

Annual Performance Report 2020/21

Part 2 – Price control and other segmental reporting





Index	Page	
2A Segmental income statement	2	This part disaggregates revenue and costs further than part 1, to allow stakeholders to review our performance against Ofwat’s Final Determination.
2B Totex analysis – wholesale	3	
2C Operating cost analysis – retail	4	
2D Historic cost analysis of tangible fixed assets	6	
2E Analysis of ‘grants and contributions’ – water resources, water network+ and wastewater network+	7	
2F Residential retail	9	
2G Non-household water revenues by tariff type	10	
2H Non-household wastewater revenues by tariff type	12	
2I Revenue analysis	14	
2J Infrastructure network reinforcement costs	15	
2K Infrastructure charges reconciliation	16	
2L Land sales	17	
2M Revenue reconciliation - wholesale	18	
2N Residential retail – social tariffs	20	
2O Historic cost analysis of intangible fixed assets	22	

Annual Performance Report 2020/21



2A – Segmental income statement for the year ended 31 March 2021

		Retail			Wholesale				
		Household	Non-household	Water resources	Water network+	Wastewater network+	Bioresources	Total	
		£m	£m	£m	£m	£m	£m	£m	
		41.918	6.256	35.524	265.263	365.694	34.192	748.847	
		-	-	17.271	-	0.061	-	17.332	
		41.918	6.256	52.795	265.263	365.755	34.192	766.179	
		Operating expenditure							
		(59.446)	(5.124)					(64.570)	
		(0.403)	(0.031)					(0.434)	
	2B/2C	(59.849)	(5.155)	(38.251)	(167.625)	(138.794)	(18.993)	(428.667)	
	2D	(0.326)	(0.025)	(14.664)	(110.725)	(162.673)	(18.579)	(306.992)	
	2O	(5.295)	(0.393)	(0.957)	(14.818)	(8.012)	(2.650)	(32.125)	
		-	-	-	-	-	-	-	
		(5.621)	(0.418)	(15.621)	(125.543)	(170.685)	(21.229)	(339.117)	
		-	-	-	0.043	0.053	-	0.096	
		(23.552)	0.683	(1.077)	(27.862)	56.329	(6.030)	(1.509)	
		Surface water drainage rebates							0.037

Price control segments

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

The tables presented in parts 2 and 4 to 9 of this Annual Performance Report have been prepared in accordance with our Accounting Methodology Statement which can be found at www.dwrcymru.com. The Accounting Methodology Statement explains the bases for the allocation of operating and capital expenditure, and has been updated to reflect the latest Regulatory Accounting Guidelines. Wherever possible, direct costs and assets have been attributed directly to price controls. Where this has not been possible, appropriate cost allocation drivers have been applied as described in the Accounting Methodology Statement. Any material changes to our approach compared to the previous year are documented in the Accounting Methodology Statement.



2B – Totex analysis for the year ended 31 March 2021 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Operating expenditure					
Power	6.509	22.857	30.147	2.989	62.502
Income treated as negative expenditure	(4.275)	(3.247)	(2.639)	(4.214)	(14.375)
Abstraction charges/discharge consents	9.387	0.259	4.995	-	14.641
Bulk supply/bulk discharge	0.107	0.782	-	-	0.889
Other operating expenditure – renewals expensed in year	12.386	36.138	26.461	-	74.985
Other operating expenditure	9.228	84.904	67.515	19.325	180.972
Local authority and cumulo rates	0.764	15.228	8.153	0.640	24.785
Total base operating expenditure services	34.106	156.921	134.632	18.740	344.399
Other operating expenditure					
Enhancement operating expenditure	-	-	1.251	0.253	1.504
Developer services operating expenditure	-	9.205	1.365	-	10.570
Total operating expenditure excluding third party services	34.106	166.126	137.248	18.993	356.473
Third party services	4.145	1.499	1.546	-	7.190
Total operating expenditure	38.251	167.625	138.794	18.993	363.663
Grants and contributions-operating expenditure	1.976	5.295	0.714	-	7.985
Capital expenditure					
Base capital expenditure	5.864	73.609	66.465	21.308	167.246
Enhancement capital expenditure	28.564	23.798	52.473	2.892	107.727
Developer services capital expenditure	-	5.911	4.924	-	10.835
Total gross capital expenditure excluding third party services	34.428	103.318	123.862	24.200	285.808
Third party services	0.474	0.103	0.004	-	0.581
Total gross capital expenditure	34.902	103.421	123.866	24.200	286.389
Grants and contributions - capital expenditure	0.226	8.913	7.057	-	16.196
Net totex	70.951	256.838	254.889	43.193	625.871
Pension deficit recovery payments	-	-	-	-	-
Totex including cash items	70.951	256.838	254.889	43.193	625.871

