

WRMP24 Assurance Statement

Wessex Water

August 2023

Document revisions

Major version number	Details	Lead contact	Date
1	Final version issued for WRMP24	Chris Hutton	14/08/2023

Board Assurance Statement

The Wessex Water Services Limited (WWSL) Board (the Board) confirms it is satisfied that:

- the Company has met its obligations in developing its water resources management plan (WRMP)
- the plan reflects any relevant regional plan, which has been developed in accordance with the national framework and relevant guidance and policy, or provides a clear justification for any differences
- the plan is a best value plan for managing and developing its water resources so it can continue to meet its obligations to supply water and protect the environment, and is based on sound and robust evidence including relating to costs

The remainder of this document details how the Board has engaged, overseen and scrutinised all stages of development of the Company's plan and the evidence it has considered in giving its assurance statement.

We have a well-established assurance framework, which is led by our Board. Our overall approach to assurance is governed by our business risk assurance map, which is published on our website [here](#). This is based on three levels of defence.

First level of defence: director and management oversight of 'business-as-usual' risk mitigation measures covered by policies and procedures.

Second level of defence: functions that oversee or specialise in risk management and/or compliance.

Third level of defence: functions that provide independent assurance, e.g., external audit.

Board engagement

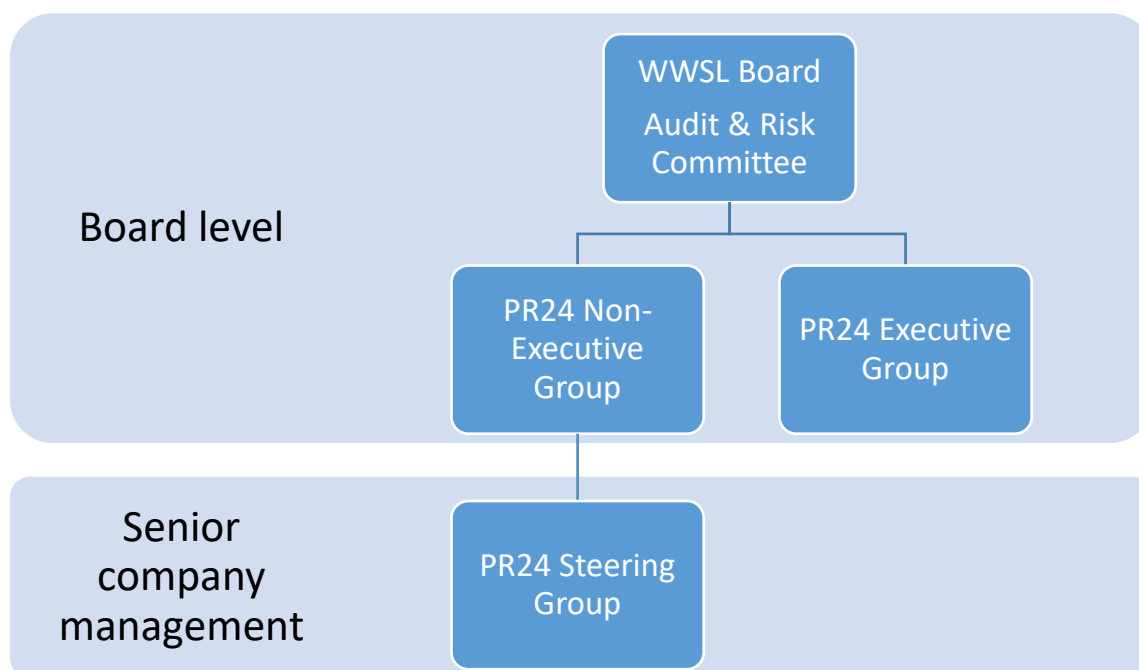
Given the critical importance of the PR24 Business Plan and the water resources management plan (WRMP) linked to this, the Board has formed a dedicated PR24 Non-Executive Working Group and Executive Group to provide support on the PR24 Business Plan and associated submissions, including the WRMP.

