

12: Assurance



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12 Assurance

Document purpose:

This chapter sets out how we have met our obligations in developing our draft plan, ensured alignment with the West Country Water Resources Plan and developed a best value plan. We set out how our Board have engaged with the process to set direction, scrutinise and challenge the development of the plan.

This chapter contains the Board Assurance statement and provides background to our assurance approach, engagement, and alignment to the Regional Plan.

Executive summary

We have undertaken engagement throughout the process of developing our draft WRMP and carried out a range of assurance activities aligned with our integrated assurance framework, including both internal and external assurance processes.

As we build our final plan, we will continue to reflect on several areas, including:

- Our experience of the current drought
- Our understanding of post-covid demand
- Feedback from the consultation and stakeholder engagement
- Interdependencies with other programmes

The Board considers this draft plan provides a path to achieving a best value plan for the final submission.

1 Our approach to assurance

Our approach to governance is an integral part of our culture, guiding how we do business and create value for our stakeholders.

The information we publish not only ensures that we meet our statutory, licence and regulatory obligations but also provides information to customers on the Company's activities, how the Company is performing and, most importantly, how customers can get help when they need it. Underpinning this information, we publish our risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified and updated on a regular basis, and that appropriate mitigation is in place to suit the level of risk.

We have a mature, integrated risk-management framework which is fully embedded into our governance structures and embodies our values of being 'trusted' and 'responsible' in the way we carry out our business. Details of this integrated assurance approach is published each year in our assurance plan. Our integrated assurance approach includes our three lines of defence:

1. **Management:** review, quality control and sign off
2. **Policy setting and compliance checking:** adequate policies, internal audit, and business management systems
3. **External scrutiny:** external audit and other assurance providers

First line of defence

Our draft WRMP plan has been led by an experienced team, with staff who have carried out this activity in previous planning periods, have worked in regulatory roles on resource planning, and have relevant experience from across the water sector. Team members are also fully engaged with the Regional Planning process and represent the Company on the West Country Water Resources Group (Steering Group and Board) and in the Strategic Regional Options assessment process with the Regulators' Alliance for Progressing Infrastructure Development (RAPID).

Extensive technical support has been provided by industry experts, including supporting our best value modelling. The work packages delivered by consultancies have been commissioned through a structured procurement framework, with formal assessment of the expertise of all consultancies commissioned.

Second line of defence

Engagement with the plan across the business has been regular and detailed. Pennon's Internal Audit Team has undertaken a review of the assurance underpinning the dWRMP24. The scope of the Group Internal Audit's work was to provide independent assurance that there was sufficient underlying evidence to support the various Board Assurance Statements made within the board assurance statements to be submitted as part of the dWRMP.

Third line of defence

The Company has employed the services of independent third-party assurance partners to assure the technical quality and the accuracy of dWRMP24. Assurance on WRMP methodology and data table completion has been provided by Jacobs – South West Water's Technical Auditor. Cost assurance was provided by Chandler KBS with separate cost assurance provided by Artesia and Aqua on our leakage and metering programmes respectively.

The Jacob's assurance letter, which builds on the previous assurance work for 3rd October dWRMP submission, is provided as an Annex A to this Chapter.

Following feedback from Defra and the Environment Agency during November 2022, we have made amendments to our dWRMP. Additional external assurance has also been provided over these amendments. We have undertaken an incremental approach to assurance: building on the assurance work completed previously and carrying out additional assurance on any work that has materially changed or been updated as the result of feedback.

This assurance has included the detailed table submissions and the methodologies used in developing the tables for submission.

2 Company engagement

Through the development of the Regional Plan and our dWRMP, we have undertaken regular engagement with the Environment Agency and Ofwat to discuss our methodology and plans. Wider stakeholder engagement has been completed with Natural England, Local Councils, Historic England, Rivers Trusts and SW Rivers association, for example, to build a shared understanding of the challenges and possible solutions.

We have engaged customers, and the voice of the customer is represented by our innovative WaterShare+ scheme, which allows customers to share in our success as well as giving them a greater say in our business.

Following feedback from Defra on the 9th of November, we have undertaken a series of detailed consultations with the Environment Agency on the dWRMP.

3 Alignment with the Regional Plan

As the Regional Plan proceeds on a different timeline, final alignment of the Regional Plan with the company's WRMP24 will be tested and confirmed during the finalisation of the Regional Plan. We will be undertaking alignment and validation of SWW's 3rd of January resubmission of the dWRMP, with all parties within the West Country Water Resource Group. SWW finalised WRMP planning will be used in the updated draft Regional Plan, and data will be validated by a third party, with a formal statement of alignment made within the Regional Plan. We expect this process to inform an updated Regional Plan ready for publication later in January 2023.

4 Further refinement of our plans

Our Assurance Statement reflects that this is a draft plan and there remain areas of uncertainty and further development which will be updated for the revised dWRMP (issued with the Statement of Response). As part of this submission, we have presented expansive scenario and sensitivity testing, these assessments allow stakeholders visibility of potential changes and their impacts.

Our 3rd of January resubmission has focussed on providing more description of the work we have done and the methodologies we have adopted, to enable the EA to see the workings behind the conclusions we have come to in our dWRMP. We have also provided further information in our plan to show that we understand the impacts of our current drought from 2022, and that our models and resulting plans are robust to these uncertainties.