A comparison of wholesale totex against Ofwat's Final Determination is reported in table 4C, which is located in part 4.

Significant year-on-year totex movements are as follows:

Water resources: £5m decrease (7%); £5m lower renewals expensed in the year (infrastructure) relates to work on our dam safety programme which was higher in 2019/20 due to the completion of AMP6 schemes.

Water network+: £18m decrease (7%); £9m lower infrastructure renewal expenditure is a result of increased expenditure last year to complete AMP6 investment and £4m lower developer services costs due to Covid restrictions. In addition to this, there was a recharge of principal use assets to other price controls of £8m which was not previously reported in the upstream services price controls, and lower pension deficit recovery payments (by £6m) following a large deficit recovery payment last year. These savings are offset by increases in our atypical costs of £9m; £8m relates to the impact of Covid-19 and a further £1m to adverse weather.

Waste network+: £52m decrease (17%); £7m lower infrastructure renewal expenditure and £59m lower capital expenditure offset with reduction in contributions of £5m is a result of increased expenditure last year as schemes came to a close at the end of AMP6 and specific programmes of work were completed as well as delays in schemes due to Covid-19. Other savings relate to lower pension deficit recovery payments (by £4m) following a large deficit recovery payment last year. These reductions are partially offset by increased atypical costs amounting to £8m; the impact of Covid-19 (£7m), adverse weather costs (£2m) and a £2m increase in rates (last year's charge included a rates rebate) is partially offset by lower restructuring charges (£3m). In addition to this there was an increase resulting from the principal use assets recharge from other price controls, of £5m, which was not previously reported in the upstream services price controls.

Sludge: £22m decrease (33%); £23m lower capex as last year's costs included the delivery of our sludge strategy for AMP6. Other savings relate to lower pension deficit recovery payments (£1m) following a large deficit recovery payment last year, offset by an increase in power cost of £1m and an increase in principal use assets recharge from other price controls of £1m (as reported above) which is partially offset by the reduction in the restructuring charge of £1m.

Further details can be found in the Accounting Methodology statement section 2.4. The documents referred to above are available on our website at www.dwrwymru.com.



2C – Operating cost analysis for the year ended 31 March 2021 – retail

	Household £m	Non- household £m	Total £m
Operating expenditure			
Customer services	11.926	1.642	13.568
Debt management	5.092	0.695	5.787
Doubtful debts	31.445	1.085	32.530
Meter reading	1.940	0.482	2.422
Services to developers	-	0.433	0.433
Other operating expenditure	8.786	0.768	9.554
Local authority and cumulo rates	0.257	0.019	0.276
	59.446	5.124	64.570
Depreciation – tangible fixed assets existing at 31 March 2015	0.243	0.018	0.261
Depreciation – tangible fixed assets acquired after 1 April 2015	0.083	0.007	0.090
Amortisation – intangible fixed assets existing at 31 March 2015	1.821	0.135	1.956
Amortisation – intangible fixed assets acquired after 1 April 2015	3.474	0.258	3.732
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	-	-	-
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	-	-	-
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	0.442	0.033	0.475
Income from wholesale assets acquired after 1 April 2015 principally used by retail	0.039	0.002	0.041
Net recharge costs	0.403	0.031	0.434
Total retail costs excluding third party and pension deficit repair	65.470	5.573	71.043
Third party services operating expenditure	-	-	-
Pension deficit repair costs	-	-	-
Total retail costs including third party and pension deficit repair	65.470	5.573	71.043
Debt written off	35.273	0.924	36.197
Capital expenditure	5.374	0.382	5.756

