



BRISTOL
WATER

Risk & Compliance Statement 2019/20

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 2020



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1 Introduction



This document is Bristol Water's Risk & Compliance Statement, which confirms that the Board of Bristol Water 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.

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 information we publish about how we have performed.

Ofwat requires the Company to produce an annual Risk and Compliance statement. The 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 should explain why it is unable to do so.



This Risk and Compliance Statement is provided in accordance with Ofwat's expectations as set out in Information Notice IN20/03¹, to confirm that the Board considers that the Company has complied with all relevant statutory, licence and regulatory obligations. 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. The Board has also approved an additional 'trust beyond water' statement, which further explains our purpose, our 2019/20 performance and our long-term ambitions, which can be found on our website and at the beginning of our Annual Performance Report 2019/20. These statements demonstrate our accountability to customers and stakeholders that we have complied with our obligations.

This statement covers the reporting year 1 April 2019 to 31 March 2020 for all obligations, except for water quality parameters. These obligations are reported on a calendar year basis, from 1 January 2019 to 31 December 2019. This statement has been reviewed by our technical assurers, Atkins. Their view on our approach is included in appendix 1. Any disclosure of departures from the obligations within this document are included in appendix 2, however the Board does not consider that any departures have been identified in 2019/20.

This document should be read in conjunction with the following documents:

¹ [Information Notice \(IN\) 20/03 Expectations for monopoly company annual performance reporting 2019-20](#)



Statement of Risks, Strengths and Weaknesses of Information	<ul style="list-style-type: none">•An assessment of the risks of data items we publish that are could be inaccurately reported•The assessment informs the Assurance Plan•This document was published as a consultation document at the end of November 2019
Assurance Plan	<ul style="list-style-type: none">•Our approach to assurance of the information that we publish, including information on 'targeted' risk items (the data items identified most as most at risk as part of the Statement of Risk exercise)•Our draft Assurance Plan was published as a consultation document at the end of January 2020• The final version was published in March 2020
Data Assurance Summary	<ul style="list-style-type: none">•Summarises the processes and findings from the assurance activities on our reported data items to demonstrate the information provided in accurate•This includes an update on the 'targeted' risk items•Published July 15th 2020 (alongside the Annual Performance Report)
Trust Beyond Water Statement	<ul style="list-style-type: none">•Confirmation from our Board about our purpose, our performance and our long-term ambitions•The statement is not a regulatory requirement, but an example of how our Board are taking ownership of the impact of their decision-making•Published July 15th 2020 (both as a separate document and within the Annual Performance Report)

All of these documents can be found on our website.²

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" as set out by Ofwat).³ 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

² [Our Performance](#)

³ [Board leadership, transparency and governance - principles](#)



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.⁴ 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 community⁵. We have now set out our approach and detail of the programmes of social contract of activity we plan to deliver in 2020/21.⁶

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.

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.

⁴ [Bristol Water for All](#)

⁵ [Guide to our Social Purpose](#)

⁶ [Social Contract Forward Programme 2020 21](#)



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 K;
- b) that trade with associates is at arm's length, as required by licence condition I;
- 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 I13, namely:
 - that Bristol Water shall at all times act in the manner best calculated to ensure that it has 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. Bristol Water plc is in private ownership but it 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 2019/20. Additional detail is also provided within our Annual Report 2019/20.



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"⁷, 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. This objective and its provisions are set out in our "Trust Beyond Water" statement.

In addition, 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.

Our progress against this objective is summarised in the Trust Beyond Water statement and on the Social Contract section of our website.⁸

⁷ [Bristol Water for All](#)

⁸ [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 2019/20 and Annual Performance Report 2019/20, described in our "Trust Beyond Water" statement.

During 2019/20 no decisions were taken by shareholders or at holding company level for matters that can be reserved for them⁹. On occasions our shareholders responded separately to a number of Ofwat consultations 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.

⁹ There is a list of [reserved matters on our website](#)



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 2019/20 and the Disclosure and Transparency section of our Annual Performance Report 2019/20.

