

# Company monitoring framework: 2017 assessment

## About this document

This document sets out our assessment of water companies'<sup>1</sup> assurance practices, under our Company Monitoring Framework (CMF). It applies primarily to the assurance of information published that relates to the 2016-17 financial year (that is 1 April 2016 to 31 March 2017) and also includes 2017-18 charging information that companies published.

We carried out this assessment in line with the policy framework within '[Company monitoring framework final position](#)' (updated July 2017). This sets out how we oversee the information that the water companies in England and Wales provide to customers and the actions that we expect companies to take.

Alongside this document, we are also publishing company specific documents for each company assessed, which contain more detailed information.

---

<sup>1</sup> In the context of this work, by water companies we mean the largest 17 water and wastewater companies and water only companies

## Executive summary

### 1.1 The company monitoring framework

We expect companies to be open and transparent with all their stakeholders and expect companies to communicate clearly their performance.

If stakeholders are to have trust and confidence that the sector is meeting its promises, and that it will be held to account if it doesn't, they need to also have confidence that information published is of a high quality. The way a company chooses to provide assurance of this information is a key part of providing this confidence.

We use the company monitoring framework as a tool to encourage companies to deliver high quality assurance of the information that they produce. This is more than ensuring that companies have systems in place to check that data is correct. It is also being confident that companies are communicating issues in a clear, accessible and transparent way and that the information gives a fair view of how a company is performing.

The company monitoring framework is one of a suite of tools we use to hold companies to account and to improve transparency. It complements the information we publish on companies' performance – for example our [Monitoring financial resilience report](#) (published as part of our financial monitoring framework to provide insight into company financial resilience) and the shortly to be published service delivery report (highlighting company performance against their commitments).

Together, these tools help to encourage greater transparency in how companies report their performance and the way that they provide confidence in that information.

### 1.2 Key messages

Overall, we have seen more companies meeting our expectations in the areas we have assessed this year, and this is encouraging as we approach the next price review. We are encouraged that companies responded to feedback and strived to improve.

Most assurance plans and the data assurance summaries were of good quality, were written in an accessible way and had taken stakeholder comments into account.

There have also been improvements in companies' compliance with our board leadership, transparency and governance principles with most companies now meeting expectations.

All of the companies which were placed in the prescribed category last year have shown improvement, and one has improved sufficiently to move up from this category.

We expect companies in the self-assurance category to meet expectations in most, if not all, assessments, by a clear margin with evidence of exceeding expectations to demonstrate leading-edge behaviour.

### 1.3 Our assessment this year

Our assessment places each company in one of three categories – 'self assurance', 'targeted assurance' or 'prescribed assurance'. The categorisations reflect our view of the quality of each company's approach to assurance. The category defines the level of discretion the company has in determining the assurance process for information it publishes going forward. The table below summarises this and sets out our categorisation of each company this year.

Category	What this means	Company
Self assurance	Company must meet the minimum assurance requirements (set out in the position paper), but it has discretion to decide what additional assurance arrangements to put in place.	Northumbrian Water South East Water United Utilities
Targeted	Company must meet the minimum assurance requirements. It must also carry out a risks, strengths and weaknesses exercise; publish a statement on this exercise; and consult stakeholders and publish draft assurance plans on the areas identified as risks/weaknesses.	Affinity Water Anglian Water Dwr Cymru Portsmouth Water Severn Trent Water SES Water South Staffordshire Water South West Water Wessex Water Yorkshire Water
Prescribed	Company must meet the minimum assurance requirements and the requirements for targeted	Bristol Water Dee Valley Water

	<p>companies, and its draft assurance plan must cover all information. Areas of most significance or greatest risk to customers require independent external assurance. It must publish its assurance plans for all information ahead of reporting and engage with stakeholders (and Ofwat) before it publishes its final assurance plans.</p>	<p>Southern Water Thames Water</p>
--	--	--

Section 2 of this document summarises our assessment of each company's assurance.

## 1.4 Companies that have moved categories from last year

Our assessment this year means that some companies move categories compared to last year.

We assessed **Northumbrian Water** as self-assurance this year, having been assessed as targeted last year. It met expectations in all of our assessments, and exceeded our expectations and demonstrated good practice in two areas. It had adequately addressed the points for improvement that stakeholders had identified. We saw no evidence of behaviour that would reduce trust and confidence, and we consider that customers can consistently place confidence in the information it provides.

