis is produced identifying an appropriate duration for the capacity test and any specific operational constraints are considered to the viability of a test. The value gained from the capacity test is extrapolated to produce the PWPC figure, as if it had been running at the produced flow for a seven-day period, including any forecasted constraints. Where possible a test lasts a minimum of four hours, to determine the maximum attainable PWPC flow for a site, however, in some cases it may not be possible to run a test for this length of time without significant risk or operational constraint. Supporting evidence for the PWPC to allow the extrapolation of this value to a seven-day sustainable flow figure is provided in the PWPC evidence pack. Various sources of data such as simulated capacity tests; water balance models; hydraulic models; operations guidance documents; standard operating procedures; and site telemetry data, support the evidence packs.

The stated site and company PWPC value will only change within the year if there is a significant change to the treatment processes on site, due to capital investment leading to either an increase or decrease in treatment capacity. As part of the annual review, the total PWPC is also reviewed annually to account for the reduction/removal of any water treatment facilities. Where there are changes to treatment capacity on a site through capital works this will be evidenced in the PWPC evidence packs with the relevant design documentation and specifications.

In line with guidance, where a PWPC value has been achieved during an extreme weather event and the treatment facility has been run in a way that is outside the normal operating parameters, its seven-day average flow has been excluded and not used to define the sites PWPC.

## E4 RISK OF SEWER FLOODING IN A STORM

### ANALYSIS USED TO SET AMP7 TARGETS

We continue to report this measure in line with our 2022/23 APR approach.

In 2021/22, we notified Ofwat that we had identified an issue as part of our 2020/21 APR data assurance process that occurred during the analysis to set the baseline at PR19. The effect of this error was to understate the percentage of population at risk at medium/high vulnerability. As such, we believe that our annual targets are set too stringently.

We asked Ofwat to consider restating our AMP7 targets, however this was not accepted and our AMP7 targets remain in line with the Final Determination. We have corrected the error in our reporting for 2023/24 APR and note that we are missing our target on this measure.

## C1 LENGTH OF RIVER WATER QUALITY IMPROVED

### AMP7 COMMON METHODOLOGY

During the current year, we have a Water Framework Directive (‘WFD’) commitment to deliver 46.0 km on Length of River Water Quality Improved, which will be completed at four sites: Church Stoke; Montgomery; Guilsfield; and Newtown.

The performance commitment (‘PC’) for this measure is set on an end-of-AMP basis in the PR19 Final Determination PC Appendix, and has both penalties and rewards available, with the same incentive rate used in

both calculations. As an end-of-AMP PC, the amount of penalty or reward applied will be calculated at the end of AMP7 rather than applied separately to each of these years. To avoid potential volatility to this PC payment.

A key benefit from this PC's design is that it allows for flexibility in the delivery schedule. It means that, as long as the total delivered over the AMP matches the total of the individual targets, there will be no financial impact from any variation in the pace of delivery. It is this flexibility that allows the PC to work in parallel with the WFD targets. It is important to note that the WFD targets will only be met formally once NRW has agreed to a revised permit to discharge for each of the four sites.

Our progress to date is that construction work at Guilsfield and at Newtown will complete in Year 5, with Montgomery on schedule to complete before the end of the calendar year. The extension for Church Stoke is March 2025, within the ODI period for Year 5. The revised NRW permits – the evidence that we have delivered on this PC – are then set to be in place before the WFD due date on 22 December 2024 ensuring that we meet all of our regulatory commitments. Therefore, we are on track to deliver the full 46 km required by this PC in 2024/25.

## AMP7 COMMON PERFORMANCE MEASURES COMPLIANCE STATUS

In line with RAG 3.14 section 4.40, we can confirm that we are compliant with all the components of the AMP7 common methodology checklists for the following named PCs: Water Supply Interruptions; Mains Repairs; Unplanned Outages; Internal Sewer Flooding; and Sewer Collapses. This compliance has been assured via our three lines of assurance framework.

Commentary of the compliance position for leakage and PCC is provided above as well as further commentary on the green compliance for Unplanned Outages following the clarification in the 2022/23 APR In-Period Final Determination. Full RAG compliance checklists for these three measures are provided in the Additional Regulatory Information section.

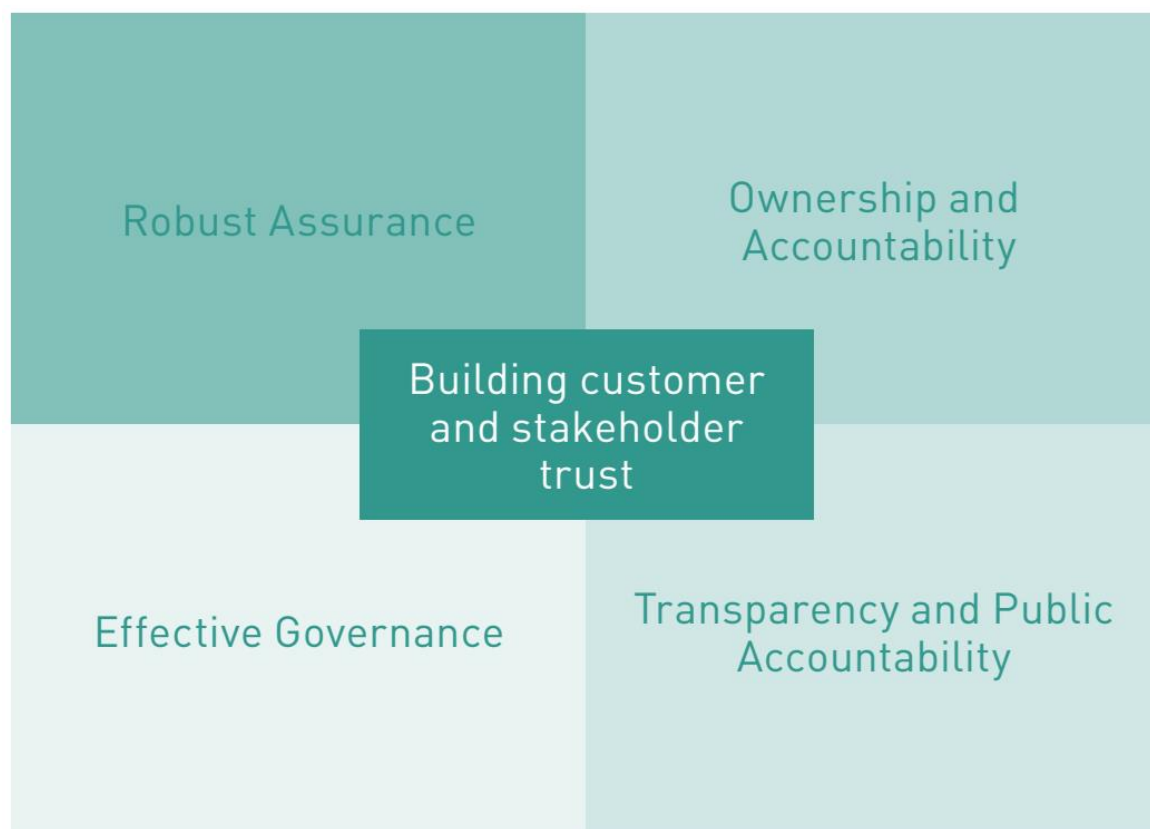
# REGULATORY REPORTING

## 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 [Regulatory Reporting and Assurance Approach](#) 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.

This 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 this report including our Board's Data and Information Completeness and Accuracy Statement and Risk and Compliance Statement which are presented in the Board Statements section.



### 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, 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.

1. Robust Assurance – we operate a three lines of assurance model, targeted at areas of greatest risk.
2. Ownership and Accountability – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
3. Effective Governance – provided by our Board, the Audit and Risk Committee, Executive Committee and the Severn Trent Plc Disclosure Committee.
4. Transparency and Public Accountability – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

### 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, are targeted with first or second line assurance only. This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable process exist, and increased where new risks are emerging, resulting in a proportionate and appropriate assurance spend. Our three lines of assurance is explained in greater detail in our assurance approach at Appendix A.

#### Internal Audit

Internal Audit is an independent assurance function available to the Board, Audit and Risk Committee and all levels of management, and is a key element of the Severn Trent Group's corporate governance framework. Support is provided by three main co-sourcing partners: PwC, EY and BDO. Arrangements are reviewed annually and we believe this structure adds value, through greater access to specific areas of expertise, increased ability to flex resources, and the ability to challenge management independently. Co-source 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 independent and objective 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.

A three-year strategic audit planning approach is applied, from which Internal Audit develops an annual risk-based audit plan; this facilitates an efficient deployment of resource in providing assurance coverage over time across the whole business.

The Audit and Risk Committee's role is to review and challenge the plan, specifically where the key risk areas identified as part of our ERM process are being audited with appropriate frequency and depth. Individual Committee members also bring an external view of risks the Company may be exposed to. Once approved by the Committee, regular reporting enables the Committee to monitor delivery of the audit plan and ensure that Internal Audit performs its work in accordance with the mandatory aspects of the International Professional Practice Framework of the Chartered Institute of Internal Auditors (the 'CIIA'), with integrity (honestly, diligently and responsibly) and objectivity (without conflicts of interest).

Each year, Internal Audit develops an annual risk-based audit plan for consideration by the Audit and Risk Committee; this is supported by regular reporting that enables it to monitor delivery of the audit plan. Following the completion of each planned audit, Internal Audit seeks feedback from management and reports to the Audit and Risk Committee 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 'No material weaknesses were identified during the year'. Action

closure is reported to and monitored by the Audit and Risk 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 reasonable but 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. To ensure continued efficiency, we undertake an annual review of the effectiveness of the Internal Audit function in line with the CIIA Internal Audit Code of Practice and the FRC Guidance on Audit Committees. The CIIA guidance states that Audit Committees should obtain an independent and objective external quality assessment at least every five years.

The last external review of the effectiveness of the Internal Audit function was undertaken in December 2021, and the next external effectiveness review is therefore planned for no later December 2026. The review was carried out by BDO, which concluded that the Internal Audit function remained fit for purpose, was operating efficiently and effectively, and in line with good practice. BDO's findings also highlighted clear evidence that the Internal Audit function operated with strategic alignment, a focus on risk and an emphasis on quality and continuous improvement, all underpinned by objectivity and integrity. The minor areas of improvement raised by BDO have been incorporated into an action plan.

Taking all these elements into account, it was concluded that the Internal Audit function was an effective provider of assurance over the Group's risks and controls, and appropriate resources were available as required.

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 Annual Reporting Accounts and APR. This is explained in greater detail in our APR assurance approach at Appendix A.

## 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 Hafren Dyfrdwy Audit and Risk Committee and Severn Trent Plc Disclosure Committee. The 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 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 wastewater 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 Licence to Operate process is an internal control system and a key part of our Governance Framework designed to ensure compliance against all of our regulatory obligations and duties. We monitor over 100 obligations underpinned by over 2,000 reporting lines. Each duty and obligation within licence to operate is mapped to a business area in our assurance map, to provide oversight of the compliance risk score. Responsible managers and senior leaders are invited to complete a self-assessment twice a year. Our total risk exposure is then assessed based on the combined score of the likelihood of a non-compliance and the impact of a non-compliance. This creates a simple way to compare one risk factor to another. Our highest areas of risk receive targeted focus in our assurance plan. Where we have noted exceptions (as disclosed in our APR), we have additional focus on assurance.

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 a 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 and 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, senior leader and Director to confirm compliance, or to inform us of a non-compliance (referred to as an exception).

The Group 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 exceptions from our statutory and regulatory obligations, ahead of the Board making the annual Risk and Compliance Statement. The exceptions are set out in the Board Statements section.

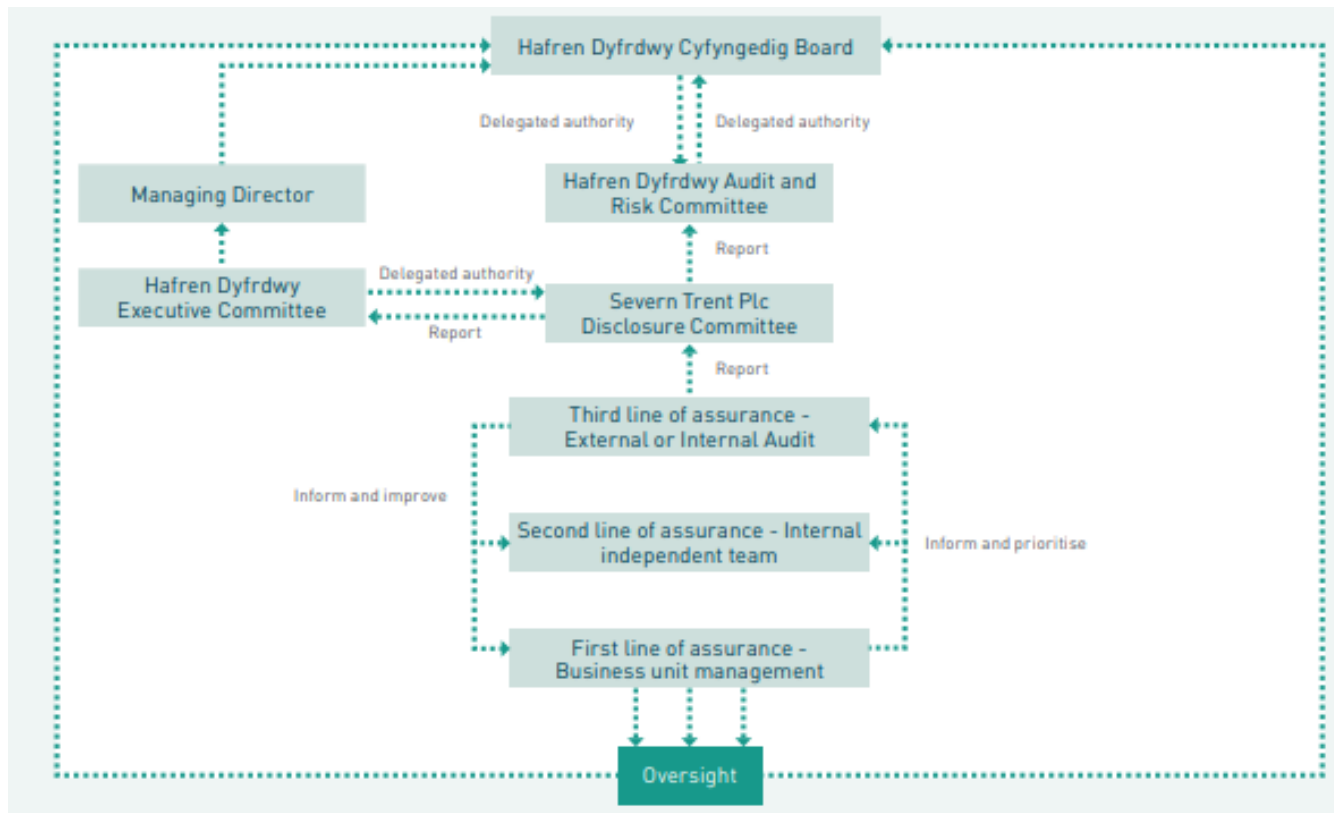
## EFFECTIVE GOVERNANCE

The Board is supported by the Severn Trent Plc Governance Framework, which is described in detail in the Our Approach to Board Leadership, Transparency and Governance section. 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 overleaf, to enable confidence in the information and data we report in our Annual Report and Accounts and APR.

The Severn Trent Plc 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 Audit and Risk Committee, which receives regular reports of the assurance conducted by the External Auditors.

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 Chief Financial Officer.



## TRANSPARENCY AND PUBLIC ACCOUNTABILITY

As a public service provider, we want to be transparent about how we balance the needs of our customers and other stakeholders, our strategic plans as a business, and the provision of a fair return for our investors.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to our customers' and stakeholders' feedback. We outline our performance each year within our APR and hold ourselves to account where we do not meet our commitments

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 and clear 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 the Severn Trent Plc website.

We demonstrate and explain how we are fair when balancing the short and long-term needs to manage our financial risk for Hafren Dyfrdwy, share returns with customers and consider long-term viability. We also provide information relating to executive salaries and bonuses and how they are aligned and linked to the delivery of outcomes to customers.

# BOARD STATEMENTS

## RISK AND COMPLIANCE STATEMENT

Having taken into consideration the information contained within the sections titled 'Our approach to Board Leadership, Transparency and Governance' and 'Improving Clarity and Transparency', the Board approves the Annual Performance Report ('APR'), the associated APR data tables, and the noted exceptions.

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 below.
- 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.

Signed for on behalf of the Board on 11 July 2024.



James Jesic  
Managing Director  
Hafren Dyfrdwy Cyfyngedig



John Coghlan  
Chair  
Hafren Dyfrdwy Cyfyngedig



Sally Jones-Evans  
Audit and Risk Committee Chair  
Hafren Dyfrdwy Cyfyngedig

## EXCEPTIONS FROM THE STATEMENT

There are three exceptions for inclusion in this year's Risk and Compliance Statement, relating to leakage, per capita consumption and supply interruptions. In all cases, the materiality impact has been assessed as low with reference to financial or wider customer impact. Details are presented in the 'Improving Clarity and Transparency' section of our APR. However, in accordance with our internal procedures we have chosen to note these to ensure the highest levels of transparency. All exceptions regardless of materiality are reviewed and scrutinised by our Executive Committee before being endorsed by our Board prior to publication - ensuring that all levels of the business are made aware of any significant risks or issues.

## STATEMENT FROM NON-FINANCIAL ASSURER - JACOBS



**Challenging today.  
Reinventing tomorrow.**

25 June 2024

Attn: FAO Hafren Dyfrdwy Cyfyngedig Board

Project name: 2023-24 Assurance Services  
Project no: B2349302

**Subject: Independent Technical Assurance Statement**

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 2024 (APR24) submission we were asked to review the 2023-24 HDD performance commitments (Part 3) and non-financial data (within Parts 2-11) on a risk-based approach.

Through a series of assurance audits and information exchanges, we have reviewed and tested the methodologies and processes on which the relevant statements in the APR24 are based, and we have considered the material accuracy of the performance data presented. Our findings have been discussed with management and presented to the Disclosure Committee on the 24 June 2024.

On the basis of our audit work, we are satisfied that the information we reviewed which supports, and is included within, the APR24 has been assembled using appropriate methodologies and processes and that the data provides a reliable representation of Company performance. There is good evidence of engagement from the teams involved in producing the performance data, and of governance and programme management.

Performance commitment (PC) reporting is in line with the guidance and exclusions have been correctly applied. It was noted that for **B2 Leakage** and **B3 Per Capita Consumption (PCC)** the Company are restating B2 Leakage and B3 PCC baseline, targets and performance for AMP7. We consider the proposed changes are reasonable and improve compliance with the guidance. Of the 77 leakage consistency elements in the assessment, 70 have been assessed as green, 6 as amber and one component of the leakage consistency status remains red. The single red assessment is due to the water balance gap for 2023/24 being 3.4% which, whilst improved, is above the 3% level required for an amber status. We note that the water balance gap in the back cast is greater than 5% in four out of the seven years and two of the three for the baseline years, potentially impacting the robustness of the baseline. For the components of the PCC consistency assessment, 24 elements are green and one is amber. We do not consider that the amber or red assessments have a material impact on reported performance for the 2023-24 APR.

For **B6 Unplanned outage**, the compliance checklist is scored as green for all elements including Peak Week Production Capacity (PWPC) which is a key component of this measure. This is based on your interpretation of the guidelines regarding the physical capacity tests required. Your approach is to schedule the physical capacity tests within five years of the PWPC being confirmed. We consider this to be a reasonable interpretation of the guidelines, justifying the green status on compliance.

We have completed assurance for all of the Company's performance commitments.

We note that the Board intends to include issues we noted during our review as clarifications or exceptions in the APR submission.

Your sincerely,

**Sarah Fane**  
Head of Water Strategy and Regulation  
[Sarah.Fane@jacobs.com](mailto:Sarah.Fane@jacobs.com)

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## 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 that 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. 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.

## 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 in the Regulatory Statements section, our [Regulatory Reporting and Assurance Approach](#) and the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#). 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 Audit and Risk Committee applies scrutiny and challenge ahead of publication.

## Effective Governance

Hafren Dyfrdwy is an operating subsidiary of the FTSE100 listed 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 Code, the Board delegates certain roles and responsibilities to its various Committees.

The Committees assist the Board by fulfilling their roles and responsibilities and by: 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 to ensure that it remains appropriate. The Governance Framework is explained in greater detail in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#) and Our Approach to Board Leadership, Transparency and Governance section of this report.

## OUR BOARD ENGAGES AND CHALLENGES THE ASSURANCE APPROACH TAKEN

To support our Governance Framework, we also have an established, rigorous and robust assurance and reporting framework. The assurance processes we use build on sector wide best practice and ensure that managers, senior managers and Directors are responsible for delivering high quality data. Our Assurance Plan for this financial year, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

Our assurance plan aligns to our AMP7 commitments and provides details 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 2024, the regulatory forward plan and proof-point process that provides assurance to the Board and Audit and Risk 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 best practice for audit committees, are maintained. A 12-month forward view of the regulatory forward plan and proof-point process is provided at every Audit and Risk Committee meetings is updated every six months. The Audit and Risk Committee ensures that regular updates are provided to the Board under their Terms of Reference. Ongoing progress updates relating to a variety of submissions, are provided at Board level through Director reports.

New submissions and Board requirements, or amendments to the assurance process, are reviewed, discussed, and approved in advance of submissions.

