



South Staffs Water



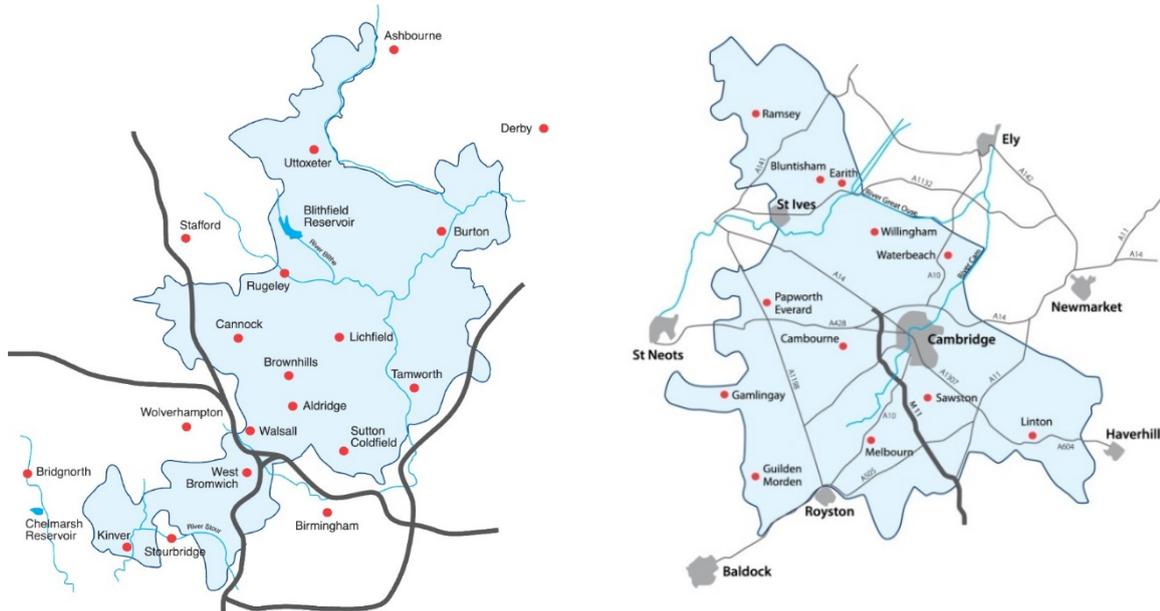
Cambridge Water

Final Assurance Plan 2022/23

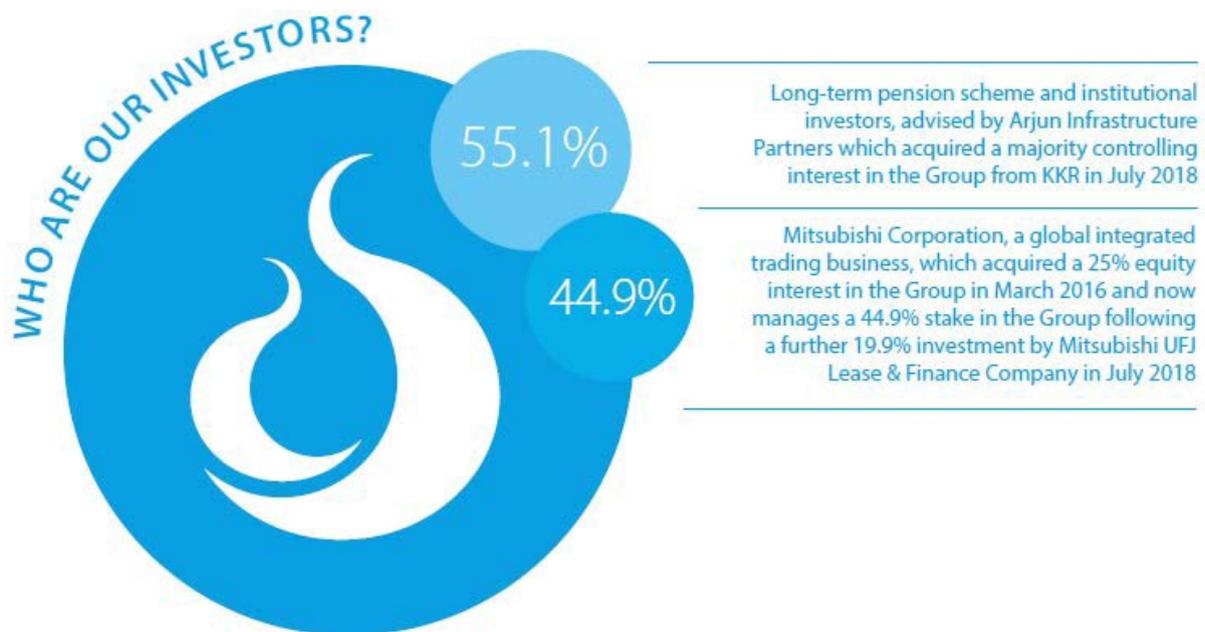
March 2022

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.



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 2022 to March 2023. Its purpose is to demonstrate to our customers, regulators and other stakeholders:

- 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 the confidence in our reporting. So, we welcome any comments that anyone may have about this plan or any other aspect of our data or assurance.

If you wish to comment, please email regulation@south-staffs-water.co.uk .

Contents

1. The regulatory framework for assurance	5
2. Changes from our draft assurance plan	6
3. Assurance risk assessment process	7
4. Outcomes of our risk assessment	15
5. Assurance plan targeted areas for 2022/23	21
Targeted area A – Covid-19	22
Targeted area B – developer charges	23
Targeted area C – annual customer charges	24
Targeted area D – annual performance report	25
Targeted area E – performance commitments between 2020 and 2025	26
Targeted area F – delivery of water treatment works investment	27
Targeted area G – preparations for PR24	28
Targeted area H – Open data	29
6. Assurance timescales for 2022/23	30

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 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.

For 2020/21 reporting, Ofwat introduced a requirement for companies to provide a statement, signed by, or on behalf of the Board, stating that the data and information which the Company has provided to Ofwat in the reporting year and/or which they have published in their role as water undertaker was accurate and complete and setting out any exceptions to this which should be clearly explained. This statement can be found on pages 42 to 44 of our Annual Performance Report¹. This assurance plan is a fundamental part of the main factors our Board considers for it be able to make such a statement.

