



South Staffs Water



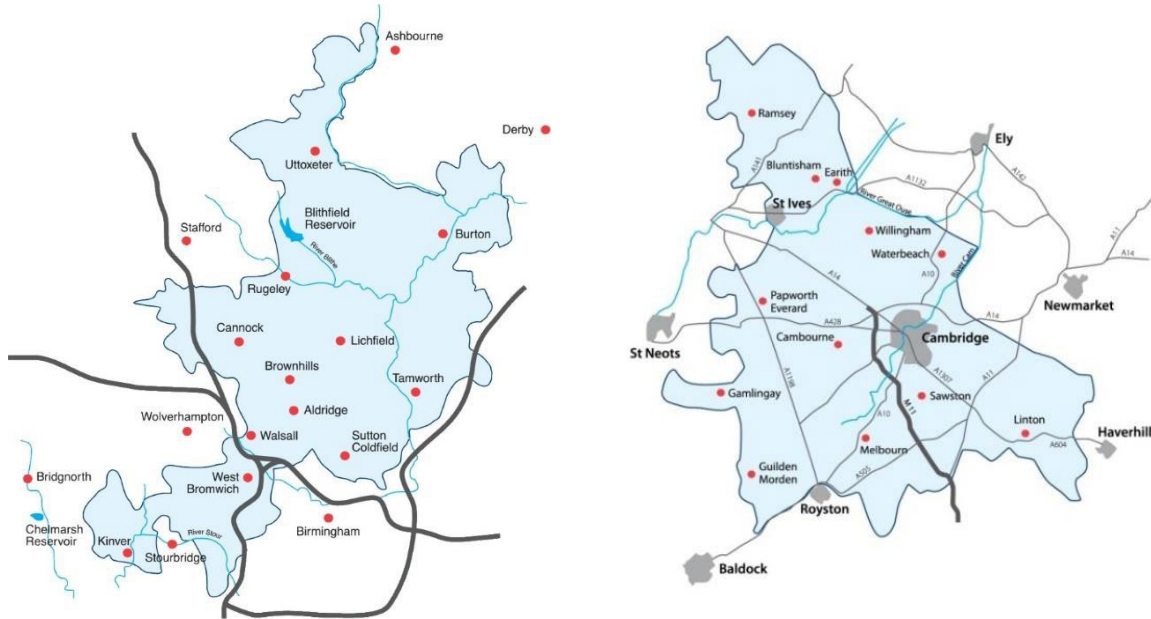
Cambridge Water

Draft Assurance Plan 2025/26

December 2024

About us

South Staffs Water, incorporating Cambridge Water, supplies clean water services to around 1.7 million people in parts of Staffordshire and the West Midlands; and in and around Cambridge.



We are part of a larger group of companies, South Staffordshire Plc, which is in turn owned by long-term pension scheme and institutional investors, Arjun Infrastructure Partners.

All water companies in England and Wales are regulated by the Water Services Regulation Authority, known as Ofwat. Ofwat has a duty to ensure that water companies are able to efficiently finance their operations while acting in the interest of customers.

About this document

Each year we publish a wide range of information for our stakeholders (regulators, customers and other bodies), about how we run our business and the service standards we achieve. It is important that this information can be trusted to be accurate and complete, so we carry out a range of assurance processes to give customers, regulators and other stakeholders confidence that the information is robust.

This document sets out our assurance plan for the period April 2025 to March 2026. Its purpose is to demonstrate to our customers, regulators and other stakeholders:

- the process we have been through to understand our regulatory reporting risks; and
- the plan we propose to put in place to ensure those risks are controlled.

Setting out our principles and processes in this way enables us to demonstrate that **assurance** and **governance** are important to us, and that we are effectively planning for these activities to take place each year. We want all our stakeholders to have confidence that the information we publish across all areas of our performance is accurate and well explained.

What is assurance?

Assurance is the set of processes we follow to give our stakeholders confidence that the information we have published is:

- at the right level of accuracy;
- complete; and
- clear and easy to understand.

It is a layer of protection that ensures our published data is signed off by the people in our business who are responsible for transparency and trust. It is also a process that helps us identify areas where data needs to be improved so that we can be sure to report it accurately.

What is governance?

Governance is about how our business is managed, from the Board level down to all areas of our service. Our operating licence has a number of conditions related to corporate governance that we must comply with. But, governance goes beyond just our licence conditions. Because we provide an essential public service, we must demonstrate that we operate to high standards of leadership, fairness and transparency. We must act in the best interests of our customers at all times. We must also make sure we continue to plan for the future so that the services we provide remain resilient and sustainable.

How to have your say?

It is important to us that our assurance processes give our customers and wider stakeholders the confidence in our reporting. So, we welcome any comments that anyone may have about this plan or any other aspect of our data or assurance.

If you wish to comment, please email regulation@south-staffs-water.co.uk. The deadline for responses is 31 January 2025. We will publish our final assurance plan by April 2025.

Contents

1. The regulatory framework for assurance	5
2. Updates from 2024/25 assurance plan	6
3. Assurance risk assessment process	8
4. Outcomes of our risk assessment	13
5. Assurance plan targeted areas for 2025/26	19
Targeted area A – Expenditure Delivery Plans for 2025-30	20
Targeted area B – Price Control Deliverable (PCD) reporting	21
Targeted area C – Delivery Plan Progress Report	22
Targeted area D – Performance Commitments for 2025-30 period	23
Targeted area E – Annual customer and developer charges	24
Targeted area F – Annual Performance Reporting	26
6. Assurance timescales for 2025/26	27

1. The regulatory framework for assurance

Assurance has been a key part of the regulatory framework under which we operate for many years. We have published standalone documents describing our assurance processes since 2015.

