



BRISTOL
WATER

Risk and Compliance Statement 2020/21

A statement to confirm that the Company has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate any risks it faces.

July 2021



Contents

1 Introduction.....	2
2 Risk & Compliance Statement.....	5
2.1 Confirmations.....	5
2.2 Compliance with legislation and licence conditions.....	5
2.3 Principles of Corporate Governance and the Bristol Water Code.....	5
2.3.1 Purpose, values and culture	6
2.3.2 Standalone regulated company	7
2.3.3 Board leadership and transparency	8
2.3.4 Board structure and effectiveness	8
2.4 Board Assurance Statement	9
2.5 Board Signatures	11
Appendix 1 – Disclosure of departures from the statement of compliance with obligations.....	12
Appendix 2 – Data Assurance Summary	12
Data Issues Identified at Audit.....	12
2020/21 Annual Performance Report – Section 3	12
2020/21 Annual Performance Report – Section 4.....	13
2020/21 Annual Performance Report – Section 5.....	14
2020/21 Annual Performance Report – Section 6.....	15
2020/21 Annual Performance Report – Section 9.....	15
2020/21 Annual Performance Report - Greenhouse Gas Emissions (Operational Emissions).....	16
2021/22 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes and Data on New Connections	16
2020/21 Guaranteed Standards Scheme.....	16
Water Resources Management Plan (WRMP) Annual Review	17
An Update on Our Targeted Assurance Activities	17
Appendix 3 – Auditor Statements	21
Technical Assurance Statement.....	21
Financial Assurance Statement.....	25



1 Introduction

Bristol Water's Board is accountable for the quality and transparency of the information we provide on our performance. This is important because most people in England and Wales cannot choose their water and wastewater supplier. It is therefore important for customers' trust and confidence in these vital public services that Bristol Water is accountable for the price and service we deliver. An important part of this is the Risk and Compliance Statement (this document). This statement is one of Ofwat's key regulatory tools, which encourages the Company to demonstrate accountability to our customers and demonstrate to the regulator that we are complying with our obligations. The statement confirms that the Board:

Considers that it has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations.

Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations.

Has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

Where the Board considers that it is unable to provide such a statement (in relevant reporting areas) it has explained why it is unable to do so.

This Risk and Compliance statement covers the reporting year 1 April 2020 to 31 March 2021 for all obligations, except for water quality parameters. These obligations are reported on a calendar year basis, from 1 January 2020 to 31 December 2020. Any disclosure of departures from the obligations within this document are included in appendix 1, however the Board does not consider that any departures have been identified in 2020/21. A summary of the data assurance activities we have undertaken which ensure the Board has confidence in signing this statement, is included in appendix 2. Appendix 2 also provides an update on our targeted assurance activities, which we first published in our draft Assurance Plan in January 2021 and which were finalised in March 2021. Statements from our technical and financial auditors are included in appendix 3.

In order to comprehensively comply with these obligations, the Company has undertaken a range of assurance practises throughout the reporting year. Assurance is a year-round activity at Bristol Water. Strong personal and collective ownership is critical for ensuring the accuracy of information we produce, driving improvements and holding ourselves to account. Regular internal performance reporting to our Executive Committee (undertaken monthly) and Board, and half-yearly performance reporting reinforces this culture of ownership and accountability. Every year we refresh our risk assessment framework to ensure that individual accountabilities are assigned to our regulatory and statutory obligations. We operate a rigorous process of sign-



off for our performance data – sign-off by the data owner, the responsible senior manager and finally the accountable director in addition to our Board governance arrangements.

The contribution of our shareholders to the Board through their experience and expertise, including operationally, has continued to support our assurance process. All members of the Board have taken an active interest in the issues affecting other companies and how this may affect their decisions. Our non-executive directors have played a key role with this. The increase in time and focus contributed by our non-executive directors has greatly supported our ability as a full Board to provide our Risk & Compliance Statement.

The strength of our Board will drive and deliver our ambitions for improved performance and the reputation of Bristol Water at a national level. We support Ofwat's desire to drive and support improvements in water companies' Board leadership, transparency and governance arrangements (the "Ofwat principles").¹ We seek to uphold the highest standards of transparency and openness in performing its functions and dealing with all of our stakeholders. The Board developed its own Corporate Governance Code (the "Code") which combines the UK 2016 corporate governance code and the "Ofwat principles". The Code has applied since 1 April 2019. Our social contract, published in January 2019, is likewise an integral part of our future and ensures boardroom and management decisions are made with the views of local communities at their heart.² The guide to our social purpose published in May 2020 sets out how our social contract delivery also contributes to the specific regulatory outcomes and performance commitments, based on Ofwat's Final Determination for 2020-25. It provides both staff and stakeholders with an overview of what the Board is hoping to achieve for our local community³. We have now set out our approach and detail of the programmes of social contract of activity we plan to deliver in 2020/21.⁴

We believe that it is in our customers' and therefore our Company's interests to lead in corporate responsibility and our actions to date, such as our reduction in financial leverage through suspension of external dividends to shareholders since 2015, demonstrate this commitment. Other examples include:

- Our appointment of Jim McAuliffe as Independent Non-Executive Director with a specific focus on Board decisions in the local community including links to Bristol Water Challenge Panel, and people aspects of our decisions and social contract, is a significant step in keeping the company on track to deliver our ambitious agenda, for our customers, the environment and society, which has existed throughout the history of Bristol Water.
- We continually seek the views of our local stakeholders via our social contract engagement plans. Our local connections to our communities are fundamental to the achievement of our purpose. Since our social contract was launched in January 2019, we have focussed on developing the strength of these connections through our conversations with our customers and stakeholders and through the employees who lead our

¹ [Board leadership, transparency and governance - principles](#)

² [Bristol Water for All](#)

³ [A Guide to our Social Purpose](#)

⁴ [Social Contract Forward Programme 2021/22](#)



programme of activities which reflect their personal passions and community connections to bring innovative solutions to local challenges. We have also worked with stakeholders to connect our work into local and regional plans to ensure that our work is targeted at the most pressing issues and where we can have greatest impact.