We assessed **Yorkshire Water** as targeted this year, having been assessed as prescribed last year. The company demonstrated that it had acted upon feedback that we provided, and has made significant improvements meaning it met or exceeded expectations for all but one of the specific assessments areas. Companies in the prescribed category can only move up to the targeted category in one year, Yorkshire Water will be eligible for consideration as self-assurance in Ofwat's next CMF assessment.

We assessed **Thames Water** as prescribed this year, having been assessed as targeted last year. Although the company at least met our expectations for many assessments, we concluded that the significance of our concerns in two assessments meant that the company did not instil sufficient confidence about its ability to deliver, monitor and report performance.

We assessed **Severn Trent Water** as targeted this year, having been assessed as self-assurance last year. Although the company met our expectations in many areas, we considered that overall the company had not consistently met the high standards expected in order to be assessed as self-assurance, and there was a reduction in the trust and confidence stakeholders could place in it.

## **1.5 What happens next?**

Our requirements vary according to which assurance category the company is in, with companies in the self-assurance category having more flexibility in their approach than companies in the targeted or prescribed assurance categories.

Companies that have moved categories will need to consider how this affects their assurance planning. Broadly, companies that have moved to self-assurance do not have to publish an assurance plan. Where we have moved companies' down to the targeted or prescribed assurance categories, those companies will have additional assurance obligations, which are intended to give their stakeholders trust and confidence.

## 2. Our assessment

### 2.1 Our approach

We assessed companies' assurance across a range of publications, regulatory submissions and bilateral engagement. The high-level approach we take to categorising companies is set out in the '[Company monitoring framework final position](#)'.

This year we carried out a number of assessments to inform our decision on the categorisation of companies – these focused on eight specific areas as well as an assessment of any wider information that impacted on trust and confidence in the information produced and that we therefore considered relevant to our overall decision for each company. Each of these assessments feed into an overall assessment in which Ofwat considers in the round what the findings mean for the overall trust and confidence that can be placed in the information that each company produces. The decisions were based on the following high level approach:

- We took into account the relative importance of each individual assessment and any relevant wider issue: this has not been done in a mechanistic way but looked at holistically;
- We took into account whether individual assessments had exceeded, met or failed our expectations by a clear margin or not; and
- Where there was more than one minor concern in individual assessments, we considered whether there was a pattern of minor concerns.

For a company to be assessed as self-assurance, they needed to meet expectations in most, if not all, assessments, by a clear margin with evidence of exceeding expectations and good practice to demonstrate leading-edge behaviour. Overall, we have to judge whether companies have consistently met the high standards that customers and other stakeholders expect and check that there are no behaviours leading to a reduction in the trust and confidence that stakeholders could place in a company's assurance. Examples of behaviours that may lead to a company being moved to targeted or prescribed are set out in the Company monitoring framework final position paper.

Section 3 sets out each of the assessments that contributed to our decision for each company and our overall findings for the sector as a whole. Alongside this document we have also published company-specific documents that provide additional detail about our assessments and decisions.

For each specific assessment area we have assessed each company as:

- exceeds expectations;

- meets expectations;
- minor concerns; or
- serious concerns.

## 2.2 Categorisation of all companies

The following table sets out the categorisation for each of the companies that we assessed under the CMF.

Self assurance	Targeted	Prescribed
Northumbrian Water South East Water United Utilities	Affinity Water Anglian Water Dwr Cymru Portsmouth Water Severn Trent Water SES Water South Staffordshire Water South West Water Wessex Water Yorkshire Water	Bristol Water Dee Valley Water Southern Water Thames Water

## 2.3 Findings for assessment areas

The results and the key findings for each of these are set out below.