¹ <https://www.south-staffs-water.co.uk/media/3715/annual-performance-report-2021.pdf>

2. Changes from our draft assurance plan

2.1 Feedback from stakeholders

We consulted on our risks, strengths and weaknesses, and our draft assurance plan, between November 2021 to January 2022. Ofwat provided specific feedback on our 2020/21 Annual Performance Report and the table below sets out the most significant points and our actions we have taken to address it.

Feedback	Description of change
The company has not provided any narrative in the APR explaining how the dividend has been determined for the year, the application of the dividend policy and how it takes account of obligations and commitments to customers.	In the 21-22 APR, we will disclose this same level of detail that we share with the Board that explains the build-up of our dividend.
Three minor errors in the financial information published in our 20-21 APR.	Two of the errors were as a result of calculation errors in Ofwat's data tables which have been corrected for 21-22.
The APR was not searchable for text.	We will ensure that our publication is formatted so that stakeholders can search for specific words.

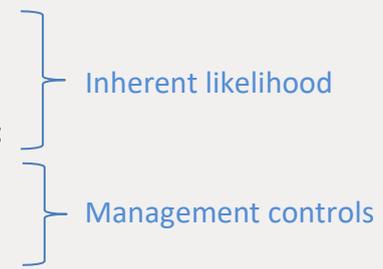
3. Assurance risk assessment process

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;
 - b. Completeness of the data set;
 - c. Extent of manual intervention;
 - d. Complexity and maturity of the reporting rules;
 - e. Control activities already established;
 - f. Experience of our personnel;
 - g. Evidence of historical errors and last audit.
- 
- The diagram shows two blue curly braces on the right side of the list. The top brace groups items a, b, c, and d, with the label 'Inherent likelihood' to its right. The bottom brace groups items e, f, and g, with the label 'Management controls' to its right.