As an example, this year we are required to submit a Board Statement to accompany the draft Water Resources Management Plan ('WRMP') This submission will be owned at an individual Director level, with the Executive Committee, Audit and Risk Committee and Board all being engaged throughout the process. This enables the Board to test and challenge the progress, including risks, mitigations, the assurance approach and the Board Statements themselves, including the proof point process.

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 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 rating are targeted for improvement.

Our **Regulatory Reporting and Assurance Approach** is a key publication that 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. 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. The assurance plan is grouped into two areas, core assurance activities and focus assurance activities, which are updated and reflect current risk and/or areas of importance in reporting.

## CONSIDERATIONS OF THE BOARD

The Board considers that the Company has applied the governance and assurance frameworks described both in this APR, the Hafren Dyfrdwy Annual Report and Accounts 2023/24 and the Regulatory Reporting and Assurance Approach. Following reasonable and relevant enquiries, it is believed the processes and internal controls have been applied in a manner which has enabled it to satisfy itself, to the extent that it is able to do so from the information available, that the data and information provided to Ofwat in the reporting year and information published in our role as a water and wastewater undertaker is accurate and complete, except where indicated.

Signed for on behalf of the Board on 11 July 2024.



James Jesic

Managing Director

Hafren Dyfrdwy Cyfyngedig



John Coghlan

Chair

Hafren Dyfrdwy Cyfyngedig



Sally Jones-Evans

Audit and Risk Committee Chair

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 in the Board Statement section.

### DISCLOSURES REQUIRED BY RAG 3

#### A. LINK BETWEEN DIRECTORS' PAY AND STANDARDS OF PERFORMANCE

Our Remuneration Policy is aligned to our purpose, strategy and values, thereby incentivising great customer service and the creation of long-term value for all our stakeholders. We operate a unified remuneration scheme at the Severn Trent Group level across the two regulated businesses (Hafren Dyfrdwy and Severn Trent Water). The [Severn Trent Plc Annual Report and Accounts 2023/24](#) provides detailed disclosures of our Remuneration Policy, and how this has been applied in the year.

For Hafren Dyfrdwy specifically, the Policy is summarised as follows:

##### 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 Annual Report and Accounts 2023/24](#).

##### ii) Executive Directors

Hafren Dyfrdwy's Executive Directors have responsibilities across both regulated entities owned by Severn Trent Plc. At a Group level, the Executive Directors' remuneration includes their participation in the Annual Bonus Scheme ('ABS') and Long-Term Incentive Plan ('LTIP').

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 and their annual remuneration.

Of the 3% bonus received by the Executive Directors in respect of Hafren Dyfrdwy performance, the outcome is split equally between financial (profit before interest and tax ('PBIT')) and customer service performance metrics (outcome delivery incentives ('ODIs')).

For Executive Directors of Hafren Dyfrdwy who also sit on the Executive Committee of Severn Trent Plc, half of the annual bonus is delivered as cash and the balance is deferred into shares of Severn Trent Plc for a further three years.

#### B. DISCLOSURE OF INFORMATION TO AUDITOR

The Companies Act 2006 requires Directors to make a statement in the Company's Annual Report and Accounts regarding the provision of information to the Auditor. RAG 3 requires an equivalent statement to also be made in the APR. This statement is set out below.

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 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 2018 Code during the year are set out in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

#### D. OUR AMP7 DIVIDEND POLICY

The Company's policy is based on our understanding that in order to deliver successful outcomes, all parties must share in success. This means customers benefiting from good value and better services.

We've long considered the factors identified by Ofwat in its PR19 methodology when setting our dividend. For example, we share outperformance through providing good value and additional investment. We have been able to do this while maintaining our gearing and delivering strong financial resilience. We have adopted four core principles that guide how we make decisions about dividends:

- Dividends will be fair and balanced.
- Dividends will be transparent.
- Dividends should promote continued outperformance – it is in all parties' interests that we continue to outperform so we provide good value and improve service levels.
- Dividends will support appropriate gearing.

No dividend was paid in the current year or prior three years, and the Directors do not recommend a dividend in respect of the year ended 31 March 2024.

#### E. LONG-TERM VIABILITY STATEMENT

The Directors' full assessment of financial viability can be found in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

The Directors have assessed the viability of the Company over a seven-year period to March 2031, 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 2031.

#### F. 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:

- Confirm that, in their opinion, the Company has sufficient financial and management resources for the next 12 months;
- Confirm that, in their opinion, the Company has sufficient rights and assets which would enable a special administrator to manage the affairs, business and property of the Company;

- 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;
- Undertake transactions entered into by the appointed business, with or for the benefit of associated companies or other businesses or activities of the appointed business, at arm's length; and
- Keep proper accounting records which comply with Condition F and the Regulatory Accounting Guidelines.

## G. 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, employer's NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employee's NIC).

## H. 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 Chief Financial Officer, with oversight from the Board and Audit and Risk Committee and day-to-day support from a team of qualified in-house tax professionals within the Group.

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 Severn Trent Plc Audit and Risk Committee, which also receives 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, 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.

### Non-UK operations

We seek to declare profits in the country where the economic substance arises. Substantially all of the Group's revenues and profits are generated in the UK and are subject to UK tax. Details of the Group's overseas subsidiaries at 31 March 2024 are set out below:

- Lyra Insurance Guernsey Limited is a wholly owned subsidiary company incorporated in Guernsey. It was established to provide insurance services to the Group. The company is subject to the UK Controlled Foreign Company (CFC) rules and therefore the Group incurs tax at the UK Corporation Tax rate on its profits. The presence there does not lead to a tax advantage.
- Athena Holdings Limited was set up during 2019 to diversify risk in the context of investment planning. It is a wholly owned company incorporated in Hong Kong and tax resident in the UK. It has no impact on the Group's overall tax position and does not lead to a tax advantage.

We do not use low tax jurisdictions to artificially manage the amount or timing of our tax liabilities. All of the Group's overseas subsidiaries are established for commercial purposes and details of these subsidiaries are briefly set out above and in detail in our annual tax report, which is published on our website: <https://www.severntrent.com/>

### Scope

This Tax Strategy covers the year ended 31 March 2024 and applies to Severn Trent Plc and its UK subsidiary undertakings. It is published in compliance with the requirement at Paragraph 16(2) of Schedule 19 of Finance Act 2016 for large businesses to publish their tax strategy.

### Fair Tax Mark

Over the past year, we are delighted to have retained our Fair Tax Mark for the fifth year running. This much sought-after recognition demonstrates we're a company that's committed to managing our tax affairs responsibly and supporting measures aimed at tax transparency.

## 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.

The Ring Fencing Certificate, in respect of financial resources and facilities, is subject to third party assurance, in the form of agreed upon procedures, which has been provided by Deloitte.

In accordance with the requirements of the Water Services Regulation Authority, our Board confirmed that:

- 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 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; and
- Contracting.

The Company is dependent on its contracts with Severn Trent Water to carry out its Regulated Activities. 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 Company also has a Corporate Services Agreement with Severn Trent Water. Under this agreement Severn Trent Water agrees to provide corporate services including HR, Finance, IT and Legal services to the Company.

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 in the Viability Statement in the [Hafren Dyfrdwy Annual Report and Accounts 2023/24](#).

Management provides the Board with evidence that each of the factors set out above have been addressed in assessing whether the Company has sufficient resources to enable it to carry out its Regulated Activities for the next 12 months. The Board, through its Audit and Risk Committee, scrutinises and challenges the evidence provided to ensure 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.

In providing these 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

The Appointee's performance expectations against Final Determinations 2020-25, 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 2024/24 ARA.

Investment requirements to deliver stretching performance commitments in AMP7.

The Appointee's compliance with financial covenants.

The Appointee's financial position and net cash flow position as at 31 March 2024 as represented by the statutory and regulatory accounts.

#### Management resources

The collective experience of the Directors and the diverse skills and experience they possess enables the Board to reach decisions in a focused and balanced way, supported by independent thought and constructive debate, crucial to ensuring the continued long-term success of the Company.

Any new appointments to the Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Nominations Committee (although decisions on appointments are a matter reserved for the Board). The Board considers succession 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.

Executive and Non-Executive Directors remain aware of recent, and upcoming, developments and keep their knowledge and skills up to date. Our Board Effectiveness process includes training discussions with the Company Secretary and, as required, we invite professional advisers and subject matter experts to provide in-depth updates. Our Company Secretary also provides regular updates to the Board and its Committees on regulatory and corporate governance matters.

The independence of our Non-Executive Directors is formally reviewed annually by the Nominations Committee, and as part of the Board Effectiveness evaluation. The Nominations Committee and Board consider that there are no business or other circumstances that are likely to affect the independence of any Non-Executive Director and that all Non-Executive Directors continue to demonstrate independence.

The Appointee operates 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 CEO, CFO and the Company Secretary, along with other members of the Executive Committee. New Directors also meet members of the operational teams and visit our key sites and capital projects to ensure they gain a detailed understanding of the water and wastewater businesses and have a chance to experience our unique culture in person. 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.

The tone at the top and culture within the Appointee is reinforced through the Appointee's Code of Conduct – Doing the Right Thing.

### Systems of planning and internal control

The annual employee engagement survey assists the Directors' understanding of what is 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 recruitment, reward and recognition strategy to attract high calibre candidates and retain employees with appropriate experience.

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 Appointee's Audit and Risk 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 regard to its Performance Commitments identified in the Additional Regulatory Information section.

Business continuity plans.

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

The Appointee's purpose, values and culture is embedded through annual e-learning and supported through policies.

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.

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.

The Appointee's policies to mitigate the risk of modern slavery and human trafficking.

### Contracting

There are no contracts that the Company is dependent on in order to carry out its regulated activity.

### Material issues or circumstances

We closely monitor emerging risks that may, with time, become significant risks or cease to be relevant as the internal and external environment in which we operate evolves.

One of the risks relates to supply chain disruption caused by the ongoing conflict in Ukraine resulting in critical supply chain shortages and resource security pressures. We are continually monitoring this risk and our dependency on supply chains, including foreign suppliers, which could be impacted by ongoing global matters.

Energy infrastructure stability: We are reliant on the stability of the energy grid and are susceptible to power disruptions, brownouts, partial outages, blackouts, and complete shutdown of electricity due to problems with the local, or national, energy grid. We are focused on delivering our longer-term energy strategy.

Signed for on behalf of the Board on 11 July 2024.



James Jesic

Managing Director

Hafren Dyfrdwy Cyfyngedig



John Coghlan

Chair

Hafren Dyfrdwy Cyfyngedig



Sally Jones-Evans

Audit and Risk Committee Chair

Hafren Dyfrdwy Cyfyngedig

## OUR APPROACH TO OPEN DATA

Our open data vision is to make data available and accessible publicly to provide visibility and confidence in the value being delivered to consumers, wider stakeholders, society and the environment. We believe an open data philosophy will foster a spirit of transparency, innovation and efficiency to drive the sector forward and outline our progress to date below.

The key activities for us to deliver this are:

- Enhance the Information Lifecycle Management ('ILM') framework to establish the roles and responsibilities required for the governance, assurance, and provision of all data.
- Establish an Open Data framework for data sharing based on assured Open Standards.
- Define and prioritise the open data use cases and identify data to share publicly using our Driver Tree methodology.
- Implement Overall Information Effectiveness ('OIE') principles to identify data quality concerns and necessary improvement activities.
- Enhance our Azure platform, tools and processes for the hosting and sharing of open data.
- Actively support and align our approach with the Stream industry-wide initiative.

Sector-wide open data initiative 'Stream', a working collective of 11 water companies backed by the Ofwat Innovation fund, is working to unlock the potential of water data to benefit customers, society and the environment. This initiative has co-created an Open Data Framework that provides the capabilities required to unlock the value of water sector data, and in December 2023 established an [Open Data Portal](#) for sharing water company data sets. Hafren Dyfrdwy are actively engaged in sharing data through the portal working with the Stream Use Cases and Market Needs advisory group to establish the priority order for release of future data sets based on value to consumers, wider stakeholders, society and the environment; and the Stream Technical Requirements advisory group to ensure these are underpinned by a common set of data standards and supporting contextual information (metadata) to ensure that the data is understandable and easy to use and process.

To date we have published our APR 2022/23, Domestic Water Quality and Water Company Boundary data through Stream as open datasets, and are currently testing storm overflow hourly status data as shared data with other water companies prior to publishing on the National Storm Overflow Hub later this year.

APR 2023/24 data tables are available in the [Regulatory Library](#) on our website and can also be accessed on the [Open Data Portal](#).

We have incorporated the following changes to the way we publish our APR data for 2023/24 to align with open data best practise:

- The APR data tables are published in a machine-readable format (as CSV text files) alongside the Excel spreadsheets to make it easier for interested parties to download, process and analyse the information contained in them.
- A complete set of supporting contextual information, aligned with the Stream-agreed metadata standards to help understand the format and meaning of the APR data.
- An open data licence (CC BY 4.0) to help understand what, if any, restrictions exist on the use of this data.

- Publishing additional datasets alongside the APR tables – initially we have created a 4-year dataset for a selection of datapoints relating to Performance Commitments. This allows you to see trends without having to download and manipulate three separate files.
- The provision of a data user help function, to support you with any data related queries you may have when trying to access or use this data.

Over the last year we have conducted a thorough review of our open data capabilities and are establishing a roadmap to develop our open data maturity and earlier this year we released our near real-time [Storm Overflow Map](#).

# REGULATORY ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2024

# 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 (the "Company") Annual Performance Report for the year ended 31 March 2024 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis (wholesale) (table 2B), the cost analysis (retail) (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions (table 2E), the residential retail (table 2F), the non-household water revenues by tariff type (table 2G), the non-household wastewater revenues by tariff 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), household affordability support and debt (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4Y, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10H and 11A.

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 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2) set out on pages 55 and 56.

## 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 (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

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

## EMPHASIS OF MATTER – SPECIAL PURPOSE BASIS OF PREPARATION

We draw attention to the fact that the Regulatory Accounting Statements have been

prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 90 to 120 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

## CONCLUSIONS RELATING TO GOING CONCERN

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

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

- understanding the nature of the company, its business model and related risks including the impact of the cost of living and affordability crisis;
- evaluating the underlying data and key assumptions used in the directors' assessment and evaluating the directors' plans for future financing;
- evaluating the funding available through the Company's credit facilities, including their maturity period, Severn Trent Group's ability to provide such funding to support the Company's forecasted future cash flows, future commitments, and the net current asset position at the balance sheet date;
- assessing the assumptions used in the cash flow forecasts, including testing for consistency with board approved budgets and future plans for Asset Management Plan ("AMP") 7 and AMP 8, together with evaluating sensitivity analysis relating to these assumptions; evaluating historical accuracy of forecasts prepared by management;
- assessing the impact of risks and uncertainties on the business model and medium-term risks;
- assessing the headroom under both the base case and sensitised forecasts; and
- reviewing the appropriateness of the disclosures in the financial statements.

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

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

## OTHER INFORMATION

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

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

We have nothing to report based on these responsibilities.

## RESPONSIBILITIES OF THE DIRECTORS FOR THE ANNUAL PERFORMANCE REPORT

As explained more fully in the Statement of Directors' Responsibilities set out on pages 38 and 39, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.14, appendix 2).

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

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

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE REGULATORY ACCOUNTING STATEMENTS WITHIN THE ANNUAL PERFORMANCE REPORT

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to

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

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

We considered the nature of the Company's industry and its control environment, and reviewed the Company's documentation of its policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about its 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 the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- reading minutes of meetings of those charged with governance, the Audit and Risk 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](http://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 2024 on which we reported on 11 July 2024, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP

London, United Kingdom

11 July 2024

## 1A – INCOME STATEMENT

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1A.1 Revenue	40.043	-1.016	-1.403	-2.419	<b>37.624</b>
1A.2 Operating costs	-44.356	-2.213	1.253	-0.960	<b>-45.316</b>
1A.3 Other operating income	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>1A.4 Operating loss</b>	<b>-4.313</b>	<b>-3.229</b>	<b>-0.150</b>	<b>-3.379</b>	<b>-7.692</b>
1A.5 Other income	0.000	3.447	-2.957	0.490	<b>0.490</b>
1A.6 Interest income	1.959	-1.900	0.000	-1.900	<b>0.059</b>
1A.7 Interest expense	-3.690	-1.326	0.000	-1.326	<b>-5.016</b>
1A.8 Other interest expense	0.000	0.300	0.000	0.300	<b>0.300</b>
<b>1A.9 Loss before tax and fair value movements</b>	<b>-6.044</b>	<b>-2.708</b>	<b>-3.107</b>	<b>-5.815</b>	<b>-11.859</b>
1A.10 Fair value gains/(losses) on financial instruments	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>1A.11 Loss before tax</b>	<b>-6.044</b>	<b>-2.708</b>	<b>-3.107</b>	<b>-5.815</b>	<b>-11.859</b>
1A.12 UK Corporation tax	6.800	0.000	0.777	0.777	<b>7.577</b>
1A.13 Deferred tax	-5.951	0.684	0.000	0.684	<b>-5.267</b>
<b>1A.14 Loss for the year</b>	<b>-5.195</b>	<b>-2.024</b>	<b>-2.330</b>	<b>-4.354</b>	<b>-9.549</b>
1A.15 Dividends	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>A Tax analysis</b>					
1A.16 Current year	-6.427	0.000	-0.777	-0.777	<b>-7.204</b>
1A.17 Adjustment in respect of prior years	-0.373	0.000	0.000	0.000	<b>-0.373</b>
<b>1A.18 UK Corporation tax</b>	<b>-6.800</b>	<b>0.000</b>	<b>-0.777</b>	<b>-0.777</b>	<b>-7.577</b>
<b>B Analysis of non-appointed revenue</b>					
		Non-appointed			
		£m			
1A.19 Imported sludge		0.000			
1A.20 Tankered waste		0.058			
1A.21 Other non-appointed revenue		1.345			
<b>1A.22 Revenue</b>		<b>1.403</b>			

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

Line description	Adjustments				Reclassifications						
	Capitalisation of interest and related depreciation	Depreciation on capitalised interest	Forestry rental income	External electricity sales	Innovation Fund	Repair of damages recharges - Water	Infrastructure renewals income	Non-operating income reclassification	Deferred credits reclassification	Pension interest	Total difference
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	-	-	-	-0.639	-	0.015	-0.219	-	-0.173	-	<b>-1.016</b>
Operating costs	-	0.190	-	0.639	0.111	-0.015	-	-3.138	-	-	<b>-2.213</b>
Other operating income	-	-	-	-	-	-	-	-	-	-	-
<b>Operating loss</b>	-	<b>0.190</b>	-	-	<b>0.111</b>	-	-	<b>-3.138</b>	<b>-0.173</b>	-	<b>-3.229</b>
Other income	-	-	0.028	-	-0.111	-	0.219	3.138	0.173	-	<b>3.447</b>
Interest income	-	-	-	-	-	-	-	-	-	-1.900	<b>-1.900</b>
Interest expense	-2.926	-	-	-	-	-	-	-	-	1.600	<b>-1.326</b>
Other interest expense	-	-	-	-	-	-	-	-	-	0.300	<b>0.300</b>
<b>Loss before tax and fair value movements</b>	<b>-2.926</b>	<b>0.190</b>	<b>0.028</b>	-	-	-	-	-	-	-	<b>-2.708</b>
Fair value gains/(losses) on financial instruments	-	-	-	-	-	-	-	-	-	-	-
<b>Loss before tax</b>	<b>-2.926</b>	<b>0.190</b>	<b>0.028</b>	-	-	-	-	-	-	-	<b>-2.708</b>
UK Corporation tax	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	0.684	-	-	-	-	-	-	-	-	-	<b>0.684</b>
<b>Loss for the year</b>	<b>-2.242</b>	<b>0.190</b>	<b>0.028</b>	-	-	-	-	-	-	-	<b>-2.024</b>

## 1B – STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
1B.1 Loss for the year	-5.195	-2.024	-2.330	-4.354	<b>-9.549</b>
1B.2 Actuarial gains/(losses) on retirement benefit obligations	0.000	0.000	0.000	0.000	<b>0.000</b>
1B.3 Other comprehensive loss	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>1B.4 Total comprehensive loss for the year</b>	<b>-5.195</b>	<b>-2.024</b>	<b>-2.330</b>	<b>-4.354</b>	<b>-9.549</b>

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

Line Description	Per Income Statement	Net actuarial difference on pensions	Deferred tax on movement on retirement benefit obligations	Deferred tax rate change	Total differences
	£m	£m	£m	£m	£m
Loss for the year	-2.024	-	-	-	<b>-2.024</b>
Actuarial gains/(losses) on retirement benefit obligations	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-
<b>Total</b>	<b>-2.024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-2.024</b>

