



South Staffs Water



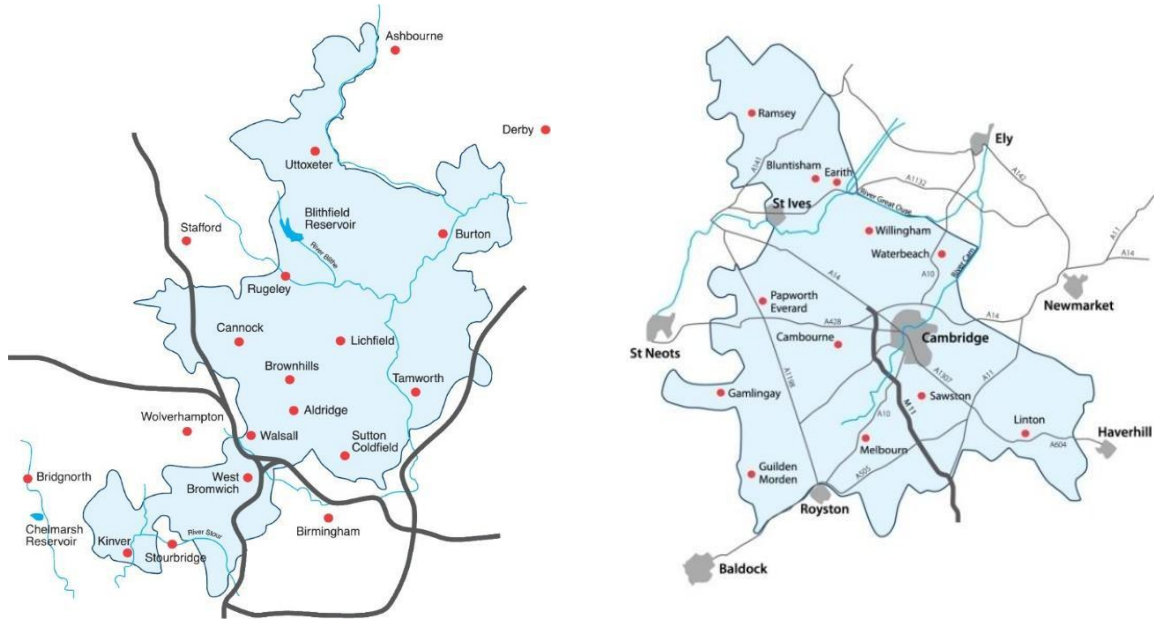
Cambridge Water

Final Assurance Plan 2026/27

April 2026

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 2026 to March 2027. 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 .

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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 in our [Annual Performance Report](#). This assurance plan is a fundamental part of the main factors our Board considers for it be able to make such a statement.

2. Changes from our 2026/27 draft assurance plan

We consulted on our risks, strengths and weaknesses, and our draft assurance plan, between November 2025 to January 2026. Ofwat provided specific feedback on our 2024/25 Annual Performance Report and confirmed that we met expectations on the key areas they had reviewed.

In December 2025, Ofwat published a consultation on updating the Regulatory Accounting Guidelines (RAGs)¹ to reflect the new price control period. As of the date of publication, the final decision from the consultation has not been published by Ofwat.

As a result, there are new data tables and disclosures that we will need to report for the first time in our 2025/26 Annual Performance Report (APR). The most significant changes are set out below and we have incorporated these within targeted area D of our assurance plan:

| New requirement | Description of update |
|--|---|
| Ownership, funding and capital structure | Ofwat are proposing to standardise the disclosure of ownership, funding and capital structures to improve clarity and accessibility to these areas to the APR. <ul style="list-style-type: none">• Ownership Structure – Including description of corporate group, owners and structure chart• Funding and Capital Structure – Key funding sources, charts showing RCV, net debt, gearing & div yield over at least the last three years, explanation of changes in equity over the year, credit ratings |
| Wholesale base expenditure | More granular reporting of cost categories, for example chemical costs, repair and maintenance costs and insurance. |
| Cash collections performance | A new table to capture cash collection % rates since 2020-21 split between measured and unmeasured customers. |

1. <https://www.ofwat.gov.uk/consultation/consultation-on-regulatory-reporting-for-the-2025-26-reporting-year/>

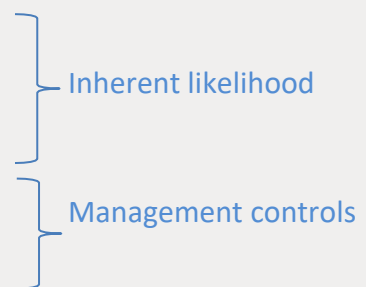
3. Assurance risk assessment process

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.

