

# Information notice

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## Future company performance reporting and assurance

This information notice sets out the information that we expect all monopoly water only and water and wastewater companies ('water companies') in the water sector in England and Wales to publish about their performance for 2015-16 onwards. It also sets out our consultation on parts of the framework we will use for monitoring the quality of ('assuring') the information the largest 18 companies prepare in future.

### Background

Our [shared vision for the water sector in England and Wales](#) is one where customers, the environment and wider society have trust and confidence in vital public water and wastewater services. We want the companies that provide those services to be accountable to their customers for delivering the services they need and want at a price they can afford.

Having information that is easy to understand and navigate provides transparency and helps everyone build trust and confidence in water. So, we expect individual water companies to provide information to their customers and stakeholders that enables them to

understand how their company is performing. We also need water companies to provide specific information that allows customers, stakeholders and regulators to compare their performance against each other. This will challenge all companies to raise their game and deliver the best for their customers.

In '[Consultation on regulatory reporting](#)' (our 'regulatory reporting consultation'), which we published in September 2014, we set out our proposals for the information we would require monopoly water companies to report between 2015-16 and 2019-20.

One aspect of our role as regulator is to make sure that water companies provide information to enable a wide range of stakeholders to challenge them and to hold them to account. We also need to make sure that the information that water companies publish can be trusted. And we expect individual water companies to have processes in place to make sure this happens. If there is a lack of confidence in the information individual water companies provide about their performance, we will step in to protect customers.

In '[Setting price controls for 2015-20 – Draft price control determination notice: technical appendix A9 – assurance, monitoring and reporting obligations](#)', which we published in August 2014, we published an initial consultation on assurance, monitoring and reporting obligations. This included our proposal to adopt a risk-based approach to regulatory reporting, where some water companies would need to provide a greater level of reporting and/or assurance of that information during 2015-20. The responses are available on our website as part of the [representations we received on appointed monopoly service providers' price controls for 2015-20](#).

### Reporting requirements

In our regulatory reporting consultation, we signalled the changes we proposed to make to the information that water companies publish. We explained that we were making the changes to:

- make sure reporting aligns to our wider strategy and approach to regulation;

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

- reflect changes arising from the 2014 price review; and
- reflect changes in the requirements of accounting standards.

In consulting on our proposals we talked with and listened to a wide range of stakeholders, including:

- companies;
- analyst and rating agencies;
- customer challenge groups (CCGs); and
- non-governmental organisations (NGOs).

In ‘[Consultation on regulatory reporting – summary of responses](#)’, we summarise the main issues that respondents raised to our consultation and our decision on our approach. We set out the key points below.

To reflect our decisions, we have published:

- future regulatory accounting guidelines for the 2015-16 financial year;
- the tables that the 18 largest water companies must include in their regulatory report (‘regulatory reporting – pro-forma tables’);
- a template for a summary of key information from the annual performance report that we will expect each company to complete; and
- the template for the information that smaller water companies will need to prepare (the ‘small company return’).

Our decisions apply to all monopoly water companies. You

### Regulatory reporting for 1 April 2015-16 onwards – key points

- Each water company will prepare a single annual performance report from 2015-16 on how they are delivering for their customers and make this available to all stakeholders.
- We have prescribed some common content and assurance so that stakeholders can analyse the performance of individual companies and compare them to each other.
- The annual performance report will not replace the responsibility of individual companies and their Boards to take ownership of reporting to their customers and stakeholders on their own performance.
- We will no longer require companies to produce financial information using full current cost accounting (CCA). But we will require them to publish their summary financial results using CCA.
- Each company will need to present detailed information of revenue and costs for the different parts of their business for which we set price controls for 2015-20 (‘price control units’). This includes reporting against our price controls.

can find these documents and further information on our [information and assurance](#) webpages. You can also view the individual [responses we received to our regulatory reporting consultation](#) on our website.

### Consultation on a future monitoring framework

We are putting in place new arrangements to help companies, customers and others benefit from providing open and transparent information. These arrangements will require water companies to take ownership of the information they collect and to provide customers and stakeholders with assurance that the information can be trusted.

The company monitoring framework will challenge all companies to:

- publish information that is consistently accurate and reliable; and
- be transparent with customers and stakeholders about the assurance they put in place.

