



South Staffs Water

incorporating



South Staffs Water
(incorporating Cambridge Water)

Assurance plan 2021/22

Covering:

- Our assurance framework review
- Our risks, strengths and weaknesses
- Our targeted areas for 2021/22

April 2021

About us

South Staffs Water, incorporating Cambridge Water, supplies clean water services to around 1.7 million people in parts of Staffordshire and the West Midlands; and in and around Cambridge.

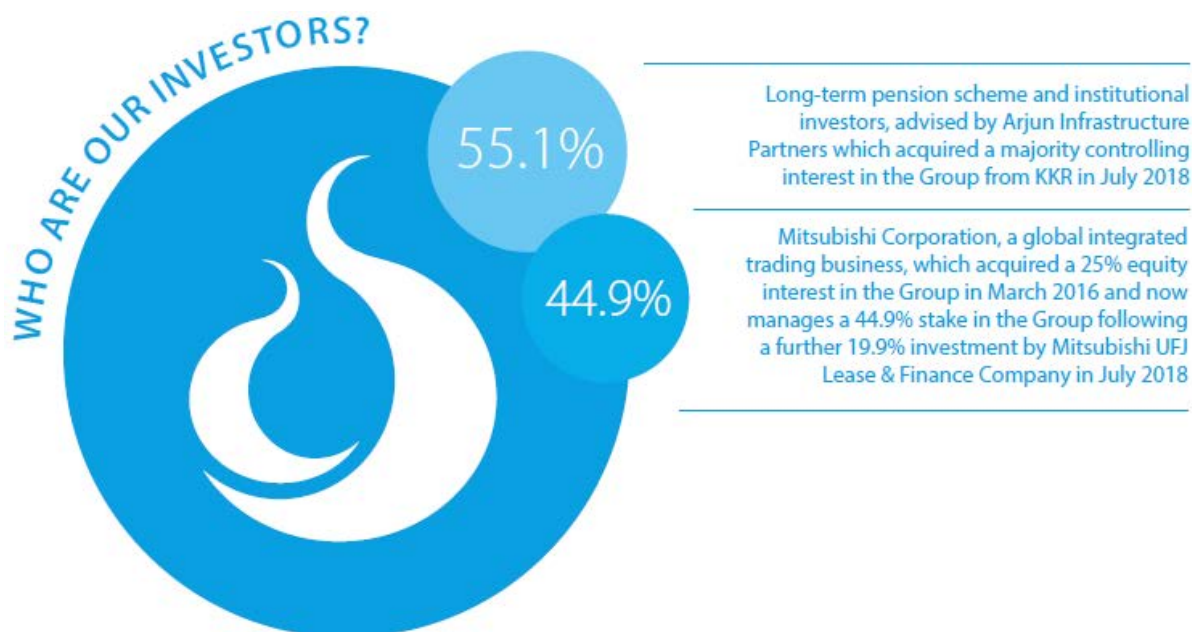


South Staffs region



Cambridge region

We are part of a larger group of companies, South Staffordshire Plc, which is in turn owned by infrastructure investors.



All water companies in England and Wales are regulated by the Water Services Regulation Authority, known as Ofwat. Ofwat has a duty to ensure that water companies are able to efficiently finance their operations while acting in the interest of customers.

About this document

Each year we publish a wide range of information for our stakeholders (regulators, customers and other bodies), about how we run our business and the service standards we achieve. It is important that this information can be trusted to be accurate and complete, so we carry out a range of assurance processes to give customers, regulators and other stakeholders confidence that the information is robust.

This document sets out our assurance plan for the period April 2021 to March 2022. Its purpose is to demonstrate to our customers, regulators and other stakeholders that:

- the process we have been through to understand our regulatory reporting risks; and
- the plan we propose to put in place to ensure those risks are controlled.

Setting out our principles and processes in this way enables us to demonstrate that **assurance** and **governance** are important to us, and that we are effectively planning for these activities to take place each year.

We want all our stakeholders to have confidence that the information we publish across all areas of our performance is accurate and well explained.

What is assurance?

Assurance is the set of processes we follow to give our stakeholders confidence that the information we have published is:

- at the right level of accuracy;
- complete; and
- clear and easy to understand.

It is a layer of protection that ensures our published data is signed off by the people in our business who are responsible for transparency and trust. It is also a process that helps us identify areas where data needs to be improved so that we can be sure to report it accurately.

What is governance?

Governance is about how our business is managed, from the Board level down to all areas of our service. Our operating licence has a number of conditions related to corporate governance that we must comply with. But, governance goes beyond just our licence conditions. Because we provide an essential public service, we must demonstrate that we operate to high standards of leadership, fairness and transparency. We must act in the best interests of our customers at all times. We must also make sure we continue to plan for the future so that the services we provide remain resilient and sustainable.

How to have your say?

It is important to us that our assurance processes give our customers and wider stakeholders confidence in our reporting. Each year we consult on our draft assurance plan and incorporate the feedback we receive into our final plan. Our next consultation will be in November 2021.

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1. The regulatory framework for assurance

Assurance has been a key part of the regulatory framework under which we operate for many years. We have always undertaken a large amount of assurance on data that we publish as part of our annual reports and business plans.

We have published standalone documents describing our assurance processes since 2015, when Ofwat introduced its Company Monitoring Framework. This framework was intended to incentivise water companies to take a risk based approach to assurance and take more ownership of its assurance processes across the whole company. As part of Ofwat's framework, Ofwat reviewed companies assurance processes by assessing key areas of assurance, and reported on this annually.

Although Ofwat has now discontinued its annual review process, the principles of the Company Monitoring Framework still stand. We will continue to take a risk based approach to our assurance and publish information about our assurance plans each year, so that stakeholders can understand how we deliver assurance and why, and have the opportunity to make comments to us about any areas of assurance that they believe need to be strengthened.

We will also continue to set ourselves 'targeted areas'. These were introduced in Ofwat's framework and are intended to ensure that areas of higher risk or significant change are given appropriate focus during assurance activity. We will continue to use targeted areas, as we have in this plan, to help us focus our assurance activity and improve transparency to stakeholders.

