

WONDERFUL ON TAP



SEVERN TRENT NEW CONNECTIONS CHARGES  
2025/26 BOARD ASSURANCE STATEMENT

# Statement of assurance

## Severn Trent New Connections Charges 2025/26

### Introduction

We're one of the largest of the 11 regulated water and sewerage companies in England and Wales. We provide high quality services to around 4.6 million households and businesses in the Midlands. Our region stretches across the heart of the UK, from the Bristol Channel to the Humber, and from Shropshire to the East Midlands. Whether it's the quality of our drinking water or the regulatory performance information we publish on our website, we want to make sure that our customers can trust us to deliver what matters to them most.

As part of its 'Charging Rules for New Connections Services (English Undertakers)' Ofwat asked our Board to provide a signed assurance statement to give confidence to our customers and stakeholders that we have produced our charges in line with Ofwat's charging rules and engaged with our customers prior to publication.

### Our approach to assurance

We have an established, rigorous and robust assurance and performance reporting framework. The assurance approach we use comes from best practice identified across many organisations and industries ensuring that managers, senior managers and Directors are responsible for delivering high quality data through robust processes and methodologies.

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

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



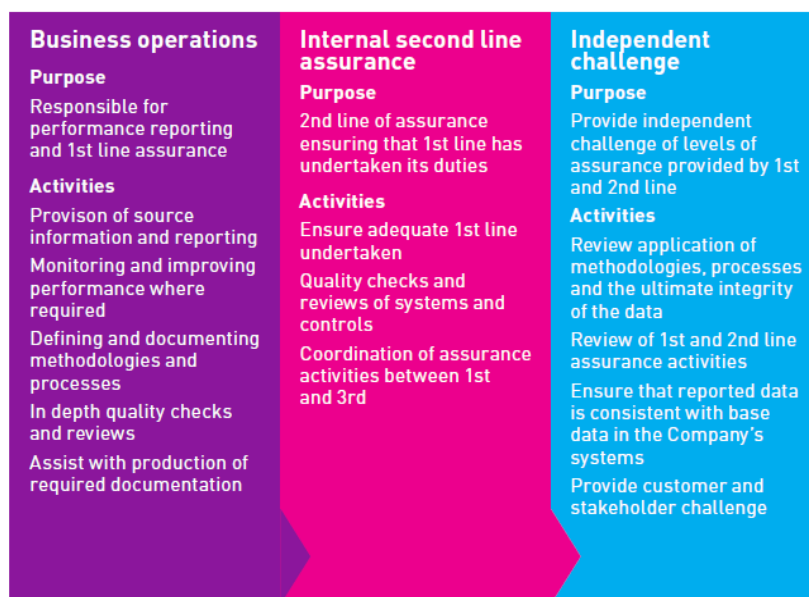
### Three lines of assurance

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

First line activities are embedded within the teams that are responsible for reporting the data so that colleagues, with the right expertise, conduct in-depth quality checks at the time the data is produced.

Second line activities are conducted by a separate team that does not report into the same senior manager to ensure a level of independent checking is conducted.

Third line activities are carried out by Internal Audit or external providers depending on the specialisation required.



More information on our governance and assurance framework can be found in our assurance plan on our website<sup>1</sup>.