We take a risk-based approach to our assurance and publish information about our assurance plans each year, so that stakeholders can understand how we deliver assurance and why, and have the opportunity to make comments to us about any areas of assurance that they believe need to be strengthened.

We will also set ourselves ‘targeted areas’. These ensure that areas of higher risk or significant change are given appropriate focus during assurance activity. This helps us to focus our assurance activity and improve transparency to stakeholders.

Ofwat has introduced a requirement for companies to provide a statement, signed by, or on behalf of the Board, stating that the data and information which the Company has provided to Ofwat in the reporting year and/or which they have published in their role as water undertaker was accurate and complete and setting out any exceptions to this which should be clearly explained. This statement can be found on pages 39 to 40 of our Annual Performance Report¹. This assurance plan is a fundamental part of the main factors our Board considers for it be able to make such a statement.

¹ <https://www.south-staffs-water.co.uk/media/ynraiwza/annual-performance-report-ye-31-march-2024-12-july-2024.pdf>

2. Updates from 2024/25 assurance plan

Assurance is an ongoing activity where we look to continually improve, and we publish our plan annually for the forthcoming year. The following updates have been made from our plan last year:

Update	Description of update
Risk scoring	<p>Each year for our draft plan we review and update the risk scoring for each of our assurance areas. We then evaluate our high and medium risks in further detail. Our updated scores and evaluation can be found in section 4 of this document. We have included new requirements resulting from Ofwat’s PR24 process including Performance Commitments and Price Control Deliverables (PCDs).</p>
Revisions and additions to our targeted areas	<p>Our targeted areas are the higher risk areas we have identified which need additional assurance and governance focus. We review these targeted areas annually.</p> <p>This year we have updated our targeted areas to reflect several new reporting requirements set out by Ofwat in the Draft Determination published in July 2024. The final requirements will be published in the Final Determination, expected in late December 2024.</p> <p>In summary, the new requirements are:</p> <ul style="list-style-type: none"> • An assured delivery plan setting out our expenditure delivery targets, required by July 2025 • Reporting on new Price Control Deliverables (PCDs) every six months. A PCD is a required level of output or outcome from enhancement investment against a specific target each year. • An annual delivery progress report <p>We have removed the following three targeted areas from last year’s plan:</p> <ul style="list-style-type: none"> • PR24 – The Final Determination is expected to be published on the 19 December 2024. • Delivery of water treatment works expenditure – This work will be completed by March 2025. • Environmental compliance - We have worked on ensuring that our environmental compliance is clear and transparent including: <ul style="list-style-type: none"> ○ Taking steps to improve our abstraction licence monitoring and forecasting, implementing additional resource and software to enable more real time management of performance. As a result, we achieved 100% compliance across both regions

	<p>in2023/24.</p> <ul style="list-style-type: none">○ Focusing on improving our self-reporting processes. We have implemented a new environmental incident reporting process directly aligned with our Health & Safety reporting. We have also notably improved our self-reporting of issues to the Environment Agency, as a result of the action we have taken to deliver training and process improvements. <p>This means we are able to demonstrate our response to such incidents as well as our ongoing learning and improvement. By replicating our Health & Safety approach, we are able to identify key themes and implement training, process and equipment improvements and upgrades to prevent more serious incidents occurring.</p> <p>We have retained the remaining targeted areas covering charges and the Annual Performance Report (APR) which continue to be relevant for assurance and governance focus, although we have updated the priorities for the coming year.</p>
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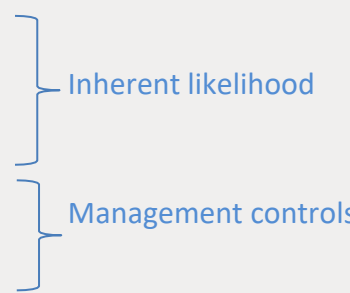
3. Assurance risk assessment process

3.1 Our risk assessment methodology

We use a risk assessment process to determine the minimum level of assurance for a piece of information or data. This is because different data may have different risks associated with its compilation or accuracy, and different consequences depending the purpose of the data.

We score assurance risk by looking across several factors that influence the **likelihood** that the data may contain an error; and the **impact** that inaccurate, incomplete or late data may have on the recipient or other parties. The factors we consider are shown below and are scored from 1 (low risk) to 4 (critical risk):

The **likelihood** that the data may contain an error (seven sub-factors):

- a. Complexity of the data sources;
 - b. Completeness of the data set;
 - c. Extent of manual intervention;
 - d. Complexity and maturity of the reporting rules;
 - e. Control activities already established;
 - f. Experience of our personnel;
 - g. Evidence of historical errors and last audit.
- 
- The diagram shows two blue brackets on the right side of the list. The top bracket groups items a, b, c, and d, with the label 'Inherent likelihood' to its right. The bottom bracket groups items e, f, and g, with the label 'Management controls' to its right.

The **impact** that inaccurate, incomplete or late data will have on the recipient or other parties (four sub-factors):

- a. Customers;
- b. Competition;
- c. Financial;
- d. Compliance with all regulatory requirements.

The tables on the following two pages show the detailed scoring criteria for likelihood and impact respectively.