Ofwat will be revising its approach to company monitoring in the next price control period, for 2020 to 2025 with a focus on comparative performance and service delivery. Our strong assurance will help to ensure that the data we provide to Ofwat to use in their monitoring is robust. We look forward to engaging with Ofwat as it develops the next phase of monitoring.

2. Updates from 2020/21 assurance plan

Assurance is an ongoing activity where we look to continually improve, and we publish our plan annually for the forthcoming year. The following updates have been made from our plan last year:

Update	Description of update
Removal of 2015-2020 performance commitments	<p>On 1st April 2020 we started a new five year price control period and the previous set of performance commitments reporting from 2015 to 2020 have now been replaced. It is therefore appropriate to remove the previous set of performance commitments, as they will no longer feature in our annual reporting.</p> <p>Last year we introduced our 2020-2025 performance commitments within our assurance framework, and the annual performance report due in July 2021 will be where we report our first year of performance against these targets.</p>
Risk scoring	<p>Each year for our draft plan we review and update the risk scoring for each of our assurance areas. We then evaluate our high and medium risks in further detail. Our updated scores and evaluation can be found in section 4 of this document.</p>
Revisions and additions to our targeted areas	<p>Our targeted areas are the higher risk areas we have identified which need additional assurance and governance focus. We review these targeted areas annually.</p> <p>This year we have introduced three new targeted areas which reflect newly identified risks and priorities. These are:</p> <ul style="list-style-type: none"> • Covid-19 • Preparations for PR24 • Supporting effective markets <p>We have removed one targeted area because we have embedded this area within our day to day management and governance:</p> <ul style="list-style-type: none"> • Making sure our publications are customer friendly <p>We have retained five targeted areas which continue to be relevant for assurance and governance focus:</p> <ul style="list-style-type: none"> • Developer charges • Annual customer charges • Annual performance report • Performance commitments between 2020 and 2025 • Delivery of water treatment works investment

3. Feedback on our draft assurance plan consultation

We consulted on our risks, strengths and weaknesses, and our draft assurance plan, between November 2020 and January 2021. We would like to thank stakeholders for their feedback, which we have incorporated into this final plan where appropriate. The table below shows the feedback we have had and the updates we have made to address it.

Feedback	Description of change
CCW commented that our assurance plan document is clear, thorough, informative and likely to be readily understood by our stakeholders and customers.	We would like to thank CCW for their ongoing engagement with this process. We have found their suggestions valuable. We will continue to develop our assurance processes and documentation so that these activities are transparent to stakeholders and customers.
CCW suggested that we consider a dip sampling approach for the areas of low and medium risk where our framework recommends internal assurance over third party.	The assurance levels quoted for the various categories of assurance risk are very much the minimum standard of assurance, as described in figure 4 on page 11. In practice we do go beyond this minimum standard considerably, and our third party audits each year not only cover all of the high and critical risk areas but also many of the medium and low risk areas also. For example, we undertake third party assurance on all financially incentivised ODIs even though some are low and medium risk, due to the high profile of this element of the APR. Nevertheless we agree with CCW that if we were to utilise only our minimum standard of assurance, that some dip sampling of the low and medium risk areas would be beneficial. We have therefore adjusted the wording on figure 4 on page 11 to cover this suggestion.
CCW asked whether the water quality risk scores in section 5 table 2 cover ERI and the new RARI score.	ERI is already covered within our risk assessment as part of our event reporting although we did not refer to it directly by name, we have now corrected this. For DWIs new RARI measure we already had an established process for assessing and reporting regulation 28 risks and the RARI measure builds on this process further. We have reviewed and updated this score to include RARI.
CCW asked whether their quarterly return should be assigned a higher risk category in section 5 table 2 because it contains data which is also used for performance commitment reporting.	We recognise that the CCW quarterly returns do contain some data which crosses over with performance commitments, some of which are categorised as high assurance risk. Within the reporting year we do not carry out additional assurance beyond internal reviews on performance commitments, this is undertaken at the year end when the figures are finalised, and at which time we also update the CCW quarterly data for the final figures. The process of completing the CCW quarterly return itself is well established and as it takes assured data from other areas after year end assurance had been completed, we do not consider it necessary that the return itself is categorised as high risk.

<p>CCW asked whether we should reference the regional water resource planning alongside the existing water resource management plan and drought plan references in section 5 table 2.</p>	<p>We consider the regional planning process is an integral part of the five year cycle for water resource management plans and drought plans preparation for which we already undertake extensive assurance. We are not aware of any additional assurance requirements that would require this process to be scored independently of the existing processes.</p>
<p>CCW welcomed the addition of Covid-19 impact as a targeted area for the 2021/22 assurance plan.</p>	<p>Covid-19 has had material impacts on many areas of our operations and of course also on our customers. We do expect some material impacts as a result particularly on some performance commitments and customer metrics. Having this as a targeted area shows that we will ensure significant focus on this at all levels of our organisation.</p>
<p>CCW suggested that within targeted area C (annual customer charges) that we should include reference to Severn Trent Water and Anglian Water, as we collect wastewater charges on their behalf.</p>	<p>We agree with CCW and have amended the wording for targeted area C to reference the communication we have with Severn Trent and Anglian on customer charges each year.</p>
<p>Ofwat feedback on our 2020/21 APR.</p>	<p>As part of its annual progress, Ofwat provided feedback on our 2020/21 APR in the following areas:</p> <ul style="list-style-type: none"> • Dividend policy – Ofwat commented that we did not provide detailed justification for the dividend payments made in the year to March 2020. • Ofwat commented that we did not set out our plans for repayment of an intercompany loan to Hydriades Ltd. • Ofwat commented that we did not include the relevant Board minutes extract for approval of the ring fencing certificate in our APR. • Ofwat commented that long term viability statement met expectations in all areas and was well articulated with clear scenarios. <p>Where appropriate, we will address the above areas in our 2020/21 APR due to be published on 15 July 2021.</p>

4. Assurance risk assessment process

3.1 Our risk assessment methodology

We use a risk assessment process to determine the minimum level of assurance for a piece of information or data. This is because different data may have different risks associated with its compilation or accuracy, and different consequences depending the purpose of the data.

