

# Information notice

IN 19/06 March 2019

The logo for Ofwat, consisting of the letters 'o', 'f', 'w', 'a', and 't' in a blue sans-serif font. The 'w' is enclosed in a blue circle. To the right of the logo is a vertical blue bar.

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.

## Expectations for monopoly company annual performance reporting 2018-19

This information notice covers the information that we expect the largest regulated water companies in England and Wales to produce annually in addition to the reporting requirements for the Annual Performance Report (APR) that are contained in our [IN 19/03 Regulatory accounting guidelines 2018-19](#). Companies may also be required to publish information as part of the PR19 process but this is not included in this information notice.

### Background

Residential customers in England and Wales (and most businesses in Wales) cannot choose their water and wastewater supplier, instead they must pay monopoly companies to provide these services. Companies need to be transparent about their performance and customers need to be confident that they are held to account when they do not deliver against their promises. An important part of achieving this is through the publication of information about how the companies are performing.

We expect all monopoly companies to decide how best to report their performance each year. But we also expect companies to publish some common information. This is to allow customers and other stakeholders to compare the performance of individual companies to the rest of the sector. The largest companies also publish their comparative information on the [Discover Water](#) website.

Providing comparative information helps customers and other stakeholders challenge companies on performance and future targets. We also use the information that companies publish to look at their performance in different areas.

Each company's board is accountable for the quality and transparency of the information it provides on its performance. Companies should set out the assurance processes they have followed in providing the information about their performance.

## What companies will publish

As part of their annual reporting we expect companies to be transparent about their performance and explain clearly, and in a balanced way, what is driving performance, and the steps they are taking to improve. This should cover all aspects of performance, including financial and operational performance.

As a minimum, in addition to the reporting requirements for the APR that are contained in [IN 19/03 Regulatory accounting guidelines 2018-19](#), we expect companies to publish the following:

### Risk and compliance statement

A risk and compliance statement, appropriately signed off, in which the Board clearly confirms that the company:

- considers that it has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
- has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

Where the company considers it is unable to provide such a statement it should explain why it is unable to do so.

### Data assurance summary

A data assurance summary of the results of the data assurance that the company has carried out to evidence that the information provided is accurate.

### Board leadership, transparency and governance

A demonstration through their annual reporting of how the company is meeting our board leadership, transparency and governance principles. We published a new set of principles in January 2019, however the 2014 principles will remain in place until 31 March 2019 and companies should report against these in their 2018-19 annual reporting.

During 2018-19 we expected companies to comply with the 2014 principles or explain any departures. Companies should ensure that any explanations for practices that do not comply with the 2014 principles address how the alternative approach retains the confidence of their customers and other stakeholders by reference to the underlying principles. We highlighted some areas in [Board](#)

[leadership, transparency and governance – conclusions on revising the principles](#) where we consider some companies will need to review their approach.

We also expect that as companies transition to the 2019 principles they will provide information in 2018-19 reporting that shows the steps that they are taking to ensure they can meet the objectives of the new 2019 principles going forward.

## **Explaining company direction and performance**

In April 2018 we asked companies to produce a short annual statement setting out how they are delivering for everybody who depends on their services and how the company has set its aspirations. We were disappointed that a number of companies did not provide this statement in their 2017-18 annual reporting and we continue to believe that this is an important transparency requirement that companies should adopt in their 2018-19 reporting. We have since incorporated an ongoing expectation for this annual statement in the refreshed 2019 board leadership, transparency and governance principles.

## **Information on PR14 reconciliation**

We explained in our 2019 price review [initial assessment of plans](#) (IAP) (accounting for past delivery detailed actions) that we will require companies to refresh all of their PR14 reconciliations to replace the 2018-19 forecast performance with 2018-19 actual performance and update the evidence for their forecast 2019-20 performance taking into account actual 2018-19 performance. We expect companies to submit their PR14 reconciliation rulebook information and populated PR14 reconciliation models by 15 July 2019.

## **Assurance**

Each company is responsible for implementing assurance procedures to make sure they meet all of their legal and regulatory obligations. Our [company monitoring framework](#) sets out the practical steps for doing this.

We are currently agreeing the required wording of the audit opinion for 2018-19 with audit firms. We will share the agreed wording with our regulatory accounts working group contacts and all companies when it has been finalised and it will be available on our website. As a minimum the audit opinion should cover the pro forma tables in section one and section two of the annual performance report.

## Next steps

Companies should:

- publish the information set out in this information notice no later than 15 July; and
- as soon as practicable after publication send us a link to where the information has been published.

It would improve transparency for stakeholders if companies also publish or link to the latest accounts of their ultimate controller on their websites.

Companies should send electronic links to [FinanceAndGovernance@ofwat.gov.uk](mailto:FinanceAndGovernance@ofwat.gov.uk) and upload any supporting information, tables, or copies (that they would have otherwise attached by e-mail) to our SharePoint DCS website. We have created a folder for 'July APR 2019'.

Where evidence emerges that a company is not providing assurance or may not be complying with its obligations and commitments we will take appropriate action to protect customers. We reserve the option to ask for more specific information on any performance issues which we deem carry significant risks to customers or if we do not have confidence that a company is meeting its obligations and commitments. The action we take would be targeted, proportionate and progressive in nature – where appropriate starting from informal action and resulting, if necessary, in more formal action. Our [approach to enforcement](#) provides further detail.

## Enquires

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

## More information

[Discover Water website](#)

[Company monitoring framework – final position, updated June 2018](#)

[Company monitoring framework: 2018 assessment, January 2019](#)

[Information and assurance, Ofwat webpages](#)

[Board leadership, transparency and governance – principles, January 2014](#)

[Board leadership, transparency and governance – principles, January 2019](#)

[2014 price review](#)

[Risk-based approach to regulation](#)

[Ofwat's approach to enforcement](#)

[2019 annual performance report tables, Excel template](#)

[2019 annual performance report tables – small companies, Excel template](#)

[Outcomes, performance commitments and outcome delivery incentives 2017-18, Excel file](#)

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.gov.uk](mailto:mailbox@ofwat.gov.uk)

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