Figure 1: Assessment criteria for scoring the likelihood element*:

Score	Complexity of data sources	Completeness of the data set	Extent of manual intervention	Complexity and maturity of the reporting rules	Control activities already established	Experience of our personnel	Evidence of historical errors and last audit.
4	Reliance on data from outside of the organisation which has no assurance provided.	A one off data request, or compilation of the data less often than 5 year intervals.	A significant proportion of the data set is manually collated or manually processed, after its initial input into the source system.	Complex rule set that has been issued or significantly altered within the last 12 months.	There are no existing control activities or control activities have not been assessed.	The data is being collated by personnel with no previous experience of data set and no method statement available to explain prior approach.	Significant issues were identified at the last audit or any time since.
3	Reliance on data from outside of the organisation which has assurance provided.	There is significant extrapolation from a smaller data set.	A moderate proportion of the data set is manually collated or manually processed, after its initial input into the source system.	The rule set requires significant interpretation, judgement or assumptions.	Control activities have been assessed but been in place for less than 12 months.	The data is being collated by personnel with previous experience of data set but no method statements are available to explain prior approach.	Moderate issues were identified at the last audit or any time since.
2	Data is required from two or more corporate systems.	There is some extrapolation from a smaller data set.	A low proportion of the data set is manually collated or manually processed, after its initial input into the source system.	The rule set requires some interpretation, judgement or assumptions.	Control activities have been assessed and been in place for more than 12 months but less than 2 years.	The data is being collated by personnel with no previous experience of data set but method statements are available to explain prior approach.	Minor issues were identified at the last audit or any time since.
1	Score of 1 applies when none of the above criteria apply.						

* We take the highest score across all assessment categories for the purpose of assessing assurance risk.

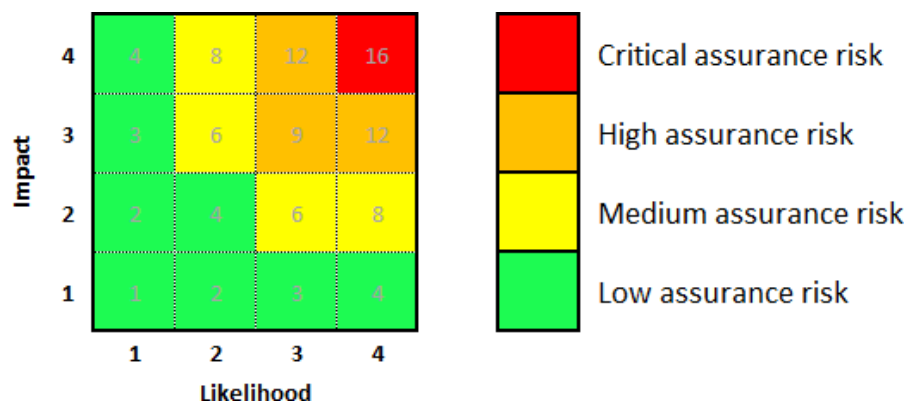
Figure 2: Assessment criteria for scoring the impact element*:

Score	Customers	Competition	Financial	Compliance and regulation
4	A significant impact on a large number of customers.	High impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a major financial impact, equivalent to greater than $\pm 5\%$ of the annual baseline TOTEX allowance.	A significant impact on compliance with license, any other statute or environmental permit. or A significant impact on data that is used within comparative regulation, for example costs and performance metrics.
3	A moderate impact on a large number of customers. or A significant impact on a small number of customers.	Moderate impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a moderate financial impact, equivalent to greater than $\pm 2\%$ but less than $\pm 5\%$ of the annual baseline TOTEX allowance.	A moderate impact on compliance with license or any other statute. or A moderate impact on data that is used within comparative regulation, for example costs and performance metrics.
2	A moderate impact on any number of customers.	Low impact on the operation of the market or the ability to demonstrate compliance with the Competition Act or level playing field.	An error or omission that could potentially give rise to a low financial impact, equivalent to greater than $\pm 1\%$ but less than $\pm 2\%$ of the annual baseline TOTEX allowance.	A low impact on compliance with license or any other statute. or A low impact on data that is used within comparative regulation, for example costs and performance metrics.
1	Score of 1 applies when none of the above criteria apply.			

* We take the highest score across all assessment categories for the purpose of assessing assurance risk.

We calculate an assurance risk score by multiplying the maximum scores from the likelihood assessment and the impact assessment, giving a maximum score of 16. The score obtained allows us to assign a category as follows:

Figure 3: Risk score categories:



We then use this score to derive the minimum level of assurance required as follows:

Figure 4: Minimum standards of assurance:

Category	Low assurance risk	Medium assurance risk	High assurance risk	Critical assurance risk
Planning	Methodology statement is required for all data			
Audit	Second person review	Independent internal assurance	Third party assurance	Third party assurance
Sign off	Manager sign off	Senior manager sign off	Director sign off	Board sign off

Note that in many instances we increase the level of assurance from the minimum standards, for example where there is a higher regulatory or customer expectation. In practice this means many low and medium risk areas are also subject to third party assurance, and because of their inclusion within the APR, are also subject to Board sign off. We will ensure that if the extent of third party assurance on low and medium risk areas falls in future, that we undertake some dip sampling to give stakeholders and customers confidence that these lower risk areas are still robust.

Figure 5: Roles and responsibilities:

The table below shows the different options for assurance, when it applies, who is responsible, and its scope.