We score assurance risk by looking across several factors that influence the **likelihood** that the data may contain an error; and the **impact** that inaccurate, incomplete or late data may have on the recipient or other parties. The factors we consider are shown below and are scored from 1 (low risk) to 4 (critical risk):

The **likelihood** that the data may contain an error (seven sub-factors):

- | | | | |
|----|---|---|---------------------|
| a. | Complexity of the data sources; | } | Inherent likelihood |
| b. | Completeness of the data set; | | |
| c. | Extent of manual intervention; | | |
| d. | Complexity and maturity of the reporting rules; | | |
| e. | Control activities already established; | } | Management controls |
| f. | Experience of our personnel; | | |
| g. | Evidence of historical errors and last audit. | | |

The **impact** that inaccurate, incomplete or late data will have on the recipient or other parties (four sub-factors):

- Customers;
- Competition;
- Financial;
- Compliance and regulation.

The tables on the following two pages show the detailed scoring criteria for likelihood and impact respectively.

Figure 1: Assessment criteria for scoring the likelihood element*:

Score	Complexity of data sources	Completeness of the data set	Extent of manual intervention	Complexity and maturity of the reporting rules	Control activities already established	Experience of our personnel	Evidence of historical errors and last audit.
4	Reliance on data from outside of the organisation which has no assurance provided.	A one off data request, or compilation of the data less often than 5 year intervals.	A significant proportion of the data set is manually collated or manually processed, after its initial input into the source system.	Complex rule set that has been issued or significantly altered within the last 12 months.	There are no existing control activities or control activities have not been assessed.	The data is being collated by personnel with no previous experience of data set and no method statement available to explain prior approach.	Significant issues were identified at the last audit or any time since.
3	Reliance on data from outside of the organisation which has assurance provided.	There is significant extrapolation from a smaller data set.	A moderate proportion of the data set is manually collated or manually processed, after its initial input into the source system.	The rule set requires significant interpretation, judgement or assumptions.	Control activities have been assessed but been in place for less than 12 months.	The data is being collated by personnel with previous experience of data set but no method statements are available to explain prior approach.	Moderate issues were identified at the last audit or any time since.
2	Data is required from two or more corporate systems.	There is some extrapolation from a smaller data set.	A low proportion of the data set is manually collated or manually processed, after its initial input into the source system.	The rule set requires some interpretation, judgement or assumptions.	Control activities have been assessed and been in place for more than 12 months but less than 2 years.	The data is being collated by personnel with no previous experience of data set but method statements are available to explain prior approach.	Minor issues were identified at the last audit or any time since.
1	Score of 1 applies when none of the above criteria apply.						

* We take the highest score across all assessment categories for the purpose of assessing assurance risk.

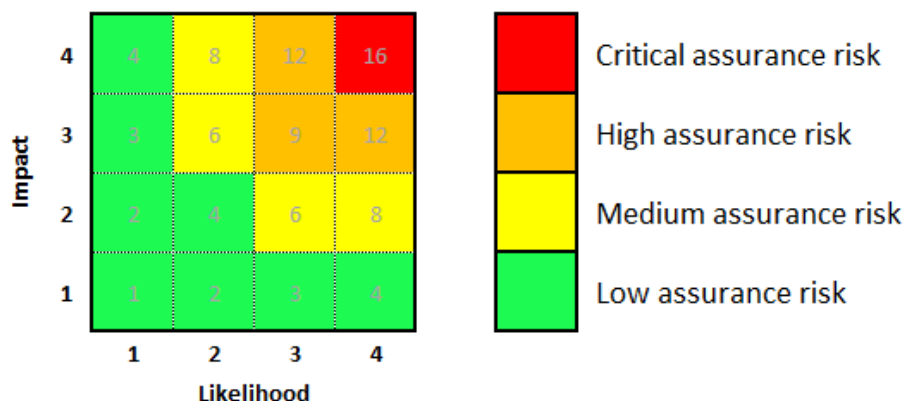
Figure 2: Assessment criteria for scoring the impact element*:

Score	Customers	Competition	Financial	Compliance and regulation
4	A significant impact on a large number of customers.	High impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a major financial impact, equivalent to greater than $\pm 5\%$ of the annual baseline TOTEX allowance.	A significant impact on compliance with license or any other statute. or A significant impact on data that is used within comparative regulation, for example costs and performance metrics.
3	A moderate impact on a large number of customers. or A significant impact on a small number of customers.	Moderate impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a moderate financial impact, equivalent to greater than $\pm 2\%$ but less than $\pm 5\%$ of the annual baseline TOTEX allowance.	A moderate impact on compliance with license or any other statute. or A moderate impact on data that is used within comparative regulation, for example costs and performance metrics.
2	A moderate impact on any number of customers.	Low impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a low financial impact, equivalent to greater than $\pm 1\%$ but less than $\pm 2\%$ of the annual baseline TOTEX allowance.	A low impact on compliance with license or any other statute. or A low impact on data that is used within comparative regulation, for example costs and performance metrics.
1	Score of 1 applies when none of the above criteria apply.			

* We take the highest score across all assessment categories for the purpose of assessing assurance risk.

We calculate an assurance risk score by multiplying the maximum scores from the likelihood assessment and the impact assessment, giving a maximum score of 16. The score obtained allows us to assign a category as follows:

Figure 3: Risk score categories:



We then use this score to derive the minimum level of assurance required as follows:

Figure 4: Minimum standards of assurance:

Category	Low assurance risk	Medium assurance risk	High assurance risk	Critical assurance risk
Planning	Methodology statement is required for all data			
Audit	Second person review	Independent internal assurance	Third party assurance	Third party assurance
Sign off	Manager sign off	Senior manager sign off	Director sign off	Board sign off

Note that in many instances we increase the level of assurance from the minimum standards, for example where there is a higher regulatory or customer expectation. In practice this means many low and medium risk areas are also subject to third party assurance, and because of their inclusion within the APR, are also subject to Board sign off. We will ensure that if the extent of third party assurance on low and medium risk areas falls in future, that we undertake some dip sampling to give stakeholders and customers confidence that these lower risk areas are still robust.