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

- a. Customers;
- b. Competition;
- c. Financial;
- d. 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.

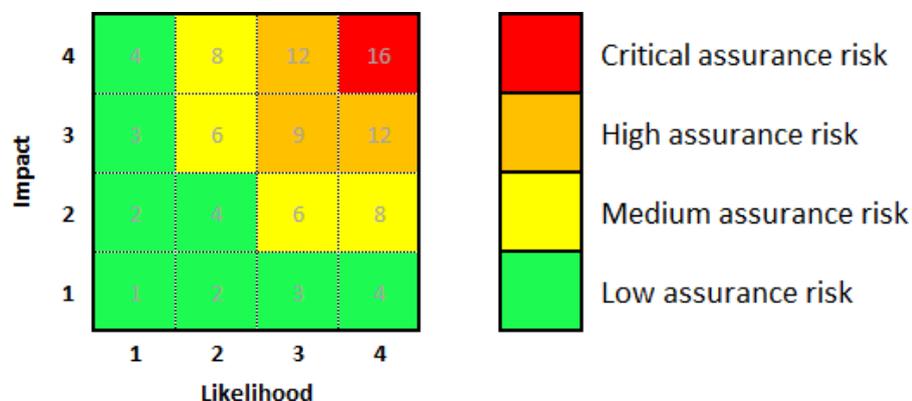
Figure 2: Assessment criteria for scoring the impact element*:

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.

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.

4. 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	3	3	9	High
PC C2 leakage Cambridge region	Leakage level in the Cambridge region.	Annual	3	3	9	High
PC C3 per capita consumption South Staffs region	Average litres of water used per person per year the South Staffs region	Annual	3	3	9	High
PC C4 per capita consumption Cambridge region	Average litres of water used per person per year the Cambridge region	Annual	3	3	9	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 areas	Percentage of customers registered on our PSR out of the total number of customers	Annual	3	3	9	High
PC A1 CMEX	Ofwats measure of customer service performance.	Annual	3	3	9	High
PC A2 DMEX	Ofwats measure of developer service performance	Annual	3	3	9	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	3	2	6	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	3	2	6	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	3	6	Medium
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	3	2	6	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	3	3	9	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	4	2	8	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, on an ad hoc basis, including DWI ERI	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	2	2	4	Low
Water quality regulation 28 submissions, including RARI	The water safety plan risk assessments, including the data supplied for the DWI RARI score.	up to Monthly	4	2	8	Medium
Annual performance reporting (financial elements), excluding cost allocation 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
Business plan	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
Developer services annual activity and costs data	The additional data request on developer services activities that is submitted annually.	Annual	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

Due to its significance, Price Reviews will always be an area where assurance and governance is of critical importance and will therefore continually require a high level of assurance activity. The next Price Review, PR24, will culminate in the submission of our Business Plan to Ofwat in October 2023. We will update our plans for price review assurance as the PR24 process gets underway.

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 expected in 2023, 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 recent 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.

5. Assurance plan targeted areas for 2022/23

We have used our assurance risk assessment and any stakeholder feedback we have received to identify the following targeted areas for 2022/23:

Targeted area A – Covid-19: The Covid-19 pandemic has had an impact on our ability to achieve some of our performance commitments, in particular Per Capita Consumption (PCC). Ofwat confirmed that this will be addressed at PR24. However, it will be for companies to set out how covid has affected the metric and what actions have been taken to drive water efficiency and reduce consumption.

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. We also need to demonstrate that we are supporting a ‘level playing field’ for third parties to be able to compete for services.

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: For common performance commitments, companies have been working towards consistent reporting using common definitions. Although we made good progress last year, we still had some areas where we are not fully compliant. Over the coming year we will be working towards full compliance when we report in the 2022 APR.