Where companies fall short of the high standards customers and other stakeholders expect, we will step in to make sure that assurance is provided in a proportionate way that can help rebuild trust and confidence.

Since our initial consultation in August 2014 we have considered further how this framework fits with the shared strategy for the sector. In ‘[Company monitoring framework – further consultation](#)’, we are now consulting on our final proposals of:

- how we will set the specific additional assurance

- requirements; and
- how companies move between categories over time.

We have assessed water companies based on their past performance to determine the assurance requirements we will expect of them when they provide information within their annual performance report and other submissions. In ‘[Company monitoring framework – initial assessment](#)’ we have explained how we have placed water companies in one of the following three categories.

- **Self assurance** – water companies that, apart from the minimum assurance requirements that apply to all companies, have discretion to deliver self-assurance in relation to the additional assurance arrangements they put in place.
- **Targeted assurance** – water companies that have not consistently met the high standards that customers and other stakeholders expect will be subject to targeted prescriptive assurance requirements, to ensure that the assurance arrangements they put in place are sufficient to protect customers.
- **Prescribed assurance** – water companies that have not provided us with sufficient confidence about their ability to deliver, monitor and report performance, will have assurance requirements that are prescribed for all information that the company is required to publish, in order to protect customers.

### Our initial assessment of water company assurance categories

Self-assurance	South West Water, Affinity Water
Targeted	Anglian Water, Dŵr Cymru, Northumbrian Water, Severn Trent Water, Southern Water, Thames Water, United Utilities, Wessex Water, Yorkshire Water, Bristol Water, Portsmouth Water, Sembcorp Bournemouth Water, South East Water, South Staffordshire Water, Sutton & East Surrey Water
Prescribed	Dee Valley Water

Our monitoring framework will apply to the largest 18 monopoly water companies only. You can find further information on our information and assurance webpages.

#### Next steps

Each water company will prepare information on its performance during 2014-15 in line with:

- our [current regulatory accounting guidelines for 2014-15](#); and
- our previous expectations for their regulatory information. We set this out in ‘[IN 14/05: Expectations for company reporting 2013-14 – regulatory accounts, accounting separation and performance information](#)’, which we published in February 2014, and in our Board leadership, transparency and governance principles.

We expect water companies to publish this information by July 2015.

We will confirm our detailed reporting requirements and timetable to water companies for the 2015-16 financial year in 2015-16. This will include our

proposals for getting water companies to publish more detailed information about their wholesale services. We will provide more details on this work and on how companies can get involved over the next few months. Water companies will publish their performance information for 2015-16 in summer 2016.

Our consultation on the future assurance framework closes on 10 April 2015. Before then, we will hold a workshop with companies in March 2015, and speak with and listen to other stakeholders as appropriate. We will set out our conclusions, including any specific guidance for assurance, by the end of May 2015.

Having launched our new strategy ‘Trust in water’ in January 2015, we are currently working with other stakeholders in the sector to develop an assessment framework that will enable us to understand whether and how the sector is making progress towards the vision of trust and confidence. The company reporting requirements and monitoring framework complement that strategic assessment framework. We will explain in more detail how they fit

together when we publish the strategic assessment framework.

## Enquiries

If you have any questions about this information notice, please send them to [financeandgovernance@ofwat.gsi.gov.uk](mailto:financeandgovernance@ofwat.gsi.gov.uk).

## More information

Information and assurance [webpages](#)

Ofwat's [strategy and approach to regulation](#)

[Consultation on regulatory reporting](#), September 2014

[Setting price controls for 2015-20 – Draft price control determination notice: technical appendix A9 – assurance, monitoring and reporting obligations](#), August 2014

[Representations on our draft decisions](#) ('draft determinations') on appointed monopoly water companies' price controls for 2015 to 2020

[Consultation on regulatory reporting – summary of responses](#), February 2015

Individual [responses](#) we received to our regulatory reporting consultation

[Company monitoring framework – further consultation](#), February 2015

[Company monitoring framework – initial assessment](#), February 2015

Current [regulatory accounting guidelines for 2014-15](#)

[Annual performance report summary of performance parameters](#), February 2015

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**Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a leading economic regulator, trusted and respected, challenging ourselves and others to build trust and confidence in water.**