The differences between the values reported for total operating costs and the allowed retail cost to serve in price limits are as follows:

	Household £m	Non-household £m	Total £m
Final determination	40.011	6.207	46.218
Actual operating costs	65.469	5.574	71.043
Difference ¹	25.458	(0.633)	24.825

¹ including pre AMP5 depreciation and amortisation

PR19 FD targeted a reduction in total retail operating costs of 12%. In 2020/21, total operating costs for retail activities were £71m, 9% higher than last year. Household (HH) costs increased by 9%, with non-household (NHH) costs falling by 1%. Significant movements are explained below:

HH increase of £5.3m related to atypical costs (of £6.5m) offset in part by core HH net cost reductions (£1.2m); material reductions in customer service (£0.6m), meter reading costs (£0.1m), other operating expenditure (£0.4m) and depreciation/amortisation (£0.8m) have been offset by an increase in total debt cost (£0.3m), services to developer costs (£0.1m) and an increase in principle use net recharges (by £0.4m). The atypical costs aforementioned relate to a higher level of doubtful debt charge as a result of Covid-19 (£8.5m). (In 19/20 we provided for an additional £3.6m as a result of Covid-19). This additional charge was based upon an assessment of the impact of the Covid-19 pandemic on customers' future ability to pay outstanding liabilities. We continue to monitor this impact closely and will make future adjustments as the requirement arises. A further (£0.8m) increase to other operating expenditure was made in relation to exceptional Covid-19 related operational expenditure; this has been offset by a reduction in the reorganisation provision by £2.8m.

NHH retail costs have reduced by £0.1m: a (£0.1m) decrease in both customer services and meter reading, (£0.2m) depreciation/amortisation and (£0.3m) decrease in other operating expenditure have been partially offset by a £0.1m increase in service to developer costs and (£0.1m) increase in doubtful debts. NHH costs were also impacted by (£0.5m) atypical costs relating to Covid-19: a (£0.4m) adjustment to doubtful debt and (£0.1m) other operating expenditure. Underlying NHH costs for 2020/21 (after adjusting for the one-off items) were £5.1m, £0.5m lower than last year.

In 2020/21 the cost of operating the retail price control was £24.8m greater than the FD allowance; £11.4m higher excluding the £13.4m one-off adjustments detailed in the narrative above. The remaining differences are due to:

- Continued system advances to our front-line agents and automation of back office processes to offer industry-leading customer service required investment over and above the costs allowed in the FD;
- Costs associated with metering have remained broadly flat, despite implementing a new meter data management system and providing meter readers with new devices, and also improving efficiencies and integration with web services which will help to mitigate a portion of the variable costs associated with metering throughout the rest of the AMP;
- In 2020/21 we have continued to increase the number of customers on our priority services to a record 81,000, plus a further 341,000 customers temporarily added to the register as a result of Covid-19. We are supporting a further 127,000 customers with help in paying their bill, via our social tariffs, HelpU and WaterSure Wales. The costs associated with identifying and engaging with these customers (£0.9m) continue to be funded from company reserves as directed by the Board. These costs were not included in our allowed revenues at PR19;
- Underlying debt performance has declined in 2020/21, resulting in an underlying doubtful debt increase of £0.8m (from a charge of £19.0m in 2019/20 to £19.8m in 2020/21), our customer base is over-represented in low income groups with high levels of personal debt, which is amplified in the current economic climate. This requires significant effort in terms of recovery activity, above that allowed in the FD; and
- Finally, our retail costs include depreciation totalling £2.2m on assets acquired before 1 April 2015. These costs are excluded from the retail PR19 cost allowance.