## 1C – STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments	
	£m	£m	£m	£m	£m
<b>A</b> Non-current assets					
1C.1 Fixed assets	247.147	-11.911	-3.034	-14.945	<b>232.202</b>
1C.2 Intangible assets	4.138	0.000	0.000	0.000	<b>4.138</b>
1C.3 Investments - loans to group companies	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.4 Investments - other	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.5 Financial instruments	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.6 Retirement benefit assets	5.400	0.000	0.000	0.000	<b>5.400</b>
<b>1C.7 Total non-current assets</b>	<b>256.685</b>	<b>-11.911</b>	<b>-3.034</b>	<b>-14.945</b>	<b>241.740</b>
<b>B</b> Current assets					
1C.8 Inventories	0.714	0.000	0.000	0.000	<b>0.714</b>
1C.9 Trade & other receivables	33.870	8.535	-3.761	4.773	<b>38.643</b>
1C.10 Financial instruments	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.11 Cash & cash equivalents	0.728	0.000	0.000	0.000	<b>0.728</b>
<b>1C.12 Total current assets</b>	<b>35.312</b>	<b>8.535</b>	<b>-3.761</b>	<b>4.773</b>	<b>40.085</b>
<b>C</b> Current liabilities					
1C.13 Trade & other payables	-23.132	-0.379	1.192	0.813	<b>-22.319</b>
1C.14 Capex creditor	0.000	0.571	0.000	0.571	<b>0.571</b>
1C.15 Borrowings	-0.068	0.000	0.000	0.000	<b>-0.068</b>
1C.16 Financial instruments	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.17 Current tax liabilities	8.479	-8.479	0.000	-8.479	<b>0.000</b>
1C.18 Provisions	-8.223	0.000	0.000	0.000	<b>-8.223</b>
<b>1C.19 Total current liabilities</b>	<b>-22.944</b>	<b>-8.287</b>	<b>1.192</b>	<b>-7.095</b>	<b>-30.039</b>
<b>1C.20 Net current assets/(liabilities)</b>	<b>12.368</b>	<b>0.248</b>	<b>-2.570</b>	<b>-2.322</b>	<b>10.046</b>
<b>D</b> Non-current liabilities					
1C.21 Trade & other payables	-18.744	15.178	0.000	15.178	<b>-3.566</b>
1C.22 Borrowings	-71.687	0.000	0.000	0.000	<b>-71.687</b>
1C.23 Financial instruments	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.24 Retirement benefit obligations	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.25 Provisions	-4.739	0.000	0.000	0.000	<b>-4.739</b>
1C.26 Deferred income – grants & contributions	0.000	-15.370	0.000	-15.370	<b>-15.370</b>
1C.27 Deferred income - adopted assets	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.28 Preference share capital	0.000	0.000	0.000	0.000	<b>0.000</b>
1C.29 Deferred tax	-29.480	2.978	0.000	2.978	<b>-26.502</b>
<b>1C.30 Total non-current liabilities</b>	<b>-124.650</b>	<b>2.786</b>	<b>0.000</b>	<b>2.786</b>	<b>-121.864</b>
<b>1C.31 Net assets</b>	<b>144.403</b>	<b>-8.878</b>	<b>-5.603</b>	<b>-14.481</b>	<b>129.922</b>
<b>E</b> Equity					
1C.32 Called up share capital	-168.051	0.000	0.000	0.000	<b>-168.051</b>
1C.33 Retained earnings & other reserves	23.648	8.878	5.603	14.481	<b>38.129</b>
<b>1C.34 Total Equity</b>	<b>-144.403</b>	<b>8.878</b>	<b>5.603</b>	<b>14.481</b>	<b>-129.922</b>

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

Line Description	Adjustments			Reclassifications		Total differences
	Capitalisation of interest	Forestry rental income	Tax	Capital creditor reclass	Deferred income reclass	
	£m	£m	£m	£m	£m	£m
<b>Non-current assets</b>						
Fixed assets	-11.911	-	-	-	-	<b>-11.911</b>
Intangible assets	-	-	-	-	-	-
Investments - loans to group companies	-	-	-	-	-	-
Investments - other	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit assets	-	-	-	-	-	-
<b>Total non-current assets</b>	<b>-11.911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-11.911</b>
<b>Current assets</b>						
Inventories	-	-	-	-	-	-
Trade & other receivables	-	0.056	8.479	-	-	<b>8.535</b>
Financial instruments	-	-	-	-	-	-
Cash & cash equivalents	-	-	-	-	-	-
<b>Total current assets</b>	<b>-</b>	<b>0.056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.535</b>
<b>Current liabilities</b>						
Trade & other payables	-	-	-	-0.571	0.192	<b>-0.379</b>
Capex creditor	-	-	-	0.571	-	<b>0.571</b>
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Current tax liabilities	-	-	-8.479	-	-	<b>-8.479</b>
Provisions	-	-	-	-	-	-
<b>Total current liabilities</b>	<b>-</b>	<b>-</b>	<b>-8.479</b>	<b>-</b>	<b>0.192</b>	<b>-8.287</b>
<b>Net current assets/(liabilities)</b>	<b>-</b>	<b>0.056</b>	<b>-8.479</b>	<b>-</b>	<b>0.192</b>	<b>0.248</b>
<b>Non-current liabilities</b>						
Trade & other payables	-	-	-	-	15.178	<b>15.178</b>
Borrowings	-	-	-	-	-	-
Financial instruments	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Deferred income – grants & contributions	-	-	-	-	-15.370	<b>-15.370</b>
Deferred income - adopted assets	-	-	-	-	-	-
Preference share capital	-	-	-	-	-	-
Deferred tax	2.978	-	-	-	-	<b>2.978</b>
<b>Total non-current liabilities</b>	<b>2.978</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-0.192</b>	<b>2.786</b>
<b>Net assets</b>	<b>-8.933</b>	<b>0.056</b>	<b>-8.479</b>	<b>-</b>	<b>-</b>	<b>-8.878</b>
<b>Equity</b>						
Called up share capital	-	-	-	-	-	-
Retained earnings & other reserves	8.933	-0.056	-	-	-	<b>8.878</b>
<b>Total Equity</b>	<b>8.933</b>	<b>-0.056</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.878</b>

## 1D – STATEMENT OF CASH FLOW

Year ended 31 March 2024

Line description	Statutory	Adjustments			Total appointed activities	
		Differences between statutory and RAG definitions	Non-appointed	Total adjustments		
	£m	£m	£m	£m	£m	
<b>A</b>	<b>Operating activities</b>					
1D.1	Operating loss	-4.313	-3.229	-0.150	-3.379	<b>-7.692</b>
1D.2	Other income	-2.962	3.391	-2.962	0.429	<b>-2.533</b>
1D.3	Depreciation	7.749	-0.190	0.000	-0.190	<b>7.559</b>
1D.4	Amortisation – Grants & contributions	0.972	0.000	0.000	0.000	<b>0.972</b>
1D.5	Changes in working capital	6.972	0.028	0.078	0.106	<b>7.078</b>
1D.6	Pension contributions	0.600	0.000	0.000	0.000	<b>0.600</b>
1D.7	Movement in provisions	1.291	0.000	0.000	0.000	<b>1.291</b>
1D.8	Profit on sale of fixed assets	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>1D.9</b>	<b>Cash generated from operations</b>	<b>10.309</b>	<b>0.000</b>	<b>-3.034</b>	<b>-3.034</b>	<b>7.275</b>
1D.10	Net interest paid	-2.595	0.000	0.000	0.000	<b>-2.595</b>
1D.11	Tax paid	1.225	0.000	0.000	0.000	<b>1.225</b>
<b>1D.12</b>	<b>Net cash generated from operating activities</b>	<b>8.939</b>	<b>0.000</b>	<b>-3.034</b>	<b>-3.034</b>	<b>5.905</b>
<b>B</b>	<b>Investing activities</b>					
1D.13	Capital expenditure	-14.872	0.000	3.034	3.034	-11.838
1D.14	Grants and contributions	0.468	0.000	0.000	0.000	0.468
1D.15	Disposal of fixed assets	0.000	0.000	0.000	0.000	0.000
1D.16	Other	0.000	0.000	0.000	0.000	0.000
<b>1D.17</b>	<b>Net cash used in investing activities</b>	<b>-14.404</b>	<b>0.000</b>	<b>3.034</b>	<b>3.034</b>	<b>-11.370</b>
<b>1D.18</b>	<b>Net cash generated before financing activities</b>	<b>-5.465</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-5.465</b>
<b>C</b>	<b>Cashflows from financing activities</b>					
1D.19	Equity dividends paid	0.000	0.000	0.000	0.000	0.000
1D.20	Net loans received	6.320	0.000	0.000	0.000	6.320
1D.21	Cash inflow from equity financing	0.000	0.000	0.000	0.000	0.000
<b>1D.22</b>	<b>Net cash generated from financing activities</b>	<b>6.320</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>6.320</b>
<b>1D.23</b>	<b>Decrease in net cash</b>	<b>0.855</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.855</b>

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

Line description	Adjustments			Reclassifications			Total differences
	Innovation fund	Forestry rental income	Non-operating income reclass	Depreciation on capitalised interest	Infrastructure renewals income	Deferred credits reclass	
	£m	£m	£m	£m		£m	£m
<b>Operating activities</b>							
Operating profit	0.111	-	-3.138	0.190	-0.219	-0.173	<b>-3.229</b>
Other income	-0.111	-0.028	3.138	-	0.219	0.173	<b>3.391</b>
Depreciation	-	-	-	-0.190	-	-	<b>-0.190</b>
Amortisation – Grants & contributions	-	-	-	-	-	-	-
Changes in working capital	-	0.028	-	-	-	-	<b>0.028</b>
Pension contributions	-	-	-	-	-	-	-
Movement in provisions	-	-	-	-	-	-	-
Profit on sale of fixed assets	-	-	-	-	-	-	-
<b>Cash generated from operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net interest paid	-	-	-	-	-	-	-
Tax paid	-	-	-	-	-	-	-
<b>Net cash generated from operating activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investing activities</b>							
Capital expenditure	-	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-	-
Disposal of fixed assets	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash generated before financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cashflows from financing activities</b>							
Equity dividends paid	-	-	-	-	-	-	-
Net loans received	-	-	-	-	-	-	-
Cash inflow from equity financing	-	-	-	-	-	-	-
<b>Net cash generated from financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase in net cash</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 1E – NET DEBT ANALYSIS

Year ended 31 March 2024

Line description	Fixed rate	Floating rate	Index linked		Total	
			RPI	CPI/CPIH		
	£m	£m	£m	£m	£m	
<b>A</b>	<b>Interest rate risk profile</b>					
1E.1	Borrowings (excluding preference shares)	0.102	36.250	35.576	0.000	<b>71.928</b>
1E.2	Preference share capital					<b>0.000</b>
1E.3	Total borrowings	0.102	36.250	35.576	0.000	<b>71.928</b>
1E.4	Cash					<b>-0.728</b>
1E.5	Short term deposits					<b>0.000</b>
1E.6	Net Debt					<b>71.200</b>
<b>B</b>	<b>Gearing</b>					
1E.7	Gearing					<b>60.331%</b>
1E.8	Adjusted Gearing					<b>0.000</b>
<b>C</b>	<b>Interest</b>					
1E.9	Full year equivalent nominal interest cost	0.003	2.271	2.436	0.000	<b>4.711</b>
1E.10	Full year equivalent cash interest payment	0.003	2.271	1.094	0.000	<b>3.369</b>
<b>D</b>	<b>Indicative interest rates</b>					
1E.11	Indicative weighted average nominal interest rate	3.375%	6.266%	6.847%	0.000%	<b>6.549%</b>
1E.12	Indicative weighted average cash interest rate	3.375%	6.266%	3.075%	0.000%	<b>4.684%</b>
<b>E</b>	<b>Time to maturity</b>					
1E.13	Weighted average years to maturity	42.459	4.574	8.507	0.000	<b>6.573</b>

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

	Total	Notes
	£m	
Current borrowings	0.068	Table 1C, line 15
Non-current borrowings	71.687	Table 1C, line 22
Borrowings (Table 1C)	71.755	IFRS measurement basis
Add: Unamortised issue costs	0.173	
<b>Borrowings (Table 1E)</b>	<b>71.928</b>	Table 1E, line 1 notional value basis

## 1F – FINANCIAL FLOWS (PRICE BASE – 2017/18 CPIH AVERAGE)

Year ended 31 March 2024

Line description	12 Months ended 31 March 2024						Average 2020-25					
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m	£m	%	%	%	£m	£m	£m
<b>A</b> Regulatory equity												
1F.1 Regulatory equity	36.332	36.332	36.512				32.811	32.811	37.806			
<b>B</b> Return on regulatory equity												
1F.2 Return on regulatory equity	4.30%	4.32%	4.30%	1.563	1.571	1.571	4.21%	4.85%	4.21%	1.382	1.593	1.593
<b>C</b> Financing												
1F.3 Impact of movement from notional gearing		-0.02%	-0.01%		-0.008	-0.004		-0.64%	-0.28%		-0.210	-0.105
1F.4 Gearing benefits sharing		0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000
1F.5 Variance in corporation tax		16.82%	16.74%		6.111	6.111		8.38%	7.27%		2.750	2.750
1F.6 Group relief		0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000
1F.7 Cost of debt		0.82%	0.82%		0.299	0.298		3.14%	2.20%		1.031	0.830
1F.8 Hedging instruments		0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000
<b>1F.9 Return on regulatory equity including Financing adjustments</b>	<b>4.30%</b>	<b>21.95%</b>	<b>21.85%</b>	<b>1.563</b>	<b>7.974</b>	<b>7.977</b>	<b>4.21%</b>	<b>15.74%</b>	<b>13.41%</b>	<b>1.382</b>	<b>5.163</b>	<b>5.068</b>
<b>D</b> Operational performance												
1F.10 Totex out / (under) performance		-1.93%	-1.92%		-0.702	-0.702		-5.23%	-4.54%		-1.716	-1.716
1F.11 ODI out / (under) performance		-0.80%	-0.79%		-0.290	-0.290		-1.50%	-1.30%		-0.491	-0.491
1F.12 C-Mex out / (under) performance		0.09%	0.09%		0.032	0.032		-0.04%	-0.03%		-0.012	-0.012
1F.13 D-Mex out / (under) performance		0.13%	0.13%		0.046	0.046		0.09%	0.07%		0.028	0.028
1F.14 Retail out / (under) performance		1.64%	1.63%		0.596	0.596		1.50%	1.30%		0.493	0.493
1F.15 Other exceptional items		0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000
<b>1F.16 Operational performance total</b>		<b>-0.87%</b>	<b>-0.87%</b>		<b>-0.317</b>	<b>-0.317</b>		<b>-5.18%</b>	<b>-4.49%</b>		<b>-1.698</b>	<b>-1.698</b>
<b>1F.17 RoRE (return on regulatory equity)</b>	<b>4.30%</b>	<b>21.08%</b>	<b>20.98%</b>	<b>1.563</b>	<b>7.657</b>	<b>7.660</b>	<b>4.21%</b>	<b>10.56%</b>	<b>8.91%</b>	<b>1.382</b>	<b>3.465</b>	<b>3.370</b>
1F.18 RCV growth	4.45%	4.45%	4.45%	1.617	1.617	1.625	5.78%	5.78%	5.78%	1.895	1.895	2.183
1F.19 Voluntary sharing arrangements		0.00%	0.00%		0.000	0.000		0.00%	0.00%		0.000	0.000
<b>1F.20 Total shareholder return</b>	<b>8.75%</b>	<b>25.53%</b>	<b>25.43%</b>	<b>3.180</b>	<b>9.274</b>	<b>9.285</b>	<b>9.99%</b>	<b>16.34%</b>	<b>14.69%</b>	<b>3.277</b>	<b>5.360</b>	<b>5.553</b>

## 1F – FINANCIAL FLOWS (PRICE BASE – 2017/18 CPIH AVERAGE) (CONT.)

Year ended 31 March 2024

Line description	12 Months ended 31 March 2024						Average 2020-25						
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	
	%	%	%	£m	£m	£m	%	%	%	£m	£m	£m	
<b>E</b>	<b>Dividends</b>												
1F.21	Gross Dividend	0.00%	0.00%	0.00%	0.000	0.000	0.000	0.00%	0.00%	0.00%	0.000	0.000	0.000
1F.22	Interest Receivable on Intercompany loans		0.00%	0.00%		0.000		0.00%	0.00%		0.000	0.000	0.000
<b>1F.23</b>	<b>Retained Value</b>	<b>8.75%</b>	<b>25.53%</b>	<b>25.43%</b>	<b>3.180</b>	<b>9.274</b>	<b>9.285</b>	<b>9.99%</b>	<b>16.34%</b>	<b>14.69%</b>	<b>3.277</b>	<b>5.360</b>	<b>5.553</b>
<b>F</b>	<b>Cash impact of 2015-20 performance adjustments</b>												
1F.24	Totex out / under performance		-0.50%	-0.50%		-0.183	-0.183		-0.54%	-0.46%		-0.176	-0.176
1F.25	ODI out / under performance		-0.01%	-0.01%		-0.005	-0.005		-0.01%	-0.01%		-0.004	-0.004
<b>1F.26</b>	<b>Total out / under performance</b>		<b>-0.52%</b>	<b>-0.51%</b>		<b>-0.188</b>	<b>-0.188</b>		<b>-0.55%</b>	<b>-0.48%</b>		<b>-0.180</b>	<b>-0.180</b>

## 1F – FINANCIAL FLOWS

The financial flows table provides full transparency to investors on how the returns companies have earned compare between the actual company structure and the notional structure assumed in the Final Determination ('FD').

Return on Regulated equity ('RoRE') is a key component of financial flows reflecting our combined performance on totex, customer ODIs and financing against the base return allowed in the Final Determination. The table below outlines the key components of RoRE:

Year ended 31 March 2024

	Restated <sup>1</sup> 2022/23	2023/24	AMP to date
	%	%	%
Base return	4.3%	4.3%	4.2%
Totex	-9.5%	-1.9%	-5.3%
Retail	1.5%	1.6%	1.5%
ODI (including C-Mex and D-Mex)	-1.8%	-0.6%	-1.5%
Financing	8.9%	0.8%	3.0%
Variance on tax	6.9%	16.3%	8.0%
<b>Regulatory return for the year</b>	<b>10.3%</b>	<b>20.5%</b>	<b>9.9%</b>

<sup>1</sup> 2022/23 RoRE restated as part of the APR query process to correct reported totex performance (+1.8% on RoRE)

The key components of RoRE and financial flows are discussed further below. All values are stated in 2017-18 prices.

### BASE REGULATED EQUITY RETURN

The FD base equity return of 4.3% represents the base notional return before post financeability adjustments.

### FINANCING PERFORMANCE

#### Financing

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

Our reported gearing is unchanged from the prior year and remains in line with the assumed notional company structure of 60%. With higher inflation than the FD assumption of 2%, we continue to outperform on financing with a real cost of debt that is 0.5% lower than the FD.

There was no benefit from hedging instruments to recognise in the year.

#### Variance on tax

We continue to outperform the FD tax allowance (£6.1 million), mainly due to having a lower profit before tax than assumed in the FD as well as benefitting from the introduction of the full expensing regime announced in the Spring Budget 2023. There was no benefit during the year relating to group relief. Tax losses have been surrendered at full value to the group.

### OPERATIONAL PERFORMANCE

Operational performance covers performance on wholesale totex, retail costs and ODIs.

#### Wholesale totex

Wholesale totex performance is covered in further detail on table 4C. For the current reporting year, our total totex performance after adjusting for timing and cost sharing is £0.7 million above the FD totex allowance compared to £3.3 million in the prior year. This is mainly due to higher chemical and energy costs resulting from the timing of our hedging prices following the unprecedented wholesale prices experienced in 2022/23. We have also incurred higher expenditure in relation to our Network Response Teams who have supported more incidents as a result of adverse weather conditions during the year.

#### Retail household cost performance

Our retail performance is explained further in table 2C. We continue to outperform the FD allowance on both retail household and non-household costs, with total retail underspend of £0.6 million in the year. Performance on debt management costs and internal recharges have seen our costs continue to reduce in the year. Bad debt however, remains slightly higher than the FD as we continue to manage the impact of declining real household disposable income.

#### ODI performance

We have achieved our best ODI performance this AMP, with 79% of our measures meeting or exceeding the target in the year. Additionally, our calendar year metrics have now consistently remained green for the fourth consecutive year across all commitments. For the reporting year, we have achieved a net penalty of £290k (excluding D-Mex and C-Mex) compared to £590k last year.

While the improvements we have seen reflect the focus and commitment the team has on performance, the restatement of per capita consumption and leakage means we remain in a worsened position now that we have improved the water balance gap significantly at 3.4%.

We have had great success with our customer measures by achieving third place on D-MeX and outperforming on lead pipe replacements leading to a £137k reward. We also lowered our water quality contacts further by 187 against a target of 317, which has provided an additional reward of £18k.

Whilst our performance on C-MeX has dropped to 8<sup>th</sup> place, we remain focused on driving improvements in service with a robust plan in place.

### TOTAL SHAREHOLDER RETURN

For the reporting year, our overall performance has generated £9.3 million in additional shareholder returns, which is equivalent to 25.4% on RoRE. As per the FD, the high RCV growth this AMP will be funded by equity with no dividends paid to our shareholders.

## CURRENT TAX RECONCILIATION

Year ended 31 March 2024

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.

The current tax credit after prior year adjustments for the year ended 31 March 2024 was lower than the standard rate of corporation tax in the UK. The differences are explained below:

### Current Tax Reconciliation:

	£m
<b>Loss on ordinary activities before tax</b>	<b>-11.9</b>
Tax at the standard rate of corporation tax in the UK 25%	-3.0
Tax effect of expenditure not (taxable) / deductible in determining taxable profits	-0.4
Capital allowances in excess of depreciation	-3.9
Other temporary differences	0.1
Impact of change in tax rate	0.0
Group relief - current year	0.0
<b>Current tax credit before prior year adjustments</b>	<b>-7.2</b>
Prior year adjustment	-0.4
<b>Current tax credit after prior year adjustments</b>	<b>-7.6</b>

	£m
<b>Current tax charge/(credit) per Final Determination</b>	<b>-0.6</b>
Decrease in profit before taxation	-2.7
Fair value movements	0.0
Other permanent differences	-0.4
Increase in capital allowances in excess of depreciation	-3.3
Tax impact of losses carried forward	0.0
Other temporary differences	0.1
Impact of change in tax rate	-0.3
Prior year adjustments	-0.4
<b>Appointed current tax credit</b>	<b>-7.6</b>

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

- The Final Determination ('FD') loss before tax was higher than the loss 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;
- Capital allowances in excess of depreciation within the appointed business are higher than the level forecast within the FD; and
- The FD was calculated based on an expected reduction to the main tax rate from 19% to 17%. The actual tax rate has increased from 1 April 2023 to 25% resulting in an increase in the tax credit 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 2024 was calculated at the rate of 25%.