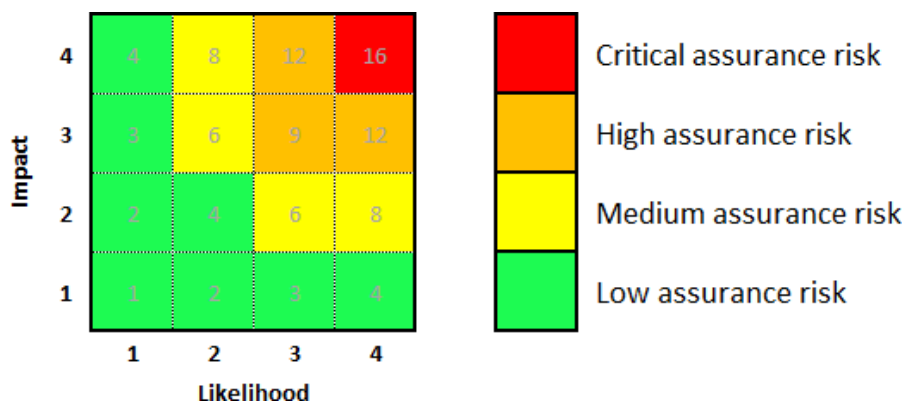
Figure 2: Assessment criteria for scoring the impact element*:

| 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 and Price Control Deliverables 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 and Price Control Deliverables for 2025 to 2030

| 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 |

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, retail and developer 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 |
| Gender Pay | Publication of pay differentials | Annual | 2 | 3 | 6 | Medium |
| Asset Health roadmap | Data collection of asset health condition assessment | Ad hoc | 3 | 3 | 9 | High |
| PR24 Cost change process | Data required for additional funding during the AMP 8 period for specific critical cost areas | Annual | 3 | 4 | 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.

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 final water resource management plans in 2024/25. 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 were made from April 2025 and we continue to consult 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. Each year we will need to report on progress against PCD outputs or outcomes every six months to Ofwat. We also have to publish an independently assured report on progress against delivery plans every year. 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 2026/27

We have used our assurance risk assessment and any stakeholder feedback we have received to identify the following targeted areas for 2026/27:

Targeted area A- Delivery Plan Progress Reporting: Companies are required to report to Ofwat on progress against PCD expenditure and outputs every six months. In addition, each year end, companies 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.

Targeted area B- 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 C- Annual customer and developer charges: it is important that our published charges are calculated correctly, easy to understand, comply with Ofwat's charging rules 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.

Targeted area D- 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. Ofwat is consulting on changes to the reporting requirements for APR26 as set out on page 6 which may require targeted assurance.

Targeted area E- Enhancing our understanding of asset health: Ofwat has been working with the sector on a road map to improve the collective understanding of asset health and ensure these essential assets are being sufficiently maintained. This requires data on asset condition to determine whether there are asset health issues that need addressing ahead of PR29. We need to ensure that we can provide robust and accurate information as this work continues.

Targeted area F- Cost change process: There is a new process in AMP 8 for companies to request additional funding in specific critical areas. If we decided to submit a claim, we would need to provide robust evidence as to why it was needed. This would require the appropriate level of internal governance and assurance.

Targeted area A – Delivery plan progress 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. We have already made some changes to our current reporting processes so that data can be captured directly from systems and help to avoid the need for manual intervention.

We have already engaged with our external assurer as part of the submission of our base delivery plan in August 2025. This has given us a framework on which to undertake assurance of our delivery plan progress report in July 2026.

The half-year reporting due in November each year does not require third party assurance. However, we undertake internal first line assurance prior to submission to Ofwat.

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.

Targeted area B – Performance Commitments for 2025-30 period

What is the risk?

Our PR24 business plan submission was 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 will help us ensure we work to establish robust delivery processes for these new and enhanced ambitions, so that we deliver on our commitments for customers from 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 for delivery in 2025-30, but with enhancements.

What are we planning to do?

We are enhancing our existing governance processes to ensure delivery in 2025-30, including more regular operational and business reviews to identify key risk areas and what mitigations we can put in place. We will also review data capture changes that are needed within the business to ensure we can report transparently on our proposed performance commitments.

To maintain compliance and ensure continuing improvement and transparency of our assurance, we will be working with our technical assurance partner in advance of year end reporting. This will cover key risk areas, in particular where there have been definition changes to 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 C – 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, and NAVs. 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.

From 2025, the way that developer charges are regulated changed. The majority of charges are now outside of the price control which governs the amount of revenue we can recover. Instead, charges are opened to competition with SLPs and NAVs. However, for smaller developments where mainlaying is not required, we have to tether the amount we can charge to the level we charge for larger developments.

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.

Ofwat issued updated charging rules for NAVs in November 2025 for setting bulk charges for 2026-27. This set out more specific guidance on how companies should both calculate avoided costs and publish their charges in a transparent way. We reviewed our approach and made amendments where required to ensure we are compliant.

What are we planning to do?

Customer charges

We are trialling our 'essential user' tariff. This is specifically targeted at those customers who do not qualify for the 'Assure' tariff but are still struggling to pay. They will receive a 40% discount on their

essential water use and will be encouraged to bring down their discretionary use to help. We have signed up nearly 1,000 customers and we will be monitoring its progress during 2026 to understand the benefits for both customers and the environment. There may also be useful insight on how we engage with customers in relation to saving water.