Annual Performance Report 2020/21

2C – Operating cost analysis for the year ended 31 March 2021 – retail (continued)

Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale

	Household £m
Demand-side water efficiency - gross expenditure	0.085
Demand-side water efficiency - expenditure funded by wholesale	-
Demand-side water efficiency - net retail expenditure	<u>0.085</u>
Customer-side leak repairs - gross expenditure	2.012
Customer-side leak repairs - expenditure funded by wholesale	<u>(2.012)</u>
Customer-side leak repairs - net retail expenditure	<u>-</u>



2D – Historic cost analysis of tangible fixed assets at 31 March 2021

	Wholesale				Retail		Total £m
	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Household £m	Non- household £m	
Cost or valuation							
At 1 April 2020	253.626	3,128.748	3,527.943	425.160	57.135	8.520	7,401.132
Disposals	(0.037)	(0.495)	(1.118)	(0.026)	(0.044)	(0.006)	(1.726)
Additions	34.423	67.207	109.392	21.810	0.068	0.005	232.905
Adjustments - revaluation ¹	-	-	-	-	-	-	-
Assets adopted at nil cost	-	-	98.486	-	-	-	98.486
At 31 March 2021	288.012	3,195.460	3,734.703	446.944	57.159	8.519	7,730.797
Depreciation							
At 1 April 2020	(37.778)	(858.986)	(680.882)	(137.618)	(13.070)	(2.044)	(1,730.378)
Disposals	0.036	0.565	1.029	0.024	0.041	0.005	1.700
Adjustments - revaluation ¹	(18.077)	(604.746)	742.272	(90.823)	-	-	28.626
Charge for year	(14.664)	(110.725)	(162.673)	(18.579)	(0.326)	(0.025)	(306.992)
At 31 March 2021	(70.483)	(1,573.892)	(100.254)	(246.996)	(13.355)	(2.064)	(2,007.044)
Net book values²							
At 31 March 2021	217.529	1,621.568	3,634.449	199.948	43.804	6.455	5,723.753
At 1 April 2020	215.848	2,269.762	2,847.061	287.542	44.065	6.476	5,670.754
Depreciation charge for							
Principal services	(14.538)	(110.668)	(162.673)	-	(0.326)	(0.025)	(306.809)
Third party services	(0.126)	(0.057)	-	-	-	-	(0.183)
Total	(14.664)	(110.725)	(162.673)	(18.579)	(0.326)	(0.025)	(306.992)

¹ Adjustments: the Company has revalued its asset base as at 31 March 2021; for further details see 'Property, plant and equipment' in the accounting policies section of parts 4 to 9 (Notes to the regulatory accounts).

The revaluation in the year amounts to £28.6m and is included in table 2D as follows:

	£m
Cost or valuation	
Adjustments - revaluation	-
Depreciation	
Adjustments - revaluation	<u>28.626</u>
	<u>28.626</u>

The movement between price controls reflect that the revaluation is now based on the RCV of each price control instead of apportioning using historic net book value.

² The net book value at 31 March 2020 includes £272.9m in respect of assets in the course of construction, £411.0m adopted assets and £1,426.6m revaluation.



2E – Analysis of ‘grants and contributions’ for the year ended 31 March 2021 – water resources, water network+ and wastewater network+

	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
Grants and contributions – water resources				
Diversions - s185	-	-	-	-
Other contributions (price control)	1.976 ¹	-	0.226	2.202
Price control grants and contributions	1.976	-	0.226	2.202
Diversions - NRSWA	-	-	-	-
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	-	-
Total	1.976	-	0.226	2.202
Value of adopted assets	-	-	-	-
Grants and contributions – water network+				
Connection charges	5.295	-	1.042	6.337
Infrastructure charge receipts	-	-	4.095	4.095
Requisitioned mains	-	-	1.125	1.125
Diversions - s185	-	-	1.368	1.368
Other contributions (price control)	-	-	0.908	0.908
Price control grants and contributions before deduction of income offset	5.295	-	8.538	13.833
Income offset ²	-	-	-	-
Price control grants and contributions after deduction of income offset	5.295	-	8.538	13.833
Diversions - NRSWA	-	-	0.353	0.353
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	0.023	0.023
Total	5.295	-	8.914	14.209
Value of adopted assets	-	-	-	-

