

Information notice

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Regulatory reporting for 2012-13 – process

Introduction

Our role is to protect consumers. Last year we introduced a new approach for making sure that water only and water and sewerage companies across England and Wales are meeting their obligations.

As part of our [risk-based approach to regulation](#), we require each company to set out in a yearly statement how it has managed its risks and complied with relevant statutory and regulatory obligations (a 'risk and compliance statement'). Companies also demonstrate how they have performed in the year by publishing a range of key indicators for their customers. We use this information – and other forms of intelligence – to consider where there are significant risks to customers and the environment, and whether we need to take any action.

In this information notice we set out our expectations for companies in reporting on their performance for 2012-13.

We have already set out the procedures for companies to follow in preparing their yearly

financial statements ('regulatory accounts'), which they are also required to publish. We did this in ['IN 13/01: Revised regulatory accounting guidelines and regulatory accounts reporting requirements for 2012-13 and onwards'](#), which we published in February 2013. We have also set out our expectations for transparency of disclosures in the 2012-13 reporting in ['IN 13/02: Board leadership, transparency and governance'](#).

Approach for 2012-13

Our risk-based approach to regulation has delivered a number of benefits. This includes the following.

- Companies demonstrate their accountability for the service and outcomes they are delivering for their customers.
- Companies clearly own and manage the risks to their business, allowing them to focus more on their customers than the regulator.
- Companies take ownership of their performance and show their customers how they are doing.

- Customers can find information about performance levels directly from their company.
- We can be targeted and proportionate in our approach, using our resources in those areas that present the greatest risk to outcomes for customers.

Based on our experience of the first year, we are continuing with this approach. And we are only making small changes to our guidance to companies.

Changes to key indicator guidance

There were implementation issues with some of the key indicators that we required companies to publish last year. So we have made some minor changes, which we set out in [key indicators – guidance](#). We summarise them in the table below.

We have made no changes to our guidance for companies on preparing their risk and compliance statement. But for simplicity we have republished it in [risk and compliance statement – guidance](#).

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water and sewerage sectors in England and Wales.

Indicator	What has changed?	Why?
Internal sewer flooding	Guidance clarified.	To reflect company comments in response to the guidance introduced last year.
Greenhouse gas (GHG) emissions	Guidance clarified.	To reflect updated Government plans for reporting of emissions and to improve clarity of company reporting.
Pollution incidents (sewerage)	Presentation of information.	Incidents are now presented 'per 10,000 km' of sewer for consistency with the 'serious pollution incidents (sewerage)' indicator.
Pollution incidents arising from water service activities	Indicator no longer required. Companies can choose to continue to report in this area.	The number of incidents is so low that reporting has the potential to be misleading.

Communicating with customers

Companies can choose how they explain their performance to their customers and other stakeholders. Companies used a range of approaches in reporting on their 2011-12 performance.

We consider that some companies could do more to explain to their customers how they have performed.

We expect each company to clearly set out:

- how it has performed;
- its risks; and
- how it has dealt with them.

Where we find that companies have failed customers, they can expect us to take strong action.

2010-15 performance

In preparing its risk and compliance statement, we expect each company to consider progress on delivery of the price and service package that we set in 2009 for the 2010-15 period.

We expect companies to bring to our attention risk and performance issues that they identify as they arise. Where we find issues that we have not been made aware of we will take action. This may include taking formal action, in line with our [approach to enforcement](#).

Companies also need to provide information about their delivery and performance during 2010-15 to their independent customer challenge group (CCG). This is part of our approach to setting the price and service package ('price controls') in 2014 that companies must deliver for each of the five years from 2015 to 2020. In ['Setting price controls for 2015-20 – framework and approach: a consultation'](#), we set out examples of the sort of information that companies might provide to their CCG in developing their business plan for 2015-20.

Reporting on compliance from 2015 onwards

As part of its business plan for 2015-20, each company will set

out the long-term objectives ('outcomes') and associated commitments and incentives that it will deliver for its customers and to meet its legal obligations. So, companies' annual performance reporting will need to evolve from 2015 onwards to reflect what they will deliver for customers in 2015-20.

Next steps

By 15 July 2013 each company will need to:

- send us its risk and compliance statement and publish it on its website;
- publish its key performance information; and
- send us its regulatory accounts, in accordance with IN 13/01.

Companies should send the website links to these documents and one signed copy of their risk and compliance statement to riskandcompliance@ofwat.gsi.gov.uk. We will then update the relevant information on our website.

Enquiries

If you have any questions about this information notice or our risk-based approach to regulation, please email sheila.miller@ofwat.gsi.gov.uk.

More information

[Risk and compliance statement – guidance](#)

[Key indicators – guidance](#)

[‘Setting price controls for 2015-20 – business planning expectations: a consultation’](#), April 2013

[‘Setting price controls for 2015-20 – framework and approach: a consultation’](#), January 2013

[‘Delivering proportionate and targeted regulation – Ofwat’s risk-based approach’](#), March 2012

[‘IN 13/01: Revised regulatory accounting guidelines and regulatory accounts reporting requirements for 2012-13 and onwards’](#), February 2013

[‘IN 13/02: Board leadership, transparency and governance’](#), April 2013



Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7699
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gsi.gov.uk

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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We are responsible for making sure that the water and sewerage sectors in England and Wales provide consumers with a good quality and efficient service at a fair price.