Figure 5: Roles and responsibilities:

The table below shows the different options for assurance, when it applies, who is responsible, and its scope.

Activity	When applies	Who is responsible	Scope
Planning			
Methodology statement	All assurance categories	Person(s) or team managing or compiling the submission	Explains process to produce the submission and should include details of: systems, responsibilities, timing, methodologies, calculations etc. Details the plan to complete the submission, including details of timetable, responsibilities, sign off and governance meetings as relevant.
Audit			
Second person review	Low assurance category	Person with reasonable understanding of requirements Separate from person who compiled the data	Must check the submission in detail and any associated commentary. Confirm adherence to and adequacy of the methodology statement. Confirm accuracy of data through checking inputs, including any management assumptions and reviewing evidence to support entries or statements.
Internal audit	Medium assurance category and high assurance category as appropriate	An independent internal assurance provider, eg a Group internal audit function or a subject matter expert not directly involved in the return	Responsible for providing independent evidence of verification of data and to define a level of confidence that can be placed on the overall reported data. Reported/documentated through formal governance channels.
External audit	High assurance category and critical assurance category	Audit carried out by a third party outside the company or group Independent registered audit organisations or independent experts	Responsible for providing independent evidence of verification of data and to define a level of confidence that can be placed on the overall reported data. Formal report produced.
Sign off			
Manager sign off	Low assurance category	Accountable manager	Detailed review of data and the narrative by a manager.
Senior manager sign off	Medium assurance category	Accountable senior manager	Detailed review of data and the narrative by a senior manager. Complete and sign a record of evidence attesting to confidence in the accuracy of the submission.

Director sign off	High assurance category	A single board level director of a business function	Must complete and sign a record of evidence attesting to accuracy of the submission. Derives an overall confidence assessment for the submission.
Board sign off	High assurance category and critical assurance category as appropriate	Company Board	Board reviews summary of submission and assurance activities followed, as presented by a relevant Director. Approval of submission must be minuted to enable completion of a record of evidence attesting to accuracy.
Annual overall check on process			
Annual overall check	All assurance categories	Finance, Regulation and Business Services Director	Undertake checks that the assurance framework has been followed and that appropriate assurance information is available. Provide a summary of the assurance carried out over the reporting year to the Board and the Customer Panel.

3.2 Role of our Board

The Board of Directors recognise the responsibilities that come from providing a public service and is therefore fully committed to maintaining high standards of leadership, transparency and governance.

We continue to apply the principles of our Corporate Governance Code on board leadership, transparency and governance. Although we are not a public listed company, the Board recognises that they should act, where applicable, as if we were. Our code has drawn on principles of the UK Code that may be applicable to a privately owned regulated company.

In conjunction with the Board's Audit Committee, the Board as a whole is responsible for the Company's systems of internal control, evaluating and managing significant risks to the Company. The role and responsibilities of the Audit Committee include:

- Monitoring the integrity of financial statements and reviewing significant financial reporting judgements contained therein;
- Reviewing the Company's internal financial controls;
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function;

The work of the Audit Committee specifically covers business risks, the work of Internal Audit and the external auditor.

3.3 Role of the Customer Panel

At PR14 Ofwat introduced the concept of the Customer Challenge Group (CCG), which was a forum comprised of representatives from various industry stakeholders. The purpose of the group was to collectively challenge companies on their plans and provide assurance that companies were effectively engaging with their customers, listening to their views and taking account of their priorities.

In 2015 we reformed our CCG in the form of an independent Customer Panel. We have independently recruited a chair and set up a structure whereby the Customer Panel is fully independent from us.

The Customer Panel will have the independence to request any assurance it wishes as part of its remit, and we will provide the Customer Panel with the assurance we carry out at various points throughout the year. We will ask the Customer Panel to give us its views on the ongoing adequacy of our assurance, and to independently consider how the assurance we are providing gives it trust in our company.

5. Outcomes of our risk assessment

The following tables show our risk scoring for a variety of data that we regularly produce or publish. We have organised the scoring into two groups:

Table 1: Performance commitments operating between 2020 and 2025.

Table 2: A wide range of other submission and data covering several regulators.