¹ This relates to contributions received for work on our reservoirs. These contributions were included in water network+ in PR19, however for this Annual Performance report the income is reported in the same price control as the related costs.

² Income offset: Ofwat have confirmed that this value represents the amount of distinct discount when invoicing developers specifically according to the amount shown in the published charges as the ‘income offset’. This arises from the new connection charges rules for English Companies and therefore is not applicable in Wales



2E – Analysis of ‘grants and contributions’ for the year ended 31 March 2021 – water resources, water network+ and wastewater network+ (continued)

	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
Grants and contributions – wastewater network+				
Receipts for on-site work	-	-	3.044	3.044
Infrastructure charge receipts	-	-	3.646	3.646
Diversions - s185	-	-	0.287	0.287
Other contributions (price control)	0.714	-	0.033	0.747
Price control grants and contributions before deduction of income offset	0.714	-	7.010	7.724
Income offset ¹	-	-	-	-
Price control grants and contributions after deduction of income offset	0.714	-	7.010	7.724
Diversions - NRSWA	-	-	0.015	0.015
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	0.031	0.031
Total	0.714	-	7.056	7.770
Value of adopted assets	-	98.486	-	98.486
	Water resources	Water	Wastewater	Total
	£m	£m	£m	£m
Movements in capitalised grants and contributions²				
Brought forward	-	-	(0.017)	(0.017)
Capitalised in the year	-	-	-	-
Amortisation (in income statement)	-	-	-	-
Carried forward (table 1C)	-	-	(0.017)	(0.017)

¹ Income offset: Ofwat have confirmed that this value represents the amount of distinct discount when invoicing developers specifically according to the amount shown in the published charges as the ‘income offset’. This arises from the new connection charges rules for English Companies and therefore is not applicable in Wales

² Movements in capitalised grants and contributions do not include assets adopted at nil cost.



2F – Residential retail for the year ended 31 March 2021

	Revenue
	£m
Residential revenue	
Wholesale charges	567.481
Retail revenue	41.918
Total residential revenue	609.399
Retail revenue	
Revenue Recovered ("RR")	41.918
Revenue sacrifice	11.614
Actual revenue (net)	53.532
Adjustment	
Allowed revenue ("R")	46.365
Net adjustment ¹	(7.167)
Customer information	Number of
	customers
	(000s)
Actual customers ("AC")	1,426.190
Reforecast customers	1,434.831
Other residential information	Average
	residential
	revenues
	£
Average residential retail revenue per customer	37.535

¹ The net adjustment reflects the lower than forecast take-up of the HelpU tariff. The revenue sacrifice is in line with the FD allowance.



Annual Performance Report 2020/21

2G – Non-household water revenues by tariff type for the year ended 31 March 2021

	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections
	£m	£m	£m	(000s)
Default tariffs - customer group 1				
Tariff type 1	51.818	3.083	54.901	98.778
Tariff type 2	-	-	-	-
Total default tariffs customer group 1	51.818	3.083	54.901	98.778
Default tariffs - customer group 2				
Tariff type 1	-	-	-	-
Total default tariffs	51.818	3.083	54.901	98.778
Non-Default tariffs				
Total non-default tariffs	20.261	0.210	20.471	0.109
Total	72.079	3.293	75.372	98.887



2G – Non-household water revenues by tariff type for the year ended 31 March 2021 (continued)