Targeted area F – delivery of water treatment works investment: between 2020 and 2025 we are going to deliver over £70 million of net investment to upgrade our two surface water treatment works, Seedy Mill near Lichfield, and Hampton Loade near Bridgnorth. This includes an additional £8m secured in the last year under Ofwat’s ‘Green Recovery’ scheme for an alternative, more environmentally friendly solution. We want to ensure that the delivery of these projects is transparent to customers and stakeholders.

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 – Open data: Data is a valuable asset and can help to drive innovation, efficiency, improved service and transparency. As we share more data publically, we need to ensure that it is accurate.

Targeted area A – Covid-19

What is the risk?

The Covid-19 pandemic has had an impact on our ability to achieve some of our performance commitments, in particular Per Capita Consumption (PCC). Ofwat confirmed that this will be addressed at PR24 and we will need to set out how covid has affected us and what actions we have taken to drive water efficiency and reduce consumption.

What do we currently do?

During 2020/21, the covid-19 pandemic led to an 18% increase in household consumption as a result of the lockdown and a requirement for people to work from home. This resulted in an underperformance penalty of £1.5m. This penalty would normally be applied when setting our charges for 2022-23. However, Ofwat have deferred the application of this penalty until PR24 so that more information and evidence can be presented by companies on how covid-19 has impacted on performance.

In our 2020/21 APR submission, we set out some of our early findings of the drivers of the impact. One observation is that of those working from home or on furlough in our South Staffs region, it is likely that a proportion of people would normally work out of our supply area in either Birmingham or Wolverhampton, and so we may be seeing an effect where demand that would normally be part of Severn Trent's area in the working day has transferred into our region as domestic use.

What are we planning to do?

We will be undertaking further work on understanding how covid-19 has impacted our service performance, both in 2020/21 and 2021/22 and what actions we are taking to help offset the impact.

As part of this work, it will be important to ensure that the information we provide is robust and accurate. Where necessary, we will commission independent reports.

What is the impact on our stakeholders?

It is important that stakeholders can understand how we have been impacted by covid-19 and what measures we have taken to mitigate the impact. Ultimately, this will have an impact on customer bills from 2025.

Targeted area B – developer charges

What is the risk?

Developers, Self Lay Providers (SLPs) and New Appointments and Variations (NAVs) 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?

We have continued to hold 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.

We have cemented our core NAV service alongside the introduction of the D-MeX metrics in October 2020. In 2020/21 between October and March we provided 100% of NAV services within SLA. We have also introduced specific application and enquiry fees for NAV services and introducing a NAV specific page within our website.

In October 2021, Ofwat requested detailed information on actual our charges and costs for mains and services provided for 2020-21. This was to help inform how developer services will be treated at PR24. We struggled to provide the data on time as it was not in a format which we collect as part of our monitoring and for setting charges.

In September 2021 Ofwat wrote to all companies following up their review of incumbent company support for effective markets (known as the RISE report). Although some progress has been made by the industry to increase the level of competition, for example through improved service and fair charges, Ofwat identify areas of further improvement.

What are we planning to do?

We have published our charges for 2022/23 and will be consulting with stakeholders in the coming months to help inform our charges for 2023/24 which will be published in January 2023.

In response to the RISE letter, we will:

- undertake an internal assessment of offering a service to NAVs to provide support during any unplanned supply interruptions and emergency repairs.
- review the independent report Ofwat commissioned on the level of developer charges across the industry to understand if the cost reflectivity of our charges can be improved.

In the anticipation that a detailed breakdown of our charges and costs will be required in future years, we will look at how we can capture this data accurately at the point new mains and services are required. This will require collaboration with both our own contractors, SLPs and NAVs to ensure we receive the information on a timely basis.

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 and service offerings 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.

We also recognise that most of our customers are also charged for sewerage services provided by either Severn Trent or Anglian water. We bill and collect this on their behalf. We are planning to improve the communication between us so that we are able to provide our customers with the best level of information with regards the total charges they are likely to face.