Table 1: Risk scores for performance commitments for 2020 to 2025

Data Item	Data Description	Frequency	Risk Score			
			Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
PC D1 water quality compliance	Water quality compliance risk index	Annual	1	3	3	Low
PC D2 water supply interruptions	Average duration of interruption per property	Annual	2	3	6	Medium
PC C1 leakage South Staffs region	Leakage level in the South Staffs region.	Annual	4	3	12	High
PC C2 leakage Cambridge region	Leakage level in the Cambridge region.	Annual	4	3	12	High
PC C3 per capita consumption South Staffs region	Average litres of water used per person per year the South Staffs region	Annual	4	3	12	High
PC C4 per capita consumption Cambridge region	Average litres of water used per person per year the Cambridge region	Annual	4	3	12	High
PC D4 mains repairs	Number of burst mains per year	Annual	2	3	6	Medium
PC D5 unplanned outage	Percentage of unplanned outage out of our total production capacity	Annual	4	3	12	High
PC D3 risk of severe restrictions in a drought	Percentage of customers at risk from severe restrictions in a drought scenario	Annual	2	3	6	Medium
PC B4 priority services for customers in vulnerable circumstances	Percentage of customers registered on our PSR out of the total number of customers	Annual	4	3	12	High
PC A1 CMEX	Ofwats measure of customer service performance.	Annual	4	3	12	High
PC A2 DMEX	Ofwats measure of developer service performance	Annual	4	3	12	High
PC A3 retailer measure of experience	Wholesaler performance in the business retail market	Annual	4	2	8	Medium
PC B1 financial support	Number of customers that we have helped with debt support and social tariffs	Annual	2	2	4	Low
PC B2 Extra Care assistance	Percentage of customers who have taken up our extra care offering from the PSR	Annual	4	2	8	Medium
PC B3 education	Number of people receiving our education services	Annual	1	2	2	Low
PC C5 environmentally sensitive water abstraction	Compliance with the abstraction incentive mechanism baselines	Annual	1	3	3	Low
PC C6 supporting water efficient housebuilding	Water efficiency savings attributed to new build homes in our regions	Annual	4	2	8	Medium
PC C7 protecting wildlife, plants, habitats and catchments	Number of hectares of land we actively management for environmental improvements	Annual	2	2	4	Low
PC C8 carbon emissions	Amount of carbon emissions we produce	Annual	3	2	6	Medium
PC D6 customer contacts about water quality	Overall customer contact rate for water quality concerns	Annual	2	2	4	Low
PC D7 visible leak repair time	Number of days in which we repair 90% of visible leaks	Annual	3	2	6	Medium
PC D8 water treatment works delivery programme	Completion of our water treatment works upgrade programmes	Annual	4	3	12	High
PC E1 bad debt level	Level of bad debt as a percentage of total household revenue	Annual	1	2	2	Low
PC E2 residential void properties and gap sites	Percentage of void properties that we check each year to confirm their void status	Annual	4	2	8	Medium
PC E3 employee engagement	Level of employee satisfaction and our attainment of investors in people accreditation	Annual	3	2	6	Medium
PC E4 treating our suppliers fairly	Payment of small companies within 30 days terms	Annual	3	2	6	Medium
PC F1 trust	Customer trust in our company from quarterly customer surveys	Annual	3	2	6	Medium
PC F2 value for money	Customer perceptions of our value for money from quarterly customer surveys	Annual	3	2	6	Medium
PC NEP01 delivery of WINEP programme	Completion of our environmental programmes	Annual	4	3	12	High

Table 2: Risk scores for other regulatory information

Data Item	Data Description	Frequency	Risk Score			
			Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
Annual charges	The publication of our wholesale and retail annual charges.	Annual	3	4	12	High
CCWater quarterly return	The quarterly data return to CCWater on customer service performance and complaints handling.	Quarterly	2	2	4	Low
Annual review of FWRMP, inc SOSI, table 7, table 10, table 1	The annual review on progress of the five year water resources management plan.	Annual	3	2	6	Medium
Abstraction returns	The volumes of water abstracted from our sources.	Annual	2	3	6	Medium
Annual streamlined energy and carbon reporting	The annual assessment of carbon emissions.	Annual	3	2	6	Medium
NEP progress, inc fisheries, resources, quality and catchment management	The progress we have made on NEP projects agreed at the PR14 business plan.	Annual	3	2	6	Medium
Energy savings opportunity scheme	A submission on the mandatory UK programme introduced under the EU Energy Efficiency Directive.	4 yearly	3	2	6	Medium
Water resources management plan	The five yearly assessment of water resource position and demand forecasting.	5 yearly	3	3	9	High
Drought plan	The five yearly assessment of drought resilience.	5 yearly	3	4	12	High
Water quality annual data tables	The annual submission of our sampling programme for the year ahead.	Annual	2	2	4	Low
Water quality monthly compliance data returns	The compliance sample results from our regulatory sampling programme, sent monthly.	Monthly	1	2	2	Low
Water quality event reporting data, including ERI	The reporting of network events that have occurred including DWI ERI score.	Ad hoc	2	2	4	Low
Water quality audit data	Data requested by the DWI during any audit.	Ad hoc	2	2	4	Low
Water quality customer contact data	The customer contact we have received on a range of water quality themes.	Annual	3	2	6	Medium
Water quality regulation 28 submissions, including RARI	The water safety plan risk assessments of our assets, including the data supplied for the DWI RARI score.	up to Monthly	4	2	8	Medium
Annual performance reporting (financial elements), excluding cost assessment data	The annual reporting of end of year financial data.	Annual	2	4	8	Medium
Cost allocation	The data on segregation of wholesale and retail costs.	Annual	2	4	8	Medium
Price reviews	The five yearly price review process containing multiple data submissions.	5 yearly	4	4	16	Critical
Developer services league tables data	The performance metrics for developer services performance.	Monthly	3	2	6	Medium
October update of access prices	The annual update of access prices for retail combined supplies.	Annual	2	2	4	Low
Blind year true up tables	Submission of blind year true up tables to Ofwat	5 yearly	2	3	6	Medium
Bulk supply agreement register annual update	Annual return to Ofwat detailed our special agreements and bulk supplies	Annual	2	2	4	Low
RBMP impact assessment data submission	Cost data for schemes feeding the River Basin Management Plan impact assessment	One off	4	1	4	Low
Cost assessment data submission	Various financial and asset related data for feeding in to TOTEX process	Annual	2	3	6	Medium
New Development charging rules	Any new charging rules for developers published by Ofwat	Annual	3	4	12	High
Gender Pay	Publication of pay differentials	Annual	2	3	6	Medium
PR19 reconciliation	Submission of data to apply in period true up mechanisms from 2020 to 2025	Annual	2	3	6	Medium

Outcomes of the assessment process

For the purposes of discussion of results and outcomes, we have focused on high and critical risk areas.

It should be noted that an area identified as critical or high risk does not mean that any data we have published is in any way incorrect. Referring to our assessment criteria, it means that the data could be complex, infrequently produced, with extrapolation or assumptions, or have a high impact on customers, competition, finance or regulation. Where an area is critical or high risk this guides the level of assurance that is required for that data set. We are confident that we have historically had strong management controls, assurance and sign off processes in place for published data.

Critical-risk data

The following critical-risk areas have been identified:

i) Price reviews

The PR19 business planning process is now completed, culminating with our acceptance of Ofwat's final determination published in December 2019.

In late 2020 the process for PR24 is due to begin, starting with early consultations from Ofwat. Due to its significance, price reviews will remain an area where assurance and governance is of critical importance and will therefore continually require a high level of assurance activity. We will update our plans for price review assurance as the PR24 process gets underway in future years.