We recognise that good assurance and governance of our submissions are vital if stakeholders are to have confidence in the data and information presented.

Being honest and ethical in the way we conduct our business is one of our core values. The board has a well-established assurance framework, underpinned by our core values and ethics.

The high-level governance structure for the PR24 Business Plan is shown below (Figure 1).

Figure 1 PR24 Governance Structure



PR24 Executive Group:

This group comprises the full Executive Leadership Team (Chief Executive, Chief Finance Officer, Chief Operating Officer, and Chief Compliance Officer) as well as the Director of Strategy and Regulation, the Group Director of Environmental Futures, the Director of Risk and Investment, and the PR24 Programme Manager as secretariat. The responsibilities of the PR24 Executive Group are broad and include:

- setting the strategy for the PR24 business plan, and to recommend the approach to the Board,
- challenging the PR24 Steering Group to deliver a plan that meets the company's purpose, strategy, and values,
- monitoring and actioning strategic risks to the delivery of the plan,
- approving the plan for recommendation to the WWSL board.

PR24 Non-Executive Group:

This group comprises all the independent Non-Executive Directors and key management personnel attend to provide updates. The responsibilities of the group are broad and include ensuring that the company had appropriate processes in place to provide effective assurance of the plan.

The Board has engaged, overseen and scrutinised all stages of development of the WRMP. The specific Board level meetings where the plan was discussed are shown in the table below (Table 1). A fuller description of evidence, challenges and changes is set out below the table.

The Board approved the plan for submission at its meeting on 24 July 2023.

Table 1 Board level meeting summary

Date	Meeting	Focus of discussion
November 2021	WWSL Board	Planning problem and decision-making approach with supporting external assurance
February 2022	PR24 Non-Executive Group	Draft WRMP development programme update
June 2022	PR24 Non-Executive Group	Planning problem to solve and most likely options
July 2022	WWSL Board	Planning problem to solve and most likely options
September 2022	WWSL Board	Approval of plan submission and assurance statement
March 2023	PR24 Non-Executive Group	Review of representations and proposals to address them
June 2023	PR24 Non-Executive Group	Alignment with South West Water, Strategic Resource Options, external assurance proposal
July 2023	WWSL Board	Final approval

In November 2021, the full Board was provided with a summary of the new regulatory requirements and our current position with our WRMP development, including drought resilience, licence reductions, and decision-making parameters. The Board tested the scale of the challenge around our future supply deficit and the reasons for the changes to planning parameters by regulators. Considerations were made around the trade-offs between carbon, cost, drought resilience, and environmental impacts. The Board approved an engagement plan that set out updates at future Board meetings and Non-Executive Group meetings as we progress towards submission.

In February and June 2022, the Non-Executive Group were informed that meetings with both Ofwat and the Environment Agency had raised no major concerns and confirmed the successful completion of our pre-consultation. The new regulatory requirements were shown to increase our future supply-demand balance deficit and set out that over 300 unconstrained options were being considered to address the deficit. The Board group challenged the range of opportunity in delivery of leakage and PCC reductions and gained clarity on those targets that are statutory or not.

In particular, the members provided challenge to ensure that our WRMP aligned with our strategic direction statement to make the case for delivering against an outcome-focused set of incentives with a clear rationale for why change is needed in the standard approach to planning. They noted that we must be true to our purpose and consistent in our narrative across the range of strategic planning.

A review of the decision-making process confirmed that our plan would identify solutions under a range of potential future scenarios to account for future uncertainties such as climate change. For each of these future scenarios, the plan would identify a set of preferred programmes for investment based on best-value planning criteria that will include

cost (and therefore bill affordability), drought resilience, carbon emissions, biodiversity net gain, natural capital, inter-generational equity (fairness in bill impact), and abstraction reduction in environmentally sensitive catchments. This was endorsed by the group.