Activity	When applies	Who is responsible	Scope
Planning			
Methodology statement	All assurance categories	Person(s) or team managing or compiling the submission	Explains process to produce the submission and should include details of: systems, responsibilities, timing, methodologies, calculations etc. Details the plan to complete the submission, including details of timetable, responsibilities, sign off and governance meetings as relevant.
Audit			
Second person review	Low assurance category	Person with reasonable understanding of requirements Separate from person who compiled the data	Must check the submission in detail and any associated commentary. Confirm adherence to and adequacy of the methodology statement. Confirm accuracy of data through checking inputs, including any management assumptions and reviewing evidence to support entries or statements.
Internal audit	Medium assurance category and high assurance category as appropriate	An independent internal assurance provider, eg a Group internal audit function or a subject matter expert not directly involved in the return	Responsible for providing independent evidence of verification of data and to define a level of confidence that can be placed on the overall reported data. Reported/documentated through formal governance channels.
External audit	High assurance category and critical assurance category	Audit carried out by a third party outside the company or group Independent registered audit organisations or independent experts	Responsible for providing independent evidence of verification of data and to define a level of confidence that can be placed on the overall reported data. Formal report produced.
Sign off			
Manager sign off	Low assurance category	Accountable manager	Detailed review of data and the narrative by a manager.
Senior manager sign off	Medium assurance category	Accountable senior manager	Detailed review of data and the narrative by a senior manager. Complete and sign a record of evidence attesting to confidence in the accuracy of the submission.

Director sign off	High assurance category	A member of the Executive Team	Must complete and sign a record of evidence attesting to accuracy of the submission. Derives an overall confidence assessment for the submission.
Board sign off	High assurance category and critical assurance category as appropriate	Company Board	Board reviews summary of submission and assurance activities followed, as presented by a relevant Director. Approval of submission must be minuted to enable completion of a record of evidence attesting to accuracy.

3.2 Role of our Board

The Board of Directors recognise the responsibilities that come from providing a public service and is therefore fully committed to maintaining high standards of leadership, transparency and governance.

We continue to apply the principles of our Corporate Governance Code on board leadership, transparency and governance. Although we are not a public listed company, the Board recognises that they should act, where applicable, as if we were. Our code has drawn on principles of the UK Code that may be applicable to a privately owned regulated company.

In conjunction with the Board's Audit and Risk Committee, the Board as a whole is responsible for the Company's systems of internal control, evaluating and managing significant risks to the Company. The role and responsibilities of the Audit and Risk Committee include:

- Monitoring the integrity of financial statements and reviewing significant financial reporting judgements contained therein;
- Reviewing the Company's internal financial controls;
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function;
- Monitoring and reviewing compliance with drinking water quality standards and environmental permits.

The work of the Audit and Risk Committee specifically covers business risks, the work of Internal Audit and the external financial and technical auditors.

4. Outcomes of our risk assessment

The following tables show our risk scoring for a variety of data that we regularly produce or publish. We have organised the scoring into two groups:

Table 1: Performance commitments operating between 2025 and 2030.

Table 2: A wide range of other submission and data covering several regulators.

Table 1: Risk scores for performance commitments for 2020 to 2025

Data Item	Data Description	Frequency	Risk Score			
			Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
PC D1 water quality compliance	Water quality compliance risk index	Annual	1	3	3	Low
PC D2 water supply interruptions	Average duration of interruption per property	Annual	2	3	6	Medium
PC C1 leakage South Staffs region	Leakage level in the South Staffs region.	Annual	2	3	6	Medium
PC C2 leakage Cambridge region	Leakage level in the Cambridge region.	Annual	2	3	6	Medium
PC C3 per capita consumption South Staffs region	Average litres of water used per person per year the South Staffs region	Annual	2	3	6	Medium
PC C4 per capita consumption Cambridge region	Average litres of water used per person per year the Cambridge region	Annual	2	3	6	Medium
PC D4 mains repairs	Number of burst mains per year	Annual	2	3	6	Medium
PC D5 unplanned outage	Percentage of unplanned outage out of our total production capacity	Annual	3	3	9	High
PC D3 risk of severe restrictions in a drought	Percentage of customers at risk from severe restrictions in a drought scenario	Annual	1	3	3	Low
PC B4 priority services for customers in vulnerable	Percentage of customers registered on our PSR out of the total number of customers	Annual	1	3	3	Low
PC A1 CMEX	Ofwats measure of customer service performance.	Annual	3	3	9	High
PC A2 DMEX	Ofwats measure of developer service performance	Annual	3	3	9	High
PC A3 retailer measure of experience	Wholesaler performance in the business retail market	Annual	3	2	6	Medium
PC B1 financial support	Number of customers that we have helped with debt support and social tariffs	Annual	2	2	4	Low
PC B2 Extra Care assistance	Percentage of customers who have taken up our extra care offering from the PSR	Annual	1	2	2	Low
PC B3 education	Number of people receiving our education services	Annual	1	2	2	Low
PC C5 environmentally sensitive water abstraction	Compliance with the abstraction incentive mechanism baselines	Annual	1	3	3	Low
PC C6 supporting water efficient housebuilding	Water efficiency savings attributed to new build homes in our regions	Annual	3	2	6	Medium
PC C7 protecting wildlife, plants, habitats and catchments	Number of hectares of land we actively management for environmental improvements	Annual	2	2	4	Low
PC C8 carbon emissions	Amount of carbon emissions we produce	Annual	3	2	6	Medium
PC D6 customer contacts about water quality	Overall customer contact rate for water quality concerns	Annual	2	3	6	Medium
PC D7 visible leak repair time	Number of days in which we repair 90% of visible leaks	Annual	1	2	2	Low
PC D8 water treatment works delivery programme	Completion of our water treatment works upgrade programmes	Annual	1	3	3	Low
PC E1 bad debt level	Level of bad debt as a percentage of total household revenue	Annual	1	2	2	Low
PC E2 residential void properties and gap sites	Percentage of void properties that we check each year to confirm their void status	Annual	1	2	2	Low
PC E3 employee engagement	Level of employee satisfaction and our attainment of investors in people accreditation	Annual	2	2	4	Low
PC E4 treating our suppliers fairly	Payment of small companies within 30 days terms	Annual	2	2	4	Low
PC F1 trust	Customer trust in our company from quarterly customer surveys	Annual	3	2	6	Medium
PC F2 value for money	Customer perceptions of our value for money from quarterly customer surveys	Annual	3	2	6	Medium
PC NEP01 delivery of WINEP programme	Completion of our environmental programmes	Annual	2	3	6	Medium