- Finally, we established an Employee Forum during 2019 as part of our governance of our social purpose and social contract. The engagement we undertake with employees, stakeholders, customer forums and our youth board for future citizens and customers focuses on our wider delivery in line with our purpose, as well as the core expectations of our safe and reliable supply of water and local community and environmental resilience outcomes.

Our Board recognises the importance of our reporting to build customer and stakeholder confidence and that we need to openly report our level of compliance with these obligations and how this has been achieved. This document should be read in conjunction with the following documents:

- Our Annual Report and Annual Performance Report (APR) for 2020/21: The Annual Report contains a review of our performance and the principal risks and uncertainties that Bristol Water faces, and how these are monitored and mitigated. The APR includes key regulatory data, including the Regulatory Accounts and details of performance against the performance commitments set out in our PR19 business plan. The APR also includes a Board statement to confirm that the data and information which the company has provided to Ofwat in the reporting year and which we have published in our role as water undertaker is accurate and complete.
- Assurance Plan 2021/22: this sets out our risk and assurance framework and our proposed approach to assurance of the information that we will publish during 2021/22. It provides details of the targeted assurance activities against the data items identified most at risk as part of our internal risk assessment exercise.
- Trust Beyond Water Statement 2020/21: this document is not a regulatory requirement, but an approach we take in order to demonstrate how the Board is taking ownership of the impact of their decision-making. It presents our Board's view on our purpose, performance and long-term ambitions and on how we have effectively listened to our customers and other stakeholders' views to continue to deliver the services that they want and can afford in 2020/21.

These statements demonstrate our accountability to customers and stakeholders that we have complied with our obligations. All these documents can be found on our website.⁵

⁵ [Our Performance](#)



2 Risk & Compliance Statement

2.1 Confirmations

The Board of Bristol Water:

- 1) is committed to deliver the outcomes for our customers and to meet our other obligations;
- 2) is confident of our ability to meet our customers' expectations in an efficient and effective manner.
- 3) considers that it has a full understanding of, and is meeting, its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- 4) has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
- 5) has appropriate systems and processes in place to allow it to identify, manage and review its risks.

2.2 Compliance with legislation and licence conditions

The Board of Bristol Water confirms that it is compliant with the following requirements:

- a) that there are sufficient rights and assets available to enable a special administrator to run the business, in accordance with licence condition P;
- b) that trade with associates is at arm's length, as required by licence condition P;
- c) a statement is published in the regulatory accounts explaining links between directors' pay and standards of performance, as required by section 35A of the Water Industry Act 1991;
- d) in particular, the Board of Bristol Water confirms that it has complied with Condition P12, namely:
 - that Bristol Water shall at all times act in the manner best calculated to ensure that it has in place adequate:
 - financial resources and facilities, and
 - management resources,

to enable it to carry out the Regulated Activities (including the investment necessary to fulfil its obligations under the Appointment).

2.3 Principles of Corporate Governance and the Bristol Water Code

Our Board believes that it is right to employ the highest standards of corporate governance for the benefit of our customers and stakeholders. In line with the Company's vision, the Board is committed to maintaining Bristol Water's reputation for high standards of conduct as a dependable provider of an essential service. Bristol Water continues to operate to the standard of corporate governance provided for in our Licence, namely complying with the "Code" as published by the Financial Reporting Council. Until the Pennon acquisition on 3 June 2021, Bristol Water plc was in private ownership but still has listed securities on the London Stock Exchange. Our latest annual report was compiled as if we were a premium equity listed company and can be found on our website.



The Board recognises its accountability to all stakeholders in terms of its corporate governance as a regional monopoly of water services. Further information on our governance is contained within our Disclosure and Transparency section of the Annual Performance Report 2020/21. Additional detail is also provided within our Annual Report 2020/21.

2.3.1 Purpose, values and culture

Objective

- The Bristol Water Board has established the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

The Board confirms that it adheres to the following provisions:

- The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.
- The Board makes sure that the Company's strategy, values and culture are consistent with its purpose.
- The Board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment it takes corrective action.
- The Company's annual reporting explains the Board's activities and any corrective action taken. It also includes an annual statement from the Board focusing on how the company has set its aspirations and performed for all those it serves

This objective and its provisions align entirely with the aims of our "social contract"⁶, which we launched in January 2019. Our social contract is a framework for how we will deliver for the well-being of society to build the trust of our customers and local stakeholders. The actions the Board has taken to ensure that Bristol Water delivers for employees, customers, the environment and stakeholders as a result of our purpose, this objective and its provisions are set out in our "Trust Beyond Water" statement, as well as our December 2020 benefit and transparency report on our Social Contract.

Our progress against this objective is summarised in the Trust Beyond Water statement and on the Social Contract section of our website.⁷

⁶ [Bristol Water for All](#)

⁷ [Social Contract](#)



2.3.2 Standalone regulated company

Objective

- Bristol Water has an effective board with full responsibility for all aspects of the company's business for the long term.

The Board confirms that it adheres to the following provisions:

- The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable); and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.
- Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company. The other Board committees in addition to the audit, remuneration and nomination committee are the Health & Safety and PR19 committees.
- The Board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

This objective and its provisions are set out in our Annual Report 2020/21 and Annual Performance Report 2020/21, described in our "Trust Beyond Water" statement.