	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
	£	£	£	£	%	£
Default tariffs - customer group 1						
Tariff type 1	31.211	31.370	-	31.370	1%	36.616
Tariff type 2	-	-	-	-		
Total default tariffs customer group 1	31.211	31.370	-	31.370	1%	36.616
Default tariffs - customer group 2						
Tariff type 1	-	-	-	-	-	-
Total default tariffs	31.211	31.370	-	31.370	1%	36.616
Non-Default tariffs						
Total non-default tariffs	1,926.606					
Total	33.301					
			Number of customers	Average non-household retail revenue per customer		
			(000s)	£		
Revenue per customer ¹			98.881	33.303		

¹The difference of six between the total number of connections and the number of customers relates to customers billed by other retailers.



Annual Performance Report 2020/21

2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2021

	Wholesale charges revenue	Retail revenue	Total revenue	Number of connections
	£m	£m	£m	(000s)
Default tariffs - customer group 1				
Tariff type 1	61.113	2.900	64.013	71.566
Tariff type 2	-	-	-	-
Total default tariffs customer group 1	61.113	2.900	64.013	71.566
Default tariffs - customer group 2				
Tariff type 1	-	-	-	-
Total default tariffs	61.113	2.900	64.013	71.566
Non-Default tariffs				
Total non-default tariffs	-	-	-	-
Total	61.113	2.900	64.013	71.566



2H – Non-household wastewater revenues by tariff type for the year ended 31 March 2021 (continued)

	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
	£	£	£	£	%	£
Default tariffs - customer group 1						
Tariff type 1	40.522	40.970	-	40.970	1.0	49.509
Tariff type 2	-	-	-	-	-	-
Total default tariffs customer group 1	40.522	40.970	-	40.970	1.0	49.509
Non-Default tariffs						
Total non-default tariffs	-					
Total	40.522					
			Number of customers	Average non-household retail revenue per customer		
			(000s)	£		
Revenue per customer			71.566	40.522		



2I – Revenue analysis for the year ended 31 March 2021

	Household	Non-household	Total	Water resources	Water network+	Total
	£m	£m	£m	£m	£m	£m
Wholesale charge – water						
Unmeasured	146.275	1.661	147.936	18.506	129.430	147.936
Measured	82.433	65.220	147.653	15.082	132.571	147.653
Third party revenue	-	5.198	5.198	1.936	3.262	5.198
Total wholesale water revenue	2A 228.708	72.079	300.787	35.524	265.263	300.787
Wholesale charge – wastewater						
Unmeasured - foul charges	198.923	1.667	200.590	180.730	19.860	200.590
Unmeasured - surface water charges	7.578	0.291	7.869	7.869	-	7.869
Unmeasured - highway drainage charges	5.141	0.148	5.289	5.289	-	5.289
Measured - foul charges	116.206	54.842	171.048	156.716	14.332	171.048
Measured - surface water charges	6.086	2.760	8.846	8.846	-	8.846
Measured - highway drainage charges	4.839	1.405	6.244	6.244	-	6.244
Third party revenue	-	-	-	-	-	-
Total wholesale wastewater revenue	2A 338.773	61.113	399.886	365.694	34.192	399.886
Wholesale total¹	567.481	133.192	700.673			
Retail revenue						
Unmeasured	12.824	0.527	13.351			
Measured	29.094	5.666	34.760			
Other third party revenue	-	0.063	0.063			
Retail total^{1,2}	2A 41.918	6.256	48.174			
Third party revenue – non-price control						
Bulk supplies - water			7.272			
Bulk supplies - wastewater			0.061			
Other third party revenue			8.273			
Principal services – non price control						
Other appointed revenue			1.726			
Total appointed revenue	1A		766.179			

¹ Revenue reconciliation

	Ref	Wholesale £m	Retail £m
Household	2F	567.481	41.918
Non-household water	2G	72.079	3.293
Non-household waste	2H	61.113	2.900
		700.673	48.109
New connections (retail)		-	0.063
		700.673	48.174