Table 2: Risk scores for other regulatory information

Data Item	Data Description	Frequency	Risk Score			
			Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
Annual charges	The publication of our wholesale and retail annual charges.	Annual	2	4	8	Medium
CCWater quarterly return	The quarterly data return to CCWater on customer service performance and complaints handling.	Quarterly	2	2	4	Low
Annual review of FWRMP, inc SOSI, table 7, table 10, table 1	The annual review on progress of the five year water resources management plan.	Annual	3	2	6	Medium
Abstraction returns	The volumes of water abstracted from our sources.	Annual	2	3	6	Medium
Environmental performance assessment	Discharge permit compliance, pollution events and abstraction compliance including self reporting.	Annual	3	2	6	Medium
Annual streamlined energy and carbon reporting	The annual assessment of carbon emissions.	Annual	3	2	6	Medium
Energy savings opportunity scheme	A submission on the mandatory UK programme introduced under the EU Energy Efficiency Directive.	4 yearly	3	2	6	Medium
Water resources management plan	The five yearly assessment of water resource position and demand forecasting.	5 yearly	3	3	9	High
Drought plan	The five yearly assessment of drought resilience.	5 yearly	3	4	12	High
Water quality annual data tables	The annual submission of our sampling programme for the year ahead.	Annual	2	2	4	Low
Water quality monthly compliance data returns	The compliance sample results from our regulatory sampling programme, sent monthly.	Monthly	1	2	2	Low
Water quality event reporting data, including ERI	The reporting of network events that have occurred, on an ad hoc basis, including DWI ERI	Ad hoc	2	2	4	Low
Water quality audit data	Data requested by the DWI during any audit.	Ad hoc	2	2	4	Low
Water quality customer contact data	The customer contact we have received on a range of water quality themes.	Annual	2	2	4	Low
Water quality regulation 28 submissions, including RARI	The water safety plan risk assessments, including the data supplied for the DWI RARI score.	up to Monthly	4	2	8	Medium
Annual performance reporting (financial elements), excluding cost allocation data	The annual reporting of end of year financial data.	Annual	2	4	8	Medium
Cost allocation	The data on segregation of wholesale and retail costs.	Annual	2	4	8	Medium
Business plan	The five yearly price review process containing multiple data submissions.	5 yearly	4	4	16	Critical
Developer services league tables data	The performance metrics for developer services performance.	Monthly	3	2	6	Medium
October update of access prices	The annual update of access prices for retail combined supplies.	Annual	2	2	4	Low
Blind year true up tables	Submission of blind year true up tables to Ofwat	5 yearly	2	3	6	Medium
Bulk supply agreement register annual update	Annual return to Ofwat detailed our special agreements and bulk supplies	Annual	2	2	4	Low
RBMP impact assessment data submission	Cost data for schemes feeding the River Basin Management Plan impact assessment	One off	4	1	4	Low
Cost assessment data submission	Various financial and asset related data for feeding in to TOTEX process	Annual	2	3	6	Medium
New Development charging rules	Any new charging rules for developers published by Ofwat	Annual	3	4	12	High
Gender Pay	Publication of pay differentials	Annual	2	3	6	Medium
PR19 reconciliation	Submission of data to apply in period true up mechanisms from 2020 to 2025	Annual	2	3	6	Medium
PR24 new performance commitments	Shadow reporting of new performance commitments for PR24	Annual	4	3	12	High

Table 3: Risk scores for AMP8 performance commitments and Price Control Deliverables