High-risk data

The following high-risk areas have been identified:

i) Water resources management plans and drought plan

We completed our water resource management plan and drought plan in late 2019. During the development of the plan, and across all submission milestones, we provided the appropriate level of assurance which included extensive Board involvement and governance. The five-yearly water resource planning process will always remain a high risk given its complexity and impact. As we approach the next plan, with publication in approximately 2023 to 2024, we will reassess our assurance plan and once again prioritise assurance for this process. In particular, we will ensure that property projections are robust as this is a key assumption used in our water resources management plan.

ii) Developer charges

Over the past two years there has been significant changes to the approach for developer charging and consultation. We have been consulting on our approach to ensure that we are clear and transparent in how we are charging.

iii) Annual customer charges

Customer charges are naturally a high-risk area because any errors could be significant to customers. We use a charges model that was developed externally and has been independently assured. We will continue to use independent internal assurance to audit the data input processes into the model and obtain Board sign-off before publication. We also liaise extensively with CCW each year.

iv) Leakage ODIs

The leakage ODIs for each of our regions score highly because they involve manual intervention. This is because the operational leakage level tracked throughout the year is subject to end of year adjustments from the overall level of distribution input and final customer usage data. Along with the other ODIs that have financial incentives, they score high on regulatory impact, making a high risk overall. All ODIs will continue to have Board sign off and be assured independently. We already track our ODIs monthly so that we can monitor any deviations from target and take corrective action quickly.

v) Performance commitments for 2020 to 2025

Table 3 shows that a number of performance commitments have been scored at a high risk level, primarily due to likelihood scores of 4. This is due to the following reasons:

- New measures that we have not previously reported;
- Significantly revised methodologies for common performance commitments where we are still working towards full compliance;
- New or significantly altered data collection and reporting processes that have been implemented internally to effectively report on new or changed performance commitments.

We are addressing these assurance risks as part of our targeted area E – performance commitments between 2020 and 2025. In many cases the high likelihood scores will naturally reduce as the reporting on these measures becomes more mature and as we progress through successful end of year audits.

Medium and low-risk data

The bulk of our data is classified as medium or low risk. In most cases, a medium score is the result of an inherent complexity to a data set or submission that directly causes that score to occur. Our risk assessment also highlights areas where internal processes can be improved which we continue to monitor and address through data improvement activities.

6. Assurance plan targeted areas for 2021/22

We have used our assurance risk assessment and any stakeholder feedback we have received to identify the following targeted areas for 2021/22:

Targeted area A – Covid-19: The current Covid-19 pandemic has resulted in a number of challenges to us from delivering continued service to customers to ensuring that we still report information that is both accurate and timely.

Targeted area B - developer charges: we need to demonstrate that our developer charges are calculated correctly, easy to understand and comply with Ofwat’s charging rules. They should also be fair to all stakeholders.

Targeted area C - annual customer charges: it is important that our published charges are correct and easy to understand, otherwise it could lead to customers being charged incorrectly or having difficulty understanding their charges.

Targeted area D - annual performance report: this sets out all our regulatory, financial and performance related information in the year. It is used by a wide range of stakeholders including Ofwat, customer groups, investors and credit rating agencies. As a result it is critical that the data contained within it can be relied upon.

Targeted area E – performance commitments between 2020 and 2025: our risk assessment has identified a number of performance commitments where we have some assurance risk, primarily caused by new measures or new guidance, in combination with reporting processes that needs to mature and undergo assurance activity. Over this coming year we will be ensuring that all new measures are robust in preparation for the first annual reporting of these new measures in 2021.

Targeted area F – delivery of water treatment works investment: between 2020 and 2025 we are going to deliver over £60 million of investment to upgrade our two surface water treatment works, Seedy Mill near Lichfield, and Hampton Loade near Bridgnorth. As the two largest singular investments we have made in our supply system in decades, and given the significant degree of customer support we gained for these investments in our plan, we want to ensure that the delivery of these projects is transparent to customers and stakeholders. We are developing our proposal for how we achieve this which we will communicate and implement during the reporting year.

Targeted area G - preparations for PR24: Every five years, we submit our business plan to Ofwat. This describes in detail the funding that we need, and the service levels we will deliver to our customers and other stakeholders for a five-year period. This process is critical to the sustainability of our services over the next five year period and beyond.

Targeted area H – Supporting effective markets: As a monopoly supplier, customers cannot choose their provider for many services. Over the last few years, the opening of the business retail and developer market has allowed third parties to compete to supply these services. There is a risk that monopoly providers abuse their position and prevent third parties from operating on a ‘level playing field’. This could be in relation to how we set charges or how engaged we are with these markets.

Targeted area A – Covid-19

What is the risk?

The current Covid-19 pandemic has resulted in a number of challenges to us from delivering continued service to customers to ensuring that we still report information that is both accurate and timely. There are also a number of areas that Covid has had a direct impact upon our business, either from a financial or performance perspective.

What do we currently do?

Since the start of the pandemic and resulting restrictions put in place in March 2020, we have ensured that our services to customers remain our priority. We have also made sure that our non-field staff have been able to work from home where they can by providing the appropriate IT equipment and system availability.

As a result, we were able to meet the deadline for the the publication of key documents in particular the Annual Performance Report in July-20. We also published our indicative wholesale charges in October which brought its own challenges around the assumptions to use for the levels of consumption and void properties, both which ultimately impact on the charges set for customers.

We have also worked hard with both our financial auditor and technical auditors so that all assurance can be undertaken on-line through the us of MS Teams and Zoom videoconferencing.

What are we planning to do?

We will review all of our publications set out in our risk assement on pages 14 and 15 and consider if covid-19 may have an impact on us being able to deliver the information in a timely and accurate way. This may be because we have to use forecast information that will require us to make some assumptions about the impact of Covid-19, for example developer charges and customer charges.

Where this is the case, we will be transparent to stakeholders about the assumptions we have used and the reasons why we have chosen them. Where possible, we use independent data and reports to form our view, for example HM Treasury or Bank of England forecasts.

We will also need to evaluate the impact from Covid on financial and performance metrics within our business.

What is the impact on our stakeholders?