<b>Financial Monitoring Framework</b>	<b>Key findings</b>	<b>Assessments</b>
<p>This assessment considered how the companies had followed our financial monitoring framework guidance. Our assessment focused on the quality of financial information published in the annual performance report, the transparency of disclosures and consistency of financial metric data published.</p> <p>This is an area where companies' data assurance is particularly important, and companies need to ensure that the information that they publish is in line with our guidance. This enables us, and other stakeholders, to be confident that the information that each company publishes has been prepared on a consistent basis and allows meaningful comparisons to be made between companies.</p>	<p>Our review identified a range of issues, including basic data errors (missing figures, incorrect signage or incorrect format of reported numbers), misreporting of net debt figures and issues relating to calculation of return on regulatory equity (RORE).</p> <p>In general (other than in relation to RORE and gearing) the types of errors identified were technical in nature and we did not consider that they would affect stakeholders' view of performance of each company. However, ultimately the data reported was incorrect or required further explanation - and these types of errors should have been identified through companies' assurance and checking processes. Where we identified a pattern of data errors, we took this into account in our assessment. Overall we assessed seven companies as having minor concerns and one company had a series of errors, which we assessed as a serious concern due to their number and the importance of the relevant metrics to stakeholders.</p> <p>We were however pleased that companies generally responded proactively to our queries and resolved them quickly.</p>	<p><b><u>Exceeds expectations</u></b> None</p> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Bristol Water</li> <li>• Dee Valley Water</li> <li>• Northumbrian Water</li> <li>• Portsmouth Water</li> <li>• Severn Trent Water</li> <li>• South East Water</li> <li>• SES Water</li> <li>• South West Water</li> <li>• United Utilities Water</li> </ul> <p><b><u>minor concerns</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Dŵr Cymru</li> <li>• South Staffordshire Water</li> <li>• Southern Water</li> <li>• Wessex Water</li> <li>• Yorkshire Water</li> </ul> <p><b><u>serious concerns</u></b></p> <ul style="list-style-type: none"> <li>• Thames Water</li> </ul>

<b>Charges engagement assessment</b>	<b>Key findings</b>	<b>Assessments</b>
<p>For this assessment, we focused on how effectively companies have engaged with their customers and other stakeholders. We expect companies to meet a high evidential bar before they make changes to charges that could result in significant bill increases for customers. Companies should be transparent about the evidence they use to support these changes.</p> <p>We based our assessment on the following:</p> <ul style="list-style-type: none"> <li>• Board assurance statements;</li> <li>• Assurance of the engagement on and publication of charges information, where appropriate under the charging rules;</li> <li>• the information companies provide in their Statement of Significant Changes; and</li> <li>• the handling strategies companies devise and put in place to address significant movements in charges.</li> </ul>	<p>All companies published their information within the required timeframes. In general, there was improvement in the level of engagement with stakeholders compared to last year. But we think that more can be done, especially the transparency around the reasons for significant increases in charges.</p> <p>Some companies chose to comply with the charging rules by issuing a joint Board assurance statement for both their Charges Scheme and Wholesale Charges. Where this is the case companies need to be clear in the statement that the assurance covers both sets of documents. They should also ensure that the Board assurance statement is visible in all the separate sections to which it applies.</p> <p>The Charging Rules require the publication of charges information by a specified date. While all companies met this requirement, we think companies should ensure this information is visible and easy to find at all times throughout the year.</p> <p>Some companies were not clear that the term “Charges Schemes” now only applies to end-user charges. We found instances where some companies published information referring to charges schemes in respect of wholesale charges. The respective charging rules and <a href="#">Expectations, assurance and information requirements for water company charges (including special agreements) for 2017-18</a> provide clarity on this.</p>	<p><b><u>Exceeds expectations</u></b></p> <ul style="list-style-type: none"> <li>• Anglian Water</li> <li>• Southern Water</li> </ul> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Bristol Water</li> <li>• Dee Valley Water</li> <li>• Dŵr Cymru</li> <li>• Northumbrian Water</li> <li>• Portsmouth Water</li> <li>• Severn Trent Water</li> <li>• SES Water</li> <li>• South East Water</li> <li>• South Staffordshire Water</li> <li>• South West Water</li> <li>• United Utilities Water</li> <li>• Thames Water</li> <li>• Wessex Water</li> <li>• Yorkshire Water</li> </ul> <p><b><u>minor concerns</u></b> none</p> <p><b><u>serious concerns</u></b> none</p>