During 2020/21 no decisions were taken by shareholders or at holding company level for matters that can be reserved for them⁸. All discussions and decisions on long term strategy, dividends and executive remuneration were made by the Bristol Water Board. In practice reserved matters are those where Board members may discuss with shareholders in advance of the Board meeting, but the discussion and decision of the Board will be informed and supported by that process. The reserved matters reflect those where shareholders have to liaise with their investors, or with each other, and therefore the matters are supportive of good governance and ultimately good Board decision making. On occasions our shareholders responded separately to a number consultations (such as to the CMA) and differed from the Bristol Water response, as shareholder nominated Directors act in the capacity as a member of the Bristol Water Board in shaping our approach. There were no conflicts of interest that arose as part of Board discussions during 2020/21.

The change in the shareholders on 3 June 2021 is subject to a review process by the Competition & Markets Authority and at least until this process is concluded Bristol Water remains a standalone regulated company.

⁸ [Matters Reserved for the Board of Bristol Water plc](#)



2.3.3 Board leadership and transparency

Objective

- The Bristol Water Board's leadership and approach to transparency and governance engenders trust in the company and ensures accountability for their actions.

The Board confirms that it publishes the following information in a form and level of detail that is accessible and clear for customers and stakeholders:

- An explanation of group structure;
- An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees);
- An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed;
- The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast; and
- An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

This objective and its provisions are set out in our Annual Report 2020/21 and the Disclosure and Transparency section of our Annual Performance Report 2020/21.

Our total dividend payments from the regulated business in 2020/21 and across 2020-25 remain justified by our performance and the long-term financial resilience of Bristol Water. This dividend retention over recent years in the regulated business reflects the support of shareholders in encouraging the Board to consider the long-term needs of customers, stakeholders, employees in line with our purpose. This is explained in our Annual Report and Annual Performance Report.

2.3.4 Board structure and effectiveness

Objective

- The Bristol Water Board and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

The Board confirms that it adheres to the following provisions:

- Boards and Board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.
- Independent non-executive directors are the largest single group on the board.



- The Chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the Board and executive responsibility for running the business.
- There is an annual evaluation of the performance of the Board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.
- There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.
- To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, we arrange for the proposed, final candidates for new non-executive appointments to the regulated company board meet Ofwat ahead of a formal appointment being made. There were no new directors during 2020/21.
- There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

This objective and its provisions are set out in our Annual Report 2020/21 and the Disclosure and Transparency section of our Annual Performance Report 2020/21. We include an indication of the mix of skills on the Board as part of the Board's evaluation of its performance. We describe in our "Trust Beyond Water" statement the discussions the Board has had with employees and stakeholders on diversity, equality and inclusivity, which during 2020/21 helped to further embed the importance of our values and culture to the company strategy of reflecting the communities we serve, as is appropriate for a local water company.

2.4 Board Assurance Statement

Bristol Water's Board is accountable for the quality and transparency of the information we provide on our performance. We can confirm that the company has complied with all its relevant statutory, licence and regulatory obligations in all material respects, is taking appropriate steps to manage continued deliver of obligations and that the information published in the following sources is accurate, reliable and appropriate for all our customers and stakeholders to understand:

- 1) 2020/21 Annual Performance Report (including our regulatory accounts and our 2020-2025 performance commitments) and 2020/21 Mid-year Performance Report
- 2) 2020/21 Annual Report (including our statutory accounts)
- 3) 2021/22 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes
- 4) 2020/21 Guaranteed Standards Scheme (GSS) payments
- 5) Data on New Connections performance
- 6) Complaints reporting to Consumer Council for Water
- 7) Water quality information provided to the Drinking Water Inspectorate
- 8) Information provided to the Environment Agency (including our Water Resources Management Plan, Drought Plan and Market Information)



RISK AND COMPLIANCE STATEMENT 2020/21

- 9) Data reporting for non-household competition, reported to MOSL
- 10) Data provided to the Discover Water website

In making this statement, and by confirming its obligations and adherence to principles and provisions in 2.1 to 2.4 in the sections above, the Board has reviewed the outcome of the assurance processes supporting the above information and considered any areas where the Company has not met its regulatory obligations in full. There are no areas of departure from full compliance for us to disclose.

Our Annual Performance Report provides a full explanation of our delivery against our performance commitments, including explanations for any that have not met our targets and the plans in place to recover any shortfalls in performance. We also highlight where improved data and audit processes mean that we have better information concerning performance or data reported in previous years. The Board receives regular reports on performance and challenges management to ensure that performance is continually reviewed and improved and data reporting is as accurate and as timely as possible.

Our independent technical advisor on our regulatory reporting process (Turner and Townsend) has reviewed the approach and process we follow in assessing compliance with our obligations. Likewise our financial auditors (PwC) have reported on the Regulatory Accounting Statements contained within the Annual Performance Report. A summary of both their assurance statements are provided in appendix 3.



2.5 Board Signatures

Signed by the Board of Bristol Water:

Name	Role	Signature*	Date
Keith Ludeman	Chairman		24 June 2021
Tim Tutton	Senior Independent Non-Executive		24 June 2021
Jeremy Bending	Independent Non-Executive		24 June 2021
Jim McAuliffe	Independent Non-Executive		24 June 2021
Paul Boote	Non-Executive Director		24 June 2021
Neil Cooper	Non-Executive Director		24 June 2021
Iain Evans	Non-Executive Director		24 June 2021
Mel Karam	Chief Executive Officer		24 June 2021
Laura Flowerdew	Chief Financial Officer		24 June 2021



Appendix 1 – Disclosure of departures from the statement of compliance with obligations

The Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it, to the extent that it is able to do so from the facts and matters available to it, to identify material departures from the obligations within this document. The Board does not consider that any departures have been identified in 2020/21.