Our total dividend payments from the regulated business in 2019/20 and across 2015-20 remain below the level justified by our performance. This dividend retention 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 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 2019/20.
- 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 2019/20 and the Disclosure and Transparency section of our Annual Performance Report 2019/20. We include an indication of the mix of skills on the Board as part of the Board's evaluation of its performance.



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) 2019/20 Annual Performance Report (including our regulatory accounts and our 2015-2020 performance commitments)
- 2) 2019/20 Annual Report (including our statutory accounts)
- 3) 2019/20 'blind year' data that we will report for final PR14 reconciliations into PR19
- 4) 2020/21 Wholesale and Retail Charges Schedule, Charging Arrangements and Charges Schemes
- 5) 2019/20 Guaranteed Standards Scheme (GSS) payments
- 6) Data on New Connections performance
- 7) Complaints reporting to Consumer Council for Water
- 8) Water quality information provided to the Drinking Water Inspectorate
- 9) Information provided to the Environment Agency (including our Water Resources Management Plan and Market Information)
- 10) Data reporting for non-household competition, reported to MOSL
- 11) Data provided to the Discover Water website
- 12) Data provided to the EBC (a water industry-based, not-for-profit benchmarking exercise)

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 (Atkins) has reviewed the approach and process we follow in assessing compliance with our obligations. A copy of their Assurance Statement is provided in appendix 1.

2.5 Board Signatures

Signed by the Board of Bristol Water:



RISK AND COMPLIANCE STATEMENT 2019/20

Name	Role	Signature	Date
Keith Ludeman	Chairman		25 June 2020
Tim Tutton	Senior Independent Non-Executive		25 June 2020
Jeremy Bending	Independent Non-Executive		25 June 2020
Paul Francis	Independent Non-Executive		25 June 2020
Jim McAuliffe	Independent Non-Executive		25 June 2020
Indradoot Dhar	Non-Executive		25 June 2020
Hajime Ichishi	Non-Executive Director		25 June 2020
Paul Malan	Non-Executive Director		25 June 2020
Mel Karam	Chief Executive Officer		25 June 2020
Laura Flowerdew	Chief Financial Officer		25 June 2020



3 Risk & Compliance Statement Approval Explained

3.1 Background

We produce an annual Risk and Compliance statement to confirm that the Board:

- Considers the Company has a full understanding of, and is meeting, its obligations and has taken steps to understand and meet customer expectations;
- Has satisfied itself that the Company has sufficient processes and internal systems of control to fully meet its obligations. Where the Company considers it is unable to provide such a statement, it should state that this is the case and explain why it is unable to do so; and
- Has satisfied itself that the Company has appropriate systems and processes in place to allow it to identify, manage and review its risks. Where any material or potential material risk is identified, the statement should set out the steps the company is taking or will take to manage and/or mitigate those risks.

In order to comprehensively comply with these obligations, the Company has undertaken a range of assurance practises throughout the reporting year. This document should be read in conjunction with the following documents:

- Our Annual Report and Annual Performance Report for 2019/20: 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 Annual Performance Report includes key regulatory data, including the Regulatory Accounts and details of performance against the performance commitments set out in our PR14 business plan.
- Statement of Risks, Strengths and Weaknesses of Information 2019/20: this provides details of our risk and assurance framework for data reporting. Our risks, strengths and weaknesses assessment considers our track record of performance on meeting our obligations, as well as the complexity of the information and wider risks such as organisational change, in order to ensure that the data we publish and the explanation of it is sufficiently assured and accurate. This year we undertook two assessments, resulting in two separate risk matrixes; this was because we did not limit our risks assessments to just our end of year performance reporting, but rather considered the information we provide to customers and stakeholders, and our regulatory and statutory obligations, more broadly.



- Assurance Plan 2020/21: this sets out our proposed approach to assurance of the information that we will publish during 2019/20 and 2020/21 and provides details of the targeted assurance activities against the data items identified most at risk as part of the Statement of Risk exercise.
- Data Assurance Summary 2019/20: this document summarises our assurance activities (both internal and external) that we have put in place to provide reliable, accurate and complete data (and which provides an update on the targeted assurance activities identified in the Assurance Plan), together with the wider assurance activities that we have undertaken.
- Trust Beyond Water Statement 2019/20: this document is not a regulatory requirement, but an approach our 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 2019/20.

