

# Report to Economy, Skills, Transport and Environment Scrutiny Board

19 March 2025

<b>Subject:</b>	South Staffs Water Investment Plans 2025-2030
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## 1 Recommendations

That the Board considers and comments upon South Staffs Water's investments plans for 2025-2030.

## 2 Reasons for Report

In December 2024 Ofwat approved South Staffs' investment plans for 2025-30. Representatives from South Staffs will present their detailed plans to the Board and what they mean for Sandwell.

## 3 How does this deliver objectives of the Council Plan?

Growing Up in Sandwell	Ensuring access to safe and clean water is essential for the health and well-being of residents and contributes to all objectives within the Council Plan.
Living in Sandwell	
Thriving Economy in Sandwell	
Healthy in Sandwell	
One Council One Team	

## 4 Context and Key Issues

- 4.1 South Staffs Water provides the majority of Sandwell’s drinking water supply (with a small proportion being provided by Severn Trent).
- 4.2 South Staffs is planning to invest £926million across the South Staffs region by 2030 and will outline the broad detail on how this will be spent and the impact in Sandwell.

## 5 Implications

<b>Resources:</b>	The implications of the investment proposals for Sandwell will be shared and discussed at the meeting
<b>Legal and Governance:</b>	
<b>Risk:</b>	
<b>Equality:</b>	
<b>Health and Wellbeing:</b>	
<b>Social Value:</b>	
<b>Climate Change:</b>	
<b>Corporate Parenting:</b>	

## 6 Appendices

Appendix - South Staffs Water Plans 2025-2030

## 7. Background Papers

[‘Overview of South Staff Water’s PR24 final determination’](#), Ofwat, December 2024.

**South Staffs Water Plans 2025-2030**

**1. About South Staffordshire Water**

- 1.1 South Staffordshire Water is a successful water only company. It has provided an essential service to customers across the South Staffs Water and Cambridge Water operating areas since 1853, having been founded in the interests of public health and welfare to supply clean water to the industrial Black Country, and to Cambridge City and Cambridge University.
- 1.2 The company has never been in public ownership and is part of the South Staffordshire Plc group of companies. As well as the regulated water business, the group also provides specialist engineering, asset management, inspection, compliance and customer-facing services across a number of sectors.
- 1.3 The company supplies high-quality, clean drinking water to around 1.4 million people and 34,000 non-household (business and commercial) customers every day across its South Staffs Water operating area. This covers 1,500km<sup>2</sup> and includes the West Midlands, as well as parts of South Staffordshire, South Derbyshire, North Warwickshire and North Worcestershire.

**2. Ofwat's price review process**

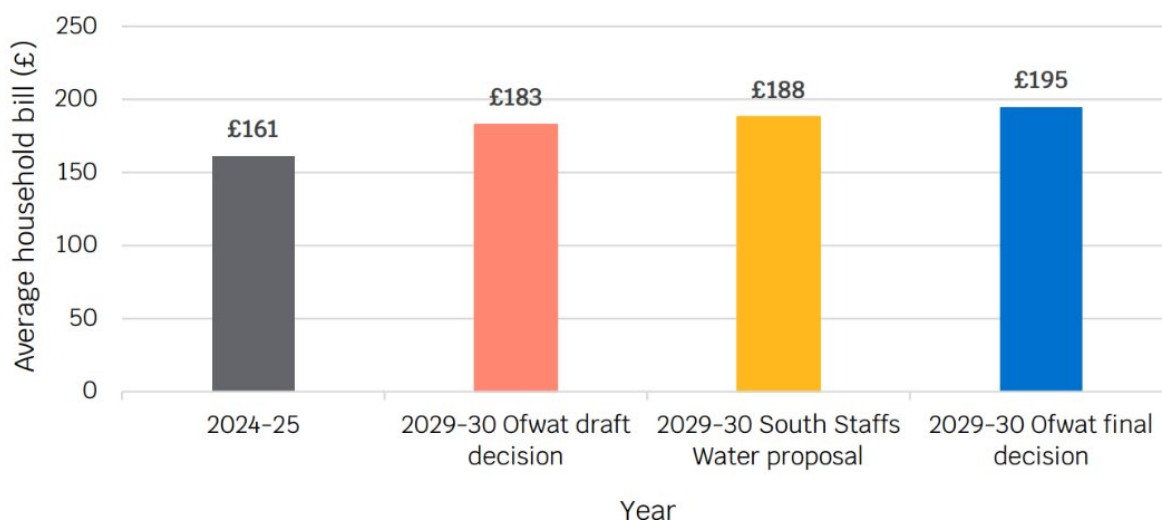
- 2.1 Every five years, Ofwat, the economic regulator of the water sector in England and Wales, carries out a review of water companies' price, service and investment packages to ensure improvements are delivered for customers and the environment.
- 2.2 It starts by setting a framework that determines how it will assess water companies' business plans over a five-year planning period, or AMP. The framework reflects the priorities of both the UK and Welsh Governments.
- 2.3 Each water company then works with its customers, communities and other stakeholders to produce a five-year business plan, set within the context of a 25-year long-term delivery strategy. These plans set out what the companies want to deliver, how they plan to do this and how much they will need to invest to provide the services their customers expect and pay for, and to protect and enhance the natural environment.

- 2.4 Ofwat scrutinises these plans and benchmarks them against each other and also against companies' past performance. It challenges the water companies to improve their plans where necessary and remove any spending proposals that are not well-evidenced, efficient or are for work that has already been funded. This prevents customers from paying twice for improvements to services.
- 2.5 It then publishes its draft decisions, or determinations, on the water companies' plans. This is followed by a consultation period where the water companies and other stakeholders can submit their views on these decisions. Ofwat considers these views, as well as any new information the water companies have submitted, and publishes its final decisions. These confirm water companies' spending allowances for the next five years, which are reflected in the bills customers pay.
- 2.6 Ofwat published its final decisions as part of the latest five-yearly price review, PR24, on 19 December 2024.
- 2.7 Any water company that disagrees with Ofwat's final decisions can appeal to the Competition and Markets Authority, which then carries out a full re-determination of those decisions.