Setting charges during the pandemic has been challenging. We have a fixed amount of revenue to recover and so the projected level of consumption is an important number to forecast if we are to set charges correctly and recover the amount we are allowed. We will need to make assumptions when setting charges and understand if there is any lasting impact on consumption levels from the pandemic. We will use a combination of both internal data and external reports to inform our thinking. This will set out in a clear and transparent way when we publish charges.

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.

As part of new reporting requirements for 2020/21 reporting, we introduced some additional assurance to ensure we were compliant.

What are we planning to do?

In the summer of 2021, Ofwat consulted on some further changes to the annual performance report for 2021/22.

The key areas of change included:

- to publish information on our carbon usage using a consistent methodology.
- Green recovery reporting
- Overhead allocation rules for developer service costs

Ofwat's published their decision document in October 2021 (although the changes to developer services reporting are yet to be decided) and we will consider what the appropriate level of assurance is required to these new areas of reporting.

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 three years and others have not. Although we made good progress last year, we still had some areas where we are not fully compliant. Over the coming year we will be working towards full compliance when we report in the 2022 APR.

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 three 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.

As part of our assurance of the 2021 APR, our technical auditor, Jacobs identified two financially incentivised performance commitments that were not fully compliant with the reporting methodology:

- Leakage - We did not have compliant data on non-household consumption as Covid-19 prevented us from rolling out our planned logger programme.
- Education activity – As a result of Covid-restrictions, we were not able to provide education activity in person, as defined in our performance commitment. We did however deliver on-line content.

We were also not fully compliant with the reporting of severe restrictions in a drought. This is because we adopted a slightly different reporting approach to the guidance to ensure consistency with how our performance commitment was set at PR19. This is a non-financial measure.

What are we planning to do?

We are actively working towards full compliance for our leakage measure for the 2021/22 reporting year by completing the rollout of our non-household logger programme. We will be returning to the original definition for education activity reporting now that covid restrictions have been removed. These will be fully assured by our technical auditor to confirm this before we publish our 2022 APR.

We are planning to continue to report severe restrictions in a drought in line with how our performance commitment was set. We have not received any queries from Ofwat on this approach.

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 £70 million of net investment to upgrade our two surface water treatment works, Seedy Mill near Lichfield, and Hampton Loade near Bridgnorth. This includes an additional £8m secured in the last year under Ofwat's 'Green Recovery' scheme for an alternative, more environmentally friendly solution. We want to ensure that the delivery of these projects is transparent to customers and stakeholders.

What do we currently do?

As we started our programme of work, we have kept stakeholders informed by posting updates on our website. This includes a mixture of text and video to show the progress we are making on site. The latest update can be found here:

<https://www.south-staffs-water.co.uk/news/innovative-investment-for-water-treatment-works>

We also had our technical auditors, Jacobs, peer review the evidence we intend to use to enable us to report against our delivery performance commitments. This was to ensure we are ready to report when the first milestone of delivery is expected in 2023.

What are we planning to do?

We continue to explore how we can enhance our communication with stakeholders further. This includes:

- How we communicate regular progress on the schemes to our customers in a way that they can follow and be interested in.
- 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.

There are additional reporting requirements in relation to the Green Recovery funding for which we will need to put new processes in place:

- New reporting tables in the Annual Performance Report
- Reporting on affordability to CCW on a quarterly basis

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 both our PR19 final determination and the green recovery process. 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