Data Item	Data Description	Frequency	Risk Score			
			Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
CMEX	Ofwats measure of customer service performance	Annual	3	3	9	High
DMEX	Ofwats measure of developer service performance	Annual	3	3	9	High
BRMEX	Ofwats measure of business customer and market retailers service performance	Annual	4	3	12	High
Supply interruptions	Average duration of interruption per property	Annual	2	3	6	Medium
Compliance risk index	Water quality compliance risk index	Annual	1	3	3	Low
Water quality contacts	Overall customer contact rate for water quality concerns	Annual	2	3	6	Medium
Mains repairs	Number of burst mains per year	Annual	2	3	6	Medium
Unplanned outage	Percentage of unplanned outage out of our total production capacity	Annual	3	3	9	High
Biodiversity	Units of biodiversity improvement made	Annual	4	3	12	High
Operational greenhouse gas emissions	Tonnes of operational CO2 emissions	Annual	4	3	12	High
Discharge permit compliance	Percentage compliance with statutory discharge permits	Annual	3	3	9	High
Serious pollution incidents	Number of serious pollution incidents	Annual	3	3	9	High
Leakage SST region	Leakage level in the South Staffs region	Annual	2	3	6	Medium
Leakage CAM region	Leakage level in the Cambridge region	Annual	2	3	6	Medium
Residential water consumption SST region	Average litres of water used per person per year in the South Staffs region	Annual	2	3	6	Medium
Residential water consumption CAM region	Average litres of water used per person per year in the Cambridge region	Annual	2	3	6	Medium
Business demand SST region	Total volume of water used for business customers in the South Staffs region	Annual	2	3	6	Medium
Business demand CAM region	Total volume of water used for business customers in the Cambridge region	Annual	2	3	6	Medium
Mains renewals PCD	The length of water mains renewed	6 monthly	4	3	12	High
Metering PCD	The number of new water meters installed	6 monthly	4	3	12	High
WRMP supply enhancement PCD	Delivery of our supply enhancement schemes to maintain supply demand balance	6 monthly	4	3	12	High
WINEP biodiversity and conservation enhancement PCD	Delivery of schemes to meet our water industry national environment programme obligations	6 monthly	4	3	12	High
Lead enhancement PCD	Delivery of schemes to meet lead pipe replacement commitments	6 monthly	4	3	12	High
Water quality enhancement PCD	Delivery of schemes to enhance water quality at treatment works and in our network	6 monthly	4	3	12	High
Security enhancement PCD	Delivery of schemes to enhance security	6 monthly	4	3	12	High
Resilience interconnector enhancement PCD	Delivery of schemes to improve water supply resilience in our network	6 monthly	4	3	12	High

Outcomes of the assessment process

For the purposes of discussion of results and outcomes, we have focused on high and critical risk areas.

It should be noted that an area identified as critical or high risk does not mean that any data we have published is in any way incorrect. Referring to our assessment criteria, it means that the data could be complex, infrequently produced, with extrapolation or assumptions, or have a high impact on customers, competition, finance or regulation. Where an area is critical or high risk this guides the level of assurance that is required for that data set. We are confident that we have historically had strong management controls, assurance and sign off processes in place for published data.

Critical-risk data

The following critical-risk areas have been identified:

i. Business Plans

Due to their significance, Price Reviews will always be an area where assurance and governance is of critical importance and will therefore continually require a high level of assurance activity. In October 2023 we submitted our plan for 2025-30 and Ofwat published Draft Determinations in July 2024. The Final Determination is due in December 2024.

We have highlighted that all data and information associated with the business plan has a high impact on our business as it is used by Ofwat to determine our funding and service for the next period. Most likelihood scores are also high due to the complexity and detail required in the historic and forecast data supplied.

High-risk data

The following high-risk areas have been identified:

i) Water resources management plans

We published our draft water resource management plans in 2023. During the development of the plan, and across all submission milestones, we provided the appropriate level of assurance which included extensive Board involvement and governance. The five-yearly water resource planning process will always remain a high risk given its complexity and impact.

ii) New development charging rules

Over recent years there has been significant changes to the approach for developer charging and consultation. Further changes have been made from April 2025. We have been consulting on our approach to ensure that we are clear and transparent in how we are charging.

iii) Performance commitments for 2025 to 2030

Table 1 shows that unplanned outage, CMEX and DMEX have been scored at a high risk level.

- For unplanned outage, this is due to outage data being collated manually from works management system records. We undertake extensive validation and assurance on these records, but it remains high risk due to this manual work;
- For CMEX and DMEX, the high scores are a result of the measures being reliant on external survey activity over which we have limited control. We will continue to monitor the results and collaborate with the sector to ensure the process is robust.

iv) Price Control Deliverable Reporting for the 2025-30 period

For the next five-year control period, Ofwat has introduced Price Control Deliverables (PCDs). These are specific output or outcome targets to be achieved each year using the expenditure allowances in the Final Determination. Examples are the length of mains renewed and the number of new meters installed. There is a financial penalty if delivery falls behind target. There are three new risk areas which we will need to report on:

- An assured delivery plan in July 2025 setting out their PCD targets for each year.
- A requirement to report to Ofwat on progress against PCD outputs or outcomes every six months.
- We have to publish an independently assured report on progress against delivery plans. This will need to set out performance against target, the reasons for any delays and actions taken to mitigate delivery risks.

Medium and low-risk data

The bulk of our data is classified as medium or low risk. In most cases, a medium score is the result of an inherent complexity to a data set or submission that directly causes that score to occur. Our risk assessment also highlights areas where internal processes can be improved which we continue to monitor and address through data improvement activities.

5. Assurance plan targeted areas for 2025/26

We have used our assurance risk assessment and any stakeholder feedback we have received to identify the following targeted areas for 2025/26:

Targeted area A- Expenditure Delivery Plans for 2025-30: Ofwat are proposing that companies publish an assured delivery plan in July 2025 setting out their PCD targets for each year.

Targeted area B- Price Control Deliverable (PCD) reporting: Companies will be required to report to Ofwat on progress against PCD outputs or outcomes every six months. It will be mandatory for the end of year report to be assured by an external third party. Funding will be returned to customers for under or non-delivery against such targets.

Targeted area C- Delivery Plan Progress Report: Each year, companies will need to publish an independently assured report on progress against delivery plans. This will need to set out performance against target, the reasons for any delays and actions taken to mitigate delivery risks.