At the Spring Budget 2023, the Government replaced the super deduction regime with 'full expensing' for 3 years from 1 April 2023, giving an in-year capital allowance of 100% on the cost of qualifying plant and machinery. In the Autumn Statement on 22 November 2023, the Government made this change permanent with a 100% first year allowance for main rate assets and 50% first year allowance for special rate (including long life) assets. The introduction of these changes mean that HD is eligible to claim more capital allowances in the current year.

During 2023/24 losses totalling £6.4m have been surrendered to other group companies, with losses of £0.8m being allocated against the profits of the non-appointed business. The losses to other group companies will be surrendered at the headline rate of corporation tax, so overall there is no financial impact in relation to the losses surrendered.

## NOTES TO THE REGULATORY ACCOUNTS

The regulatory accounts should be read in conjunction with the financial review set out in the consolidated **Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2023/24** 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 developer contributions for administration costs incurred in relation to new connections and recharges for costs of repair from damages. Other items such as income from renewable energy incentives are shown as revenue in the statutory accounts and negative operating costs for regulatory reporting. In the 2023/24 statutory accounts infrastructure renewals income has been shown as revenue. In the regulatory accounts we show this as other income.

#### 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.

ii) 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.

iii) 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.

iv) Intra-group loans have been reclassified from trade and other receivables to investments. All other non-current trade and other receivables are reclassified to current assets.

### D) PRICE CONTROL SEGMENTS

The regulatory accounts have been prepared in accordance with RAG 2.09 '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](http://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.

## ACCOUNTING POLICIES

### A) BASIS OF PREPARATION

The regulatory financial statements are separate from the statutory financial statements of the Company. The latter have been prepared on a going concern basis as set out in the Strategic Report of the **Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2023/24**.

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 wastewater activities, excluding value added tax.

Turnover includes an estimate of the amount of mains water and wastewater 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.

- Inspections are organised throughout the year by geographical area.

Non-appointed income primarily relates to Forestry Income and wastewater billing activities on behalf of Dŵr Cymru 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 future 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 120 to 125 of the [Hafren Dyfrdwy Cyfyngedig Annual Report and Accounts 2023/24](#), including the capitalisation policy which is outlined within the property, plant, and equipment accounting policy note. Full details of the capitalisation policy are outlined in the Accounting Separation Methodology Statement.

## E) CURRENT COST ACCOUNTING

Although there is no longer a requirement to produce full current cost financial statements, the requirement to disclose summary current cost financial results has been retained in the Wholesale current cost financial performance table.

The capital maintenance charge has been calculated using current cost depreciation values in the current cost fixed asset register which is indexed annually and adjusted for additions. Infrastructure renewals expenditure for below ground assets is included in operating costs.

## 2A – SEGMENTAL INCOME STATEMENT

Year ended 31 March 2024

Line description	Residential Retail	Business Retail	Water Resources	Water Network+	Waste-water Network+	Bio-resources	Total
	£m	£m	£m	£m	£m	£m	£m
2A.1 Revenue - price control	2.937	0.561	2.100	20.538	3.416	0.752	<b>30.304</b>
2A.2 Revenue - non price control	0.000	0.000	5.708	1.569	0.033	0.010	<b>7.320</b>
2A.3 Operating expenditure - excluding PU recharge impact	-1.690	-0.285	-5.057	-25.200	-4.516	-0.150	<b>-36.898</b>
2A.4 PU opex recharge	-0.084	-0.021	-0.083	0.280	-0.090	-0.002	<b>0.000</b>
<b>2A.5 Operating expenditure - including PU recharge impact</b>	<b>-1.774</b>	<b>-0.306</b>	<b>-5.140</b>	<b>-24.920</b>	<b>-4.606</b>	<b>-0.152</b>	<b>-36.898</b>
2A.6 Depreciation - tangible fixed assets	-0.006	0.000	-0.456	-5.350	-1.913	-0.011	<b>-7.736</b>
2A.7 Amortisation - intangible fixed assets	-0.449	-0.106	0.000	-0.416	0.000	0.000	<b>-0.971</b>
2A.8 Other operating income	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>2A.9 Operating profit / (loss)</b>	<b>0.708</b>	<b>0.149</b>	<b>2.212</b>	<b>-8.579</b>	<b>-3.070</b>	<b>0.600</b>	<b>-7.981</b>
A Surface water drainage rebates							
2A.10 Surface water drainage rebates							<b>0.005</b>

## 2B – TOTEX ANALYSIS (WHOLESALE)

Year ended 31 March 2024

Line description	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£m	£m	£m	£m	£m
A Base operating expenditure					
2B.1 Power	0.217	5.261	1.143	0.000	<b>6.621</b>
2B.2 Income treated as negative expenditure	-0.639	0.000	0.000	0.000	<b>-0.639</b>
2B.3 Service charges/ discharge consents	0.736	0.012	0.100	0.000	<b>0.848</b>
2B.4 Bulk Supply/Bulk discharge	0.576	4.097	0.001	0.000	<b>4.674</b>
2B.5 Renewals expensed in year (Infrastructure)	0.240	2.813	0.101	0.000	<b>3.154</b>
2B.6 Renewals expensed in year (Non-Infrastructure)	0.000	0.000	0.000	0.000	<b>0.000</b>
2B.7 Other operating expenditure (including location specific costs & obligations)	2.615	10.818	2.924	0.133	<b>16.490</b>
2B.8 Local authority and Cumulo rates	0.090	0.510	0.291	0.000	<b>0.891</b>
<b>2B.9 Total base operating expenditure</b>	<b>3.835</b>	<b>23.511</b>	<b>4.560</b>	<b>0.133</b>	<b>32.039</b>
B Other operating expenditure					
2B.10 Enhancement operating expenditure	0.136	0.070	0.000	0.000	<b>0.206</b>
2B.11 Developer services operating expenditure	0.000	0.106	0.001	0.000	<b>0.107</b>
<b>2B.12 Total operating expenditure excluding third party services</b>	<b>3.971</b>	<b>23.687</b>	<b>4.561</b>	<b>0.133</b>	<b>32.352</b>
2B.13 Third party services	1.169	1.233	0.045	0.019	<b>2.466</b>
<b>2B.14 Total operating expenditure</b>	<b>5.140</b>	<b>24.920</b>	<b>4.606</b>	<b>0.152</b>	<b>34.818</b>
C Grants and contributions					
2B.15 Grants and contributions - operating expenditure	0.000	-0.219	0.000	0.000	<b>-0.219</b>
D Capital expenditure					
2B.16 Base capital expenditure	0.577	2.864	0.601	0.196	<b>4.238</b>
2B.17 Enhancement capital expenditure	-0.889	3.195	2.325	0.000	<b>4.631</b>
2B.18 Developer services capital expenditure	0.000	0.562	0.023	0.000	<b>0.585</b>
<b>2B.19 Total gross capital expenditure excluding third party services</b>	<b>-0.312</b>	<b>6.621</b>	<b>2.949</b>	<b>0.196</b>	<b>9.454</b>
2B.20 Third party services	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>2B.21 Total gross capital expenditure</b>	<b>-0.312</b>	<b>6.621</b>	<b>2.949</b>	<b>0.196</b>	<b>9.454</b>
E Grants and contributions					
2B.22 Grants and contributions - capital expenditure	0.000	-0.178	-0.137	0.000	<b>-0.315</b>
<b>2B.23 Net totex</b>	<b>4.828</b>	<b>31.144</b>	<b>7.418</b>	<b>0.348</b>	<b>43.738</b>
F Cash expenditure					
2B.24 Pension deficit recovery payments	0.000	0.000	0.000	0.000	<b>0.000</b>
2B.25 Other cash items	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>2B.26 Totex including cash items</b>	<b>4.828</b>	<b>31.144</b>	<b>7.418</b>	<b>0.348</b>	<b>43.738</b>

## 2C – COST ANALYSIS (RETAIL)

Year ended 31 March 2024

Line description		Residential	Business	Total
		£m	£m	£m
<b>A</b>	<b>Operating expenditure</b>			
2C.1	Customer services	0.686	0.127	<b>0.813</b>
2C.2	Debt management	0.045	0.010	<b>0.055</b>
2C.3	Doubtful debts	0.602	0.055	<b>0.657</b>
2C.4	Meter reading	0.172	0.020	<b>0.192</b>
2C.5	Services to developers	0.000	0.027	<b>0.027</b>
2C.6	Other operating expenditure	0.180	0.044	<b>0.224</b>
2C.7	Local authority and Cumulo rates	0.005	0.002	<b>0.007</b>
<b>2C.8</b>	<b>Total operating expenditure excluding third party services</b>	<b>1.690</b>	<b>0.285</b>	<b>1.975</b>
<b>B</b>	<b>Depreciation</b>			
2C.9	Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.000	0.000	<b>0.000</b>
2C.10	Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	0.006	0.000	<b>0.006</b>
2C.11	Amortisation (intangible fixed assets) on assets existing at 31 March 2015	0.000	0.000	<b>0.000</b>
2C.12	Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.449	0.106	<b>0.555</b>
<b>C</b>	<b>Recharges</b>			
2C.13	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.000	0.000	<b>0.000</b>
2C.14	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	0.000	0.000	<b>0.000</b>
2C.15	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.084	0.021	<b>0.105</b>
2C.16	Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.000	0.000	<b>0.000</b>
<b>2C.17</b>	<b>Net recharges costs</b>	<b>0.084</b>	<b>0.021</b>	<b>0.105</b>
2C.18	Total retail costs excluding third party and pension deficit repair costs	2.229	0.412	<b>2.641</b>
2C.19	Third party services operating expenditure	0.000	0.000	<b>0.000</b>
2C.20	Pension deficit repair costs	0.000	0.000	<b>0.000</b>
<b>2C.21</b>	<b>Total retail costs including third party and pension deficit repair costs</b>			
<b>D</b>	<b>Debt written off</b>			
2C.22	Debt written off	0.647	0.124	<b>0.771</b>
<b>E</b>	<b>Capital expenditure</b>			
2C.23	Capital expenditure	0.030	0.000	<b>0.031</b>

Line description		Total
		£m
<b>F</b>	<b>Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale</b>	
2C.24	Demand-side water efficiency - gross expenditure	0.016
2C.25	Demand-side water efficiency - expenditure funded by wholesale	0.016
<b>2C.26</b>	<b>Demand-side water efficiency - net retail expenditure</b>	<b>0.000</b>
2C.27	Customer-side leak repairs - gross expenditure	0.202
2C.28	Customer-side leak repairs - expenditure funded by wholesale	0.202
<b>2C.29</b>	<b>Customer-side leak repairs - net retail expenditure</b>	<b>0.000</b>
<b>G</b>	<b>Comparison of actual and allowed expenditure</b>	
2C.30	Cumulative actual retail expenditure to reporting year end	12.149
2C.31	Cumulative allowed expenditure to reporting year end	14.128
<b>2C.32</b>	<b>Total allowed expenditure 2020-25</b>	<b>17.783</b>

Differences between total operating costs and retail costs allowed in the price limits.

### HOUSEHOLD

Overall household retail costs of £1.7 million are £0.1 million lower than the Final Determination ('FD').

### CUSTOMER SERVICES

Customer service costs are £0.2 million more than the FD largely driven by an increase in headcount to help drive more reliable services alongside supporting customers. We have also experienced inflationary pressures on employee costs and specifically overtime where required.

### DEBT MANAGEMENT

Debt management is £0.1 million underspent against the FD, we have tried to keep our overall cost base in line with the FD and therefore have reviewed where we spend our money in relation to debt management and have implemented a strategy to engage with consultants on older debt management, however review in-house solutions on our current debt book.

### METER READING

Meter reading is in line to the FD as we continue to deliver our metering strategy. This has helped offset overspend in customer services through lower call volumes as we have improved the metering journey for customers which has allowed them to self-serve and upload their meter readings online rather than phone in to provide them.

### DOUBTFUL DEBTS

Our doubtful debt costs are £0.1 million greater than the FD as we continue to experience the impact of declining real household disposable income which has impacted both cash collections and customers entering debt for the first time.

## OTHER OPERATING EXPENDITURE

Other operating expenditure is £0.4 million underspent than the FD which is due to a reduction in internal recharges from Severn Trent Water on employee costs because of greater insourcing.

## NON-HOUSEHOLD

Our non-household costs are £0.2 million underspent than the FD which is driven by the reduction in call volume activity again as a result of our proactive initiatives which have resulted in an improved collection from the last quarter and resulted in less overall costs for the year.

## 2D – HISTORIC COST ANALYSIS OF FIXED ASSETS

Year ended 31 March 2024

Line description		Residential Retail	Business Retail	Water resources	Water Network+	Waste-water Network+	Bioresources	Total
		£m	£m	£m	£m	£m	£m	£m
<b>A Cost</b>								
2D.1	At 1 April 2023	1.039	0.035	22.196	210.735	49.992	0.150	<b>284.148</b>
2D.2	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
2D.3	Additions	0.031	0.000	11.728	6.367	4.112	0.272	<b>22.510</b>
2D.4	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
2D.5	Assets adopted at nil cost	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
2D.6	At 31 March 2024	1.070	0.035	33.924	217.102	54.104	0.422	<b>306.657</b>
<b>B Depreciation</b>								
2D.7	At 1 April 2023	-0.685	-0.009	-2.743	-55.607	-7.670	-0.005	<b>-66.719</b>
2D.8	Disposals	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
2D.9	Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
2D.10	Charge for year	-0.006	0.000	-0.456	-5.350	-1.913	-0.011	<b>-7.736</b>
2D.11	At 31 March 2024	-0.692	-0.009	-3.199	-60.957	-9.583	-0.016	<b>-74.455</b>
<b>2D.12</b>	<b>Net book amount at 31 March 2024</b>	<b>0.378</b>	<b>0.026</b>	<b>30.725</b>	<b>156.145</b>	<b>44.522</b>	<b>0.406</b>	<b>232.202</b>
<b>2D.13</b>	<b>Net book amount at 1 April 2023</b>	<b>0.353</b>	<b>0.026</b>	<b>19.453</b>	<b>155.129</b>	<b>42.323</b>	<b>0.145</b>	<b>217.429</b>
<b>C Depreciation charge for year</b>								
2D.14	Principal services	-0.006	0.000	-0.456	-5.350	-1.913	-0.011	<b>-7.736</b>
2D.15	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>2D.16</b>	<b>Total</b>	<b>-0.006</b>	<b>0.000</b>	<b>-0.456</b>	<b>-5.350</b>	<b>-1.913</b>	<b>-0.011</b>	<b>-7.736</b>

The net book value includes £42.8 million in respect of assets in the course of construction.

## 2E – ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+)

Year ended 31 March 2024

Line description		Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
		£m	£m	£m	£m
<b>A Grants and contributions - water resources</b>					
2E.1	Diversions - s185	0.000	0.000	0.000	<b>0.000</b>
2E.2	Other contributions (price control)	0.000	0.000	0.000	<b>0.000</b>
2E.3	Price control grants and contributions	0.000	0.000	0.000	<b>0.000</b>
2E.4	Diversions - NRSWA	0.000	0.000	0.000	<b>0.000</b>
2E.5	Diversions - other non-price control	0.000	0.000	0.000	<b>0.000</b>
2E.6	Other contributions (non-price control)	0.000	0.000	0.000	<b>0.000</b>
<b>2E.7</b>	<b>Total grants and contributions</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
2E.8	Value of adopted assets	0.000	0.000	0.000	<b>0.000</b>
<b>B Grants and contributions - water network+</b>					
2E.9	Connection charges	0.000	0.309	0.000	<b>0.309</b>
2E.10	Infrastructure charge receipts – new connections	0.000	0.223	0.000	<b>0.223</b>
2E.11	Requisitioned mains	0.000	0.010	0.000	<b>0.010</b>
2E.12	Diversions - s185	0.186	0.000	0.000	<b>0.186</b>
2E.13	Other contributions (price control)	0.000	0.000	0.000	<b>0.000</b>
<b>2E.14</b>	<b>Price control grants and contributions before deduction of income offset</b>	<b>0.186</b>	<b>0.542</b>	<b>0.000</b>	<b>0.728</b>
2E.15	Income offset	0.000	0.364	0.000	<b>0.364</b>
<b>2E.16</b>	<b>Price control grants and contributions after deduction of income offset</b>	<b>0.186</b>	<b>0.178</b>	<b>0.000</b>	<b>0.364</b>
2E.17	Diversions - NRSWA	0.033	0.000	0.000	<b>0.033</b>
2E.18	Diversions - other non-price control	0.000	0.000	0.000	<b>0.000</b>
2E.19	Other contributions (non-price control)	0.000	0.000	0.000	<b>0.000</b>
<b>2E.20</b>	<b>Total grants and contributions</b>	<b>0.219</b>	<b>0.178</b>	<b>0.000</b>	<b>0.397</b>
2E.21	Value of adopted assets	0.000	0.000	0.000	<b>0.000</b>

## 2E – ANALYSIS OF GRANTS AND CONTRIBUTIONS (WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+) (CONT.)

Year ended 31 March 2024

Line description	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
	£m	£m	£m	£m
<b>C</b> Grants and contributions - wastewater network+				
2E.22 Receipts for on-site work	0.000	0.000	0.000	<b>0.000</b>
2E.23 Infrastructure charge receipts – new connections	0.000	0.125	0.000	<b>0.125</b>
2E.24 Diversions - s185	0.000	0.000	0.000	<b>0.000</b>
2E.25 Other contributions (price control)	0.000	0.012	0.000	<b>0.012</b>
<b>2E.26 Price control grants and contributions before deduction of income offset</b>	<b>0.000</b>	<b>0.137</b>	<b>0.000</b>	<b>0.137</b>
2E.27 Income offset	0.000	0.000	0.000	<b>0.000</b>
<b>2E.28 Price control grants and contributions after deduction of income offset</b>	<b>0.000</b>	<b>0.137</b>	<b>0.000</b>	<b>0.137</b>
2E.29 Diversions - NRSWA	0.000	0.000	0.000	<b>0.000</b>
2E.30 Diversions - other non-price control	0.000	0.000	0.000	<b>0.000</b>
2E.31 Other contributions (non-price control)	0.000	0.000	0.000	<b>0.000</b>
<b>2E.32 Total grants and contributions</b>	<b>0.000</b>	<b>0.137</b>	<b>0.000</b>	<b>0.137</b>
2E.33 Value of adopted assets	0.000	0.000	0.000	<b>0.000</b>

Line description	Water resources	Water Network+	Wastewater Network+	Total
	£m	£m	£m	£m
<b>D</b> Movements in capitalised grants and contributions				
2E.34 Brought forward	1.751	12.311	0.439	<b>14.501</b>
2E.35 Capitalised in year	0.000	0.178	0.137	<b>0.315</b>
2E.36 Amortisation (in income statement)	-0.010	-0.160	-0.001	<b>-0.171</b>
<b>2E.37 Carried forward</b>	<b>1.741</b>	<b>12.329</b>	<b>0.575</b>	<b>14.645</b>

## 2F – RESIDENTIAL RETAIL

Year ended 31 March 2024

Line description	Revenue	Number of customers	Average residential revenues
	£m	000s	£
<b>A</b> Residential revenue			
2F.1 Wholesale revenue	18.793		
2F.2 Retail revenue	2.937		
<b>2F.3 Total residential revenue</b>	<b>21.730</b>		
<b>B</b> Retail revenue			
2F.4 Revenue Recovered ('RR')	2.937		
2F.5 Revenue sacrifice	0.000		
<b>2F.6 Actual revenue (net)</b>	<b>2.937</b>		
<b>C</b> Customer information			
2D.7 Actual customers ('AC')		97.128	
2D.8 Reforecast customers		95.930	
<b>D</b> Adjustment			
2D.9 Allowed revenue ('R')	2.929		
<b>2D.10 Net adjustment</b>	<b>-0.008</b>		
<b>E</b> Other residential information			
2D.11 Average household retail revenue per customer			<b>30.238</b>

## 2G – NON-HOUSEHOLD WATER REVENUES BY TARIFF TYPE

Year ended 31 March 2024

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	£	£	£	£	%	£	
<b>A</b> Default tariffs - customer group 1												
2G.1	Tariff type 1	3.628	0.400	4.028	6.994	57.192	51.890	-3.390	48.500	1.150%	55.099	
2G.2	Tariff type 2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000%	0.000	
2G.3	Total default tariffs customer group 1	3.628	0.400	4.028	6.994	57.192	51.890	-3.390	48.500	1.150%	55.099	
<b>B</b> Default tariffs - customer group 2												
2G.4	Tariff type 1	1.903	0.051	1.954	0.118	432.203	184.450	-17.030	167.420	0.610%	1418.814	
<b>2G.5</b>	<b>Total default tariffs</b>	<b>5.531</b>	<b>0.451</b>	<b>5.982</b>	<b>7.112</b>	<b>63.414</b>	<b>236.340</b>	<b>-20.420</b>	<b>256.760</b>	<b>1.760%</b>	<b>1473.913</b>	
<b>C</b> Non-Default tariffs												
2G.6	Total non-default tariffs	1.485	0.052	1.537	0.012	4333.333						
<b>2G.7</b>	<b>Total</b>	<b>7.017</b>	<b>0.503</b>	<b>7.519</b>	<b>7.124</b>	<b>70.606</b>						
Line description		Number of customers	Average non-household retail revenue per customer									
		000s	£									
<b>D</b> Revenue per customer												
<b>2G.8</b>	<b>Total</b>	<b>7.124</b>	<b>70.606</b>									