Appendix 2 – Data Assurance Summary

Data Issues Identified at Audit

Following external audits from Turner & Townsend and PwC, we are confident that the final assessments over our accuracy of the data and information we publish, summarised in this section of this document, will provide our Board, customers and stakeholders with confidence that there are no material issues with the quality of our data systems.

Our financial auditors, PwC have followed the audit opinion that Ofwat expects all auditors to provide on Companies' Annual Performance Reports for 2020/21 for sections 1 and 2. The PwC assurance report has been submitted to Ofwat separately.

The remainder of this section summarises the results of the assurance activities we have undertaken over the last twelve months.

2020/21 Annual Performance Report – Section 3

A summary of the outcome of the performance commitments reported in the Annual Performance Report section 3 data tables that have been externally assured are presented in the table below. The assessments were undertaken by our technical assurers, Turner & Townsend.

Description	Process grade	Data grade
Compliance Risk Index (CRI)	B	B
Water Supply Interruptions	B	B
Mains Repairs	B	B
Unplanned outage	C	B
Risk of severe restrictions in a drought	B	B



RISK AND COMPLIANCE STATEMENT 2020/21

Description	Process grade	Data grade
Customer contacts about water quality – appearance	B	B
Customer contacts about water quality – taste and smell	B	B
Properties at risk of receiving low pressure	C	B
Turbidity	B	B
Unplanned Maintenance - non-infrastructure	B	B
C-MeX (Customer Measure of Experience)	B	B
D-MeX (Developer Services Measure of Experience)	B	B
Percentage of customers in water poverty	B	B
Value for money	B	A
Percentage of satisfied vulnerable customers	B	B
Void properties	B	B
Leakage	C	B
Per Capita Consumption	C	B
Meter Penetration	B	A
Raw water quality of sources	C	B
Biodiversity Index	B	B
Waste disposal compliance	B	B
Water Industry National Environment Programme Compliance	B	A
Local community satisfaction	B	B
Abstraction Incentive Mechanism	B	A
Priority Services Register	C	B
Glastonbury Street network resilience	C	B
Total customer complaints (household)	B	A
Delivery of water industry national environment programme requirements	B	A
Outcome Delivery Incentive payment calculations	N/A	B

These assessments provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

2020/21 Annual Performance Report – Section 4

A summary of the outcome of the Annual Performance Report section 4 data tables that have been externally assured are presented in the tables in this section. As Bristol Water is a water only company we are not required to complete some of the data tables in the APR template related to wastewater services. The assessments were undertaken by our technical assurers, Turner & Townsend.

AP R table	Line references	Description	Data grade
4A	All lines	Water bulk supply information for the 12 months ended 31 March 2021	B
4B	All lines	Analysis of debt	B
4C	All lines	Impact of price control performance to date on RCV	A
4D	All lines	Totex analysis for the 12 months ended 31 March 2021 - water resources and water network+	B



APR table	Line references	Description	Data grade
4F	All lines	Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2021	B
4J	All lines	Base expenditure analysis for the 12 months ended 31 March 2021 - water resources and water network+	B
4L	All lines	Enhancement expenditure for the 12 months ended 31st March 2021 - water resources and water network+	B
4N	All lines	Developer services expenditure for the 12 months ended 31st March 2021 - water resources and water network+	B
4P	All lines	Expenditure on non-price control diversions for the 12 months ended 31 March 2021	B
4Q	All lines	Developer services - New connections, properties and mains	B
4R	1-4, 10-12, 15-16, 19-25	Customer, property and meter numbers	B
4R	5-9, 13-14	Average business customers and properties	C
4R	17-18	New properties connected	B
4R	26	Resident population	B

These assessments provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

A summary of the assessment for 4R.5-9, 13-14 (Business customer & property numbers (average)) is in the Technical Assurance Statement in appendix 3.

2020/21 Annual Performance Report – Section 5

A summary of the outcome of the Annual Performance Report section 5 data tables that have been externally assured are presented in the tables in this section. The assessments were undertaken by our technical assurers, Turner & Townsend.

APR table	Line references	Description	Data grade
5A	1-8	Distribution input – volume by source type	B
5A	9-21	Water resources, sources and assets	B
5A	22	Length of raw water abstraction mains and conveyors	B
5A	23	Average pumping head – raw water abstraction	B
5A	24	Energy consumption – raw water abstraction	B
5A	25-28	Raw water abstraction imports and exports	B
5A	29	Water resources capacity (measured using water resources yield)	B
5B	All lines	Water resources operating cost analysis for the 12 months ended 31st March 2021	B

These assessments provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

**2020/21 Annual Performance Report – Section 6**

A summary of the outcome of the Annual Performance Report section 6 data tables that have been externally assured are presented in the tables in this section. The assessments were undertaken by our technical assurers, Turner & Townsend.