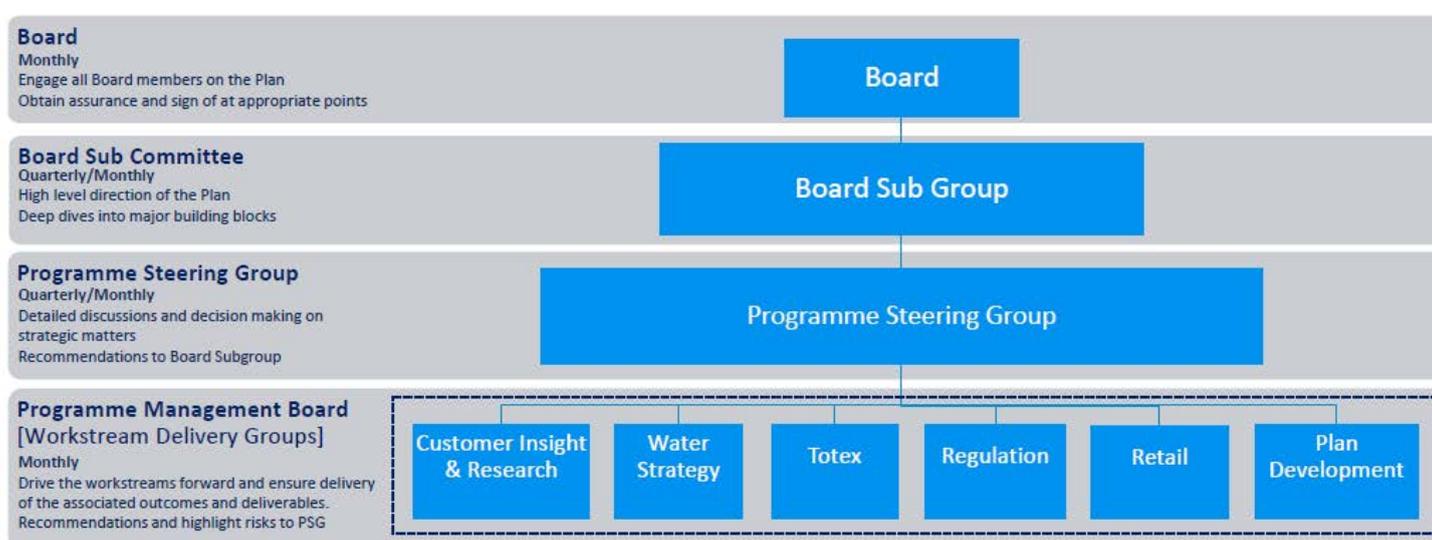
What is the risk?

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. 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?

We have now put governance processes in place to make key decisions on PR24 as set out below:



What are we planning to do?

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. We are currently undertaking an assurance tendering process to appoint auditors specifically for PR24 which should be in place by the spring of 2022.

We will also respond to Ofwat's PR24 consultations, particularly the draft methodology which is expected to be published in the summer of 2022. This will also allow us to formulate a detailed assurance and governance plan.

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 – Open data

What is the risk?

Data is a valuable asset and can help to drive innovation, efficiency, improved service and transparency. As we share more data publically, we need to ensure that it is accurate.

What do we currently do?

We already share a range of data with stakeholders externally. Some of this data is a regulatory requirement, for example the Annual Performance Report. Data in other areas that we currently share include:

- Service performance dashboard – This provides regular updates on our performance throughout the year on areas the matter to customers, for example the number of leaks, number of properties affected by supply interruptions and how many water meters we have fitted. This can be found at the following link: <https://www.south-staffs-water.co.uk/about-us/our-performance-dashboard>
- Metrics on quarterly service performance through water UK, for example developer services.

What are we planning to do?

In October 2021, Ofwat published a paper outlining how open data can enable water companies to create value for water customers, communities, and the environment. This followed extensive engagement with the industry and wider stakeholders.

During the next year we will be planning to:

- Develop an open data strategy
- Understand what the benefits are to opening up our data to our stakeholders both within and outside the industry
- Put processes in place to ensure that any data that is shared is robust and accurate whilst recognising the importance of timely information
- Actively participate in any open data industry working group

What is the impact on our stakeholders?

Opening up our data will help us to be more transparent with our stakeholders on how we are performing. It will also enable more collaboration between parties to identify new processes and innovative solutions.

6. Assurance timescales for 2022/23

Below we set out a high-level summary of our assurance programme over the year 2022/23.

2021	November	- Publication of our risks, strengths and weaknesses and draft assurance plan for the financial year 2022/23.	Completed November 2021
2022	January	- Assurance of our annual charges.	Completed January 2022
	April	- Publication of our final assurance plan for 2022/23, 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 2022