## 2H – NON-HOUSEHOLD WASTEWATER REVENUES BY TARIFF TYPE

Year ended 31 March 2024

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	£	£	£	£	%	£
<b>A</b> Default tariffs - customer group 1											
2H.1	Tariff type 1	0.870	0.056	0.926	1.259	44.480	45.080	-3.250	41.830	0.011	50.203
2H.2	Tariff type 2	0.128	0.002	0.130	0.015	133.333	199.480	-18.210	181.270	0.007	242.020
2H.3	Tariff type 2	0.000	0.000	0.000	0.000	0.000	63.250	-4.610	58.640	0.008	0.000
<b>2H.4</b>	<b>Total default tariffs</b>	<b>0.998</b>	<b>0.058</b>	<b>1.056</b>	<b>1.274</b>	<b>177.813</b>	<b>307.810</b>	<b>-26.070</b>	<b>281.740</b>	<b>0.026</b>	<b>292.223</b>
<b>B</b> Non-Default tariffs											
2H.5	Total non-default tariffs	0.000	0.000	0.000	0.000	0.000					
<b>2H.6</b>	<b>Total</b>	<b>0.998</b>	<b>0.058</b>	<b>1.056</b>	<b>1.274</b>	<b>45.526</b>					
Line description		Number of customers	Average non-household retail revenue per customer								
		000s	£								
<b>C</b> Revenue per customer											
<b>2H.7</b>	<b>Total</b>	<b>1.274</b>	<b>45.526</b>								

## 2I – REVENUE ANALYSIS

### YEAR ENDED 31 MARCH 2024

Line description	Household	Non-household	Total	Water resources	Water network+	Total
	£m	£m	£m	£m	£m	£m
<b>A Wholesale charge - water</b>						
2I.1 Unmeasured	7.723	0.114	<b>7.837</b>	0.769	7.068	<b>7.837</b>
2I.2 Measured	7.840	6.901	<b>14.741</b>	1.331	13.410	<b>14.741</b>
2I.3 Third party revenue	0.060	0.000	<b>0.060</b>	0.000	0.060	<b>0.060</b>
<b>2I.4 Total wholesale water revenue</b>	<b>15.623</b>	<b>7.015</b>	<b>22.638</b>	<b>2.100</b>	<b>20.538</b>	<b>22.638</b>
Line description	Household	Non-household	Total	Wastewater network+	Bioresources	Total
	£m	£m	£m	£m	£m	£m
<b>B Wholesale charge - wastewater</b>						
2I.5 Unmeasured - foul charges	1.359	0.027	<b>1.386</b>	1.053	0.333	<b>1.386</b>
2I.6 Unmeasured - surface water charges	0.387	0.008	<b>0.395</b>	0.395	0.000	<b>0.395</b>
2I.7 Unmeasured - highway drainage charges	0.125	0.001	<b>0.126</b>	0.126	0.000	<b>0.126</b>
2I.8 Measured - foul charges	0.610	0.849	<b>1.459</b>	1.040	0.419	<b>1.459</b>
2I.9 Measured - surface water charges	0.591	0.072	<b>0.663</b>	0.663	0.000	<b>0.663</b>
2I.10 Measured - highway drainage charges	0.098	0.041	<b>0.139</b>	0.139	0.000	<b>0.139</b>
2I.11 Third party revenue	0.000	0.000	<b>0.000</b>	0.000	0.000	<b>0.000</b>
<b>2I.12 Total wholesale wastewater revenue</b>	<b>3.170</b>	<b>0.998</b>	<b>4.168</b>	<b>3.416</b>	<b>0.752</b>	<b>4.168</b>
<b>C Wholesale charge - Additional Control</b>						
2I.13 Unmeasured	0.000	0.000	<b>0.000</b>			
2I.14 Measured	0.000	0.000	<b>0.000</b>			
<b>2I.15 Total wholesale additional control revenue</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>			
<b>2I.16 Wholesale total</b>	<b>18.793</b>	<b>8.013</b>	<b>26.806</b>			
<b>D Retail revenue</b>						
2I.17 Unmeasured	0.811	0.010	<b>0.821</b>			
2I.18 Measured	2.126	0.551	<b>2.677</b>			
2I.19 Retail third party revenue	0.000	0.000	<b>0.000</b>			
<b>2I.20 Total retail revenue</b>	<b>2.937</b>	<b>0.561</b>	<b>3.498</b>			
<b>E Third party revenue - non-price control</b>						
2I.21 Bulk supplies - water			<b>1.687</b>			
2I.22 Bulk supplies - wastewater			<b>0.043</b>			
2I.23 Other third-party revenue - non price control			<b>5.499</b>			
<b>F Principal services - non-price control</b>						
2I.24 Other appointed revenue			<b>0.092</b>			
2I.25 Total appointed revenue			<b>37.624</b>			

## 2J – INFRASTRUCTURE NETWORK REINFORCEMENT COSTS

Year ended 31 March 2024

Line description	Network reinforcement capex	On site / site specific capex (memo only)
	£m	£m
<b>A Wholesale water network+ (treated water distribution)</b>		
2J.1 Distribution and trunk mains	0.022	0.000
2J.2 Pumping and storage facilities	0.000	0.000
2J.3 Other	0.000	0.000
<b>2J.4 Total</b>	<b>0.022</b>	<b>0.000</b>
<b>B Wholesale wastewater network+ (sewage collection)</b>		
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
<b>2J.9 Total</b>	<b>0.000</b>	<b>0.000</b>

## 2K – INFRASTRUCTURE CHARGES RECONCILIATION

Year ended 31 March 2024

Line description	Water	Wastewater	Total
	£m	£m	£m
<b>A</b> Impact of infrastructure charge discounts			
2K.1 Infrastructure charges	0.223	0.125	0.348
2K.2 Discounts applied to infrastructure charges	0.000	0.000	0.000
<b>2K.3 Gross infrastructure charges</b>	<b>0.223</b>	<b>0.125</b>	<b>0.348</b>
<b>B</b> Comparison of revenue and costs			
2K.4 Variance brought forward	0.501	0.198	0.699
2K.5 Revenue	0.223	0.125	0.348
2K.6 Costs	-0.022	0.000	-0.022
<b>2K.7 Variance carried forward</b>	<b>0.702</b>	<b>0.323</b>	<b>1.025</b>

During the current year, 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 2024

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

## 2M – REVENUE RECONCILIATION (WHOLESALE)

Year ended 31 March 2024

Line description	Water resources	Water Network+	Waste-water Network+	Bio-resources	Total
	£m	£m	£m	£m	£m
<b>A</b> Revenue recognised					
2M.1 Wholesale revenue governed by price control	2.100	20.538	3.416	0.752	<b>26.806</b>
2M.2 Grants & contributions (price control)	0.000	0.364	0.137	0.000	<b>0.501</b>
<b>2M.3 Total revenue governed by wholesale price control</b>	<b>2.100</b>	<b>20.902</b>	<b>3.553</b>	<b>0.752</b>	<b>27.307</b>
<b>B</b> Calculation of the revenue cap					
2M.4 Allowed wholesale revenue before adjustments (or modified by CMA)	2.597	20.699	3.308	0.675	<b>27.279</b>
2M.5 Allowed grants & contributions before adjustments (or modified by CMA)	0.000	0.643	0.150	0.000	<b>0.793</b>
2M.6 Revenue adjustment	0.036	0.646	0.204	-0.159	<b>0.727</b>
2M.7 Other adjustments	-0.456	-0.097	-0.025	0.000	<b>-0.578</b>
<b>2M.8 Revenue cap</b>	<b>2.177</b>	<b>21.891</b>	<b>3.637</b>	<b>0.516</b>	<b>28.221</b>
<b>C</b> Calculation of the revenue imbalance					
<b>2M.9 Revenue cap</b>	<b>2.177</b>	<b>21.891</b>	<b>3.637</b>	<b>0.516</b>	<b>28.221</b>
<b>2M.10 Revenue recovered</b>	<b>2.100</b>	<b>20.902</b>	<b>3.553</b>	<b>0.752</b>	<b>27.307</b>
2M.11 Revenue imbalance	0.077	0.989	0.084	-0.236	<b>0.914</b>

### DIFFERENCE BETWEEN ALLOWED AND ACTUAL REVENUE UNDER THE WHOLESALE CONTROL

The total allowed revenue for 2023/24 was £28.22m while the actual revenue comes to £27.31m which is £0.91m (3.24%) less.

However, included in the wholesale revenue is £0.06m of third-party revenue which was not included in the FD allowances. Therefore, stripping out this third-party revenue from the recovered revenue gives the below picture:

Calculation of the revenue imbalance	Units	DPs	Water resources	Water network+	Wastewater network+	Bioresources	Total
Revenue cap	£m	3	2.177	21.891	3.637	0.516	28.221
Revenue recovered	£m	3	2.100	20.844	3.554	0.751	27.248
Revenue imbalance	£m	3	0.077	1.047	0.083	-0.235	0.973

#### Developer Services

Water revenues for grants and contributions is £0.3m below the allowance, with a small increase in connection volumes being more than offset by £0.36m of Asset Value Payments relating to historic schemes.

#### Water Resources & Water Network+

Water Resources revenue of £2.10m is £0.08m (3.56%) less than the revenue cap.

Water Network+ revenue of £20.48m is £0.77m (3.62%) lower than the revenue cap. This is largely due to lower NHH consumption than anticipated.

#### Bioresources & Wastewater Network+

Waste Network+ revenue of £3.42m is £0.07m (2.02%) lower than the revenue cap, due to lower consumption than forecast in NHH.

Bioresources revenue of £0.75m is £0.24m (45.61%) higher than the revenue cap, due to a lower allowed revenue than expected when charges were set.

## 2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT

Year ended 31 March 2024

A SOCIAL TARRIFS			
Line description	Revenue	Number of customers	Average amount per customer
	£m	000s	£
A Number of residential customers on social tariffs			
2A.1 Residential water only social tariffs customers		1.875	
2A.2 Residential wastewater only social tariffs customers		0.002	
2A.3 Residential dual service social tariffs customers		0.732	
Number of residential customers not on social tariffs			
2A.4 Residential water only no social tariffs customers		75.810	
2A.5 Residential wastewater only no social tariffs customers		1.480	
2A.6 Residential dual service no social tariffs customers		17.229	
Social tariff discount			
2A.7 Average discount per water only social tariffs customer			142.933
2A.8 Average discount per wastewater only social tariffs customer			500.000
2A.9 Average discount per dual service social tariffs customer			241.803
Social tariff cross-subsidy - residential customers			
2N.10 Total customer funded cross-subsidies for water only social tariffs customers	0.268		
2N.11 Total customer funded cross-subsidies for wastewater only social tariffs customers	0.001		
2N.12 Total customer funded cross-subsidies for dual service social tariffs customers	0.177		
2N.13 Average customer funded cross-subsidy per water only social tariffs customer			3.450
2N.14 Average customer funded cross-subsidy per wastewater only social tariffs customer			0.675
2N.15 Average customer funded cross-subsidy per dual service social tariffs customer			9.855
Social tariff cross-subsidy - company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.000		
2N.17 Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.000		
2N.18 Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	0.000		
2N.19 Average revenue forgone by company to fund 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
Social tariff support - willingness to pay			
2N.22 Level of support for social tariff customers reflected in business plan			8.582
2N.23 Maximum contribution to social tariffs supported by customer engagement			8.582

Lines 2N.4 – 2N.6 have been prepared as the number of residential 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.

## 2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT (CONT.)

Year ended 31 March 2024

B		WATERSURE TARRIFS			
Line description	Revenue	Number of customers	Average amount per customer		
	£m	000s	£		
B		WaterSure tariffs			
2N.24	Number of unique customers on WaterSure	0.750			
2N.25	Total reduction in bills for WaterSure customers	0.064			
2N.26	Average reduction in bills for WaterSure customers		85.333		
C		OTHER DIRECT BILL REDUCTION SCHEMES FOR HOUSEHOLD CUSTOMERS STRUGGLING TO PAY			
Line description	Target households	Number of unique households helped by scheme	Total amount bills reduced by through scheme	Funding source	
	Text	000s	£m	Text	
C		Other bill reduction schemes			
		Customers on benefits that are not on the list specified for WaterSure who need to use above average volume			
2N.27a	Name of scheme 1	0.248	0.022	Customer subsidy	
2N.27b	Name of scheme 2	0.000	0.000	N/A	
2N.27c	Name of scheme 3	0.000	0.000	N/A	
2N.27d	Name of scheme 4	0.000	0.000	N/A	
2N.27e	Name of scheme 5	0.000	0.000	N/A	
2N.27f	Name of scheme 6	0.000	0.000	N/A	
2N.27g	Name of scheme 7	0.000	0.000	N/A	
2N.27h	Name of scheme 8	0.000	0.000	N/A	

## 2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT (CONT.)

Year ended 31 March 2024

D DEBT METRICS				
Line description	Water only	Wastewater only	Dual service	
	000s	000s	000s	
D Total number of household customers served - active and final accounts				
2N.28	Number of household customers served – active accounts	78.691	1.039	17.320
2N.29	Number of household customers served – final accounts	6.390	0.020	0.982
Line description	Number of households	Total amount of debt		
	000s	£m		
D Household customers in arrears				
2N.30	Households in arrears – active accounts with debt repayment arrangements	0.163	0.181	
2N.31	Households in arrears – final accounts with debt repayment arrangements	0.001	0.000	
2N.32	Households in arrears – active accounts without debt repayment arrangements	7.896	12.055	
2N.33	Households in arrears – final accounts without debt repayment arrangements	7.046	4.364	
2N.34	Households not having made any payment for the year – active accounts	4.902	10.006	
2N.35	Households not having made any payment for the year – final accounts	6.523	4.141	
D Temporary payment suspension				
2N.36	Households with temporarily suspended payments – payment break arrangements	2.567	4.006	
2N.37	Households with temporarily suspended payments – breathing space arrangements	0.045	0.063	
D Household debt collection through third party agents where water company remains creditor				
2N.38	Debt collected by external agents – active accounts	2.134	1.362	
2N.39	Debt collected by external agents – final accounts	0.959	0.679	
2N.40	Number of Priority Services Register customers with debt passed on to external debt collection agents – active and final accounts	0.031	0.023	

Line description	Number of accounts	Total value of debt	Total sale value of debt
	000s	£m	£m

D Household debt sold to external agencies				
2N.41	Debt sold to an external agency / third party debt purchaser – active accounts	N/A	N/A	N/A
2N.42	Debt sold to an external agency / third party debt purchaser – final accounts	N/A	N/A	N/A
2N.43	Number of Priority Services Register customers with debt sold to an external agency / third party debt purchaser – active and final accounts	N/A	N/A	N/A

Line description	Number of accounts	Total amount involved
	000s	£m

D Unpaid household bills referred to courts			
2N.44	Number of county court claims	0.200	0.352
2N.45	Number of county court judgements	0.239	0.472
2N.46	Number of county court judgement enforcements	0.001	0.000
2N.47	Number of high court claims	N/A	N/A
2N.48	Number of high court judgements	N/A	N/A
2N.49	Number of high court judgement enforcements	N/A	N/A

## 2N – HOUSEHOLD AFFORDABILITY SUPPORT AND DEBT (CONT.)

Year ended 31 March 2024

E PAYMENTS TO HOUSEHOLD CUSTOMERS MADE IN ACCORDANCE WITH THE GUARANTEED STANDARDS SCHEME (GSS)					
Line description	Number of accounts	Total amount	Number of unique households		
	000s	£m	000s		
E GSS payments to household customers					
2N.50	Total value of payments made to household customers under GSS		0.018		
2N.51	Total number of payments made to household customers under GSS		0.533		
2N.52	Total number of unique household customers receiving GSS payments		0.472		
Line description	Total number of unique payments made to household customers under GSS	Total value of payments made in relation to column 1	Total number of unique payments to household customers that could be classed as compensation or goodwill	Total value of payments made in relation to column 3	
	000s	£m	000s	£m	
E Number and value of GSS and other payments to household customers by type in the reporting period					
2N.53	Keeping of appointments	0.014	0.000	0.014	0.000
2N.54	Incidences of low water pressure	0.447	0.013	0.508	0.015
2N.55	Incorrect notice of planned interruptions to supply	0.000	0.000	0.000	0.000
2N.56	Supply not restored	0.036	0.001	0.036	0.001
2N.57	Written account queries and requests to change payment arrangements not actioned on time	0.001	0.000	0.001	0.000
2N.58	Written complaints not responded to within 10 working days	0.003	0.000	0.003	0.000
2N.59	Properties sewer flooded internally	0.004	0.001	0.004	0.001
2N.60	Properties sewer flooded externally	0.028	0.002	0.028	0.002
2N.61a	Payment type_1 (extension of columns 3 & 4)			0.000	0.000
2N.61b	Payment type_2 (extension of columns 3 & 4)			0.272	0.014
2N.61c	Payment type_3 (extension of columns 3 & 4)			0.000	0.000
2N.61d	Payment type_4 (extension of columns 3 & 4)			0.000	0.000
2N.61e	Payment type_5 (extension of columns 3 & 4)			0.000	0.000
2N.61f	Payment type_6 (extension of columns 3 & 4)			0.000	0.000
2N.61g	Payment type_7 (extension of columns 3 & 4)			0.000	0.000
2N.61h	Payment type_8 (extension of columns 3 & 4)			0.000	0.000
2N.61i	Payment type_9 (extension of columns 3 & 4)			0.000	0.000
2N.61i	Payment type_10 (extension of columns 3 & 4)			0.000	0.000

## 2O – HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS

Year ended 31 March 2024

Line description	Residential Retail	Business Retail	Water Resources	Water Network+	Waste-water Network+	Bio-resources	Total	
	£m	£m	£m	£m	£m	£m	£m	
A Cost								
20.1	At 1 April 2023	4.851	1.063	0.000	3.887	0.000	0.000	9.802
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	0.000	0.000	0.000
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
<b>20.6</b>	<b>At 31 March 2024</b>	<b>4.851</b>	<b>1.063</b>	<b>0.000</b>	<b>3.887</b>	<b>0.000</b>	<b>0.000</b>	<b>9.802</b>
B Amortisation								
20.7	At 1 April 2023	-2.345	-0.504	0.000	-1.844	0.000	0.000	-4.693
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	-0.449	-0.106	0.000	-0.416	0.000	0.000	-0.971
<b>20.11</b>	<b>At 31 March 2024</b>	<b>-2.794</b>	<b>-0.610</b>	<b>0.000</b>	<b>-2.260</b>	<b>0.000</b>	<b>0.000</b>	<b>-5.664</b>
<b>20.12</b>	<b>Net book amount at 31 March 2024</b>	<b>2.057</b>	<b>0.453</b>	<b>0.000</b>	<b>1.627</b>	<b>0.000</b>	<b>0.000</b>	<b>4.138</b>
<b>20.13</b>	<b>Net book amount at 1 April 2023</b>	<b>2.506</b>	<b>0.559</b>	<b>0.000</b>	<b>2.043</b>	<b>0.000</b>	<b>0.000</b>	<b>5.109</b>
C Amortisation for year								
20.14	Principal services	-0.449	-0.106	0.000	-0.416	0.000	0.000	-0.971
20.15	Third party services	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>20.16</b>	<b>Total</b>	<b>-0.449</b>	<b>-0.106</b>	<b>0.000</b>	<b>-0.416</b>	<b>0.000</b>	<b>0.000</b>	<b>-0.971</b>

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

# ADDITIONAL REGULATORY INFORMATION

### 3A – OUTCOME PERFORMANCE – WATER PERFORMANCE COMMITMENTS (FINANCIAL)

Year ended 31 March 2024

#### LEAKAGE

##### RAG compliance checklist

Ref	Component / Element	Component R/A/G	Element R/A/G	Confidence grade
1	<b>Coverage</b>			A2
1a	95% of all properties have continuous night flow monitoring through the year			A2
2	<b>Availability</b>			A2
2a	At least 90% of all properties within continuous night flow monitoring networks available for reporting night flow data through the year			A2
3	<b>Properties</b>			A2
3a	All properties mapped to defined zones or DMAs using geo-location or similar methods			A2
3b	Consistency of property numbers contained within DMAs or zones with company billing system. Valid differences explained			A2
3c	Properties that are defined as void excluded from night use allowances unless evidence for use or losses from illegal occupation is available			A2
3d	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates			A2
3e	Property data updated at least annually			A2
4	<b>Night flow period and analysis</b>			A2
4a	Night flow data frequency at least every 15 minutes			A2
4b	Leakage derived from a fixed period during the night of at least a one hour period and up to two hours			A2
4c	If the fixed period is varied during the year for some or all DMAs or zones to address significant changes to night use patterns such as during Ramadan evidence for this is provided.			A2
4d	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates			A2
4e	Data infilling for a single DMA or zone does not use more than six months of historic data before moving to area average			A2
4f	Data infilling where historic data is not available uses the area average in which the DMA is located			A2
4g	When a DMA is restored to operability, the subsequent leakage data is used to retrospectively update the data infilling interpolating between pre- and post- data over at least one month			A2
4h	Where NHH properties are continuously monitored, the actual values of flow over the night flow period are used in place of estimates within the night flow analysis			A2
4i	Weekly leakage estimates are used for annual reporting with no exclusions for summer months			A2
4j	Negative leakage values are used in compiling values of annual average leakage			A2
4k	The reasons for any prolonged periods of negative leakage are investigated and explained.			B4
5	<b>Household night use</b>			A3
5a	The time period for HHNU is the same time period as used for night flow and NHHNU.			A3
5b	Own data or shared data with Proximate companies is used for HHNU.			A3
5c	Plumbing losses are included and based on own data			A3
5d	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole			A3
5e	Sample size is sufficient to capture continuous and intermittent night use with reasonable confidence			A3