APR table	Line references	Description	Data grade
6A	1-4	Reservoirs and transport stations	B
6A	5, 12	Lengths of raw water transport mains	B
6A	6, 31	Average pumping head – raw water transport & water treatment	B
6A	7, 32	Energy consumption – raw water transport & water treatment	B
6A	8-11, 33-36	Raw water transport and water treatment imports and exports	B
6A	13-19	Surface and ground water works by treatment complexity	B
6A	13-28	Surface and ground water works: complexity by volumes and DI size band and water treated at more than one type of works	B
6A	29	Number of treatment works requiring remedial action because of raw water deterioration	A
6A	30	Zonal population receiving water treated with orthophosphate	A
6B	1-3, 20-26	Treated water distribution assets and capacity	B
6B	4, 12-19	Distribution input - proportion by source type	B
6B	5-11	Water balance	B
6B	27	Energy consumption – treated water distribution	B
6B	28	Average pumping head – treated water distribution	B
6B	29-32	Treated water distribution imports and exports	B
6C	1-20	Mains lengths, ages, diameters & communication pipe materials & company area	B
6C	21	Lead communication pipes replaced for water quality	B
6C	22-25	Supply demand balance	B
6C	26	Event Risk Index (ERI)	B
6D	1-10, 15	Metering expenditure, activities and penetration	B
6D	11, 13	Residential meter installation and renewals – supply demand benefit	B
6D	12, 14	Business meter installation and renewals – supply demand benefit	C
6D	16	Total leakage activity	B
6D	17-18	PCC measured and unmeasured customers	B

These assessments provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

A summary of the assessment for 6D.12 & 14 (Supply demand benefit of new and renewed business meters) is in the Technical Assurance Statement in appendix 3.

2020/21 Annual Performance Report – Section 9

A summary of the outcome of the Annual Performance Report section 9 data tables that have been externally assured are presented in the tables in this section. The assessment was undertaken by our technical assurers, Turner & Townsend.



APR table	Line references	Description	Data grade
9A	All lines	Innovation competition	A

This assessment provides us with confidence that there are no material issues with the quality of our data systems for reporting on this information.

2020/21 Annual Performance Report - Greenhouse Gas Emissions (Operational Emissions)

This is the first year that we have voluntarily reported on greenhouse gas emissions in the format requested by Ofwat. As the reporting was voluntary in nature we asked Turner & Townsend to review our data at a high level and focused on traceability of the main figures (e.g. ticking and tying sample totals and figures back through the workbook) over a full technical review.

Description	Data grade
Greenhouse gas emissions voluntary data reporting	B

The assessments of our greenhouse gas emissions provides us with confidence that there are no material issues with the quality of our data.

2021/22 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes and Data on New Connections

Our Statement of Assurance 2021/22, which covers our retail charges scheme, our wholesale charges schedule and charging arrangements for New Connections, was published in January 2021.

The statement covers the Charges Scheme that applies to end user customer tariffs and charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers. Our statement was accompanied by supporting useful information on our charges. The statement was signed by all members of the Bristol Water Board.

External assurance of the charges submission was provided by PwC, who provided an assurance statement to the Board to support approval of the tariff submission.

2020/21 Guaranteed Standards Scheme

All customers of water and sewerage companies are entitled to guaranteed minimum standards of service, as laid down by the Government. These rights are known as the guaranteed standards scheme (GSS). If we fail to meet any of these standards of service then we are required to make a specified payment to the affected customer. Our technical assurers, Turner & Townsend, have undertaken the audits for this information.

Description	Data grade
Guaranteed Standards Scheme payments	B



The assessments of our GSS payments provides us with confidence that there are no material issues with the quality of our data.

Water Resources Management Plan (WRMP) Annual Review

As a key part of long-term management and planning for public water supply, water companies are required to produce a Water Resources Management Plan (WRMP) and to update it every five years. Our last WRMP was published in 2019, and we have now reviewed it. Our previous technical assurers, Atkins undertook the audits for the data reported in our WRMP19.

In March 2021, in response to feedback from the EA and DEFRA following our WRMP annual review for 2019/20, we updated our WRMP19 data tables to reflect the changes to our PCC and Leakage forecasts. The updated supply demand balance position showed that we still maintain a surplus throughout the 25-year planning period.

For the 2020/21 annual review Turner & Townsend, have undertaken the audit for this information.

Description	Data grade
Water Resources Management Plan annual update	B

The assessments of our WRMP Annual review provides us with confidence that there are no material issues with the quality of our data.

An Update on Our Targeted Assurance Activities

Within our Assurance Plan 2021/22, 50 data items were assessed as part of a risk assessment; 14 data items were assessed at a high risk (zero data items were assessed at a critical risk), with one data item (our PSR data) being added following our Assurance Plan consultation.⁹ This indicates that the Company has a strong control framework in place for the majority of data items we report on, which helps to mitigate the probability of inaccurate reporting from occurring. However, even with a strong control framework we still identified a number of the data items within the high risk category, which is mostly due to recognising the high impact on our customers, stakeholders or company reputation, if a risk ever materialises, particularly through misreporting of data.

The table below provides an update on the risk items that were identified as high risk and therefore requiring targeted assurance activities. It includes an explanation of the internal and external steps taken to improve the transparency of our data and information, which are intended to increase the trust and confidence in which customers and stakeholders can place in our reports. Following our external audits, no further data items have been identified as being at risk of misreporting.

⁹ [Assurance Plan 2021/22](#)