Ongoing regulatory creep was also identified as a significant risk through late new additions to requirements or ongoing lack of clarity in some areas. The group supported a series of lines in the sand that would set cut-off points for making changes where feasible and appropriate, particularly to ensure sufficient assurance could be completed in time. This scope creep was first realised in June 2022 following late guidance on environmental destination and licence capping assumptions from the EA. The Non-Executive Group challenged the late sharing of guidance and confirmed that it should not have an impact on delivery of the plan.

The group considered our latest customer research that showed there is a good level of support for our regional plan but that bill rises are going to be important. It also showed that customers are less worried about drought resilience, except in the very extreme, with more focus on other environmental outcomes. Targets for carbon and leakage are secondary factors for customers, although household customers have a clear preference for the 2050 national targets to be achieved. There is an appetite for actions to reduce demand although this does not extend to measures that would affect the day-to-day use of water by customers (i.e. PCC < 110l/p/d). This was accepted by the group with a challenge to ensure our plan is sufficiently adaptive to cope with future changes and a focus on environmental outcomes above a push for short-term leakage reductions if that proved to be less efficient at delivering the holistic outcomes.

In July 2022, the Board considered in detail the baseline supply demand balance, the assessment that had taken place, the phasing of future changes, and the causes of changes in surplus/deficit. It agreed a position that a targeted smart meter 'proof of concept' in PR24 in an area of local supply stress would help meet both regulatory aspirations and our own requirements. An update was provided on decision-making and customer research.

In September 2022, the Board noted the key features and overall direction of our assured WRMP and approved the draft submission of the plan to Defra on 3 October, as well as approving the Board assurance statement. This was on the basis of the involvement of the Board in the development of the plan to date, alongside the external assurance provided. It considered a range of scenarios and, after challenge, supported the approach proposed which contained a small extension to our smart metering programme, a limited leakage reduction plan, and a focus on other demand management activity including water efficiency programmes and promotion of government water efficiency labelling of appliances. The Board was clear that this was most aligned with our outcomes approach.

The Non-Executive Group met in March and June 2023 and considered the range of consultation responses received on our draft plan. A particular concern was raised around alignment with South West Water, whose draft plan had been delayed and overall timetable had slipped later than our own. The group noted that we should be clear with the relevant regulators about this risk. An update noted that we originally proposed to install compulsory basic metering, a trial roll out of smart metering, and a small leakage reduction due to the relative cost effectiveness and environmental impacts of the options. We also proposed to

develop some small supply-side schemes and continue developing the Poole effluent reuse and Mendip quarries strategic schemes for implementation in 2035, and 2067, respectively. However, the EA had recommended that, amongst other things, the company should “Ensure its preferred pathway included reducing leakage by 50% from 2017/18 levels by 2050” and “Ensure its draft plan per capita consumption meets the government’s target of 110 litres per person (PCC) per day by 2050 or explain why this cannot be achieved”. The group had significant debate about how to align these new requirements and agreed that each of these areas were to be updated in our final plan to demonstrate further ambition but noted that regulation seemed to be driving worse outcomes than our draft plan.

The group further agreed changes to supply side options following work with the West Country Water resources Group to take forward the development of Cheddar 2 reservoir from 2035. The external assurance process was also discussed and dates for review were shared with a draft assurance statement noting that it was contingent on Mott Macdonald’s report.

In July, the Board considered the proposed final plan, and the external assurance statement, agreeing a final set of proposals to address representations received to our consultation and ensured that this supporting evidence to the Board assurance statement would demonstrate the breadth and depth of challenge, to evidence what the Board has considered, and to record challenges and recommendations provided to the team. On conclusion of this process, the Board approved the plan and the assurance statement, delegating final signature to the Chief Finance Officer on behalf of the Board subject to any final amendments being non-material.