Areas of improvement prior to submission of our revised draft plan (at Statement of Response) will include further updates to our understanding of post-covid demand, lessons and changes from the current drought, and ongoing improvements to our analytical approaches and ensuring that the WRMP gives best value for money. These changes, if required, will align to the scenarios presented in the document (for example our three scenarios around higher demand). We will ensure that any movement between scenarios is made visible to stakeholders at the relevant trigger point.

Our plan includes some challenging demand management targets which require the support both of customers and of other stakeholders to deliver. For example, legislation changes are required for tougher water efficiency standards for new homes and mandatory labelling of white goods. We will continue to push for these changes and will update our plans between the draft and final versions for any new information on when these changes might occur.

We are also making considerable progress in stakeholder engagement, working towards co-creation of a final plan. Stakeholder voices have a real opportunity to evolve our thinking and refine the plan over the next year.

Our final Plan will also consider interdependencies with our latest view of other programmes as our PR24 business plan and long-term delivery strategy develop. We will consider the overall affordability of our plans and intergenerational fairness.

5 Assurance activities in respect of the Draft WRMP

Assurance activities in respect of the Draft Water Resources Management Plan (dWRMP) follow our integrated assurance approach with three lines of defence.

Internally there has been a robust review process and of sign off of the underlying assumptions and inputs to the Draft WRMP.

Our external assurance provider performed a set of reviews, mutually agreed between South West Water and the provider, reflective of risks in establishing the dWRMP. These focused on

- ensuring we have developed our plan (where possible at the Draft stage) in accordance with the National Framework and relevant guidance
- reviewing evidence of engagement with third parties, driving collaboration within the plan.
- additional assurance over our 3rd of January resubmission, reflecting the feedback from Defra and the Environment Agency; this approach was incremental building on the assurance work completed previously and carrying out additional assurance on any work that has materially changed or been updated as the result of feedback

The external assurance providers have delivered their work as per the agreed procedures. Their Board report confirmed that there were no issues identified that would present concerns that would represent material risk of the dWRMP being established outside of the guidance and framework.

While this is only a draft plan, our Board has provided an assurance statement.

It reflects that this is a draft plan and there remains some uncertainty and further development which will be updated for the final WRMP. Regarding our draft plan, the Board are satisfied that this is a well-evidenced, assured plan, that provides a path to achieving a best value plan for the final submission for our customers and stakeholders, given the prescribed National Framework.

Our revised draft plan (to be submitted with our Statement of Response) is due in late Summer 2023¹. This will be subject to further Board assurance as our best value plan incorporates any changes to the National Framework and relevant guidance as well as the feedback from our customers, stakeholders, regulators, and the WaterShare+ Panel.

6 Board Statement

The South West Water Board of Directors (SWW Board) has overseen the development of South West Water's (SWW) Draft Water Resources Management Plan (dWRMP).

SWW Board considers the process that SWW has gone through in developing the Draft WRMP is sufficient to ensure that in all material aspects the Draft WRMP is in line with the guidance and frameworks set out to establish consistent plans.

Due to the oversight and assurance processes applied during the development of the dWRMP, SWW Board is satisfied that

- The National Framework and relevant guidance are being followed and applied.
- There are clear links and processes in place to ensure the appropriate interventions, including Regional Plan and partnership schemes.
- Our plans represent an investment programme based on modelled interventions and established costing processes which represent our best value plan for customers and the environment, given the best available assumptions at the time. However, the modelling for PR24 needed to finalise the 'best value' will take into account interdependencies with other programmes to balance affordability and intergenerational fairness and will be clear on the role of other parties in meeting of future targets.

¹ The precise timing of this is subject to change due to our revised 3rd January resubmission of our draft WRMP, and the agreed publication date.

Annex A – Jacobs Assurance Letter Extract

Statement of assurance from Jacobs highlighting no significant material inconsistencies and including recommendations for improvements ahead of the final WRMP submission.

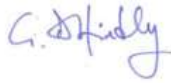
6. Statement of assurance

Within our assurance scope, and apart from the actions identified in Table 3 above and the Action Tracker in Appendix A, in the tight timescale for assurance, we conclude:

- We have not identified any significant material inconsistencies with the Water Resources Planning Guideline;
- Data has been produced in accordance with SWW's documented methodologies;
- From our samples, we identified some missing data and minor errors. These have subsequently been addressed. Details of the missing data and errors that were identified at audit are contained in our individual audit feedback reports;
- At the time of audit process, controls, and management of the data tables and sign off was in place for some elements, however we identified instances where a clear audit trail and sign off was lacking. This has subsequently been addressed with internal checks undertaken and evidenced on a 'Check and Review Sheet' for each table. These sheets detail the checks undertaken and evidence of sign off by the data Originator, Responsible Manager and Senior Manager.
- Progress against previous assurance findings has been made and is considered to be generally satisfactory;
- We have identified longer term recommendations that should be addressed prior to the Final WRMP24 submission in September 2023;
- We note that many of the Non-material concerns (flagged as 'Blue') are work in progress which are being addressed for the Final plan (September 2023).

This concludes our assurance opinion. We would be pleased to discuss our work and findings with you.

Yours sincerely



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Water



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Water

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