<b>Outcomes</b>	<b>Key findings</b>	<b>Assessments</b>
<p>In this assessment we looked for:</p> <ul style="list-style-type: none"> <li>• reliable, timely and appropriate information for customers and other stakeholders;</li> <li>• transparent and accessible information for customers and other stakeholders;</li> <li>• appropriate data assurance;</li> <li>• evidence that the company had listened and responded to its customers and other stakeholders; and</li> <li>• compliance with the outcome delivery and reporting proposals as set out in the PR14 final determination company-specific appendix.</li> </ul> <p>This is an important assessment, to ensure that stakeholders can understand what companies are doing to deliver the outcomes that customers expect.</p>	<p>This is the second year that companies have published their outcomes data. In general, companies met our expectations of reliable, timely and appropriate information.</p> <p><b>Reliable, timely and appropriate information</b></p> <p>We did find minor data inaccuracies and inconsistencies in some companies' annual performance reports. In most cases we did not consider these to be behaviours that reduce trust and confidence.</p> <p><b>Transparent and accessible information</b></p> <p>We found good evidence that companies are continuing to provide transparent, accessible information for stakeholders. Most companies provided accessible, stakeholder-friendly overviews of outcomes performance in their annual report. For example, where committed performance levels had not been met most companies provided a clear explanation of the issue and, where appropriate, provided an explanation of how it would be rectified.</p> <p>We were pleased to see that some companies are starting to adapt their websites so that performance information is presented in a similar way to the national Discover Water website. This means that the company site is a natural follow-on from the national site which provides helpful clarity for stakeholders.</p> <p>In line with the performance information that companies publish as part of their Annual Performance Reporting, we expect information on company websites to be a fair and reasonable representation of company performance – audited (where appropriate), balanced and setting out the trade-offs in delivering performance.</p> <p><b>Appropriate data assurance</b></p> <p>We were pleased to see that most companies demonstrated appropriate data assurance on their</p>	<p><b>Exceeds expectations</b></p> <ul style="list-style-type: none"> <li>• Dŵr Cymru</li> <li>• United Utilities Water</li> </ul> <p><b>meets expectations</b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Northumbrian Water</li> <li>• Portsmouth Water</li> <li>• Severn Trent Water</li> <li>• SES Water</li> <li>• South East Water</li> <li>• South Staffordshire Water</li> <li>• South West Water</li> <li>• Wessex Water</li> <li>• Yorkshire Water</li> </ul> <p><b>minor concerns</b></p> <ul style="list-style-type: none"> <li>• Dee Valley Water</li> <li>• Southern Water</li> </ul> <p><b>serious concerns</b></p> <ul style="list-style-type: none"> <li>• Bristol Water</li> <li>• Thames Water</li> </ul>

	<p>websites. We found a growing number of examples of good practice where companies were transparent with customers about the extent of independent challenge to their data that they had received. This provides customers and other stakeholders with additional assurance that the assessment of outcomes performance has been reviewed, and the data, methodologies, processes and supporting evidence has been challenged. We would encourage all companies to publish this information.</p> <p><b>Listening and responding to customers and other stakeholders</b></p> <p>We were pleased to see the industry’s developing approach to engaging with their customers and stakeholders about the delivery of outcomes, performance commitments and incentives. We found a growing number of good practice examples of independent customer challenge groups providing feedback and challenge on companies’ outcomes performance, with some providing stakeholder information on their website. We would encourage all companies to publish information on this, to ensure transparency for stakeholders.</p> <p><b>Compliance with the PR14 final determination outcome delivery and reporting proposals</b></p> <p>Most companies have complied with their outcome delivery and reporting proposals, agreed at PR14. We found a few instances where companies had not, and we took this into account in our assessment.</p> <p>Our decisions on outcomes, performance commitments and outcome delivery incentives at PR14 are final. If a company has found an error which it has not yet brought to our attention we expect them to adopt the approach set out in <a href="#">Information Notice 16/07 “Changes to outcomes in the 2014 price review company-specific appendices”</a>.</p> <p><b>Restated outcomes performance information</b></p>	
--	---	--

	<p>Accurate reporting of performance is important for trust and confidence. Company assurance processes are key to this and we want to incentivise high quality assurance. But we recognise that some information is, by its nature, uncertain and may need to be revised. We found a few instances where companies had restated 2015-16 outcomes information, and we took this into account in our assessment, including considering the size and impact of the restatement and whether any errors appeared to be systemic.</p>	
--	--	--