Costing approach and calculations

Costing of options was undertaken by Chandler KBS (supply options), HR-Wallingford (metering options) and RPS consultants (leakage). The costing approach followed the industry methodology¹, which was developed for Ofwat’s RAPID programme. As detailed below, the costs of each option were also peer reviewed by DHCR Limited.

Assurance process

We developed an Audit and Assurance Policy (AAP) to explain the approach to assurance of the PR24 Business Plan. The policy was based on the assurance requirements set out in the PR24 Final Methodology. It was approved by the PR24 Non-Executive Group.

The Regulatory Assurance Manual (the “Manual”) outlines the company’s framework for the assurance of data and information, including submissions to Ofwat such as the PR24 Business Plan and this plan. The overall approach is governed by the Company’s business risk assurance map, which is based on three levels of defence. This is supported by the Company’s corporate risk management process.

¹ Cost Consistency Methodology - Technical Note and Methodology, August 2020

A specific risk register was established for the PR24 programme, including this plan. This was supported by the corporate risk policy with risk guidance to assess and rank risk based on the financial, customer, public health, environmental, regulatory/legislative requirements and health and safety impacts. Each risk was identified, and assessed for its inherent and residual exposure, identifying all control measures.

We used the processes set out in our Regulatory Assurance Manual for assurance of the plan submission. These are detailed below.

The PR24 programme is subject to assurance processes at the first, second and third lines of defence. The key assurance activities for the WRMP were:

- External audit
- Peer review
- Certification of data tables

External audit

We engaged our external technical auditors (Mott MacDonald) to provide the principal assurance over our WRMP. Their scope included:

- review in relation to the requirements of the Board Assurance Statement
- Checks of the data tables
- Checks that the plan meets the “must” requirements of the regulatory guidance – those actions relating to statutory requirements, that may lead to a plan that is not legally compliant if not met.

We have incorporated any recommendations made from the assurance process into the plan.

Peer review

Through the development of the plan we worked with a range of leading water resources planning consultants to develop component parts of the plan. DHCR Limited, an independent consultant with extensive experience in water resources planning, provided direction and peer review on the decision-making aspects of the plan, including:

- methodology chosen for WRMP decision-making
- development of decision-making tools
- development of adaptive pathways and the best value plan
- option costing approach, options costs and “best-value” metrics.

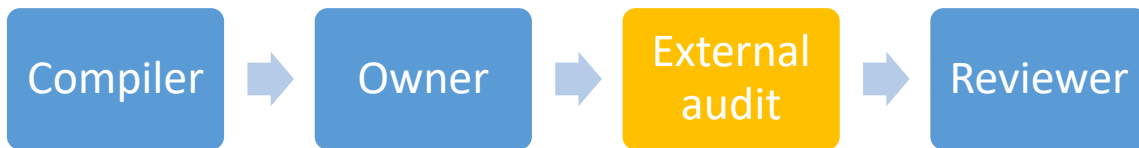
Certification of data tables

The certification process we use for regulatory submissions is detailed in our Regulatory Assurance Manual. We followed this process for the WRMP data tables. For each of the tables we identified a compiler, owner, and reviewer. These are defined as:

Role	Description
Compiler	The person responsible for compilation of data or information into the format required.

Owner	Senior manager with overall responsibility for the data and information, including checking that the correct methodology has been followed and reviewing and challenging commentary where provided.
Reviewer	The Director or Head of Department responsible for the area of the business that the data or information relates to. Assesses submissions for alignment with strategic direction.

The flow of data in the certification process is:



The certification process was managed through a SharePoint workflow. Each role was required to certify that:

- Information is accurate, reliable, and complete in all material respects
- Data represents a true and fair view of transactions / performance of the company
- Estimates / projections have been made in good faith, based on reasonable assumptions

SIGNED for on behalf of the Board by the
Chief Finance Officer

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(Signature)

WESSEX WATER SERVICES LIMITED

14 August 2023