Targeted area D- Performance Commitments for 2025-30 period: For the new Price Control period, we have number of new or changed performance commitments defining our regulatory service targets. We need to ensure that our reporting fully complies with the latest guidance. Ofwat are also proposing that the annual reporting should be brought forward from mid-July to mid-June which will provide its own challenges on reporting and assurance.

Targeted area E- Annual customer and developer charges: it is important that our published charges are calculated correctly, easy to understand, and comply with Ofwat's charging rules. In particular, Ofwat are introducing new charging rules for developers from April 2025 and will need to ensure that we can demonstrate that we are fully compliant.

Targeted area F- Annual performance report: this sets out all our regulatory, financial and performance related information in the year. It is used by a wide range of stakeholders including Ofwat, customer groups, investors and credit rating agencies. As a result, it is critical that the data contained within it can be relied upon. We are expecting that there will be some changes to reporting requirements for APR26 which require may targeted assurance.

Targeted area A – Expenditure Delivery Plans for 2025-30

What is the risk?

For the next five-year control period, Ofwat has introduced Price Control Deliverables (PCDs). These are specific output or outcome targets to be achieved each year using the expenditure allowances in the Final Determination. Examples are the length of mains renewed and the number of new meters installed. There is a financial penalty if delivery falls behind target.

There is a risk that if we do not plan appropriately for these activities that we will fall behind on our delivery targets and incur penalties.

What do we currently do?

PCDs are a new mechanism which will come into effect from April 2025.

What are we planning to do?

As required by Ofwat, we will publish our delivery plans for the 2025-30 period by July 2025. This will set out how we intend to meet delivery targets by setting out:

- The start dates and completion dates for each PCD
- Interim milestones where appropriate, when outputs will be delivered later in the period
- Any identified risks in delivery timing and how we intend to mitigate them
- The approach taken by the third-party assurance to ensure that our plans are robust

We will publish the report alongside the third-party report on our website.

What is the impact on our stakeholders?

Stakeholders will benefit from clear and transparent planning at the start of the period. This will enable them to hold us to account if we do not deliver in line with our targets.

Targeted area B – Price Control Deliverable (PCD) reporting

What is the risk?

As set out in targeted area A above, PCDs are a new mechanism that we will need to report performance on every six months. There is a risk that we do not report our performance accurately and as a result, any reward or penalty would be incorrect.

What do we currently do?

Although PCDs are new for the 2025-30 reporting period, we do have experience of reporting against our performance commitments each year and undertaking appropriate third-party assurance.

What are we planning to do?

We will produce methodology statements for each PCD setting out how we accurately measure delivery and how the PCD incentives are calculated.

We will develop a robust internal reporting system so that we can track all the required information for both costs and outputs/outcomes. This may require some changes to our current reporting processes so that data can be captured directly from systems and avoid the need for manual intervention.

The half-year reporting due in October/November each year does not require third party assurance. However, as a minimum we will undertake internal first line assurance and for the first year, we will consider whether it would be appropriate to use third party assurance as well, recognising that this is a new reporting process.

What is the impact on our stakeholders?

Our proposals to focus now on PR24 delivery will help ensure our Board, stakeholders and customers have confidence that we are delivering on our ambitious plans for the 2025-30 period. It will also establish additional reporting and assurance processes now, so that they can be tested and further developed in readiness for the first reporting in October/November 2025.

Targeted area C – Delivery Plan Progress Report

What is the risk?

Each year, companies will need to publish an independently assured report on progress against delivery plans. This will need to set out performance against target, the reasons for any delays and actions taken to mitigate delivery risks.

Without the appropriate reporting in place, companies may fail to identify at an early stage where there is a risk of delivery delay and put in place appropriate corrective action. This could also lead to a delivery penalty being incurred.

What do we currently do?

This will be a new annual reporting requirement for 2025/26. We did however have a performance commitment for the 2020-25 period to deliver over £70m of net investment to upgrade our two surface water treatment works. This required us to report on delivery progress and the level of expenditure each year.

What are we planning to do?

Although our reporting of performance is on an annual basis, we will develop regular internal reporting so that any delays in delivery can be captured immediately and corrective action taken by management. This will also help with year-end reporting and the required third-party assurance.

What is the impact on our stakeholders?

The delivery plan progress report will hold us to account for the delivery of our key investment plans over the 2025-30 period in a clear and transparent way. It will provide Ofwat with the confidence that we are on track or reasons why there may be delays and the corrective action we intend to make.

Targeted area D – Performance Commitments for 2025-30 period

What is the risk?

Our PR24 business plan submission is an ambitious plan, with new performance commitments to meet, more stretching targets to deliver on established performance commitments, and with significant acceleration of capital and operational programmes in some areas, such as metering, leakage, demand management, and the environment.

Establishing a targeted assurance area on this theme now will help us ensure we work, over the next year alongside the continuation of the PR24 process, to establish robust delivery processes for these new and enhanced ambitions, so that deliver on our commitments for customers at the start of 2025.

What do we currently do?

We already have robust processes for monitoring performance commitment delivery, capital and operational work programme delivery, and monitoring and delivery of other regulatory, environmental and customer focussed obligations. We will continue to use these governance processes to ensure preparedness for delivery in 2025-30, but with enhancements.

What are we planning to do?