### **3. Ofwat's final determination on South Staffordshire Water's plans for 2025 to 2030 – overview**

- 3.1 Ofwat is allowing South Staffordshire Water to invest £926 million in its services and assets across the South Staffs Water and Cambridge Water operating areas over the five years from 2025 to 2030 (AMP8). This is the company's largest-ever regulatory settlement and reflects the ambition of its plans and the efficiency of its operating costs.
- 3.2 It is one of only two water companies in the England and Wales water sector to have been awarded a higher settlement than requested; the other being Portsmouth Water.
- 3.3 This does mean that customers' bills will increase to help pay for that investment. Over the five years to 2030, average clean drinking water bills for South Staffordshire Water's household customers will increase by 21% to £195, excluding inflation. This is one of the lowest bill rises in the water sector. When wastewater costs are included, customers' bills are likely to be between £438 and £514, excluding inflation, by the end of AMP8. South Staffordshire Water collects wastewater charges on behalf of Severn Trent in its South Staffs Water operating area.

- 3.4 The increase in bills will ensure South Staffordshire Water can finance and deliver the required service and environmental improvements, securing the water future for customers and communities over the long term. At the same time, the company will support more customers who may be struggling to pay their water bills through its discounted tariffs, flexible payment options and payment plans, as well as helping those who need additional support through its Priority Services Register.



Note: The graph shows average household customer bills for clean drinking water services from 2024/25 to 2029/30, before inflation. (Source: Ofwat.)

#### 4. Key highlights from South Staffordshire Water's final determination

- 4.1 South Staffordshire Water has been allowed £53 million to fit 115,000 AMI-enabled ('smart') meters across its South Staffs Water and Cambridge Water operating areas. This is the largest single element of the company's AMP8 plans and represents a significant step change from its plans for the current five-year planning period (AMP7), which ends on 31 March 2025.
- 4.2 The Environment Agency has classified the company's South Staffs Water and Cambridge Water operating areas as seriously water stressed. This means South Staffordshire Water is able to explore compulsory metering – or what it calls 'universal' metering – if it can demonstrate adequate levels of customer support. Over the past five years, the company has seen a shift in customer support for this issue, as long as there are sufficient controls in place to protect customers in vulnerable circumstances.

- 4.3 As a result, South Staffordshire Water is exploring universal metering to enable it to meet Environment Act 2021 demand reduction targets in the areas of individual household water use (also called 'per capita consumption'), non-household water use (for business and commercial customers) and leakage.
- 4.4 The company's ambition for the South Staffs Water operating area is to achieve as close to 100% metering as possible by 2035 (the level currently stands at 43%). It accepts there are some properties where it will not be possible to install AMI-enabled meters, such as those with shared supplies. The universal metering programme will be achieved efficiently by rolling out meters geographically. South Staffordshire Water is currently developing its plans for this roll out, including how it will communicate the changes to customers and other stakeholders.
- 4.5 Evidence from water companies that are further ahead in this journey shows that fitting a meter to an unmetered property can deliver a water saving of 15%. This rises to 17% for AMI meters. South Staffordshire Water considers that the implementation of universal metering across its South Staffs Water and Cambridge Water operating areas will deliver a number of benefits. This includes having access to more granular water use data to enable it to target services more effectively to customers. It will also enable the introduction of more innovative tariffs over the longer term.
- 4.6 As well as the funding for its universal metering programme, the company has been allowed £30 million to tackle raw water deterioration at nine sites across the South Staffs Water and Cambridge Water operating areas. Raw water is water from lakes, rivers and other water bodies that has not been treated. The funding will be used to install new treatment processes at its Maple Brook, Cookley, Pipe Hill, Fradley and Bourn Vale sites. It has also been allowed nearly £6 million to deliver water saving initiatives for household and non-household customers.
- 4.7 In terms of improving the environment, South Staffordshire Water has been allowed just over £15 million to deliver its obligations as part of the Water Industry Natural Environment Programme (WINEP). This sets out the actions the Environment Agency has asked water companies in England to deliver over the five years to 2030. The aim is to help the companies contribute and further improve resilience to drought and flooding, as well as to help them protect and enhance the environment.

- 4.8 Included among South Staffordshire Water's WINEP obligations for AMP8 are projects to protect veteran trees and remove invasive non-native species (INNS) from its sites, eel management programmes and working with Natural England to protect Sites of Special Scientific Interest (SSSIs).
- 4.9 South Staffordshire Water has also been allowed £9 million to further its reduction work. This is more than was allowed during the current five-year planning period. The company will focus its efforts on the following key areas as part of its ongoing leakage reduction programme.
- Implementing a pressure management solution to deliver a calm network with fewer fluctuations in water pressure, which can cause leaks and bursts.
  - Helping customers to tackle leakage on their supply pipes, which accounts for around 30% to 40% of all leakage on the company's network.
  - Increasing understanding of trunk main leakage at a zonal level. This includes installing more trunk main monitors and trialling a new form of trunk main monitor that can trigger an alarm if leakage occurs.
  - Optimising District Meter Areas or DMAs, which are discrete areas of the network where water supply is monitored, and which can make it easier to identify leaks. This includes using machine learning to understand water use patterns across the network.
- 4.10 As part of its commitment to openness and transparency, the company will report on how it has performed against its regulatory targets in its annual report and financial statements and annual performance report each year.