All these documents can be found on our website.¹⁰

3.2 Customer, Stakeholder and Employee Expectations

We have developed approaches and appropriate processes for engaging with our customers to ascertain their priorities and expectations. We continually gather customer feedback and engage with customers in order to understand their expectations.

We have considered how our communications adhere to Ofwat's information principles with the aim of ensuring information is accurate, transparent, clear, accessible and timely. Our approach for producing and reviewing customer information is consistent with Ofwat's information principles. Customer research and feedback is acquired through our quarterly tracking survey and on specific topic areas to support the quality of our communications.

In addition, 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.

¹⁰ [Our Performance](#)



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 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.

We established an Employee Forum during 2019/20 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.

3.3 Risk Management and Audit Plans

In November 2019 we published our updated Statement of Risks, Strengths and Weaknesses of Information. This document consults with stakeholders and customers on the risks, strengths and weaknesses of the data we assess and report on, and how we aim to ensure trust and confidence in the information we provide. There are many sources of information on which to base the assessment. This year we presented the results of our risk assessments into two risk matrices. Our risk assessment:

- Is forward looking – it takes into account planned improvements in controls and new data items.
- Takes into account the future criticality of data items – e.g. areas of increasing stakeholder concern, including poor performance in other companies.
- Reflects Ofwat's approach to regulation by taking ownership of data checks historically carried out by Ofwat – using information from Atkins technical review by considering the industry context.

The exercise assessed for each key data item (both 2019/20 and 2020/21 data items) the probability of inaccurate reporting, after taking into account the control framework we have in place, and what the impact of inaccurate reporting would be on customers, our reputation, financial incentives and industry comparisons. Based on those assessments, each item was classified as low, medium, high or critical risk. The risks identified as critical or high did not reflect an expectation of an increase in



any adverse impact on customers compared to last year, but rather reflects the Company's ability to identify the potential for errors and act accordingly to address them.

The risk assessment methodology was approved by the Audit & Risk Assurance Committee (ARAC) and noted by the Bristol Water Board in November 2019. Following our risk assessment, we engaged with our key stakeholders to seek their views on our proposals. We also discussed our risk strengths and weaknesses with the Bristol Water Challenge Panel (BWCP) and reflected their feedback as part of our consultation process.

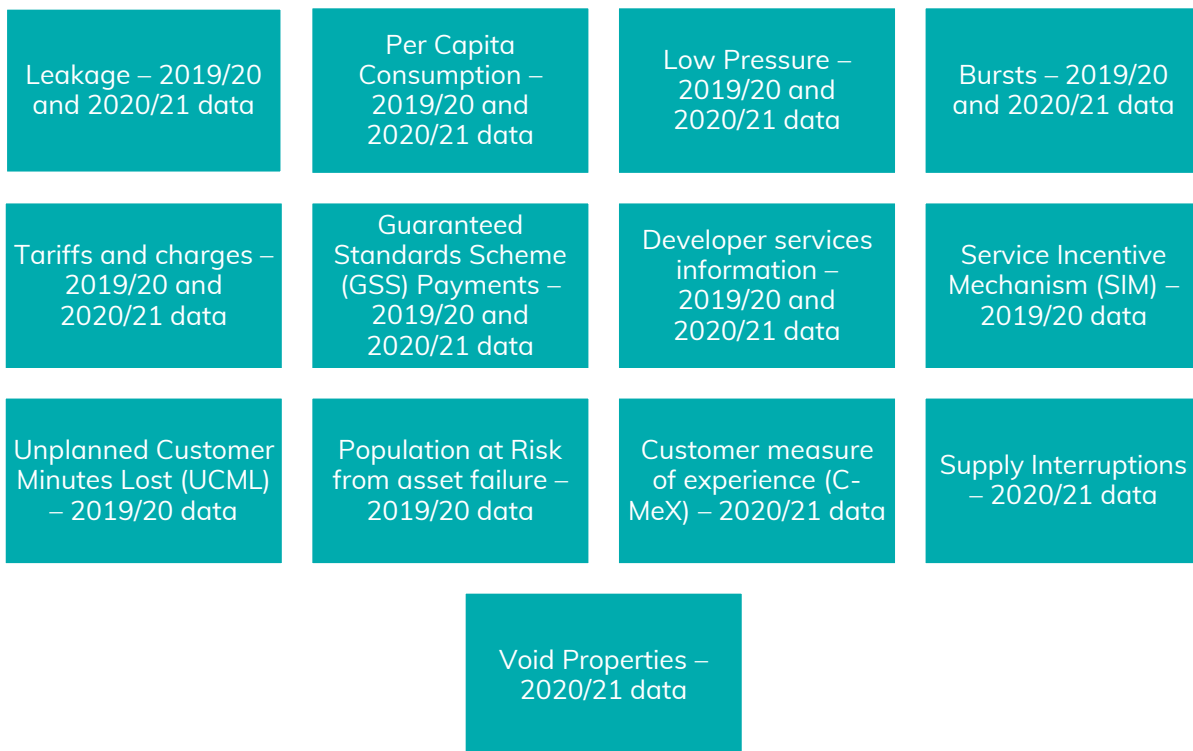
We incorporated the feedback received from stakeholders into our draft Assurance Plan, which was published as a consultation document in January 2020, and we engaged with our stakeholders, including the BWCP, as part of our consultation process. This document set out our intended approach to assurance of our key information related to 2019/20 performance and included our updated risk assessments. We published our final Assurance Plan on our website in March 2020 after incorporating the outcome of our consultation process. Ahead of publication the final Assurance Plan was approved by the Audit & Risk Assurance Committee (ARAC) and noted by the Bristol Water Board in March 2020.