We will enhance our existing governance processes to ensure we are ready for delivery in 2025-30 by:

- Beginning any required procurement processes now, to ensure we and our delivery partners are ready to implement our plans for customers by the required timescales of our various components of delivery of our plan. We have already secured a long-term partner for supply of meters, and by beginning a procurement process for delivery of meter installation and other network related activity.
- Shadow reporting of new performance commitments in APR25. It is important that we do this to ensure our data capture, reporting and assurance processes are set up for reporting of the new performance commitments that become live in 2025. This will also help us see where we need to target additional management focus.
- We will review data capture changes that are needed within the business to ensure we can report transparently on our proposed performance commitments.

What is the impact on our stakeholders?

A wide range of stakeholders, from regulators through to customers, are interested in our performance and assurance for service targets. We will need to ensure we effectively communicate our performance and assurance activity to customers and other stakeholders. This includes tailoring our communications to different stakeholders in order to ensure our performance is accessible to everyone.

Targeted area E – Annual customer and developer charges

What is the risk?

We publish several different charging documents each year and customers need to be confident that they are being charged correctly and are non-discriminatory. If this does not happen, we could need to re-issue our charges or face a possible breach of competition rules and enforcement action.

What do we currently do?

All our charges go through strong internal assurance and governance with Board sign off before they are published. We separately assure the models we use to create our charges.

Customer charges

Each year we engage with the Consumer Council for Water, who are a statutory consultee. We also engage with water retailers on our wholesale charges. We focus on any areas that could mean bill changes for customers. We model the impact of our charges across a wide range of customer types and usage levels; this enables us to identify any groups of customers that may be adversely affected.

We also recognise that most of our customers are also charged for sewerage services provided by either Severn Trent or Anglian water. We bill and collect this on their behalf.

Developer charges

We engage with SLPs, CCW, Fair Water Connections (who represent Self Lay providers). The outcome of this engagement is used to discuss and consult on a variety of topics from operational issues through to key items such as our charges.

NAV charges

New Appointments and Variations (NAVs) represent a form of competition where the incumbent operator is replaced by another company for a particular development site. When a NAV is appointed as a water company for a site, it may have its own water supply, which it could use to supply its customers. Alternatively, it may wish to purchase a supply of water from us. This is known as a 'bulk supply'.

For NAVs, the most significant area in calculating the bulk supply charge is how companies calculate the costs that are avoided when a site is served by a NAV. As per best practice, we use a 'bottom up' approach to calculate avoided costs as this is more likely to result in cost reflective tariffs.

What are we planning to do?

Customer charges

Our Draft Determination results in an increase in bills of around 14% or £25.

From the current year, our customers supported increasing the contribution they make to our social tariff fund from £5 to £8 per annum. This will ensure that we can help more customers who are struggling to pay.

Alongside this, we plan to increase the visibility of our social tariffs on our social media and websites as well as within local communities.

Developer charges

From 2025, the way that developer charges are regulated will change. The majority of charges will be outside of the price control which governs the amount of revenue we can recover. Instead, charges will be fully opened to competition with SLPs and NAVs. However for smaller developments where mainlaying is not required, other regulatory tools will be put in place to protect developers.

Ofwat has confirmed that companies will have to tether the amount they can charge to the level we charge for larger developments. We will need to put processes in place to ensure we are compliant with this regulatory guidance from 2025.

What is the impact on our stakeholders?

The charges process is critical information for customers and other stakeholders and our plans ensure that the information is accurate and easy to find and understand.

Targeted area F – Targeted area F- Annual performance report

What is the risk?

The annual performance report sets out all of our regulatory, financial and performance related information for the year. It is used by a wide range of stakeholders including Ofwat, customer groups, investors, and credit rating agencies. Therefore, it is critical that the data contained within it can be relied upon.

What do we currently do?

We currently use our statutory auditor Ernst and Young (EY) to externally audit our financial reporting, and we use Jacobs to assure our performance commitments, outcome delivery incentives and other non- financial data in our report.

We also produce a summary version of our annual performance report. This mainly covers our high-level financial metrics, group structure and outcomes performance. We will continue to publish this summary version as it is more accessible for customers than our full annual performance report.

What are we planning to do?

The deadline for publishing the APR is the 15 July each year. We will enter a new price control period from 2025 which is likely to mean changes to the information we need to publish. We would expect that Ofwat would consult on these changes during 2025 to allow time for companies to ensure they have the right processes in place to collect the information. We may also need to incorporate any changes to our assurance plans based on our risk assessment process.

We are also expecting further progress on publishing a machine-readable version of the APR openly and we are part of an industry group, Stream, which is working in conjunction with Ofwat in this area.

We expect to receive specific feedback from Ofwat on our 2023-24 APR before the end of December and we will incorporate this in our final assurance plan where necessary.

What is the impact on our stakeholders?

There is no direct impact on service levels from our annual performance report. But it contains critical regulatory information that affects the transparency of our financial and service level reporting.

6. Assurance timescales for 2025/26

Below we set out a high-level summary of our assurance programme over the year 2025/26

2024	Early December	- Publication of our risks, strengths and weaknesses and our draft assurance plan for the financial year 2025/26	Early December 2024
	19 December	- Final Determination expected to be published	December 2024
2025	January	- Assurance of our annual charges	January 2025
	April	- Publication of our final assurance plan for 2025/26, taking account of feedback we have received	April 2025
	May and June	- Assurance of our Annual Performance Report, including annual performance, performance commitments and cost assessment tables. Publication of expenditure delivery plan.	Publication July 2025

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