5f	Continual monitoring and maintenance of IHM and SAMs monitors			A3
5g	HHNU is derived daily with regular, adjustment of values on a weekly or monthly frequency to reflect actual seasonal use. This may be done retrospectively			A3
6	<b>Non household night use</b>			B4
6a	The time period for NHHNU is the same time period as used for night flow and HHNU			B4
6b	Own data or shared data with proximate companies is used for NHHNU			B4
6c	1999 UKWIR methodology with the appropriate time window as used for the night flow and the published outcome of further methodology development is applied			B4
6d	Stratification of non-households to a number of groups and consumption bands is representative of the varying characteristics of commercial and industrial properties			B4
6e	Sample size is sufficient to capture night use by stratification with reasonable confidence			B4
6f	Reliable and representative average billed volume (ABV) model based on data logging of the Representative sample sufficient to capture demand variations with further seasonal logging where relevant. Continuously logged properties not part of the sample.			B4
6g	ABV model linked to billing system or Replacement database of billed volumes. Average billed volumes updated at least annually			B4
6h	Continuous monitoring of selected non-households is carried out where average demand of an individual non-household has a material impact on the ability for a DMA or zone to provide valid and consistent data within operability limits			B4
7	<b>Hour to day conversion</b>			B4
7a	The hour-to-day factor is derived separately for each DMA or zone using pressure logging within each DMA or zone. The factors are updated at least annually or where there are any significant changes to pressure regimes			B4
7b	As an alternative, hydraulic models reflecting latest network configuration and pressure changes, are used if they disaggregate in sufficient detail at sub-zone level			B4
7c	Evidence based N1 value used. Expected range is 1.0 to 1.20			B4
8	<b>Annual distribution leakage</b>			B4
8a	Average weekly data is derived from valid daily values of leakage using data points which are representative of the week. Backfilling using the methods described in Section 5.4 – night flow analysis – is done when valid data is not available for three or more data points.			B4
8b	The annual value of leakage expressed as MJ/d is being derived from an average of the 52 week data.			B4
9	<b>Trunk main losses (only applicable if DMA level leakage assessment used)</b>			C5
9a	Company-specific data is used to assess the value of trunk main leakage			C5
9b	Reactive leakage monitoring approach applied where trunk main losses form a significant element of total leakage or the MLE water balance gap is greater than +/-2%.			C5
9c	If trunk main losses greater than 5% of total leakage estimates reviewed annually			C5
10	<b>Service reservoir losses (only applicable if DMA level leakage assessment used)</b>			C5
10a	Company-specific data is used to assess the value of service reservoir losses;			C5
10b	Reservoirs with known high leakage, structural deficiencies or at risk of water quality failures are investigated on an individual basis			C5
10c	Drop tests (12 hour duration depending on size) carried out every five or ten years. All valves checked for tight close; and losses through overflows investigated. Appropriate monitoring arrangements in place to control and minimise overflow events.			C5
11	<b>Distribution input</b>			B2
11a	Distribution input to the system is metered with at least daily readings at all defined locations			B2
11b	Meters are appropriate size for the flow to be measured and located at appropriate inputs to the network confirmed by record plans. Any treatment works take-off downstream of a meter are excluded from the DI calculations			B2
11c	Data validity checks are carried out at least monthly			B2
11d	Missing data is infilled using both pre- and post- data for the location over at least one month, extrapolated from pump hours or use of upstream or downstream meters			B2
11e	The data transfer systems from meter output to central database are checked and validated on a risk based frequency from one up to two years			B3
11f	Flow checks are carried out on DI meters consistent with the principles of the document 'EA Abstraction Good Metering Guide' and in particular the frequency of flow checking defined in Table 6.2 of the EA guide			B2

APR data tables are available in the Regulatory Library on our website

12	<b>Measured consumption</b>			B2
12a	Metered data is derived from own billing system or from CMOS for non-households			B2
12b	Estimate of supply pipe losses is included for internally metered properties consistent with own current assumption of supply pipe losses			B2
12c	Inclusion of any leakage allowance is included where a rebate has been applied to a customer's bill			B2
12d	Meter under registration is applied consistent with own estimates. Evidence of MUR available especially for MUR above 3%.			B2
12e	Meter replacement consistent with own replacement programme			B2
13	<b>Unmeasured consumption</b>			B2
13a	Monitors follow principles set out in the UKWIR Report 'Best Practice for unmeasured per capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption', UKWIR 2017			B2
13b	Consumption is derived from own individual household monitor or small area surveys			B2
13c	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; Valid data available from at least 80% of monitors as an annual average measure.			B2
13d	For companies using SAMs – SAM comprises a representative sample of customer characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered properties in an area exceeds 50% of total properties then further data validity tests are applied For companies using IHMs – IHM comprises representative sample of customer characteristics. The sample is at least 1000 properties.			B2
13e	Uncertainty allocated to unmeasured household consumption is estimated and justified			B2
13f	There is continual monitoring and maintenance of IHMs and SAM monitors			B2
13g	Meters are selected to provide sufficient granularity to detect low continuous flows indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock			B2
13h	Estimate of plumbing losses is based on own data			B2
13i	Where unmeasured non household reported volume is less than 2% of total non household demand, data from a per property consumption study is refreshed every five years			C4
13j	Where unmeasured non household reported volumes are greater than 2% of non-household demand, data from a property study is refreshed every two years			C4
14	<b>Company own water use</b>			B4
14a	All sewage treatment sites and other sites and assets supplied downstream of the DI meters using greater than 10 m <sup>3</sup> /d (0.01 Ml/d) are metered			B2
14b	An estimate of total company own use is included in the water balance, based on a clear methodology and actual data			B4
14c	Estimate of distribution operational use is evidence based and not greater than 0.6% of distribution input.			B4
15	<b>Other water use</b>			C5
15a	Other use components are based on own data			C5
15b	Estimate of water delivered unbilled (legally and illegally) is evidence based and not greater than 1.8% of distribution input.			C5
15c	Estimates are updated when there is a material increase or decrease to volumes.			C5
16	<b>Water balance and MLE</b>			B4
16a	Fully measured components have a range from 2% to 4%			A2
16b	Mainly measured with some estimated adjustments have a range from 2.5% to 5%			B2
16c	Estimated using detailed and reliable methods have a range from 8% to 12%			B3
16d	Broad estimates not fully detailed or reliable have a range from 20% to 50%			C5
16e	Water balance discrepancy <2% = G >2% and <3% = A >3% = R			B4

PCC

RAG compliance checklist

Ref	Component / Element	Component R/A/G	Element R/A/G	Confidence grade
1	<b>Household population estimates</b>			A2
1a	Household population derived using WRMP methodology			A2
1b	Evidence for adjustments for clandestine population if any			A2
1c	Household population updated annually			A2
1d	Exclusion of non-household population in accordance with WRMP methods			A2
2	<b>Household property Estimates</b>			A2
2a	Definition of household / non-household consistent with eligibility under market separation			A2
2b	Evidence of void properties updated annually			A2
2c	Property figures annually updated			A2
3	<b>Measured household consumption (Based on leakage PC RAG elements)</b>			A2
3a	Metered data is derived from own billing system			A2
3b	If leakage allowances are applied the process and evidence for this is clearly set out.			A2
3c	Average SPL deductions for externally metered households using company own data updated annually			A2
3d	Company own estimate of MUR for revenue meters which is updated annually.			A2
3e	Meter replacement consistent with own replacement programme			A2
4	<b>Unmeasured household consumption (Based on leakage PC RAG elements)</b>			A3
4a	Monitors follow principles set out in the UKWIR Report 'Best Practice for unmeasured per capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption', UKWIR 2017			A3
4b	Consumption is derived from own IHM or SAM or evidence to support other method appropriate for high meter penetration companies			A3
4c	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; Valid data available from at least 80% of monitors as an annual average measure.			A3
4d	For companies using SAMs - SAM comprises a representative sample of customer characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered properties in an area exceeds 50% of total properties then further data validity tests are applied For companies using IHMs – IHM comprises representative sample of customer characteristics. The sample is at least 1000 properties.			A3
4e	Uncertainty allocated to unmeasured household consumption is estimated and justified			A3
4f	There is continual monitoring and maintenance of IHMs and SAM monitors			A3
4g	Meters are selected to provide sufficient granularity to select low continuous flows indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock			A3
4h	Estimate of plumbing losses is based on own data			A3
4i	Where unmeasured non-household reported volume is less than 2% of total non-household demand, data from a per property consumption study is refreshed every five years			D6
4j	Where unmeasured non-household reported volumes are greater than 2% of non-household demand, data from a property study is refreshed every two years			D6
4k	Company own estimate of MUR for monitor meters which is updated annually			A3
4l	Meter replacement consistent with own replacement programme			A3

APR data tables are available in the Regulatory Library on our website

## UNPLANNED OUTAGE

### RAG compliance checklist

Ref	Component / Element	Component R/A/G	Confidence grade
1	PWC		B2
a	Annual Review		A2
c	PWPC by production site		A2
d	Water resource zone PWPC		A2
2	Asset failure/Unplanned outage		B2
a	Source data		B2
3	Planned outages		B4
a	Source data – Programme of works		B2
4	Duration		A2
a	Start time		A2
b	End time		A2
c	Rounding		A2
5	Reduction in capacity		B2
a	Reduced capacity		B2
b	Total Outage		B2
5	Exclusions		A2
a	Normal water quality operating band		A2
c	Evidence of WQ events		A2

For further information regarding our plans to recover our water supply interruptions performance in the next year and our progress for the current year to improve our performance from prior years of the AMP, please refer to the Performance Summary section of this report.

For further information regarding our plans on replacing lead pipes, please refer to the Performance Summary section of this report.

Where reporting performance is a material step change in performance from the previous year, commentary has been provided for this in the Performance Summary section for the following PCs:

- Water quality complaints
- Lead pipes replaced

## 3B – OUTCOME PERFORMANCE - WASTEWATER PERFORMANCE COMMITMENTS (FINANCIAL)

Year ended 31 March 2024

Where reporting performance is a material step change in performance from the previous year, commentary has been provided for this in the Performance Summary section of the APR for the following PCs:

- Sewer collapses

## 3C – CUSTOMER MEASURE OF EXPERIENCE ('C-MEX')

Year ended 31 March 2024

No additional commentary relating to this data table.

## 3D – DEVELOPER SERVICES MEASURE OF EXPERIENCE ('D-MEX')

Year ended 31 March 2024

No additional commentary relating to this data table.

## 3E – OUTCOME PERFORMANCE – NON-FINANCIAL PERFORMANCE COMMITMENTS

Year ended 31 March 2024

No additional commentary relating to this data table.

## 3F – UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WATER AND RETAIL)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 3G – UNDERLYING CALCULATIONS FOR COMMON PERFORMANCE COMMITMENTS (WASTEWATER)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 3H – SUMMARY INFORMATION ON OUTCOME DELIVERY INCENTIVE PAYMENTS

Year ended 31 March 2024

No additional commentary relating to this data table.

APR data tables are available in the Regulatory Library on our website

### 31 – SUPPLEMENTARY OUTCOMES INFORMATION

Year ended 31 March 2024

No additional commentary relating to this data table.

### ADDITIONAL REPORTING REQUIREMENTS

Code	Measure	Commentary
		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).
A3	Number of lead pipes replaced	<p>In instances where a customer has been offered but refused a free Hafren Dyfrdwy lead service pipe replacement, the customer will sign a Reg30 customer permission proforma (as evidence), indicating their wish to decline the offer. A copy of the signed Reg30 customer proforma is then saved against the customer's record and referred to on the lead pipes Performance Commitment central job tracker for future reference and auditing purposes and this process was included as part of our year-end assurance.</p> <p>During the year we have had no customers wishing to decline our offer of a lead replacement.</p>
B4	Risk of severe restrictions in a drought	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. The reported risk, as assured externally by Jacobs, remains unchanged from the previous year, and in line with our performance commitment target for Year 4 of AMP7. This risk has remained unchanged. 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.
B6	Unplanned outage	<p>Hafren Dyfrdwy reports its current Peak Week Production Capacity ('PWPC') in MI/d using telemetry data either from real-world max weekly flows or capacity testing. The PWPC for each site is reviewed annually, capacity testing is carried out on five-year rolling programme using a risk-based approach.</p> <p>Both planned and unplanned outages are subject to assurance checks to confirm start time, end time, total duration and total reduction in production (MI/d) using telemetry data. Sites are then grouped together into water resource zones. Normal water quality operating bands are taken into consideration.</p>
B8	Improving reservoir resilience	As part of our year end reporting and assurance for this performance commitment we have made available an annual progress report, with sign off from NRW's for this. We have no additional sites completed this year therefore we have no change in our programme completion total for the AMP of 36.4%.
D1	Inspiring our customers to use water wisely	A report to assess the benefits resulting from the performance commitment has been prepared to submit alongside the APR to Ofwat.
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, iMessage, short message service ('SMS') and social media (Facebook direct message, X direct message, Instagram direct message).
G2	D-MeX	As part of our assurance plan, 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	H1 - Priority services for customers in vulnerable circumstances	<p>Priority Service Register ('PSR') reach: The % split across the PSR membership categories A to E is forecast to continue as Year 4 end and no changes to the weighting in Year 5. The forecast will be reassessed at the end of Year 5 to enable sampling of new campaigns and continued PSR activity.</p> <p>PSR data-checking: We monitor for operational purposes PSR membership on a monthly basis. Over the year, we have had 2,118 customers added to the PSR and 617 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 priority service customers during an incident	<p>CCW has provided the following view of the Performance Commitment: "As there have been no notifiable incidents in the past year, where we would assess delivery of this ODI, we are unable to provide any comment. However, we continue to work closely with Hafren Dyfrdwy to ensure customers are supported where required, including during incidents."</p>
NEP01	Delivery of National Environment Programme ('NEP')	<p>NRW wrote to Hafren Dyfrdwy on April 2024 confirming sign off for Year 4 NEP: "No schemes were due to be delivered in Year 4 of the AMP and Hafren Dyfrdwy would not be claiming any schemes early."</p>

### 4A – WATER BULK SUPPLY

Year ended 31 March 2024

This table is a nil return, as Hafren Dyfrdwy does not have any trades that qualify under the RAG 4.12 definition.

### 4B – ANALYSIS OF DEBT

Year ended 31 March 2024

No additional commentary relating to this data table.

APR data tables are available in the Regulatory Library on our website

## 4C – IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV

Year ended 31 March 2024

### TOTEX (NET OF BUSINESS RATES, ABSTRACTION LICENSES FEES AND GRANTS AND CONTRIBUTIONS)

In 2023/24, wholesale totex was £5 million more than the FD and £25 million AMP to date. Our commentary below discusses the variance for each price control, considering scope, timing and efficiency.

#### Water Resources

In year, Water Resources spent £0.4 million less than the FD this is due to the phasing of our programme; we expect to be in line with the FD by the final year of the AMP. In 2023/24 we have spent £2m relating to health and safety maintenance at reservoirs following inspections. We have unwound a provision made in 2020/21 against this.

AMP to date, Water Resources is £5 million ahead of the FD, including two timing adjustments in relation to our reservoirs programme and our NEP Eels obligation. We anticipate that we will fully unwind these in 2024/25. It should be noted that we noticed a minor inconsistency in relation to the price control where our NEP Eels obligation timing adjustment was mapped to in previous years, where it was mapped to Water Network Plus instead of Water Resources. We have corrected for this retrospectively within 4C in both price controls.

#### Water Network+

In year, Water Networks+ expenditure was £6 million higher than the FD in year, and £17 million AMP to date. We have experienced higher costs in relation to our Network Response Teams who have supported more incidents as a result of adverse weather conditions in 2023/24.

In addition to this, there have been increases to operational expenditure from higher chemical and energy costs, where outturn wholesale market prices were lower year on year, but due to the timing of our hedged prices, the weighted average price that we paid for energy was higher year on year. As well as this, we have seen an increase to headcount at our Powys Hub which originally came into operation in July 2022 and is settling into the expected level of activity.

#### Wastewater Network+

Wastewater Network+ spent £0.1 million more than the FD in the year, and £4 million AMP to date. In year this is mostly driven by increases in energy volumes due to greater periods of adverse weather conditions and a combination of increases employee costs driven by a higher headcount alongside inflationary pressures.

#### Bioresources

In year, Bioresources has outperformed the FD by £0.5 million, as increased energy prices drove a significant increase in generation income, which is netted off gross power costs. Cumulatively, Bioresources expenditure is £1.4 million lower than the FD, reflecting the overall benefit of higher energy prices.

## BUSINESS RATES AND ABSTRACTION LICENCE FEES

Business rates and abstraction licence fees continue to outperform the FD, £1 million lower in the year and AMP to date. 75% of this benefit is shared with customers.

## 4D – TOTEX ANALYSIS (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4E – TOTEX ANALYSIS (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4F – MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WATER)

Year ended 31 March 2024

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

## 4G – MAJOR PROJECT EXPENDITURE BY PURPOSE (WHOLESALE WASTEWATER)

Year ended 31 March 2024

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

## 4H – FINANCIAL METRICS

Year ended 31 March 2024

Lines 4H.15 and 4H.16 – In accordance with RAG 4.12, the interest cover metrics are calculated using the interest paid element of net interest paid reported in 1D.10

Breakdown of interest paid on borrowings (£m)	2023/24
Interest paid (used in the above interest cover ratios 4H.15, 4H.16)	2.654
Interest received and similar income	(0.059)
Net interest paid as reported in 1D.10	2.595

The breakdown of interest paid and interest received has been taken directly from the 1D.10 calculations. Note that interest paid comprises of £2.649 million interest paid on borrowings and £0.005 million of interest paid on finance lease.

APR data tables are available in the Regulatory Library on our website

## 4I – FINANCIAL DERIVATIVES

Year ended 31 March 2024

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

## 4J – BASE EXPENDITURE ANALYSIS (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4K – BASE EXPENDITURE ANALYSIS (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4L – ENHANCEMENT EXPENDITURE (WATER RESOURCES AND WATER NETWORK+)

Year ended 31 March 2024

### Enhancement capex variance analysis against Final Determination (FD):

#### 4L.3 Ecological improvements at abstractions

Investigations for catchment improvements at Nant-y-Ffrith are being undertaken in Year 5. Proposed OPEX on Middle Dee Partnership has not been spent as partnership has not yet gained momentum with other stakeholders.

#### 4L.6 Eels Regulations (measures at intakes)

Sesswick Eels scheme is back end loaded but we are planning to spend a similar amount to the allowance.

#### 4L.9 Invasive Non Native Species

This activity is planned for Year 5 of the AMP.

#### 4L.22 Supply-side improvements delivering benefits in 2020-2025

Expenditure on investigating process improvements at Llandinam to achieve higher consistent deployable output.

#### 4L.28 Leakage improvements delivering benefits in 2020-2025

Cumulative spend in Yrs 1-3 included new metering at import/export sites to target leakage.

#### 4L.63 Total metering expenditure

Year 4 expenditure has been higher than the previous three years, and additional planned activity in Year 5 will bring spend to the allowance.

#### 4L.66 Improvements to taste, odour and colour

Good taste, odour and discolouration performance has resulted in proposed CAPEX plans being reduced or deferred. Unlined CI mains have been replaced in Year 3 but recorded as renewal, as main also found to be life expired. Investigations into upland catchment at Nant-y-Ffrith will be in Year 5.

#### 4L.69 Addressing raw water deterioration (grey solutions)

This is expenditure to provide new assets to connect customers at Lake Vyrnwy (currently on spring sources) in line with our DWI obligations.

#### 4L.75 Addressing raw water deterioration (total)

This is expenditure to provide new assets to connect customers at Lake Vyrnwy (currently on spring sources) in line with our DWI obligations.

#### 4L.81 Enhancing resilience to low probability high consequence events

Spend is higher than allowance as we have continued to invest in equipment and network upgrades to improve resilience and target supply interruptions risks. We also include resilience improvements for individual customers through separation of common supply pipes and improved boundary boxes.

#### 4L.87 Lead communication pipes replaced or relined for water quality

Allowance for our Lead Performance Commitment is shown against 4L.93.

#### 4L.93 Meeting lead standards (total)

Includes CAPEX expenditure on comms pipes, and OPEX expenditure on customer side supply pipes - we are meeting our expected Performance Commitment here.

#### 4L.96 Security – SEMD

All security enhancement spend (SEMD and non-SEMD) has been reported against this line. This has been higher than the original allowance due to increased scope and costs experienced as sites checked in detail. Cumulative spend in Yr3 has reduced due to correction of classification of some spend to 4L.102.

#### 4L.99 Security - Non-SEMD

We are recording all relevant security enhancement spend against lines 4L.94 - 4L.96.

#### 4L.100 Reservoir safety programme, Capex

Expenditure here is higher than the allowance, as project costs have been significantly higher than PR19 estimates. We have to complete this work to meet our B8 performance commitment and comply with the Reservoirs Act 1975. Reference should also be made to the narrative below in relation to the capital provision.