<p><b>Compliance with our principles of board leadership, transparency and governance</b></p>	<p><b>Key findings</b></p>	<p><b>Assessments</b></p>
<p>In this assessment we looked for how the information the company provided demonstrated that it has met our board leadership transparency and governance principles. This included the provision of:</p> <ul style="list-style-type: none"> <li>• transparent governance information, including group structure, and information on director remuneration;</li> <li>• evidence that the board of the regulated company has full control over the company, including its long-term strategy, and is fully focused on its obligations; and</li> <li>• clear information on the composition of the board and its sub-committees.</li> </ul> <p>This is an important assessment, designed to give stakeholders trust and confidence that the company is structured appropriately and transparently, and complies with its legal obligations.</p>	<p>We have seen an improvement in companies' reporting in this area. Last year a number of companies did not clearly demonstrate how they were meeting all of the principles. This year there were only two companies where we identified concerns that led to an assessment of "minor concerns" or "serious concerns" in this area.</p> <p>We had "serious concerns" with one company where there was a lack relevant information in its annual report meaning it was unable to demonstrate how it had met any of our principles. The company had changed ownership in the reporting year but it is still important that it provides relevant information for its stakeholders as it remains a separate company.</p> <p>We scored one company as "minor concerns" because we could not identify a description of its group structure. It is important that companies set out the structure of the group clearly and unambiguously for all stakeholders to provide transparency.</p> <p>There were some further companies where we have made small suggestions for improvement, which were not significant enough to be assessed as "minor concerns". In these cases there were isolated instances where the companies could have provided slightly more clarity to explain why they had chosen to take the approach that they had in certain areas.</p> <p>One company exceeded our expectations in this area because of the high standards of transparency and clarity which its reporting</p>	<p><b><u>Exceeds expectations</u></b></p> <ul style="list-style-type: none"> <li>• Yorkshire Water</li> </ul> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Bristol Water</li> <li>• Dŵr Cymru</li> <li>• Northumbrian Water</li> <li>• Portsmouth Water</li> <li>• SES Water</li> <li>• South East Water</li> <li>• South Staffordshire Water</li> <li>• South West Water</li> <li>• Southern Water</li> <li>• United Utilities Water</li> <li>• Thames Water</li> <li>• Wessex Water</li> </ul> <p><b><u>minor concerns</u></b></p> <ul style="list-style-type: none"> <li>• Severn Trent Water</li> </ul> <p><b><u>serious concerns</u></b></p> <ul style="list-style-type: none"> <li>• Dee Valley Water</li> </ul>

	<p>demonstrated. This company provided a particularly accessible governance section in its report and the information provided on directors' remuneration was very clear and comprehensive. It also very clearly set out its group structure and describing the function of the different companies within the group.</p>	
--	---	--

<p><b>Risk &amp; compliance statement</b></p> <p>In this assessment we looked for a statement, explicitly endorsed by the company's board, that the company has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate any risks it faces.</p> <p>This assessment is designed to give stakeholders trust and confidence in companies' approach to compliance and risk management. The statement is intended to facilitate a company-led approach to compliance.</p>	<p><b>Key findings</b></p> <p>There has been a clear improvement from last year in this area in the quality of assurance apparently provided.<sup>2</sup> This year all companies at least met our expectations, whereas last year we had minor concerns with four companies and a serious concern with one company.</p> <p>Companies have taken action to ensure that their statements are both appropriately signed off and to ensure that the statement covers all relevant areas for stakeholders.</p> <p>One company exceeded our expectations in this area because it included information from its technical advisor with the statement. This is valuable in increasing the confidence that stakeholders can have in the statements being provided by the company's board.</p>	<p><b>Assessments</b></p> <p><b><u>Exceeds expectations</u></b></p> <ul style="list-style-type: none"> <li>• Dŵr Cymru</li> </ul> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Bristol Water</li> <li>• Dee Valley Water</li> <li>• Northumbrian Water</li> <li>• Portsmouth Water</li> <li>• Severn Trent Water</li> <li>• SES Water</li> <li>• South East Water</li> <li>• South Staffordshire Water</li> <li>• South West Water</li> <li>• Southern Water</li> <li>• United Utilities Water</li> <li>• Thames Water</li> <li>• Wessex Water</li> <li>• Yorkshire Water</li> </ul> <p><b><u>minor concerns</u></b></p> <p>none</p> <p><b><u>serious concerns</u></b></p> <p>none</p>
---	---	---

<p><b>Assurance plan</b></p> <p>In this assessment we looked for the following in companies' assurance plans.</p>	<p><b>Key findings</b></p> <p>Generally the standard of assurance plans has improved from last year, as many companies responded to feedback from their stakeholders and updated their</p>	<p><b>Assessments</b></p> <p><b><u>Exceeds expectations</u></b></p> <ul style="list-style-type: none"> <li>• Dŵr Cymru</li> <li>• Northumbrian Water</li> <li>• Severn Trent Water</li> <li>• South East Water</li> </ul>
---	--	---

<sup>2</sup> Our findings here, and throughout our CMF assessment, are without prejudice to any issues that we may investigate under our enforcement powers and subsequently find wanting. It would be inappropriate to pre-empt the outcome of any investigations that might consider whether the assurance provided is indeed appropriate or accurate. Any adverse findings in this respect may be taken into account in future assessments.