RISK AND COMPLIANCE STATEMENT 2020/21

Data Item(s)	Reason for Risk Assessment	Targeted Assurance Activities Identified in Assurance Plan	Update on the outcome of External Assurance and Future Plans
<p>Leakage, Per Capita Consumption (PCC) and Void Properties</p>	<p>High impact on customers, stakeholders or company reputation, if risk materialises and areas of required improvement identified during mid-year approvals</p>	<p>Internal Assurance Performance information follows our established approval process, with monthly reporting and formal executive approvals of data at mid-year and year-end. We have identified that the methodologies for these data items need further improvements, which will be addressed before year-end reporting.</p> <p>Performance information is also included in our mid-year and year-end interactive performance graphics on our website to aid transparency to customers.</p> <p>External Assurance The data items will continue to be audited by our technical assurer, Turner & Townsend.</p> <p>Following the publication of our mid-year performance in December 2020 these data items were highlighted as requiring a “deep-dive” over the data as part of the audit process, before data is published as part of our APR 2020/21.</p>	<p>The data items were audited by our technical assurer, Tuner & Townsend. No material issues were identified.</p> <p>We will undertake internal assurance checks ahead of publishing these data items as part of our Mid-Year Performance Report 2021/22 (due to be published by December 2021).</p>
<p>Supply Interruptions, Mains Repairs, Low pressure properties, Abstraction Incentive Mechanism (AIM), Biodiversity Index and Local Community Satisfaction</p>	<p>High impact on customers, stakeholders or company reputation, if risk materialises</p>	<p>Internal Assurance Performance information follows our established approval process, with monthly reporting and formal executive approvals of data at mid-year and year-end.</p> <p>Performance information is also included in our mid-year and year-end interactive performance graphics on our website to aid transparency to customers.</p> <p>External Assurance The data items will continue to be audited by our technical assurer, Turner & Townsend.</p>	<p>The data items were audited by our technical assurer, Tuner & Townsend. No material issues were identified.</p> <p>We will undertake internal assurance checks ahead of publishing these data items as part of our Mid-Year Performance Report 2021/22 (due to be published by December 2021).</p>



RISK AND COMPLIANCE STATEMENT 2020/21

Data Item(s)	Reason for Risk Assessment	Targeted Assurance Activities Identified in Assurance Plan	Update on the outcome of External Assurance and Future Plans
PSR Data	High impact on customers, stakeholders or company reputation, if risk materialises and due to data sources with third party.	<p>Internal Assurance</p> <p>Performance information follows our established approval process, with monthly reporting and formal executive approvals of data at mid-year and year-end. Performance information is also included in our mid-year and year-end interactive performance graphics on our website to aid transparency to customers.</p> <p>External Assurance</p> <p>The data items will continue to be audited by our technical assurer, Turner & Townsend.</p>	<p>The data items were audited by our technical assurer, Turner & Townsend. No material issues were identified.</p> <p>We will undertake internal assurance checks ahead of publishing these data items as part of our Mid-Year Performance Report 2021/22 (due to be published by December 2021).</p>
Tariffs & Charges	High impact on customers, stakeholders or company reputation, if risk materialises	<p>Internal Assurance</p> <p>This data item is reviewed by two teams at the company – Economic Regulation and Finance.</p> <p>Our tariff and charges publications (particularly for new connections charges) now include more customer-friendly language and user-friendly graphics, to improve their readability for interested parties. Our Statement of Assurance on our tariffs also includes an engagement summary section on who we have spoken to and what changes we have made to the information we present in our tariffs and charges publications as a result.</p> <p>External Assurance</p> <p>We will continue to assure the information via external financial auditors, to ensure accuracy and reliability. The data item continues to be audited by our financial auditor, PwC.</p>	This data item was audited by our financial auditor, PwC. No material issues were identified.



RISK AND COMPLIANCE STATEMENT 2020/21

Data Item(s)	Reason for Risk Assessment	Targeted Assurance Activities Identified in Assurance Plan	Update on the outcome of External Assurance and Future Plans
GSS Payments	High impact on customers, stakeholders or company reputation, if risk materialises	<p>Internal Assurance Reported information follows our established approval process, with formal executive approval of data at year-end.</p> <p>External Assurance The data item will continue to be audited by our technical assurer, Turner & Townsend.</p>	The data items were audited by our technical assurer, Tuner & Townsend. No material issues were identified.
Developer Services Information	High impact on customers, stakeholders or company reputation, if risk materialises	<p>Internal Assurance Reported information follows our established approval process, with formal executive approval of data at year-end.</p> <p>Our connections charges include customer-friendly language and user-friendly graphics to improve transparency.</p> <p>We have continued to expand upon our tailored engagement activities with our developers to ensure that their voices are heard alongside our stakeholders in the wider Bristol area. We established our Market Engagement Days in 2017 as an on-going engagement activity to bring together developers and self-lay providers to build relationships, communicate information and receive feedback. We have used our Market Engagement Days as part of our consultation on our charging approach for developer services, which we successfully introduced in April 2018. We continue to undertake similar engagement activities.</p> <p>External Assurance The data item will continue to be audited by our technical assurer, Turner & Townsend.</p>	<p>Developer services non-financial information were audited by our technical assurer, Tuner & Townsend. No material issues were identified.</p> <p>Infrastructure charges were audited by our financial auditor, PwC. No material issues were identified.</p>



Data Item(s)	Reason for Risk Assessment	Targeted Assurance Activities Identified in Assurance Plan	Update on the outcome of External Assurance and Future Plans
Innovation Competition Data	New data item (not previously reported on)	<p>Internal Assurance Reported information will follow our established approval process, with formal executive approval of data at year-end.</p> <p>External Assurance The data item will be audited by our technical assurer, Turner & Townsend.</p>	The data items were audited by our technical assurer, Turner & Townsend. No material issues were identified.

Appendix 3 – Auditor Statements

Technical Assurance Statement

Our Assurance Plan 2021/22 explained the roles of our external auditors and the assurance activities they undertake as part of the publication of our Annual Performance Report. The comments below are by our technical assurers, Turner & Townsend. These have are taken as a summary from their APR21 full year report :



Approach

For the PC and other APR figures we assured at the data stage of our assurance, we agreed we would:

- check whether your teams had been through your internal assurance processes;
- check, where applicable, whether any material actions from the PC process audits had been addressed;
- check consistency of the proposed data with the applicable definition/guidance (including for all tables across section 3 where this was applicable for a PC);
- sample data back to source inputs where available;
- test teams' understanding of performance; and
- review the appropriateness of the confidence grades teams had assigned to the proposed PC figure/data item to be submitted.