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.



For 2019/20 reporting, we identified the following areas that were high risk for reporting and we ensured these had additional focus during the targeted assurance processes throughout the year:



Through ambition, performance improvement, transparency and corporate responsibility we believe that the scope of the trust that our customers and local communities have in us will increase. We continue to challenge ourselves to improve in all areas even where our performance is strong, such as water quality and our environmental and resource stewardship. To facilitate this process of continual improvement we have changed the leadership of the Company through recruiting an executive team that understand and have experience of transforming larger regulated utilities. In a short period of time they have already reshaped our approach to how we serve our customers now and how we will do so in the future.





Appendix 1 – Risk & Compliance Statement Review by Atkins

Assurance Statement for Bristol Water's 2019/20 APR

Appendix 1 of our 2020/21 Assurance Plan explains the roles of our external auditors and the assurance activities they undertake as part of the publication of our Annual Performance Report. A summary statement by our technical assurers, Atkins, is below:

This is Atkins Limited's assurance statement that encapsulates observations we made during the technical audit of aspects of Bristol Water's Annual Performance Report for 2019/20. Our findings will be presented to Bristol Water's Executive Team on 25th June 2020.

This statement is part of a continuous improvement process that has involved detailed consideration of the methodologies and their applications by which Bristol Water reports on its performance at financial year end and at the mid-year point. We have been providing this service since 2015. From the Company Monitoring Framework: 2018 Assessment, we were pleased to note that Bristol Water had met the criteria for promotion to the "targeted" assurance category.

For the areas we cover and from the information we have been provided with, we conclude that the Company has a full understanding of and has sufficient processes and internal systems of control to meet its reporting obligations. We also conclude that the Company has appropriate systems and processes in place to allow it to manage its reporting risks.

Our approach to technical assurance is to draw upon our experiences at previous rounds of audit and to plan in detail who should be present, what information will be covered, where and when. We issue a notification, carry out the audit, provide immediate verbal feedback, provide key issue feedback within 24 hours and a formal feedback summary including requests for further information or clarification with a table of issues raised. The issues across all of the audits are gathered into an Issues Log, which is used to manage the resolution of reporting issues before the finalisation of the technical assurance process. This statement reflects the technical assurance position after the iterative process of resolving outstanding issues has concluded. It should be read in conjunction with Bristol Water's Assurance Plan 2019/20.

Bristol Water has 21 Performance Commitments (PCs), nine of which have associated financial penalties and rewards.