<ul style="list-style-type: none"> <li>• Explanation of their approach.</li> <li>• Evidence of stakeholder engagement undertaken to develop the plan.</li> <li>• Clear scope, and rationale for targeting specific areas.</li> <li>• Appropriate language and accessibility for all stakeholders.</li> </ul> <p>This is a key test of whether companies are listening to their stakeholders and using their views to improve their provision and practices.</p>	<p>plans to reflect examples of good practice from others.</p> <p>Most assurance plans were well written and accessible for stakeholders. We found many examples of good practice, where companies had clearly updated their plan to reflect new areas of reporting and changes in significance, why particular areas had been targeted and the planned assurance activities.</p> <p>We also found room for improvement in some assurance plans. We found that several were very high level, with little or no detail on the planned assurance activities on targeted areas. It was not clear if some companies had updated their plan from the prior year as no new targeted areas had been identified.</p>	<ul style="list-style-type: none"> <li>• South West Water</li> <li>• United Utilities Water</li> <li>• Thames Water</li> <li>• Yorkshire Water</li> </ul> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Bristol Water</li> <li>• SES Water</li> <li>• South Staffordshire Water</li> <li>• Southern Water</li> <li>• Wessex Water</li> </ul> <p><b><u>minor concerns</u></b></p> <ul style="list-style-type: none"> <li>• Portsmouth Water</li> <li>• Dee Valley Water</li> </ul> <p><b><u>serious concerns</u></b></p> <p>none</p>
---	--	---

<p><b>Data assurance summary</b></p> <p>We checked that companies have:</p> <ul style="list-style-type: none"> <li>• published a data assurance summary for 2016-17 activities;</li> <li>• covered the targeted areas from the companies assurance plans; and</li> <li>• provided an overview of the companies' assurance methods and processes, the audit exercises and their findings.</li> </ul> <p>This assessment was designed to ensure that companies provided</p>	<p><b>Key findings</b></p> <p>All companies published a data assurance summary for their 2016-17 activities. The standard of these has improved from last year, as companies responded to feedback from their stakeholders and updated their summaries to include the good practice from others.</p> <p>The summaries were mostly well-written, clear and accessible. Many companies had provided a helpful explanation of how they had assured their targeted areas, and included the views of their technical assurer. Some were published as self-standing documents, whereas other were incorporated into APRs. We considered either approach to be</p>	<p><b>Assessments</b></p> <p><b><u>Exceeds expectations</u></b></p> <ul style="list-style-type: none"> <li>• Northumbrian Water</li> <li>• Severn Trent Water</li> <li>• United Utilities Water</li> <li>• Yorkshire Water</li> </ul> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Anglian Water</li> <li>• Dee Valley Water</li> <li>• Portsmouth Water</li> <li>• SES Water</li> <li>• South East Water</li> <li>• South Staffordshire Water</li> <li>• South West Water</li> <li>• Southern Water</li> </ul>
---	---	---

<p>accessible assurance to stakeholders, to build trust and confidence in their data publications.</p>	<p>satisfactory, provided stakeholders could easily find them on the website.</p> <p>We found good examples of where companies had redesigned the structure and content of their summaries in response to feedback on last year's summaries. Many companies had updated their summaries to reflect new areas of reporting and changes to their targeted areas since the previous year.</p>	<ul style="list-style-type: none"> <li>• Thames Water</li> <li>• Wessex Water</li> </ul> <p><b><u>minor concerns</u></b></p> <ul style="list-style-type: none"> <li>• Bristol Water</li> <li>• Dŵr Cymru</li> </ul> <p><b><u>serious concerns</u></b></p> <p>none</p>
--	--	---

<b>Casework</b>	<b>Key findings</b>	<b>Assessments</b>
<p>In this assessment we looked at companies' responses to non-strategic cases from 1 April 2016 onwards. We considered companies' responses to our requests for information. We checked that companies had provided complete, accurate information within our timescales, and engaged effectively with us.</p> <p>This assessment focused on trust and confidence in companies' information provision, and complemented the other assessments that focused on information published by companies.</p>	<p>We have assessed five companies, for which we received information to inform non-strategic cases during the assessment period, and we were pleased to see some examples of good practice. For example, we saw some companies providing timely and clear information that was of a quality that enabled us to progress our investigations.</p> <p>We did, however, record some minor concerns relating to two of the companies. The minor concerns included not responding fully to our requests for information or providing information that was either incorrect or unclear. This affected our ability to rely on the information to progress our investigation and required steps to seek further clarifications.</p>	<p><b><u>Exceeds expectations</u></b> None</p> <p><b><u>meets expectations</u></b></p> <ul style="list-style-type: none"> <li>• Affinity Water</li> <li>• Dŵr Cymru</li> <li>• United Utilities Water</li> </ul> <p><b><u>minor concerns</u></b></p> <ul style="list-style-type: none"> <li>• Bristol Water</li> <li>• Southern Water</li> </ul> <p><b><u>serious concerns</u></b> None</p>