There could be an impact on customers where we make certain assumptions about the impact of Covid-19 and the actual position is significantly different. On charges for example, it could mean that customers pay too much or too little. It is important that stakeholders can undertand this risk and what it could mean for them in the future. Covid could also impact on our service performance, resulting in a financial penalty and it is important that we explain this to stakeholders in a transparent way.

Targeted area B - developer charges

What is the risk?

Developers, Self Lay Providers (SLPs) and New Appointments and Variations (NAV) need to be confident that they are being charged correctly and they are treated on a level playing field in relation to each other. If this does not happen, we could face a possible breach of competition rules and enforcement action.

What do we currently do?

From April 2020 new rules came into effect in relation to how developers, SLPs and NAVs are charged. We consulted on our approach to ensure that we are clear and transparent in how we are charging.

We have increased the volume and frequency of our face-to-face consultation sessions during the year and now hold regular forums with SLPs, CCW, Fair Water Connections (whom represent Self Lay providers) and NAVs. These meetings are used to discuss and consult on a variety of topics from operational issues through to key items such as our charges.

In preparation for the 2020/21 charging year we consulted with our developer customers through the publication of a consultation document, meeting key trade bodies and regulators and attended developer days hosted by our peers.

In terms of the charges themselves we changed the structure of our mains charges from a simplified 'per plot' structure to a more granular menu of rates approach which aligns to the majority of the market and provides the consistency that developer customers seek.

What are we planning to do?

We have already started to look at charges for 2021/22 and will be consulting with stakeholders in the coming months which will inform our final charges publication in January 2021.

In response to a query from Ofwat on our design charges we have reviewed our approach to ensure that they are fully cost reflective and allow other providers to operate on a level playing field.

We will make improvements to our developer services website. This will include improving the user experience and the inclusion of accessible and easily digestible information in form of user guides and our mains charges calculator. We will also include a specific page for NAVs.

We will update our bulk NAV charges and will take into account Ofwat's decision document to be published in December.

What is the impact on our stakeholders?

It is important that stakeholders have the information they need in a simple and transparent way so that they can make the right decisions when considering a development. They also need the confidence that we are treating them in the same way as we would any other stakeholder. Our plans aim to ensure that our developer charges achieve this.

Targeted area C - annual customer charges

What is the risk?

It is important that our published charges are correct and easy to understand, otherwise it could lead to customers being charged incorrectly or having difficulty understanding their charges.

What do we currently do?

Our charges go through strong internal assurance and governance with Board sign off before they are published. We separately assure the model we use to create our charges.

Each year we engage with the Consumer Council for Water, who are a statutory consultee. We also engage with water retailers on our wholesale charges. We focus on any areas that could mean bill changes for customers. We model the impact of our charges across a wide range of customer types and usage levels; this enables us to identify any groups of customers that may be adversely affected.

As we also collect wastewater charges on behalf of Severn Trent Water and Anglian Water, we also communicate with them on our and their charges impacts each year, and to ensure that their charges are correctly passed through to customers.

What are we planning to do?

We think it is important that customers are aware of the dialogue we have had with other stakeholders when setting our charges. This is so we can demonstrate that our proposals have had an appropriate level of challenge. We will publish an overview of this when we publish our charges, setting out the areas discussed and how we have addressed any concerns raised.

What is the impact on our stakeholders?

The charges process is critical information for customers and other stakeholders and our plans ensure that the information is accurate and easy to find and understand.

Targeted area D - annual performance report

What is the risk?

The annual performance report sets out all of our regulatory, financial and performance related information for the year. It is used by a wide range of stakeholders including Ofwat, customer groups, investors and credit rating agencies. So it is critical that the data contained within it can be relied upon.

What do we currently do?

We currently use our statutory auditor Deloitte to externally audit our financial reporting and we use Jacobs to assure our performance commitments, outcome delivery incentives and other non-financial data in our report.

For the last five years we have also produced a summary version of our annual performance report. This mainly covers our high level financial metrics, group structure and outcomes performance. We will continue to publish this summary version as it is more accessible for customers than our full annual performance report.

What are we planning to do?

Ofwat have consulted on a number of changes to the annual performance report for 2020/21. These changes will allow comparison of actual performance to the PR19 business plan tables. We responded generally in support of these changes as it provides more transparency to stakeholders.

Ofwat's final guidelines will be published late in 2020. Where there are new reporting requirements, we will consider what the appropriate level of assurance is required. We will also look to enhance what we publish by identifying other areas of innovation and best practice to help stakeholder understanding.

What is the impact on our stakeholders?

There is no direct impact on service levels from our annual performance report. But it contains critical regulatory information that affects the transparency of our financial and service level reporting.

Targeted area E – performance commitments between 2020 and 2025

What is the risk?

For the period 2020 to 2025 we have a number of new or changed performance commitments defining our regulatory service targets over that period. A greater proportion of these are financially incentivised than in the previous price control period. Some new measures have been shadow reported to Ofwat for the past two years and others have not. Our risk assessment has identified that a number of these new measures need further work to develop to full maturity. We also have some measures which have not yet achieved full compliance with the latest common reporting guidance.

What do we currently do?

We have been fully involved in the water industry's drive to improve consistency for several key service level metrics over the past three years. We have actively participated in industry workshops which sought to improve definitions and provide commonality between companies where there were differing interpretations of requirements. Over the past two years we have been working towards full compliance with the published guidance and have made significant progress, however there remains some areas of compliance which we are still to achieve.

For new measures which were not included in the shadow reporting process, we have been developing these since we submitted our first business plan in September 2018. We are working hard to implement any new data capture and reporting processes so that we can robustly report these measures for the first year of the price control period in approximately July 2021.

We are also currently communicating our reporting maturity and early views of performance to our Customer Panel.

What are we planning to do?

We are actively working towards full compliance for all measures for the 2020/21 reporting year, and all performance commitments will be subject to a high degree of assurance at least in line with our framework, although in many cases we will go beyond this minimum level. We will continue to engage with the Customer Panel on our reporting maturity and in-period performance tracking.

What is the impact on our stakeholders?