² Non-household retail reconciliation

	Ref	Non-household £m
Non-household water	2G	3.293
Non-household waste	2H	2.900
Developer services		0.063
		6.256



2J – Infrastructure network reinforcement costs for the year ended 31 March 2021

	Network reinforcement capex £m	On site/ site-specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	0.288	0.001
Pumping and storage facilities	0.022	0.001
Other	0.031	-
Total	0.341	0.002
Wholesale wastewater network+ (sewage collection)		
Foul and combined systems	0.538	0.016
Surface water only systems	-	-
Pumping and storage facilities	0.870	1.563
Other	0.217	-
Total	1.625	1.579

This table includes costs associated with the network reinforcement of new developments and costs for the onsite/site specific capex.



2K – Infrastructure charges reconciliation for the year ended 31 March 2021

	Water £m	Waste water £m	Total £m
Impact of infrastructure charge discounts			
Infrastructure charges	4.095	3.646	7.741
Discounts applied to infrastructure charges	-	-	-
Gross infrastructure charges	4.095	3.646	7.741
Comparison of revenue and costs			
Variance brought forward ¹	-	-	-
Revenue	4.095	3.646	7.741
Costs	(0.341)	(1.625)	(1.966)
Variance carried forward	-	-	-

The purpose of this table is to provide evidence for compliance with charging rules for new connections for English Companies. The rules require revenue from infrastructure charges to be aligned to costs over a period of time i.e. the variance reported is expected to be small over the long term. The rules do not apply in Wales where the infrastructure charge is set in accordance with the terms of our licence and is not directly aligned to costs. The variance shown between revenue and costs in the table reflects this.

¹There is no variance being reported as Welsh companies' infrastructure has not been redefined. As such, there is no relationship between income and costs and therefore there is no variance to carry over.



Annual Performance Report 2020/21

2L - Analysis of land sales for the year to 31 March 2021

Land sales	Water resources £m	Water network+ £m	Wastewater network+ £m	Total £m
Proceeds from disposals of protected land	-	-	-	-



2M – Revenue reconciliation for the year ended 31 March 2021 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources	Total £m
Revenue recognised					
Wholesale revenue governed by price control	35.524	265.263	365.694	34.192	700.673
Grants and contributions (price control) ¹	2.202	13.833	7.724	-	23.759
Total revenue governed by wholesale price control	37.726	279.096	373.418	34.192	724.432
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	36.433	273.298	390.101	35.391	735.223
Allowed grants and contributions before adjustments (or modified by CMA)	-	14.285	7.680	-	21.965
Revenue adjustment	-	-	-	-	-
Other adjustments	-	-	-	-	-
Revenue cap	- 36.433	287.583	397.781	35.391	757.188
Calculation of the revenue imbalance					
Revenue cap	36.433	287.583	397.781	35.391	757.188
Revenue recovered	37.726	279.096	373.418	34.192	724.432
Revenue imbalance	(1.293)	8.487	24.363	1.199	32.756

Variance analysis

The difference between the total revenue governed by the revenue control and the total revenue cap is £31m, which is 4.13% of the allowed revenue. This under-recovery will be included in the calculation of the wholesale charges for 2021/22 and will result in an increase to allowed charges.

The under-recovery arises from Covid-19 relief of £3m, a revenue adjustment of £8m, lower-than-forecast requisition income and lower demand from non-household customers.

¹ Grants and contributions are revenues from new connections, requisitions and infrastructure charges for properties which have connected in the year.