APR data tables are available in the Regulatory Library on our website

### Capital provision

The Company’s statutory financial statements recognise provisions for future capital expenditure in respect of enforceable obligations from regulators that exist at the balance sheet date. In the statutory financial statements amounts recognised in these provisions are recorded as additions to fixed assets at the point that the obligation arises. Subsequently, when the expenditure is incurred, the amounts paid are set off against the provision previously recorded.

We do not consider that it is appropriate to include such amounts in totex in the regulatory financial statements until the expenditure has been incurred. In our Annual Performance Reports for FY22 and FY23 we included the amounts paid in relation to such provisions in capex for those years. However, in our Annual Performance Report for FY21 we had included the amount recorded as provisions in capex for that year. As a result, amounts that were provided for in FY21 but paid in later years would be counted twice. We have corrected this position in the current year by making an adjustment to the current year to reverse the provision recorded in FY21 and replace this with the expenditure incurred in that year.

The adjustments made are set out below:

Water Resources	Totex in year	Reversal of provision	Total
Reservoir safety programme capex	2.253	-4.038	-1.785

#### 4L.101 Reservoir safety programme, Opex

Discontinuance activity at Pen-y-Gwely dam to comply with the Reservoirs Act 1975.

#### 4L.102 Biodiversity (Water), Capex

This includes our Peatland restoration work in line with the Environment (Wales) Act 2016 and Well-being of Future Generations (Wales) Act 2015, including an increased cumulative spend from Yr3 which is now correctly recognised here (was previously on 4L.94/96 and 2B.16).

#### 4L.103 Biodiversity (Water), Opex

This includes our Peatland restoration work in line with the Environment (Wales) Act 2016 and Well-being of Future Generations (Wales) Act 2015.

## 4M – ENHANCEMENT EXPENDITURE (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2024

No additional commentary relating to this data table.

### Enhancement capex variance analysis against Final Determination (FD):

#### 4M.3 Conservation drivers

Expenditure to date on conservation enhancements on waste water assets.

#### 4M.6 Event Duration Monitoring at intermittent discharges

Delivery profile shifted more into year 5 in comparison to the PR19 assumptions.

#### 4M.9 Flow monitoring at sewage treatment works

The cost of meeting U\_MON4 drivers is significantly higher than PR19 assumptions.

#### 4M.12 Schemes to increase flow to full treatment

Delivery profile shifted more into year 5 in comparison to the PR19 assumptions.

#### 4M.15 Schemes to increase storm tank capacity

Delivery profile shifted more into year 5 in comparison to the PR19 assumptions.

#### 4M.25 Total for storage schemes in the network to reduce spill frequency at CSOs etc (grey + green)

Optimisation of existing assets has been the priority for HDD to date this AMP, however some investment may be included in year 5.

#### 4M.37 Phosphorus removal

Phosphate removal schemes expenditure is higher in comparison to the PR19 assumptions, the delivery profile has also shifted into year 5.

#### 4M.40 Reduction of sanitary parameters

At PR19 the Ammonia improvement scheme expected to require no enhancement but detailed review at the start of AMP7 has confirmed this does require investment (Newtown STW).

#### 4M.46 Investigations

Spend reflects investment to date on the SOAF investigations.

## 4N – DEVELOPER SERVICES EXPENDITURE (WATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4O – DEVELOPER SERVICES EXPENDITURE (WASTEWATER NETWORK+ AND BIORESOURCES)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 4P – EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS

Year ended 31 March 2024

No additional commentary relating to this data table.

APR data tables are available in the Regulatory Library on our website

## 4Q – DEVELOPER SERVICES - NEW CONNECTIONS, PROPERTIES AND MAINS

Year ended 31 March 2024

The year-on-year variations relate to the commencement of New appointments and variations ('NAVs') activity within the region and the general shift in market conditions, and aligns with data lines across the table.

## 4R – CONNECTED PROPERTIES, CUSTOMERS AND POPULATION

Year ended 31 March 2024

### AVERAGE CUSTOMER VOLUMES

Total customers (excluding voids) have increased by 0.5% since the prior year to 104,262. We note an additional 39 voids as at last year have been brought into charge this year (representing 0.04% of the total customers).

The year-on-year increase in total customers count is mostly driven by new connections and is more weighted to residential customers being responsible for 80% of the total yearly increase. However, there has been a slight increase in the residential voids during the year.

Total commercial customers voids saw a decrease from last year as 111 properties have been brought into charge during the year.

### WATER CUSTOMERS AT YEAR END

#### Cattle troughs

Due to the directive by Ofwat to deduct cattle troughs from the total customers, we began reporting on this from last year. Total cattle trough customers this year are 718 in charge and 375 in void totalling 1,093 this is a decrease from 1102 in the previous year. These have been removed from the current year reporting.

#### Smart meters

We do not yet have a smart metering programme, and only have a minimal volume of test installations.

#### Below minimum bill and 'other' unbilled

We have zero below minimum bill customers for water.

The total volume of 'other unbilled' customers have dropped from 543 to 522 having billed all the voids flagged within the last two weeks of the previous year and which could not be billed before the year-end reporting. The reasons for the current unbilled accounts are as follows:

- Customer query;
- System generated query;
- Account in probate; and
- New connection not yet billed.

### 4R.29

To calculate non-resident population, a study was undertaken to determine the non-resident population, which includes people staying at second addresses for holiday purposes and short-stay visitors such as domestic-night and foreign-night visitors. The domestic-day visitors and daily commuters are explicitly excluded.

Evidence has been drawn from a mix of the latest 2021 Census data and surveys such as GB Day Visitor Survey, GB Tourism Survey and International Passenger Survey. The population estimates were presented as 'Low', 'Medium' and 'High' totals, reflecting the uncertainty associated with the process. The Medium range was chosen for each operating area, i.e. Hafren Dyfrdwy, and has been superimposed at site catchment level for greater accuracy.

The outcome is a reduction, mainly due to the fact that the main sources of touristic information had their surveys suspended in March 2020 due to COVID-19 pandemic and once they were resumed, the interviews were undertaken at airports only, i.e. interviews at sea-ports and train stations were not fully resumed until June 2022.

### 4R.30-32

To calculate population and household growth, CACI Ltd provided us with an estimate of the household water occupancy rates at an individual property level from the Ocean Database, based on the 2021 census, and matched to data provided from the Company's billing system. The billing system data provided enabled the occupancy rates to be split out for measured and unmeasured customers. This was aggregated to provide Water Resource Zone level and company occupancy data.

Applying the occupancy rate to the reported property numbers for measured and unmeasured customers provided a baseline household population.

An adjustment was made to include hidden and transient population (derived from consultant analysis), who are connected to the water supply and using water but are not included in the Census population and are therefore not included in the population derived from the CACI occupancies. Hidden populations have been updated in APR24 based on a recent separate CACI analysis.

## 5A – WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2024

### 5A.3

Following internal review two sites Plemstall & Boughton have been incorrectly classified as Hafren Dyfrdwy assets and therefore a drop in water production can be seen against historic performance.

## 5B – WATER RESOURCES OPERATING COST ANALYSIS

Year ended 31 March 2024

No additional commentary relating to this data table.

**APR data tables are available in the Regulatory Library on our website**

## 6A – RAW WATER TRANSPORT, RAW WATER STORAGE AND WATER TREATMENT DATA WATER RESOURCES ASSET AND VOLUMES DATA

Year ended 31 March 2024

### 6A.13-6A.27

There are no works in Hafren Dyfrdwy that meet the criteria of not used this year, but not yet decommissioned.

## 6B – TREATED WATER DISTRIBUTION – ASSETS AND OPERATIONS

Year ended 31 March 2024

We can confirm that total annual leakage reported in 6B is used for performance reporting three-year average and within our annual Water Resources Management Plan.

## 6C – MAINS, COMMUNICATION PIPES AND OTHER DATA (WATER NETWORK+)

Year ended 31 March 2024

### 6C.3

The majority of the mains renewal programme was delivered in Year 3 (2022/23), therefore a much reduced meterage performance has been delivered in Year 4 (2023/24) as expected.

## 6D – DEMAND MANAGEMENT – METERING AND LEAKAGE ACTIVITIES

Year ended 31 March 2024

### Smart Metering Programme

Hafren Dyfrdwy utilises AMR meters. Which use Automated Meter Reading (AMR) technology. This enables consumption data to be read remotely without having to directly access the meter or property for a manual reading.

### Business Plan Commitments

The value reported in 6D.23 is the difference between Total Leakage reported at APR23 and APR24. Total leakage in this line includes leakage benefit from all metering. Note, that Hafren Dyfrdwy does not have any smart meters installed.

Updated WRMP/PR24 leakage outturn data will align to reported leakage performance up to and including APR24 following the back cast and restatement of performance back to 2017/18. Our long-term leakage

reduction strategy will be re-profiled to achieve leakage reduction targets following the re-statement outlined in our Improving clarity and transparency section.

## 6F – WRMP ANNUAL REPORTING ON DELIVERY – NONLEAKAGE ACTIVITIES

Year ended 31 March 2024

This table is a nil return, as Hafren Dyfrdwy does not have any WRMP schemes.

## 7A – FUNCTIONAL EXPENDITURE – (WASTEWATER NETWORK+)

Year ended 31 March 2024

No additional commentary relating to this data table.

## 7B – LARGE SEWAGE TREATMENT WORKS – (WASTEWATER NETWORK+)

Year ended 31 March 2024

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

## 7C – SEWER AND VOLUME DATA (WASTEWATER NETWORK+)

Year ended 31 March 2024

### 7C.13

For Wales specifically, 2023 was one of the wettest on record with 10 named storms and eight months seeing above average rainfall, which reflects the increase in variance compared to last year which was a very dry year.

### 7C.15

We are reporting a nil return this year as no activity has been promoted or completed in Year 4. Should a rising main repair length be reported, known lengths would require excavation and assessment following failure. No assumptions would be made on pipe length other than at the period of initial assessment, this then gets updated and reported with actual length following the repair via a job closure form. Our methodology would assess a rising mains as 'structurally refurbished' by reinstating the pipework back to its original operating and design purpose.

**APR data tables are available in the Regulatory Library on our website**

## 7D – SEWAGE TREATMENT WORKS DATA (WASTEWATER NETWORK+)

Year ended 31 March 2024

### 7D.17-20

There are no sites that have taken on new or tighter permits within the reporting year via CAPEX or OPEX solutions.

## 7E – ENERGY CONSUMPTION AND OTHER DATA – (WASTEWATER NETWORK+)

Year ended 31 March 2024

### 7E.1

For financial year 2023/24 the total sewerage area being reported has reduced. This is due to improving the accuracy of the sewered area being reported around property boundaries and to exclude non-sewered feature types (such as green spaces and car parks) which are not likely to be sewered from the reported dataset.

### 7E.3

Installation programme completed in Year 3, therefore no new installations in Year 4.

### 7E.6-8

Prolonged wet weather periods led to greater flows into our networks, which in turn means longer periods of pumping and treatment requirements, leading to an increased energy consumption.

## 7F – WINEP PHOSPHORUS REMOVAL SCHEME COSTS AND COST DRIVERS – WASTEWATER NETWORK+

Year ended 31 March 2024

No additional commentary relating to this data table.

## 8A – BIORESOURCES SLUDGE DATA

Year ended 31 March 2024

### 8A.1 & 8A.2

All treatment of Hafren Dyfrdwy sludge is carried out by third party sludge service providers. Hafren Dyfrdwy has no facilities to treat sludge.

### 8A.4

Tankered domestic waste is imported at Newtown only which is recorded by the on-site logger. The logger records date, time, driver, volume and suspended solids as well as location. This allows for the team to determine the Tankered domestic loads, and thus total solids, imported to Newtown specifically. The estimate of all untreated sewage sludge is based on transaction records of every entry from our loggers which is listed as non-appointed liquid waste. This data includes the volume and suspended solids content which is then used to calculate the thousand tonnes of dry solids of non-appointed loads.

### 8A.10-8A.14

For these lines, road distances from the sewage works to the disposal centre are calculated using Google Maps.

## 8B – BIORESOURCES OPERATING EXPENDITURE ANALYSIS

Year ended 31 March 2024

No additional commentary relating to this data table.

## 8C – BIORESOURCES ENERGY AND LIQUORS ANALYSIS

Year ended 31 March 2024

This table is a nil return for Hafren Dyfrdwy.

## 8D – BIORESOURCES SLUDGE TREATMENT AND DISPOSAL DATA

Year ended 31 March 2024

This table is a nil return for Hafren Dyfrdwy.

## 9A – INNOVATION COMPETITION

Year ended 31 March 2024

No additional commentary relating to this data table.

## 11A – OPERATIONAL GREENHOUSE GAS EMISSIONS

Year ended 31 March 2024

No additional commentary relating to this data table.

**APR data tables are available in the Regulatory Library on our website**

## GREENHOUSE GAS ('GHG') EMISSIONS REPORTING FOR 2023/24

### Performance Summary

In accordance with Ofwat requirements, we are pleased to present the greenhouse gas (GHG) emissions reporting for Hafren Dyfrdwy (HD) for the fiscal year 2023/24. Overall, we have achieved a 30% reduction against our Science Based Target (SBTi) of 46% reduction by 2031 on a 2019/20 for our Group emissions. This has been primarily driven by our transition to 100% renewable electricity from our suppliers. Specifically for HD, our Scope 1 emissions have reduced by 11% from 2022/23. This is calculated using our own methodology for process emissions and this reduction is largely due to lower measured emissions at our monitored sites this year, as outlined below.

For Scope 2, we have used more electricity than in 2022/23 with the increase primarily driven by wetter weather and specifically, the 10 named storms that occurred between September 2023 and February 2024. This caused an increase in energy consumption across our wastewater operations and driven an increase in our Scope 2 location-based emissions. We continue to report a benefit from our 100% REGO backed electricity tariff, and this reflected in the market-based emissions.

### Explanatory Statement on Reporting

In compliance with regulatory reporting guidelines, we utilised the Carbon Accounting Workbook (CAW) version 18 v3.01 (AR6) to calculate process emissions for Table 11A. This version was the most recent available as of the 31st of March, 2024. We acknowledge that some industry peers have requested an update to AR5 factors. Consequently, we disclose that the CAW process emissions for Hafren Dyfrdwy (HD), calculated using AR5 factors, would amount to 197 tCO<sub>2</sub>e. This figure is slightly lower than our CAW reported value of 203 tCO<sub>2</sub>e, which was calculated using AR6 factors. It is important to note, however, that both these values significantly underestimate our actual emissions. Our internal calculations estimate the true figure to be approximately 903 tCO<sub>2</sub>e, which is more than double the reported values.

Whilst using the CAW enables transparent comparison of values, we compliment this with visibility of our own methodology for process emissions after starting an industry-leading programme of direct monitoring in 2021. This year we have refined our methodology to use a combination of IPCC estimates and our measured site-specific data where long-term dataset exists. We have now rolled out effective direct monitoring at wastewater and sludge treatment facilities responsible for treating 42% of our wastewater and 40% of our sludge loads. Whilst much higher than the CAW estimates, the emission factors across our process emissions have decreased from last year at our monitored sites. Year-on-year variability in measured emissions exist at a site level, which is in line with global observations, where emissions have shown variation due to local weather conditions (e.g. sewage dilution due to rainfall); although the definitive relationship is not yet fully understood.

For transparency, the variance between reporting years and methods in wastewater process and fugitive emissions are shown below (tCO<sub>2</sub>e).

Methodology	2022/23	2023/24	Variance
CAWv18 AR5	215.665	197.231	-8.5%
CAWv18 AR6	n/a	203.185	n/a
HD Estimated	930.860	925.970	-0.5%

### Scope 3 emissions

Of the categories we report on Scope 3 for the APR, we have seen a decrease of 60% in capital projects driven by a decrease in expenditure and activity on capital goods. We have also observed a decrease of 36% in emissions from the category of purchased goods and services in line with decreased expenditure. Note that chemicals is excluded from this category and emission factors for chemicals have decreased a result of a revision of chemical emission factors to reflect the latest industry findings and updated CAW emissions factors.

### Assuring our data

Our data and processes are subject to external assurance every year. This year Jacobs undertook this work and completed a full audit of our Scope 1, 2 and 3 data in line with the principals of the ISO 14064-3 International standard for GHG emissions and found our processes for reporting are consistent with reporting requirements of the GHG Protocol.

Having held the Carbon Trust Standard continuously since 2009 (which is an external recognition of our approach to measuring, reporting and reducing carbon emissions) we continue to hold the Advancing Tier of the Carbon Trust pilot Route to Net Zero Standard – this certification recognises the progress of an organisation on its journey to net zero. This included assurance to ISO 14064 International standard for GHG emissions for our Scope 1 and 2 and a small portion of our Scope 3 data. We will be updating our certification with our 2023/24 footprint with the Carbon Trust to maintain our accreditation. We have also reported and publicly disclosed emissions and climate change data to the Carbon Disclosure Project ('CDP') every year since 2006 and in 2023 achieved a top score, A-.

### Explanatory statement on reporting of embedded emissions at Hafren Dyfrdwy

All capital goods for HD is calculated using spend analysis as no projects for HD current meet the criteria for utilising our in-house carbon calculator. Across our wider business, we continue to increase the use carbon calculators in our operations, and this year we have utilised more actual data for capital carbon than in previous years. We have developed a carbon calculator dashboard which amalgamates spend data from SAP with data from carbon calculators. This integration has enabled us to segregate projects by water and waste for line 11A.50 and to apportion embodied carbon according to relevant spend ratios. For instance, if a project spans three years and we have a total carbon figure from the tool, we can allocate 50% of the carbon to the first year if 50% of the spend occurs in that year. This method allows us to distribute the carbon proportionally across the project.

Purchased goods and services (11A.51) continue to be divided by expenditure. The factors used for spend-based estimates are provided by expert consultants at Small World Consulting, based on 'environmentally extended input-output analysis'. We update these factors annually.

For reporting purposes, we have classified all capital spend as 11A.50 capital projects. While options have been provided to report either cradle-to-build or cradle-to-gate, we have chosen to report only cradle-to-build this year. This decision is due to the fact that our capital projects are primarily reported from spend analysis and the spend factor represents cradle-to-build.

We categorise our reporting of embedded carbon as amber against the provided RAG guidelines. This classification reflects our belief that we successfully meet three out of the four criteria. We continue to strive for excellence and are actively working towards fulfilling all the categories to further improve our performance.

[APR data tables are available in the Regulatory Library on our website](#)

Amber criteria	Criteria met	Justification
Provision of embedded emissions data as it relates to capital projects (cradle-to-gate or cradle-to-build).	Y	Embedded emissions data has been provided from cradle-to-build
Clear evidence of external verification by an appropriately qualified party as it relates to the use of standards and frameworks, and quality of data.	N	External verification has not yet taken place, however external data and process audits have been conducted.
Engagement with one recognised standard, framework, or approach for managing and reporting on embedded emissions	Y	BS EN 15978:2011 methodology has been adhered to so as to divide carbon calculation into distinct lifecycle stages and allow for cradle-to-build classification. Within our calculation process we use PAS2080 to identify emission reduction opportunities. Factors used are sourced from industry accepted sources (CESMM, Defra and the Bath Inventory of Carbon and Energy). Our spend analysis is calculated from SWC factors using EEIO methodology which is in-line with GHG protocol.
Complete and detailed SWOT analysis referring to embedded emissions.	Y	SWOT analysis below

### Strengths

- Commitment to reduction: Severn Trent Plc has made a firm commitment to achieve net zero operational emissions by 2030, underpinned by ambitious, science-based targets. We have tracked and reported our performance for over a decade, demonstrating considerable progress in reducing carbon emissions.
- Energy: We generate hydro-electricity within HD. This is reported in our ARA as avoided emissions.
- Carbon Trust Route to Net Zero Standard: Since 2009, we have held the Carbon Trust Standard, followed by the Route to Net Zero Standard certification since 2021/22 in recognition of our consistent emission reductions and effective carbon management processes. Severn Trent’s 2023/24 footprint (scope 1, 2 and elements of 3) will again be verified with the standard.
- Innovation: The Company leads the sector in its approach to measuring and understanding process and fugitive emissions, which are our most significant Scope 1 emissions source. We have invested heavily in establishing our Net Zero Hub to enable future reduction of our process emissions.
- Leadership: We continue to demonstrate strong leadership commitment and enjoy support from stakeholders, shareholders, and customers on our plans to reduce of GHG.
- Collaboration: We actively support and adopts a collaborative approach with the UK water industry and beyond, ensuring consistency and sharing of best practice.
- Embedded emissions: We use an approximate baseline quantification for capital goods and services using expenditure based on Environmentally Extended Input–Output methodology. Significant automation of data and evidence collation has been introduced through a Power BI report which will reduce the need for manual data input or copy/paste error and will be available for HD project that use our in-house carbon calculator in future.
- PAS 2080: In line with our commitments around carbon reduction, this year we have started the process of a gap analysis against PAS2080:2023 to help us identify our strengths and gaps when embedding carbon in our decision making, which will help inform and shape our areas of improvement going forward.

### Weaknesses

- Process emissions: Our process emissions, as reported in Table 11A, are calculated using the CAW to ensure comparability with our peers. However, we recognise that this approach underestimates emissions. To

address this, we are actively expanding our direct monitoring methodology to provide a more accurate representation of our emissions.