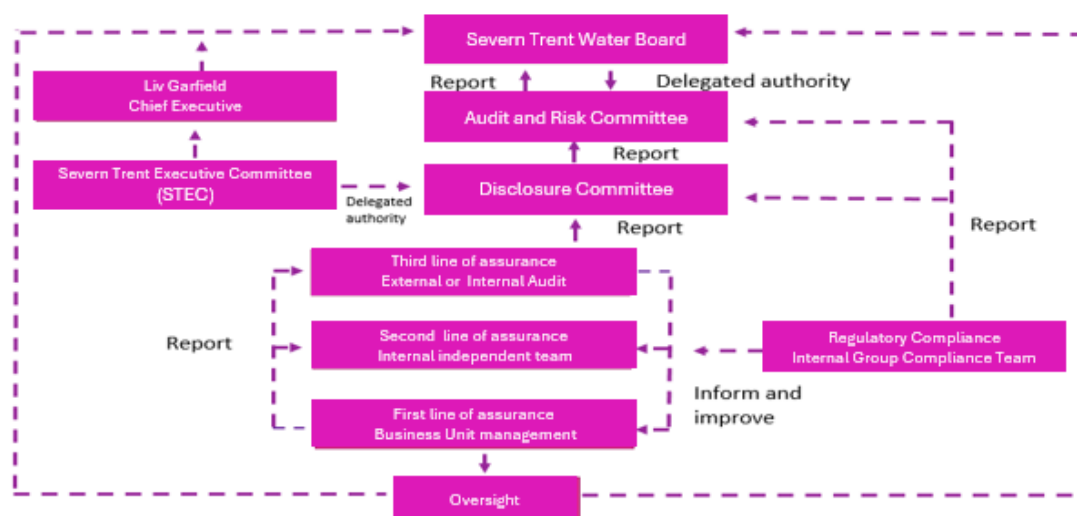
## Governance and accountability

We operate at the highest standards of corporate governance, supported by robust internal controls – that are applied consistently throughout the Group in order to meet our statutory requirements, which are reported in the company's annual and ongoing regulatory reporting.

Our Board is supported by the Severn Trent Plc Governance Framework which comprises the Board, Executive Committee and their respective Committees. 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 its Terms of Reference.

Our governance and assurance frameworks work together and are built on high standard processes to enable confidence in the information and data we report. The below provides an overview of how our frameworks interact to ensure that all levels of the business have oversight and understanding of the assurance processes we implement. The effectiveness of the controls over reporting are monitored by the Audit and Risk Committee, which receives regular reports in relation to the assurance conducted by the Internal and External Auditors.

<sup>1</sup> <https://www.stwater.co.uk/regulatory-library/regulatory-library-documents/>



## Our approach to customer engagement and transparency

We recognise that our charging arrangements are an important part of the experience our customers have with us, and we are committed to maintaining an open dialogue so we can understand the views of our customers and help address any concerns they have.

We proactively engage with our customers on developer charges to include discussions and feedback on charge evolution, key themes and bill stability. We have highlighted the regulatory driven changes made to New Connection Charging Rules for the next regulatory period, which runs from April 2025 to 2030, such as Ofwat bringing to an end companies providing “income offset” discounts, and confirmed the charging principles we apply when setting annual charge values. We explained and sought feedback on methodology changes for some specific charge elements and provided our commitment to continue to incentivise the building of sustainable new homes through an improved Environmental Incentives Scheme. We have tailored our customer engagement activities to different developer groups to help us understand their views on our proposed approach. We also shared our approach and indicative charges with the Consumer Council for Water in November.

Our engagement enabled discussions around the following topics:

- the Ofwat charging rules and principles that shape our charges, to include cost reflectivity requirements
- the 2025/26 regulatory changes to New Connection Charging Rules that result in developer customers’ overall charges for typical developments increasing by significantly more than 10%
- the need to invest more in our networks to ensure they are adequately reinforced to accommodate future housing growth and the associated increase to the wastewater infrastructure charge
- our underlying charges relating to the provision of new connections for 2025/26 remaining stable
- views on the structure of New Appointment and Variations (NAV) service fee (NAV customers only)
- views around our enhanced environmental incentive scheme to include discounts for rain gardens, permeable paving and the new common industry approach to water efficiency
- sharing examples of overall charge changes, year-on-year, for typical developments
- transitional arrangements relating to the Charging Rule changes
- timelines for publication of final charges

The meeting dates are noted below:

- Self-Lay forum 27 November 2024
- New Appointment and Variations (NAV) - one to one engagement 04 December 2024
- Developer forum 13 December 2024
- Developer forum Early January 2025
- Post publication engagement Early February 2025

The feedback received has been largely positive. Customers welcomed the updates on charges to include the clarity provided on our evolved approach to supporting developers who build sustainable new homes, the changes to Ofwat’s New Connection Charging Rules and the transparency of associated charge increases from April 2025. Early insight on key charge changes greatly helps their planning processes.

The three key areas of discussion and commitment:

<b>Feedback/observation</b>	<b>Severn Trent Action</b>
<p><b>Ofwat removal of Income Offset from 2025</b> Grateful for our early signalling of this regulatory change when proposed by Ofwat in 2021 and the forewarning of likely impact on typical bills. Appreciative of our approach to help smooth the transition year-on-year since 2022.</p> <p>One customer requested the continuation of Income Offset after April 2025.</p> <p>“Income Offset” means a sum of money, that may be offered by the undertaker, in recognition of revenue likely to be received in future years for the provision of:</p> <p>i) supplies of water to the premises connected to a Water Main; or ii) sewerage services to the premises connected to a Sewer</p>	<ul style="list-style-type: none"> <li>➤ We continue to support the year-on-year-transition and raise awareness of regulatory driven changes and associated bill impacts through the transparent sharing of worked examples for typical developments.</li> <li>➤ We reiterated that this change was first signalled in 2021 and communicated regularly to aid preparedness. As with infrastructure charges, the income offset becomes applicable when the connection is made at the prevailing years rate, this being zero from April 2025.</li> <li>➤ We will ensure that the ability for customers to reduce their overall charges through enhanced Environmental Incentives is clearly communicated in our published Charging Arrangements and on our website.</li> </ul>
<p><b>Evolution of environmental incentives</b> Content that the new industry common framework requires all English companies to now offer incentives. Grateful for early sight of our enhanced environmental incentive scheme and prior engagement earlier in the year that sought views on potential offerings.</p>	<ul style="list-style-type: none"> <li>➤ We will continue to offer enhanced Environmental Incentives to include our new offerings of rain gardens and permeable paving.</li> <li>➤ We will ensure our published Charging Arrangement Document and website provides clear guidance on the Environmental Incentives and associated processes to help customers apply with ease and successfully benefit.</li> <li>➤ We will continue to engage on possible future enhancements.</li> </ul>
<p><b>Significant year-on-year charge increases</b> Understood the drivers for change were primarily as a result of two key factors; the Ofwat regulatory change to end the provision of an Income Offset and a STW need to accommodate future growth through enhanced wastewater network reinforcement.</p>	<ul style="list-style-type: none"> <li>➤ We shared our commitment to enhance Environmental Incentives so that every developer customer can benefit from reduced charges when building sustainably to new qualifying criteria.</li> </ul>

## Assurance Findings

Our new connections charges process has been identified as one of our key customer areas through both our internal review and externally by our customers and stakeholders. As such, the submission is reviewed by three lines of assurance, with the third line provided by:

- **Jacobs** – who review our methodologies and processes of how our critical charges are formed and ensure that we comply with our regulatory and statutory obligations<sup>2</sup>.
- **Internal Audit** – provide data, process and completeness assurance.

### Jacobs confirmed:

Overall, based on our scope of work and the limited assurance undertaken, we did not find any material misstatement. We consider that, in all material respects:

- The company complies with its obligations relating to the charging rules;
- The charges comply with legal obligations and are consistent with the relevant charging rules;
- The company has appropriate systems and processes in place to make sure that the information contained in the charging scheme, and the additional information covered is accurate; and
- The company has assessed the effects of the new charges on customers' bills for a range of different types of development and has set out in its statement of significant changes instances where bill increases for particular developer types exceed 10%

### Internal Audit confirmed:

Internal Audit have carried out the following activity to confirm completion of the assurance process:

- Reviewed the Assurance Plan and Governance Framework. Confirmed these are complete and evidence has been provided.
- Reviewed the Action Tracker and confirmed all actions raised from the assurance process have been completed.
- Evidence of the 1st, 2nd and 3rd line assurance was provided and Internal Audit confirmed it to be complete.
- The reports provided by Jacobs were reviewed and there are no outstanding material actions.
- Confirmed the final tick and tie of the assured working files to the final document for submission has been carried out with the Group Assurance and Compliance team.
- Confirmed the data used for the charges has been signed off and approved by the Strategic Lead.

## Board statement

Having considered the relevant information, the Board confirms that:

- the company complies with its legal obligations relating to the charges set out in its Charging Arrangements;
- the charges comply with legal obligations relating to these charging rules;

- the company has appropriate systems and processes in place to make sure that the information contained in the charging arrangements, and the additional information covered is accurate; and
- the company has assessed the effects of the new charges on customers' bills for a range of different types of development, and approved the impact assessments and handling strategies developed in instances where bill increases for particular types of new developments exceed 10% as set out in our statement of significant changes.

Accordingly, we believe that the 2025/26 new connections charges comply with our statutory and regulatory obligations in all material respects and are consistent with Ofwat's published guidance.

Signed by, and on behalf of the Board:



**Liv Garfield**  
**Chief Executive**  
**Severn Trent Water Limited**  
**February 2025**



**Christine Hodgson**  
**Chair**  
**Severn Trent Water Limited**  
**and Severn Trent Plc**  
**February 2025**



**Sarah Legg**  
**Chair of the Audit and Risk Committee**  
**Severn Trent Plc**  
**February 2025**