NAVs

Following the publication of updated charging rules, Ofwat have set up a Common Terms and Worked Examples – Bulk Charges (CTWEBC) working group to consider the following specific areas:

- Common terms
- Avoided cost and cost drivers
- Worked examples

The group will conclude its findings in late spring and updated guidance will be published in advance of the 2027/28 charging year.

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 D - 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.

Our Board also have significant involvement in reviewing and approving our APR before submission.

We also publish a machine-readable version of our APR as part of the industry 'open data strategy' to make it more accessible to stakeholders.

What are we planning to do?

The deadline for publishing the APR is the 15 July each year. We are now in a new price control period which mean there are changes to the information we need to publish. Ofwat consulted on these changes in December to allow time for companies to ensure they have the right processes in place to collect the information. The most significant changes are set out on page 6. We have incorporated these into our assurance plans based on our risk assessment process.

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

We received specific feedback from Ofwat on our 2024-25 APR and this confirmed that we met expectation on the key areas they had reviewed.

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.

Targeted area E – Enhancing our understanding of asset health

What is the risk?

Ofwat has been working with the sector on a road map to improve the collective understanding of asset health and ensure these essential assets are being sufficiently maintained. This requires data on asset condition to determine whether there are asset health issues that need addressing ahead of PR29. There is a risk that the data we have is not robust which could lead to the wrong investment choices being made and the potential for a significant service failure that would impact our customers.

What do we currently do?

We have been an active member of this work so far, attending a number of Ofwat workshops to:

- Develop a shared asset inventory and establish clear prioritisation principles
- Agree a final shortlist of priority assets for 2025-27
- Drafted workload and expenditure definitions to enable consistent reporting
- Begin to develop our condition and asset health data collection approach
- Explore funding mechanisms to provide additional allowance

What are we planning to do?

We are developing processes to collect asset health data as part of Ofwat's roadmap. We received a request for historical workload and expenditure data on water network storage assets, rapid gravity filters and boreholes. This specifically required external assurance and a submitted report on the findings. We are expecting further information requests as the work continues over the next twelve months.

Asset data is owned by numerous subject matter experts and so processes are being put in place to capture this in a consistent manner, in line with the required definitions. First line assurance by our Asset Management team will be used to review the material areas of the data submission prior to external assurance being undertaken.

Ofwat are also proposing to introduce a new licence condition requiring companies to demonstrate competency in Asset Management. Companies will have the flexibility to demonstrate this competence, for example ISO 55001. The assessment of competence must be independently assured. Although there is likely to be a transition period of up to two years, we will need to put plans in place during 2026 to ensure that we can comply with the new licence condition.

What is the impact on our stakeholders?

This is an important piece of work which will drive the required asset health investment ahead of PR29. This may result in customers needing to pay more but should improve service and reduce the risk of service failures, for example interruptions to supply.

Targeted area F – Cost change process

What is the risk?

During AMP 8, companies can request additional funding in specific critical areas. If we decided to submit a request, there is a risk that we do not follow the correct process or that the information provided is not robust or convincing and the request is rejected.

What do we currently do?

This is a new process for the 2025-30 period. However, the process is similar to the cost adjustment claim process companies could use as part of PR24. We are therefore familiar with the some of the evidence required, for example demonstrating need and that cost estimates are efficient.

What are we planning to do?

In the PR24 Final Determination, Ofwat included the ability to request additional funding during the AMP 8 period for specific critical cost areas. These are:

- New large schemes (for example strategic resources)
- PFAS
- Cyber security
- Major projects (>£100m)
- Asset health

Post the Final Determination, Ofwat also confirmed that companies could submit requests for funding for demand growth investment.

There is a triviality threshold of 0.5% of wholesale totex allowance to make a claim which equates to c£4m for South Staffs.

Any agreed cost changes will generally be end of period adjustments. Additional justification will be required for in-period funding (i.e. funding from increasing bills in the AMP 8 period)

The first submission date is between March and May 2026 and will allow funding from April 2027. We would need to have the processes and governance in place to demonstrate:

- Need for investment
- Best option for customers
- Cost efficiency
- Customer protection (e.g. through a performance commitment or PCD)

We intend to use the same approach as we did for cost adjustment claims as part of the PR24 process, updated for any new or amended requirements as set by Ofwat once their final guidance is published.

We would also be required to report on our delivery progress each year to both Ofwat and customers and we would adopt the same governance and assurance arrangements as for PCD reporting (set out in targeted area A)

What is the impact on our stakeholders?

Any successful claim would have an impact on customer bills and so it is important that this is clearly communicated, explaining the benefits they will receive.

6. Assurance timescales for 2026/27

Below we set out a high-level summary of our assurance programme over the year 2026/27



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