<b>Wider assurance and information</b>
<p>This assessment considers any information across a range of publications, regulatory submissions and bilateral engagement that impacted on trust and confidence in the information produced. This year, this assessment included consideration of:</p> <ul style="list-style-type: none"> <li>• the clarity of a company's explanation of its tax information included in the APR.</li> <li>• any incorrect public statements that we had to ensure were corrected</li> <li>• Whether companies' approach to providing information in relation to cost assessment this year would lead to an evident reduction in the trust and confidence customers could place in the company.</li> </ul>

## 2.4 Examples of good practice, and areas for improvement

Ultimately, the company monitoring framework is intended to provide stakeholders with confidence in the information companies publish and to increase the transparency around how companies are performing. Companies need to own their information and continue to improve the clarity and transparency of what they publish.

When assessing company information, we saw examples of companies learning and developing their approach and a number of examples of good practice. Company assurance plans and data assurance summaries have improved from last year. We found several examples where companies had amended their approach in response to stakeholder engagement, and where they had reviewed best practice across the sector and incorporated this into their own publications.

Companies are continuing to improve the transparency and accessibility of information on their performance against their commitments and engaging with stakeholders on this. This year some companies published restated 2015-16 performance information in the APR. Accurate reporting of performance is important for trust and confidence. Company assurance processes are key to this and we want to incentivise high quality assurance. But we recognise that some information is, by its nature, uncertain and may need to be revised. We expect companies to think carefully about how they explain such issues and demonstrate that these are not the result of poor practice or governance processes.

When assessing company reporting against Outcomes performance commitments we saw:

- More customer-friendly ways of communicating performance information to customers and other stakeholders, especially on websites<sup>3</sup>.
- Some companies adapting their websites so that performance information is presented in a similar way to the national Discover Water website, which could aid with comparisons<sup>4</sup>.
- The sector's approach to engaging with their customers and stakeholders about the delivery of outcomes, performance commitments and incentives developing.

---

<sup>3</sup> United Utilities' "Delivering our promises: a summary guide" is a short video that gives customers a summary of the company's performance, the targets it has missed and how it's going to improve service in the future: <https://www.unitedutilities.com/corporate/about-us/performance/>

Yorkshire Water's performance summary "Hitting our targets – our performance in 2016/17" shows that the company has carefully considered how to communicate its performance information to customers in a 'short and fun' manner: <https://www.yorkshirewater.com/ourperformance>

<sup>4</sup> Examples of this are Anglian Water's performance portal: <http://ourperformance.anglianwater.co.uk/> and South Staff Water's customer performance dashboard: <https://www.south-staffs-water.co.uk/about-us/our-business/our-performance-dashboard>

- A growing number of good practice examples of independent customer challenge groups providing feedback and challenge on companies' outcomes performance, with some providing stakeholder information on their website<sup>5</sup>.

We have seen an improvement in companies reporting on board leadership, transparency and governance. This was the first time that a company has exceeded our expectations in this area, because of the high standards of transparency and clarity its reporting demonstrated. We were also pleased to find no significant or minor concerns with the companies' charges schemes assurance and the risk and compliance statement.

We also found some areas for improvement. Our review under the financial monitoring framework identified a range of issues across a number of companies, including basic data errors, misreporting of bad debt figures and calculation issues. We would normally expect these to be identified by the companies' own assurance processes, so the number of errors was disappointing. We have also seen a slightly higher number of issues in relation to reporting of outcomes compared with last year.