A wide range of stakeholders, from regulators through to customers, are interested in our performance and assurance for service targets. We will need to ensure we effectively communicate our performance and assurance activity to customers and other stakeholders. This includes tailoring our communications to different stakeholders in order to ensure our performance is accessible to everyone.

Targeted area F – delivery of water treatment works investment

What is the risk?

Between 2020 and 2025 we are going to deliver over £60 million of investment to upgrade our two surface water treatment works, Seedy Mill near Lichfield, and Hampton Loade near Bridgnorth. As the two largest singular investments we have made in our supply system in decades, and given the significant degree of customer support we gained for these investments in our plan, we want to ensure that the delivery of these projects is transparent to customers and stakeholders.

What do we currently do?

This is a new area relating to the delivery of future major investment. However, for some projects we have completed between 2015 and 2020 we utilised a dedicated webpage (provided by our principal contractor) where updates and photographs were posted. This was used to inform local residents near the site about any disruption, as well as using traditional communication methods. We did not publicise this to our wider customer base as the projects were relatively small and low profile in comparison to our treatment works upgrades which may be of interest to a far larger number of customers and stakeholders.

What are we planning to do?

We are developing our proposal for how we achieve this objective which we will communicate and implement during the reporting year. We are exploring:

- How we assure delivery of the projects, for reporting against our performance commitment;
- How we communicate regular progress on the schemes to our customers in a way that they can follow and be interested in; and
- How we can integrate this with our existing social media presence.

We will engage with other companies to look for good practice in this area, including for companies outside of the water industry. We will also be seeking ideas from our delivery contractors.

What is the impact on our stakeholders?

Customers and other stakeholders have been highly supportive of the need for these schemes and this support played a key part in our success in gaining funding in our PR19 final determination. It is important to us that we keep these groups informed of progress to provide visibility to customers on what this funding is achieving for them.

Targeted area G - preparations for PR24

What is the risk?

Every five years, we submit our business plan to Ofwat. This describes in detail the funding that we need, and the service levels we will deliver to our customers and other stakeholders for a five-year period. We have recently completed the previous planning process, known as PR19, which covers the period from 2020 to 2025. The next business planning process is known as PR24, covering the period 2025-2030.

This process is critical to the sustainability of our services over the next five year period and beyond. Whilst the principles of assurance and governance are fundamentally the same as with our other reporting, the complexity and critical nature of our business plan necessitates a dedicated assurance and governance work stream.

What do we currently do?

At PR19, we used a third party provider to help us risk assess each component of the PR19 framework. This resulted in each component being assigned a required level of assurance.

Our full approach to assurance was included in page 259 to 265 of our Business Plan submission and can be found at the following link:

<https://www.south-staffs-water.co.uk/media/2599/south-staffs-water-final-business-plan-2020-to-2025-for-submission-1-apr-2019.pdf>

In Ofwat's initial assessment of our plan, there were a small number of areas highlighted that we needed to address. These included:

- Lack of appropriate assurance on our tax calculation
- Some inconsistencies between business plan data and APR data
- Small difference on the cost of capital used in Ofwat's financial model
- A lack of transparency on our dividend and executive pay policy

These were subsequently corrected in our resubmission.

What are we planning to do?

We recognise the importance of providing Ofwat and other stakeholders accurate, assured and transparent information for such a critical submission. Although the PR24 submission is around three years away, we want to start putting together our assurance plan, learning from the process we undertook at PR19.

The Board will have to provide assurance to Ofwat that our plan is high quality and so in-turn will also need to be assured that the activities within the business that have led to our business plan proposals are based on good quality data, robust assumptions and sound decision making processes. This assurance is very broad, covering a wide range of data and themes of varying complexity, and so we will run a dedicated PR24 assurance tendering process to gain ideas from a range of providers and select a provider that we can work with across the range of assurance we need to undertake.

What is the impact on our stakeholders?

Stakeholders need the confidence that information we will submit at PR24 can be relied upon as it is used to determine the amount of funding we will get to deliver services to our customers.

Targeted area H – Supporting Effective Markets

What is the risk?

As a monopoly supplier, customers cannot choose their provider for many services. Over the last few years, the opening of the business retail market has allowed new retailers to enter the market and compete on price and service. The developer market has also opened up to allow third parties known as Self Lay Providers (SLPs) to provide the infrastructure to new developments instead of an incumbent water company. It is also possible for a new incumbent, known as a NAV, to operate a development in providing water services.

There is a risk that monopoly providers abuse their position and prevent third parties from operating on a 'level playing field'. This could be in relation to how we set charges or how engaged we are with these markets.

What do we currently do?

We were instrumental in the development of the business retail market by designing a retailer measure of experience (R-Mex) which measures our service to retailers. This incentive has now been adopted by the industry as a reputational incentive under the business retail market codes.

We have also developed alternative credit arrangements to retailers to allow them more flexibility on the amount of security they need to provide where they have a low credit risk.

Our developer charges have been set on a cost reflective basis such that SLPs are able to compete to undertake services for developers.

What are we planning to do?

In August 2020, Ofwat published their review of incumbent company support for effective markets. We had a number of recommendations and have developed an action plan to address these which include:

- Greater engagement with NAVs
- Allowing enough time for developers to respond to our consultation on charges
- Demonstrating our design charges are cost reflective
- Improved engagement with retailers on our wholesale policies
- Improvement to our market performance metrics

What is the impact on our stakeholders?

Stakeholders need to be confident they are able to compete fairly with incumbent water companies. They also want us to be fully engaged and responsive to their requests. We believe that the actions we are putting in place will provide that assurance.

7. Assurance timescales for 2021/22

Below we set out a high-level summary of our assurance programme over the year 2021/22.



2020	November	- Publication of our risks, strengths and weaknesses and draft assurance plan for the financial year 2021/22.	Completed November 2020
2021	January	- Assurance of our annual charges.	Completed January 2021
	April	- Publication of our final assurance plan for 2021/22, taking into account any feedback we have received.	This publication
	May and June	- Assurance of our Annual Performance Report, including financial tables, performance commitments and cost assessment tables.	Publication July 2021