As part of our independent assurance of Bristol Water's Annual Performance Report 2019/20, we have been engaged to audit the following tables and submissions to be published in Bristol Water's 2019/20 Annual Performance Report and regulatory reporting:

- Data and commentary reported as part of the Annual Performance Report (APR) to Ofwat:
- Table 3A – Outcome performance table, including underperformance penalties and outperformance payments.
- Table 3B – Sub-measure performance table
- Table 3D – SIM (Service Incentive Mechanism)



- Tables 4A, 4B, 4C, 4D, 4F and 4G
- Table 3S – shadow reporting of new definition data (included in separate report)
- Tables 4J, 4L, 4P, 4Q and 4V (formerly Wholesale Cost Tables)
- C-Mex and D-MeX
- WRMP Annual Review
- GSS payments

This year we have adjusted our auditing process to accommodate the travel restrictions due to COVID-19. In a series of approximately 38 remote audits in May and June 2020, we carried out combined methodology and data audits designed to test:

- The Company's internal control systems to produce the submission;
- Whether reporting appears to align with relevant guidance;
- If data has been compiled in accordance with Company methods and procedures; and
- Whether commentary is consistent with our observations on performance levels, trends and the information we were provided with at audit.

We were provided with a copy of the commentary the Company proposed to publish to explain and clarify its reported performance information. We provided feedback on whether it was a reasonable interpretation of what we had seen during our audits.

Bristol Water has met 14 of its 21 committed performance levels for 2019/20 and will incur financial penalties on 1 (Meter Penetration) of the 7 PCs where it has underperformed. The Company will also receive an outperformance payment in year (Leakage), a net penalty payment across AMP6 due to its AMP6 average performance. In particular this year, the Company has shown an improvement since 2018/19 in unplanned customer minutes lost, asset reliability (infrastructure), hosepipe ban frequency, negative water quality contacts, meter penetration, raw water quality of sources, biodiversity index, per capita consumption, value for money, ease of contact from surveys and negative billing contacts. Notable observations on Bristol Water's performance are set out below.

- The Company has again significantly improved its leakage performance from 2018/19 by 4.9 megalitres per day. The reported figures reflect the benefits of the Company leakage strategy implemented in 2017-18.
- Unplanned customer minutes lost again shows a reduction on 14.7 minutes per property per year reported in 2018/19 to 11.1. The Company has comfortably met its performance commitment for the final year of AMP6 of 12.2 minutes., having changed its contractors and improved operational approach and data since the halfway point through the reporting year, albeit during a period of clement weather, would indicate that the PC can be met or even bettered, in the absence of any major events.
- After reporting two consecutive years of 'marginal' performance for asset reliability (infrastructure) and seeing year on year improvements, the Company has been able to meet its commitment performance level for the final year of the AMP.
- The Company has successfully met its committed performance levels on non-infrastructure asset reliability, security of supply index and hosepipe ban frequency for the fifth year in a row and is meeting its targets for the final year of the AMP.
- The Company has failed to meet its metering penetration target in every year of the AMP, and as such will be accountable for an underperformance payment. The Company has met



or significantly exceeded its committed performance levels for negative billing contacts, water poverty and value for money but failed to do so for general satisfaction, ease of contact or the SIM proxy.

During the assurance activities, we have had free access to the Director of Strategy and Regulation and his team and the full cooperation of the people responsible for preparing and reporting the 2019/20 APR and regulatory submissions and the supporting information.

We are pleased to provide assurance that, overall, we consider the information published by Bristol Water has been compiled using information which is accurate, reliable and complete. We have traced selected information to data sources and information systems. We consider the published metrics and commentary provide a fair and reasonable account of Bristol Water's performance in 2019/20 and end of AMP6 position.

While we observed a number of issues for which we provide comment within our main report, we believe these do not impact materially upon the potential to sign-off the Company submission. Each is an area we believe should be given further consideration as part of continuing improvement to performance reporting by Bristol Water.

Jonathan P Archer
Regulation Director
Reporter providing Technical Assurance Services to Bristol Water

Appendix 2 – 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 2019/20.