² This is the difference between total revenue governed by revenue control and the total assumed revenue



2M – Revenue reconciliation for the year ended 31 March 2021 (continued) – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Additional revenue adjustments					
Rebalancing Grants and contribution to water resources	2.089	(2.089)	-	-	-
Covid relief	(0.048)	(0.919)	(1.744)	(0.056)	(2.767)
Revenue abated	-	-	(5.200)	-	(5.200)
Other adjustments	2.041	(3.008)	(6.944)	(0.056)	(7.967)
Revised Revenue Cap for RFI comparison					
Revenue Cap	36.433	287.583	397.781	35.391	757.188
Other adjustments	2.041	(3.008)	(6.944)	(0.056)	(7.967)
Adjusted revenue	-	-	-	-	-
Revised Revenue cap	38.474	284.575	390.837	35.335	749.221
Revenue recovered	37.726	279.096	373.418	34.192	724.432
Revenue imbalance for RFI comparison	(0.748)	(5.479)	(17.419)	(1.143)	(24.789)
Over/(under) recovery					
Deadpan (@-2%)	(0.8)	(5.7)	(7.8)	(0.7)	(15.0)
Exceedence			(9.6)	(0.4)	(10.0)



2N – Residential retail – social tariffs for the year ended 31 March 2021

	Revenue £m	Number of customers (000s)	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs		1.201	
Residential wastewater only social tariffs		5.988	
Residential dual service social tariffs		114.015	
Number of residential customers not on social tariffs			
Residential water only no social tariffs		81.842	
Residential wastewater only no social tariffs		124.531	
Residential dual service no social tariffs		1,098.614	
Social tariff discount			
Average discount per water only social tariffs customer			159.867
Average discount per wastewater only social tariffs customer			43.587
Average discount per dual service social tariffs customer			236.101
Social tariff cross-subsidy - residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	0.112		
Total customer funded cross-subsidies for wastewater only social tariffs customers	0.152		
Total customer funded cross-subsidies for dual service social tariffs customers	15.384		
Average customer funded cross-subsidy per water only social tariffs customer			1.349
Average customer funded cross-subsidy per wastewater only social tariffs customer			1.165
Average customer funded cross-subsidy per dual service social tariffs customer			12.686



2N – Residential retail – social tariffs for the year ended 31 March 2021 (continued)

	Revenue £m	Number of customers (000s)	Average amount per customer £
Social tariff cross-subsidy - company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	0.080		
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	0.109		
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	11.535		
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			66.611
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			18.203
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			101.171
Social tariff support - willingness to pay			
Level of support for social tariff customers reflected in business plan			18.190
Maximum contribution to social tariffs supported by customer engagement			18.190



20 – Historic cost analysis of intangible fixed assets at 31 March 2021

	Wholesale				Retail		Total £m
	Water resources £m	Water network+ £m	Wastewater network+ £m	Sludge £m	Household £m	Non- household £m	
Cost or valuation							
At 1 April 2020	12.347	224.668	119.353	27.695	21.934	1.566	407.563
Disposals	-	-	-	-	-	-	-
Additions	0.255	27.246	7.297	2.390	5.306	0.377	42.871
Adjustments - revaluation	-	-	-	-	-	-	-
Assets adopted at nil cost	-	-	-	-	-	-	-
At 31 March 2021	12.602	251.914	126.650	30.085	27.240	1.943	450.434
Depreciation							
At 1 April 2020	(8.347)	(99.421)	(80.436)	(17.903)	(16.162)	(1.740)	(224.009)
Disposals	-	-	-	-	-	-	-
Adjustments - revaluation ¹	-	-	-	-	-	-	-
Charge for year	(0.957)	(14.818)	(8.012)	(2.650)	(5.295)	(0.393)	(32.125)
At 31 March 2021	(9.304)	(114.239)	(88.448)	(20.553)	(21.457)	(2.133)	(256.134)
Net book values							
At 31 March 2021	3.298	137.675	38.202	9.532	5.783	(0.190)	194.300
At 1 April 2020	4.000	125.247	38.917	9.792	5.772	(0.174)	183.554
Depreciation charge for year							
Principal services	(0.957)	(14.818)	(8.012)	(2.650)	(5.295)	(0.393)	(32.125)
Third party services	-	-	-	-	-	-	-
Total	(0.957)	(14.818)	(8.012)	(2.650)	(5.295)	(0.393)	(32.125)