- Our confidence grade for our own measurement of process emissions stands at C5. This is primarily because our methodology is still in development, and only a limited number of sites have long-term monitored data. As a result, a significant portion of the emissions figure relies on literature-based emission factors (such as those from the IPCC 2019 and the Carbon Accounting Workbook).

It is important to highlight that our in-house baseline methodology aligns with the Intergovernmental Panel on Climate Change (IPCC) 2019 standards. We prioritise facility-level measured data and supplement it with global factors where direct monitoring data is not yet available. Our commitment to robust and reliable emissions reporting remains unwavering, and we continue to work toward improving our methodology and monitoring coverage for greater accuracy.

- Scope 3 gas type: Some elements of Scope 3 (line 11A.33 - 11A.36) cannot report by gas type so where this is not possible within the CAW, these are aggregated in line 11A.33 for CO2.
- Embedded emissions: This year we are not reporting cradle-to-gate as our capital projects are primarily reported from spend analysis and the factor represents cradle-to-build. As the carbon calculator is more widely used, the data will become available.

External verification of our full capital carbon data is not yet in place; however it has been included in third party assurance of our full GHG footprint.

- Emission factors: We recognise that embedded emissions (purchase goods and services and capital projects) are largely based on broad emission factors provided from our consultant Small World Consulting. We would like to move to more specific factors and ultimately activity data. This relies on our supply chain to mature in their carbon reporting.
- Electric vehicles: We do not currently know the volume of electricity used for fleet when charged at home. Given our electric fleet is still relatively small it is not considered significant at this stage.
- Business travel: We do not currently collect data for business travel in HD.

### Opportunities

- Process emissions: Our own monitoring of process emissions shows that significant improvement in data is needed to accurately reflect the emissions from our assets and operations and enable improvements to be made. Deeper insights from undertaking our own monitoring of process emissions confirms that our process emissions are substantially higher than previous existing industry estimates within the CAW. Deeper and more accurate understanding allows us to target our investment more effectively to reduce emissions. We have therefore focused heavily on research and development in this area and recognise this as an opportunity.
- Embedded carbon: It is our intention to move towards using our in-house carbon calculator where possible as opposed to spend based factors. The carbon calculator will be improved and include the cradle-to-gate measurement. Future submissions in AMP8 will benefit from improvements being made.
- Opportunities for reduction: The increased focus and ambition on GHG emissions presents opportunities as outlined in our TCFD disclosure in the Severn Trent Plc Annual Report and Accounts. As markets change, we will be able to take advantage of new technologies and products to reduce our emissions in a cost effective way. Emerging markets open up more ways to capture or reduce carbon and move investment into lower-carbon technologies.

**APR data tables are available in the Regulatory Library on our website**

The PAS 2080 standard provides a robust framework for managing carbon emissions within infrastructure and building projects. The PAS2080 gap analysis carried out will help provide insight into opportunities for Scope 3 reduction as we aim to identify and implement effective strategies for reducing our carbon footprint. A key focus of this assessment will be on emissions that occur within our value chain. These emissions represent a significant portion of our overall carbon footprint.

As part of our Science Based Targets ('SBTs') 58% of our suppliers across the Group have committed to set SBTs. Whilst it will take time for those organisations to implement programmes towards achieving their targets, this will help drive down emissions in our supply chain and we are supporting our other suppliers to set and achieve similar targets.

### Threats

- Upwards pressures: Increasing demands from a changing climate, population growth, increasing water quality standards and resilience of water supply require a significant level of investment which makes our challenge ever more difficult. Changing water standards may mean more carbon intensive processes are used.
- Reliance on cross-sector and our supply chain: We cannot achieve net zero and our SBTs alone. We need suppliers, stakeholders, Government and regulators working towards the same aims especially where lower carbon options are more costly or higher risk. This is especially true for our Scope 3 emissions. The additional administrative burden and any cost impact of this in our supply chain is yet to be understood.
- Cost and risk consideration: The 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.

[APR data tables are available in the Regulatory Library on our website](#)

## SUPPLEMENTARY DISCLOSURES

Year ended 31 March 2024

### 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	Interest rate	Payable balance
		£m	%	£m
Severn Trent Plc	Hafren Dyfrdwy Cyfyngedig	53.325	BR + 1.5%	1.250
Severn Trent Water Limited	Hafren Dyfrdwy Cyfyngedig	0.000	0.036	0.000
Severn Trent Draycote Limited	Hafren Dyfrdwy Cyfyngedig	0.000	0.036	30.367

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

		Amounts received	Interest rate	Receivable balance
		£m	%	£m
Severn Trent Plc	Hafren Dyfrdwy Cyfyngedig	24.700	BR + 1.5%	0.000
Severn Trent Water Limited	Hafren Dyfrdwy Cyfyngedig	0.000	0.036	0.000
Severn Trent Draycote Limited	Hafren Dyfrdwy Cyfyngedig	0.000	0.036	0.000

### 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	Terms of supply	Value
		£		£
Bulk water supplies	Severn Trent Water Limited	2122.013	Tariff	1.341
Bulk waste water supplies	Severn Trent Water Limited	2122.013	Tariff	0.043
Management Recharge	Severn Trent Water Limited	2122.013	Market tested	0.280
Water operational services	Severn Trent Water Limited	2122.013	Cost	1.855
Records management	Severn Trent Data Portal Limited	0.000	Tariff	0.008
				<b>3.527</b>

APR data tables are available in the Regulatory Library on our website

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

Service	Company	Turnover of associate in the period	Terms of supply	Value
		£		£
Pass through of management charges	Severn Trent Plc	0.000	Cost	0.021
Data Portal Income	Severn Trent Data Portal Limited	0.000	Cost	0.000
Reed bed refurbishment	Severn Trent Services Operations UK Limited	23.539	Cost	0.000
Pass through of management charges	Severn Trent Water Limited	2122.013	Cost	1.470
Retail support services	Severn Trent Water Limited	2122.013	Cost	0.340
Wholesale support services	Severn Trent Water Limited	2122.013	Cost	2.581
Bulk water supplies	Severn Trent Water Limited	2122.013	Tariff	4.118
Bulk waste water supplies	Severn Trent Water Limited	2122.013	Tariff	0.047
Water operational services	Severn Trent Water Limited	2122.013	Cost	1.007
Waste water operational services	Severn Trent Water Limited	2122.013	Cost	0.996
Treatment of imported sludge	Severn Trent Water Limited	2122.013	Cost	0.000
Tankering fleet services	Severn Trent Water Limited	2122.013	Cost	0.034
Technology services	Severn Trent Water Limited	2122.013	Cost	1.322
				<b>11.935</b>

**D) SERVICE PROVIDED TO THE NON APPOINTED BUSINESS**

Service	Basis of recharge	Value of recharge
		£
Other water companies billing activities	Direct and indirect costs	1.155
		<b>1.155</b>

\* Excluding services to Hafren Dyfrdwy already recorded in Supply of Services table

**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 [2022/23 - 19%]

Company	Turnover of associate in the period	Terms of supply	Value
	£		£
Severn Trent Green Power (Bridgend) Limited	5.877	Cost	0.292
Severn Trent Leasing Limited	0.000	Cost	1.735
Severn Trent Green Power (North London) Limited	6.472	Cost	0.214
Severn Trent Green Power (Wallingford) Limited	5.664	Cost	0.026

APR data tables are available in the Regulatory Library on our website

**APR data tables are available in the Regulatory Library on our website**

# APPENDIX A – APR ASSURANCE APPROACH AND OUTPUTS

# APPENDIX A: ASSURANCE APPROACH AND OUTPUTS

In this appendix you will find:

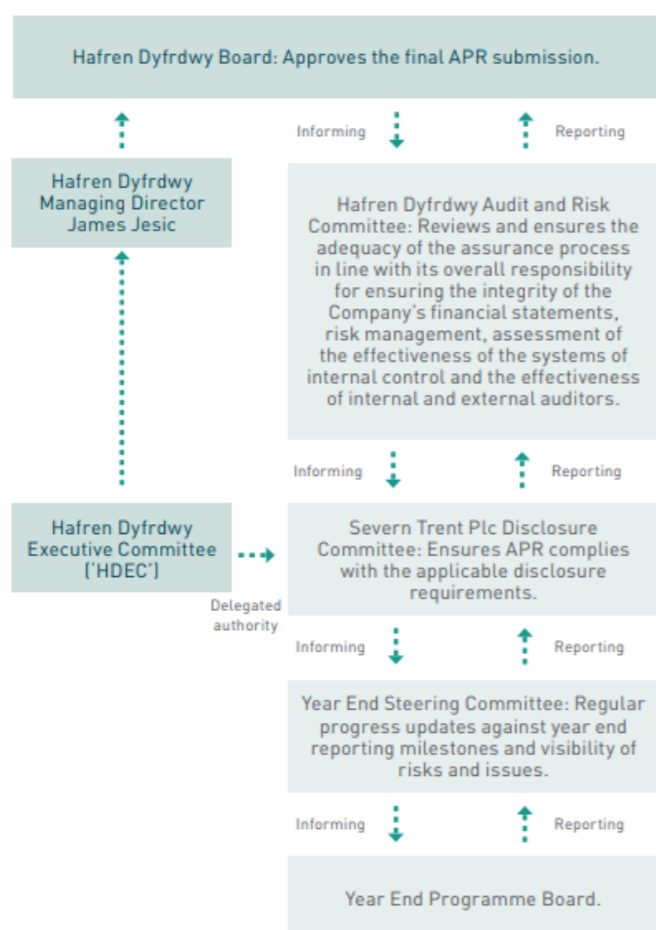
- OUR APR ASSURANCE APPROACH
- APR SPECIFIC GOVERNANCE APPROACH
- HOW WE APPROACH APR ASSURANCE
- OUTCOME OF ASSURANCE

## A.1 OUR APR ASSURANCE APPROACH

Our 2023/24 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 Framework in our [Regulatory Reporting and Assurance Approach](#).

## A.2 APR SPECIFIC GOVERNANCE APPROACH

Our compliance framework incorporates Ofwat’s most recent APR and regulatory reporting requirements, the 2023/24 revised Regulatory Accounting Guidelines (‘RAGs’), and wider company duties (including Welsh Government directives, such as the Well-being of Future Generations (Wales) Act 2015) which have helped us to shape some of our bespoke Performance Commitments. 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 data line of the APR is 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 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 - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’. 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).

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 part of our established third line assurance processes (the approach and outcome are explained in section A4).

### A.3.1 FIRST LINE ASSURANCE

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

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

Each reporting line in the APR is 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 data, the second line assurers facilitate and monitor the implementation of effective practices, ensuring that the first line assurance is designed, implemented and operates correctly, confirming that documented processes have been followed, and complete 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 Group Assurance Team liaises with the reporting teams to monitor improvement activities and resolve prior outstanding actions to ensure there are not any material issues.

### A.3.3 THIRD LINE ASSURANCE

Our most critical data are subject to third line assurance. Group Internal Audit provides 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.

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 RAG 4 requirements ('Guideline for the table definitions for the APR'); and
- data from the working files were aligned to the APR data tables to be submitted.

#### Deloitte financial audit opinion

Deloitte provided financial audit procedures over sections 1 and 2 of the APR data tables. 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 has informed Ofwat that a number of lines in Table 1F will not be subject to an audit opinion.

Deloitte has not performed any procedures on lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4Y, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10H and 11A.

#### 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 listed in the tables overleaf. Stages one and two focused on documentation and process and were undertaken on new measures or where there had been changes to processes. During stage one, Jacobs review the process description templates ('PDTs') which are followed to report against performance commitments and other non-financial data lines.

Stage two included formal reviews. 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; and
- there are appropriate checks and controls identified.

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

- confirming that the data produced is consistent with the PDT and aligns with reporting guidance;
- confirming that internal checks and controls have been completed;

- carrying out proportionate sampling checks;
- confirming that exclusions have been applied correctly; and
- ensuring that 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

Table Reference	Table Name	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 cashflows	Deloitte	Deloitte
1E	Net debt analysis	Deloitte	Deloitte
1F <sup>1</sup>	Financial flows	Deloitte / Jacobs	Deloitte / Jacobs
2A	Segmental income	Deloitte / Jacobs <sup>2</sup>	Deloitte
2B	Totex analysis (wholesale)	Deloitte / Jacobs <sup>2</sup>	Deloitte
2C	Cost analysis - retail	Deloitte / Jacobs <sup>2</sup>	Deloitte
2D	Historic cost analysis of tangible fixed assets	Deloitte	Deloitte
2E	Analysis of grants and contributions (water resources, water network+ and wastewater network+)	Deloitte	Deloitte
2F	Residential retail	Deloitte / Jacobs	Deloitte / Jacobs
2G	Non-household water - revenues by tariff type	Deloitte	Deloitte
2H	Non-household wastewater - revenues by tariff type	Deloitte	Deloitte
2I	Revenue analysis	Deloitte	Deloitte
2J	Infrastructure network reinforcement costs	Deloitte	Deloitte
2K	Infrastructure charges reconciliation	Deloitte	Deloitte
2L	Analysis of land sales	Deloitte	Deloitte
2M	Revenue reconciliation - wholesale	Deloitte	Deloitte
2N	Household affordability support and debt	Deloitte	Deloitte
2O	Historic cost analysis of intangible fixed assets	Deloitte	Deloitte

<sup>1</sup> See note on Deloitte financial audit opinion for 1F in section A4.

<sup>2</sup> Assurance of input opex allocations to price control / business unit.

#### Performance summary

Table Reference	Table Name	Methodology & Process	Data
3A	Outcome performance - water common performance commitments	2nd line / Jacobs	Jacobs
3B	Outcome performance - wastewater common performance commitments	2nd line	Jacobs
3C	Customer measure of experience ('C-MeX') table	2nd line	Jacobs
3D	Developer services measure of experience ('D-MeX') table	2nd line	2nd line / Jacobs
3E	Outcome performance - non-financial performance commitments	2nd line	Jacobs
3F	Underlying calculations for common performance commitments - water and retail	2nd line / Jacobs	Jacobs
3G	Underlying calculations for common performance commitments - wastewater	2nd line	Jacobs
3H	Summary information on outcome delivery incentive payments	2nd line	2nd line <sup>1</sup>
3I	Supplementary outcomes information	2nd line	Jacobs

<sup>1</sup> Assurance of the ODI model undertaken by Jacobs used for table 3H.

Additional regulatory information - service level

Table Reference	Table Name	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 - wastewater 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 wastewater by purpose	Internal Audit	Internal Audit
4H	Financial metrics	Jacobs / Internal Audit	Jacobs / Internal Audit
4I	Financial derivatives	Internal Audit	Internal Audit
4J	Base expenditure analysis - water resources and water network+	Internal Audit	Internal Audit
4K	Base expenditure analysis - wastewater network+ and bioresources	Internal Audit	Internal Audit
4L	Enhancement expenditure - water resources and water network+	Internal Audit	Internal Audit
4M	Enhancement expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4N	Developer services expenditure - water network+	Internal Audit	Internal Audit
4O	Developer services expenditure - wastewater network+ and bioresources	Internal Audit	Internal Audit
4P	Expenditure on non-price control diversions	Internal Audit	Internal Audit
4Q	Developer services - new connections, properties and mains	2nd Line	Jacobs
4R	Connected properties, customers and population	2nd Line / Jacobs	2nd Line / Jacobs
4S	Green Recovery expenditure - water resources and water network+	N/A	N/A
4T	Green Recovery expenditure - wastewater network+ and bioresources	N/A	N/A
4U	Impact of Green Recovery on RCV	N/A	N/A
4V	Mark-to-market of financial derivatives analysed based on payment dates	Internal Audit	Internal Audit
4W	Defined benefit pension scheme - additional information	Internal Audit	Internal Audit
4X	Accelerated infrastructure delivery project expenditure - water resources and water network+	N/A	N/A
4Y	Accelerated infrastructure delivery project expenditure - wastewater network+ and bioresources	N/A	N/A

Additional regulatory information - water resources

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

Additional regulatory information - water network+

Table Reference	Table Name	Methodology & Process	Data
6A	Raw water transport, raw water storage and water treatment data	2nd Line	2nd Line / Jacobs
6B	Treated water distribution - assets and operations	2nd Line	2nd Line / Jacobs
6C	Water network+ - mains, communication pipes and other data	2nd Line	2nd Line / Jacobs
6D	Demand management - metering and leakage activities	2nd Line / Jacobs	Jacobs / Internal Audit
6F	WRMP annual reporting on delivery	2nd Line	2nd Line

Additional regulatory information - wastewater network+

Table Reference	Table Name	Methodology & Process	Data
7A	Wastewater network+ - functional expenditure	Internal Audit	Internal Audit
7B	Wastewater network+ - large sewage treatment works	2nd Line / Internal Audit	2nd Line / Internal Audit
7C	Wastewater network+ - sewer and volume data	2nd Line	2nd Line / Jacobs
7D	Wastewater network+ - sewage treatment works data	2nd Line	2nd Line / Jacobs
7E	Wastewater network+ - energy consumption and other data	2nd Line	2nd Line / Jacobs
7F	Wastewater network+ - WINEP phosphorous removal scheme costs	2nd Line	Jacobs

Additional regulatory information - bioresources

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

Additional regulatory information - innovation competition

Table Reference	Table Name	Methodology & Process	Data
9A	Innovation competition	Internal Audit	Internal Audit

Carbon

Table Reference	Table Name	Methodology & Process	Data
11A	Greenhouse gas emissions reporting	Jacobs	Jacobs

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 an assurance statement from our technical assurers, Jacobs, in the Board statements section. Deloitte provides an audit report in the Regulatory Accounts section.

INTERNAL AUDIT OUTCOME

Internal Audit confirmed that:

“The data used to complete Section 4-9 of the APR has been subject to first and second line assurance reviews and Internal Audit provided further independent data checks. Internal Audit walked through the process used by each of the relevant teams to complete the tables. All additional supporting evidence and answers to any queries raised were provided. No material issues were identified.”

## DELOITTE AUDIT OPINION

Deloitte’s audit opinion confirms that:

“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 2.09, RAG 3.14, RAG 4.12 and RAG 5.07) and the accounting policies (including the Company’s published accounting methodology statement, as defined in RAG 3.14, appendix 2) set out on pages 55 and 56.”

## 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"> <li>on the allocation of costs by price control and subsections of the value chain;</li> <li>on non-appointed activity; and</li> <li>on transactions between associated companies.</li> </ul> <p>In reporting on the above, we are required to comply with Ofwat’s RAGs - in particular ‘RAG 2 - Guideline for the classification of costs across the price controls’ and ‘RAG 5 - Guideline for transfer pricing’.</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). This also applies to the appointed and non-appointed activity within the appointee. Ofwat expects transactions between Hafren Dyfrdwy and Severn Trent Water 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 scope covered:</p> <ul style="list-style-type: none"> <li>the allocation of costs by price control and subsections of the value chain;</li> <li>non-appointed activity; and</li> <li>transactions between associate companies.</li> </ul> <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"> <li>the areas/activities that were being provided;</li> <li>the costs associated with that activity which, for the PDTs we reviewed, were operating costs;</li> <li>how those costs are recharged, allocated and why; and</li> <li>how our approach is compliant with the RAGs.</li> </ul>

### Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We consider:

- 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 requirements; and
- the Company takes appropriate steps to 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.”

## Full-Year Performance Commitments (‘PCs’)

Requirements	Assurance undertaken
<p>PCs set out in our Final Determination and the processes that were used to produce the figures. This approach is in line with our risk-based approach assurance framework to ensure that Jacobs reviewed our higher and medium risk areas, and those which are customer focused.</p>	<p>Jacobs’ scope of assurance work included reviewing the following:</p> <ul style="list-style-type: none"> <li>reviewing the processes used to ensure they are robust, enabling risks to be identified, managed and reviewed;</li> <li>assumptions made as part of the process are appropriate;</li> <li>checking alignment to final determinations definitions (including additional reporting requirements / reporting guidance / RAG guidance);</li> <li>checking that the methodology for applying exclusions is in line with reporting guidance;</li> <li>ensuring data is competently sourced, processed and reported and fit for purpose;</li> <li>undertaking proportionate sample checks; and</li> <li>reviewing coverage and outputs of checks and controls.</li> </ul>

### Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We conclude that in relation to the items we reviewed, and in all material respects:

- your processes and internal systems of control are sufficient to meet your regulatory obligations;
- your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied; and
- you have appropriate systems and processes in place to identify, manage and review your risks.”

## Full-Year Non-Financial

Requirements	Assurance undertaken
<p>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 the Section 4-11 non-financial measures.</p>	<p>Jacobs’ scope of assurance work included checking the following:</p> <ul style="list-style-type: none"> <li>reviewing the processes used to ensure they are robust, enabling risks to be identified, managed and reviewed;</li> <li>assumptions made as part of the process are appropriate;</li> <li>checking alignment to final determinations definitions (including additional reporting requirements / reporting guidance / RAG guidance);</li> <li>checking that the methodology for applying exclusions is in line with reporting guidance;</li> <li>ensuring data is competently sourced, processed and reported and fit for purpose;</li> <li>undertaking proportionate sample checks; and</li> <li>reviewing coverage and outputs of checks and controls..</li> </ul>

### Assurance outcome

Jacobs concluded in relation to the items they reviewed:

“We conclude that in relation to the items we reviewed, and in all material respects:

- you have an understanding of, and meet your relevant statutory, licence and regulatory obligations in all material respects;
- your processes and internal systems of control are sufficient to meet your regulatory obligations;
- your processes for reporting performance commitments are in line with the guidance and exclusions have been correctly applied; and
- you have appropriate systems and processes in place to identify, manage and review your risks.”