---

<sup>5</sup> Examples of this are Affinity Water's Customer Challenge Group's Annual Report January 2016 – March 2017: <https://stakeholder.affinitywater.co.uk/company-performance.aspx>, Northumbrian Water's Water Forums' views have been published on pages 6 and 7 of the company's Annual Performance Report 2016-17: <https://www.nwl.co.uk/your-home/annual-performance-review.aspx>, Thames Water's CCG commentary on the company's performance commitments: <https://corporate.thameswater.co.uk/About-us/Our-business/Our-performance>, United Utilities' YourVoice panel 'Reflecting on United Utilities' performance – 2016-17: <https://www.unitedutilities.com/corporate/about-us/performance/yourvoice/yourvoice-updates-and-meeting-minutes/>, Welsh Water's Customer Challenge Group's report to Dŵr Cymru Welsh Water Board: <http://www.dwrcymru.com/en/Customer-Service/Your-Company-Your-Say/CCG.aspx>, Wessex Water Partnership's Annual Report 2017: <http://www.wessexwaterpartnership.co.uk/#meetings> and The Yorkshire Forum for Water Customers has included a statement on pages 12 and 13 of Yorkshire Water's Annual Performance Report: <https://www.yorkshirewater.com/ourperformance>

---

## **3. What happens next?**

### **Assurance planning**

As part of the CMF, companies in targeted or prescribed assurance categories should conduct a risks, strengths and weaknesses assessment with their stakeholders, and publish a statement by 30 November. Companies must then use their risks, strengths and weaknesses exercises to develop a draft assurance plan, for consultation, and publish a final assurance plan.

We expect companies to reflect on the feedback we provide and take it into account in their approach to assurance. Specifically for companies that move assurance categories their approach may need to be amended to reflect the requirements for the category they move to. Below, we set out what this means for companies who we have promoted or re-categorised into a category below its previous one.

#### **3.1.1 Companies promoted from targeted assurance to self-assurance**

This section applies to Northumbrian Water which has moved to the self-assurance category.

We do not require companies in the self-assurance category to carry out a risks, strengths and weaknesses exercise, or develop and publish assurance plans, in the same way that we do for companies in other categories. This is because companies in this category have demonstrated that stakeholders can place confidence in the information that they provide.

Northumbrian Water will already be publishing its risks, strengths and weaknesses statement and we expect it to continue to use this as a guide to inform its approach to assurance. However, Northumbrian Water now has more flexibility in terms of how they approach assurance.

#### **3.1.2 Companies promoted from prescribed to targeted**

This section applies to Yorkshire Water which has moved to the targeted category.

We expect companies with targeted assurance to conduct a risks, strengths and weaknesses exercise, to identify priority areas for them to develop assurance plans. Yorkshire Water was assessed as prescribed last year, so will already be publishing this

document. However, it will not now be required to complete the additional steps which only apply to prescribed companies.

### **3.1.3 Companies re-categorised from self-assurance to targeted assurance**

This section applies to Severn Trent Water, which has moved to the targeted assurance category.

We expect companies with targeted assurance to conduct a risks, strengths and weaknesses exercise, to identify priority areas for them to develop assurance plans. Companies in the targeted assurance category before we published this document will have published a risks, strengths and weaknesses statement by 30 November. However, given the date of this document, we would expect companies re-categorised from self-assurance to targeted assurance to publish this statement by 31 January 2018.

The requirement to publish a draft assurance plan for consultation, and to finalise that assurance plan, applies to Severn Trent Water, and all other companies in the targeted assurance category. We expect all companies in the targeted and prescribed categories to publish their final assurance plans well in advance of publishing their annual performance reports data. In practice, most companies chose to publish their final assurance plans by 31 March this year.

### **3.1.4 Companies re-categorised from targeted to prescribed assurance**

This section applies to Thames Water, which has moved to the prescribed assurance category this year.

As with companies with a targeted assurance status, companies in the prescribed assurance category need to have conducted a risks, strengths and weaknesses exercise, and to publish a statement by 30 November 2017. For companies who have moved to the prescribed assurance category, they may choose to revisit their risks, strengths and weaknesses as a first step towards developing wider and more detailed assurance plans. We would expect this to be completed and published for consultation by 31 January 2018.

Having identified priority areas for improvement, companies in this category must seek independent external assurance in these cases, or by exception explain why this is not appropriate. Companies in the prescribed assurance category must also publish all of their assurance plans on their website ahead of publishing their annual performance reports. In practice, we would expect this to be done by 31 March 2018.

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 trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham B5 4UA

Phone: 0121 644 7500  
Fax: 0121 644 7533  
Website: [www.ofwat.gov.uk](http://www.ofwat.gov.uk)  
Email: [mailbox@ofwat.gsi.gov.uk](mailto:mailbox@ofwat.gsi.gov.uk)

Printed on 75% minimum de-inked post-consumer waste paper.  
November 2017

ISBN 978-1-911588-20-7

© Crown copyright 2017

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3) or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

Any enquiries regarding this publication should be sent to us at [mailbox@ofwat.gsi.gov.uk](mailto:mailbox@ofwat.gsi.gov.uk).