Where your teams had drafted commentary to support their data, we reviewed this for consistency with information discussed in the audit and our understanding of regulatory expectations.

After each data audit, we provided your teams with detailed feedback that explained our assessment of the risk associated with the audited figures for 2020-21 and set out any actions. We assigned risk-based grades to each PC or data item(s) reviewed.

We note that:

- our assurance approach focuses on the level of risk associated with a proposed approach;
- our work is risk and sample based and part of the broader assurance processes you have in place to support your Board in making assurance statements in relation to the whole APR; and
- under the current Covid-19 restrictions, all our audits have been undertaken remotely using Microsoft Teams.

Findings - Overall

At the end of the data stage of our assurance, there are no outstanding material issues with the 29 PC performance figures we reviewed – indicated by 6 A and 23 B data grades. This means we consider there is a low or low-to-medium level of risk associated with reporting the PC performance figures that you propose to submit in your APR. We also identified no material issues with your ODI payment calculations for the PCs where you are incurring rewards or penalties for your 2020-21 performance.

For the agreed 2020-21 asset, activity, and cost information in sections 4, 5, 6 and 9 of the APR21 data tables, GSS payments, WRMP annual update, and GHG data, we have assessed the majority of your proposed data as having no material issues. Out of the 18 APR21 data tables we reviewed, there remain two data tables at the end of our assurance where we consider there to be higher reporting risk (i.e., we assigned data grades of C) for specific data items within them.

Findings – Higher Risk Areas

At the end of our assurance, there remain two areas where we have identified medium-to-high risk (i.e. where we have assigned C grades to data) with the proposed data.



Audit Area	Summary of main issue(s)
4R.5-9, 13-14 Business customer & property numbers (average)	Ofwat has asked companies to report business customers/properties on the basis of how the customer/property was classified outside of any period during which a Covid-19 temporary vacancy flag (i.e., temporarily void) was assigned by the retailer(s). You did not have Covid-19 vacancy flag information to do this at the time of the audit and you have since confirmed that despite best endeavours you have been unable to obtain information that would allow you to report fully in line with the guidance. To mitigate this, you have made an approximation of the general impact of Covid-19 temporary vacancy flags and will be setting this out in your submission commentary.
6D.12 & 14 Supply demand benefit of new and renewed business meters	The team has been unable to populate these lines as it has not been able to find any information to support a reasonable estimate of the supply demand benefits from metering business customers (or upgrading their meters). We note other companies are also likely to struggle to find robust information to populate these lines. We understand you will explain your position in your submission commentary.

Findings – General Observations

In addition to the areas above, we set out below general observations and points arising from our year-end assurance.

- Your approval meeting process appeared to work well. There are only a limited number of audits where your teams have had to re-run the approval process due to post audit changes in figures.
- For some of the items we audited, we initially identified material issues during the data audits – because of, for example, issues over the interpretation of guidance, or the availability of people/systems to be able to evidence performance. Where this was the case, your teams worked constructively with us post audit to resolve most issues (eg: low pressure; 4A.1-11; 4Q.1-14; 4R.1-9 & 17-18 & 19-24; 6C.21). At the end of our assurance, and as noted above, there are only two higher risk areas with potentially material issues.
- Where we identified material issues with your PC reporting methodologies at our process assurance stage, we do not have material data issues at the conclusion of our data stage (ie: Raw water quality of sources; PSR; unplanned outage; low pressure; Glastonbury Street network resilience; leakage & PCC). In part, this is due to your teams working to mitigate against risks we identified at the process stage, or to improve their processes ahead of the year-end. In resolving the material data issues we identified with PC21 Raw water quality of sources, we note your team revised its model inputs several times before our sample checks identified no material issues. As such, we consider there remains scope to implement independent internal checking of the model inputs before the model is run for APR22.
- In our 20 April 2021 interim report, we noted there appeared to be material weaknesses with the two PC documents you asked us to review. You updated them to address our feedback and asked us to undertake a focused re-assessment. We found you had resolved the material issues we identified. We consider this an example of your responsiveness in acting on our feedback to improve the overall robustness of your reporting to customers, Ofwat and other stakeholders.
- Teams' initial commentaries on performance were often clear and appeared to cover our understanding of regulatory expectations. Where we advised additions or changes to commentary for your APR submission, this was generally to further clarify reporting approach(es) in cases of uncertainty and/or interpretation (eg: risk of severe restrictions in a drought; water poverty; voids).
- The majority of your teams provided a range of background information to us ahead of the audits. Where we had time to review this, we consider it materially aided the smooth running of the assurance process.



We also note that during the audits, and through any follow up activity, your teams were open and constructive.

- Your teams appeared to have a good understanding of the data interdependencies within their operational areas, though there is potentially some scope to strengthen the understanding of data interdependencies across areas. We observed some initial misalignment between some water resource asset and cost allocations for instance, and cost inconsistencies across tables in relation to developer services.
- For some PCs and data items, we recommended your teams review the confidence grades they assigned to reportable figures so that they more accurately reflect the underlying uncertainty in the input data or process(es). And in some cases, teams would ideally be able to strengthen processes over time to support higher confidence grades (eg: 6A.12 – length of raw and pre-treated transport mains for supplying customers and 6A.13-19 treatment works complexity). We also note PC21 Raw water quality of sources has out and underperformance payments associated with it, but a confidence grade of B4. We acknowledge in this case the team is unlikely to be able to materially improve the accuracy of the external model in the short-term.
- We note that our assurance meetings were held with Bristol Water employees. Where processes rely on data from your partners, we were not always able to fully sample back to source data and systems. This was the case with underlying Pelican customer data for example, though we understand this is consistent with your approach of alternating assurance of Pelican data between you and Wessex Water (and that for 2020-21 Wessex's assurance partner will have reviewed the Pelican data). And it was the case for some standalone PCs (eg: Ovarro provide some of your leakage component data).
- For some data items, whilst we did not identify material issues this year, we have identified risks that might emerge in future years. For your supply interruptions and mains repairs PCs for example, we consider there is scope to strengthen the evidence base for events/incidents so that you can robustly evidence performance in the event of any outperformance. And for individual bulk supply exports for example, you may need to develop more granular assessments of your costs if these lines become an area of focus for Ofwat as it looks to facilitate a water resources market.
- In a number of audits, whilst our risk-based sampling did not identify any issues teams did acknowledge there had been limited internal independent checking of the data production process – suggesting there is scope to further mitigate reporting risk. We note this was mainly the case for the asset, activity and financial data rather than your PC reporting.
- For your voluntary GHG emission reporting under IN 21/02, as part of our audit of your APR energy consumptions lines we carried out high level checks on the traceability of the main figures (eg: ticking and tying sample totals and figures back through the workbook), identifying no material issues in doing so.
- For several asset and activity lines in the APR, you use the number of residential meters installed as a proxy for the numbers of metered residential customers (eg: properties, connections, new connections, etc). This assumption is not strictly compliant with the applicable line definitions, but your teams consider it is unlikely to be material as very few residential properties have more than one meter.
- During our sampling of your 2020-21 Guaranteed Standards Scheme (GSS) payments we observed some non-material scope to improve the auditability of the payments information by, for example, recording the property type at the time of an event/payment because these can change over time in your live system.
- During our sampling of your updated 2019 WRMP tables and your 2020-21 WRMP annual review data table, we identified some non-material issues your team will address before submission (eg: ensuring the reported micro-components of PCC are updated and sum to the total that has been used). We note our audit took place before your independent internal checks of the data, which you plan to complete before submission to DEFRA/EA.
- We identified no material issues during our sampling of your ODI payment calculations. During our assurance of the calculations, we also checked that the final PC performance figures you had used to populate APR tables 3A and 3E matched those we assured, and you explained any variance e.g., post audit updates. For your meter penetration PC we understand you have taken a management decision to forecast meeting your end of period target. We recommended you include a clear action plan to catch up performance in your supporting commentary to strengthen confidence in the forecast, particularly given recent performance trends in this area.
- Finally, and consistent with this being the start of a new regulatory period, we note there are a number of new lines and table reconfigurations for APR21 and companies have raised a substantial number of queries with Ofwat – some of which were still outstanding at the time of our assurance. This has meant your teams have had to develop new processes in some cases, or adapt existing ones – and sometimes at



short notice. Across the industry, there is a therefore probably a higher level of inherent reporting risk compared to when data tables and reporting requirements are stabilised later in the period.

Conclusions

This full year report focuses primarily on the data assurance stage of our work. Our earlier, interim report addressed the documentation and process stages of our assurance work.

For all PC data and the majority of other APR data items we have reviewed there are only non-material actions to support your teams' continuous improvement. There are only two areas within the APR data tables we reviewed where we consider a higher level of reporting risk remains for data items.

Financial Assurance Statement

Our Assurance Plan 2021/22 explained the roles of our external auditors and the assurance activities they undertake as part of the publication of our Annual Performance Report. PwC adhere to the wording of the audit opinion prescribed by Ofwat, which covers the pro forma tables in section one and section two of the APR (this includes the financial flows table) and in addition conduct AUPs for two tables in section 4 (4H and 4I). A summary statement by our financial assurers, PwC, is summarised below:

Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Bristol Water Plc

Report on the Regulatory Accounting Statements contained within the Annual Performance Report

Opinion on Annual Performance Report

In our opinion, Bristol Water Plc's Regulatory Accounting Statements within the Annual Performance Report (the Regulatory Accounting Statements) have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.08, RAG 3.12, RAG 4.09 and RAG 5.07) and the accounting policies (including the Company's published [accounting methodology statement(s), as defined in RAG 3.12, appendix 2]) set out on page 19.

What we have audited

The tables within Bristol Water Plc's Annual Performance Report that we have audited ("the Regulatory Accounting Statements") comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water (table 2B), the cost analysis for retail (table 2C), the historic cost analysis of tangible fixed assets for wholesale and retail (table 2D), the analysis of capital contributions and land sales for water resources and water network (table 2E), the residential water revenues (table 2F), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (tables 3A to 3I) and the additional regulatory information in tables 4A to 4R, 5A-5B, 6A-6D and 9A.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors’ responsibilities for the audit of the Annual Performance Report below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF ‘Reporting to Regulators on Regulatory Accounts’ issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council’s (FRC’s) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company’s published accounting methodology statement(s), as defined in RAG 3.12, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA’s purpose. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice (“UK GAAP”). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 19-214 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company’s statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the company’s ability to continue to adopt the going concern basis of accounting included:

- Considering whether the entity is able to meet liabilities as they fall due over the a period of at least the next 12 months; and
- Reviewing the going concern assessment of the company, including the cash flow forecasts, availability of bank facilities and forecast bank covenant compliance.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. In auditing the Regulatory Accounting Statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate. However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company’s ability to continue as a going concern.



Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities for the Annual Performance Report and the audit

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 29, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.12, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.



We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation and UK tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- Discussions with management, in house legal counsel and the members of the Audit and Risk Assurance Committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries that met our predefined risk criteria, in particular journal entries posted with unusual account combinations; and
- Incorporated an element of unpredictability to our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Regulatory Accounting Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WRSA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2021 on which we reported on 08 July 2021, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility



RISK AND COMPLIANCE STATEMENT 2020/21

for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
08 July 2021