

Bristol Water's Data Assurance Summary 2018/19

A summary of the outcomes of our assurance activities we have put in place this year to provide reliable, accurate and complete data.



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Executive Summary



This document summarises the results of the data assurance that the company has carried out to evidence that the information provided is accurate.

We publish a range of information about our services and performance, including how we are performing against the commitments we made in our 2015-2020 business plan. This helps to provide our customers and stakeholders with assurance that we are delivering what they have told us they need and want from their water company.

It is important that we have robust assurance arrangements in place to ensure that this information is accurate, clear and transparent. This is essential to building and maintaining a high level of trust and confidence with our customers and stakeholders.

In March 2018, following two consultations with customers and stakeholders (one on our Statement of Risks Strengths and Weaknesses and one on our Draft Assurance Plan), we published our Assurance Plan for 2018-19. Consistent with guidance from our economic regulator, Ofwat, this document firstly reviewed our assessment of any risks, strengths and weaknesses associated with either meeting our obligations and commitments, or providing information of appropriate quality. It then detailed the checks and balances - or targeted assurance activities- that we planned to put in place to address these risks and make sure we remain on track. This document (Bristol Water's Data Assurance Summary) sits alongside our Annual Performance Report and provides a summary of the outcome of this assurance. It summarises our data assurance activities for 2017-18 and provides us with an opportunity to highlight any changes to targeted assurance activities ahead of reporting in 2018-19. The document provides the following:

An overview of the companies' assurance methods and processes, the audit exercises and their findings;

The targeted areas from our assurance plan and updates on progress to 16-17 targeted areas; and

A summary of the views of our technical (Atkins) and financial (PwC) assurers.

In addition to the targeted assurance activities for the sixteen data items we report on (identified as part of the Assurance Plan) we have as a result of our external audits identified that further assurance activities are required for our Service Incentive Mechanism (SIM) performance commitment and our GSS payments.

Introduction

1. About Bristol Water

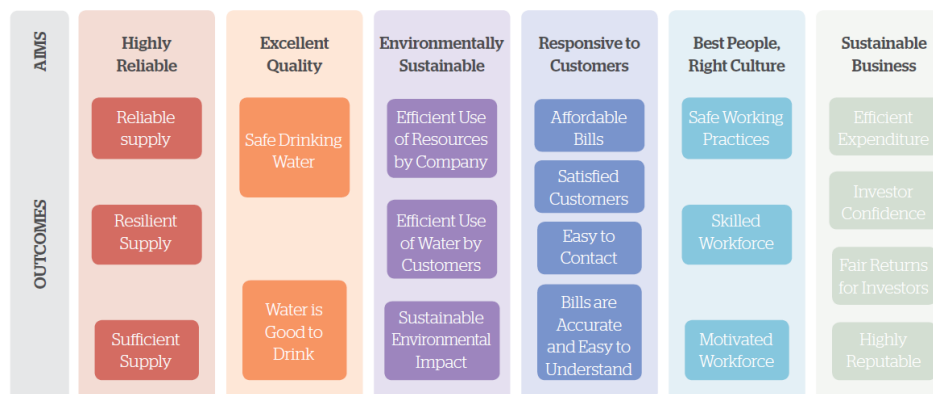


Bristol Water is a water supply company, responsible for the provision of water to 1.2 million customers in the city of Bristol and surrounding area. Our vision is to meet our customers' expectations by providing an outstanding water service in a sustainable and affordable way.

We are one of 16 companies in England and Wales who distribute water and Bristol Water is one of six that focuses exclusively on water, not waste water. In our supply area, waste water services are provided to most customers by Wessex Water.

Bristol Water was set up as private water company in 1846 and has continued in this role ever since. Parts of our network still date from these early days. Our original aim then, as it is today, was to supply good clean drinking water with a high quality service and that is value for money.

In 2014 we published a business plan setting out our priorities for 2015-20. This included a number of key aims and outcomes that we want to deliver for our customers and stakeholders.



In our mid-year performance report¹, published in November 2017, we set out our performance to date in 2015-20, and included comparisons to other companies' performance.

In February we published 'Bristol Water...Clearly'², a consultation on our long-term ambitions. The document set out our long-term ambitions for water services, local communities and the environment out to 2050. In March we published our Draft Business Plan for 2020-25³ as a consultation document. This set out our suggested plan, based on emerging cost, efficiency and customer priority evidence, with alternative scenarios of a minimum and faster plan. The ranges of performance were informed by comparative information as well as customer Willingness to Pay. In parallel we are testing how customer priorities for service options (with the relevant cost), change with the starting level of the bill (for factors such as cost and financing efficiencies). In September we will submit to Ofwat our Business Plan, which will cover the period 2020-25.

¹ Bristol Water's Mid-Year Performance Report 2017/18, <http://www.bristolwater.co.uk/wp/wp-content/uploads/2017/12/2017-18-Bristol-Water-Mid-year-Report.pdf>

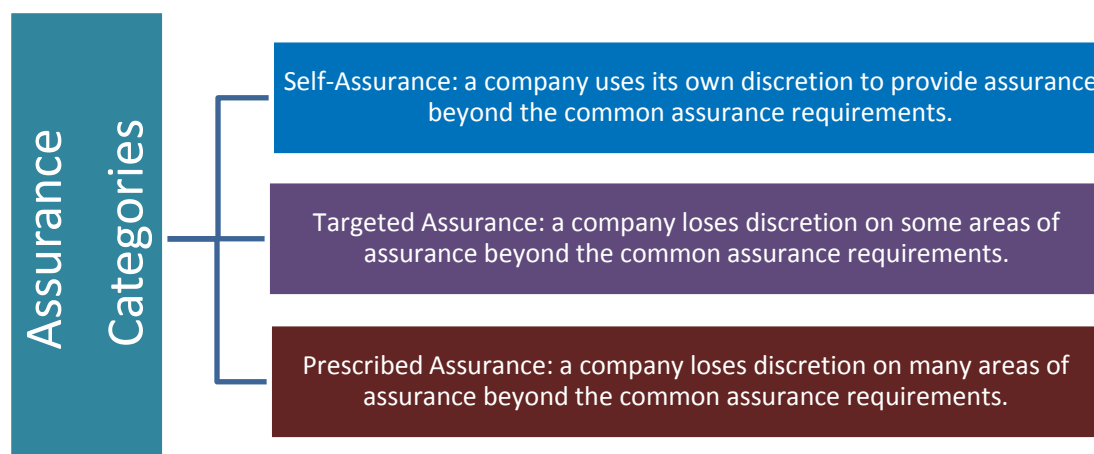
² Bristol Water...Clearly, <http://www.bristolwater.co.uk/about-us/strategic-objectives/our-long-term-ambition/>

³ Draft Business Plan 2020-2025, https://www.bristolwater.co.uk/wp/wp-content/uploads/2018/04/BW-Business-plan-doc-2018_final_1.2.pdf

2. The Regulatory Background – the Company Monitoring Framework

In June 2015, Ofwat published its ‘Company Monitoring Framework’, setting out its expectations for the quality and transparency of the information published by water companies. Ofwat said: “*The Company Monitoring Framework is a tool to challenge all companies to provide information for customers and stakeholders that is reliable, timely, appropriate to the audience, and for companies to be transparent with customers and stakeholders about the data assurance they put in place.*” This framework assesses companies into one of three categories⁴:

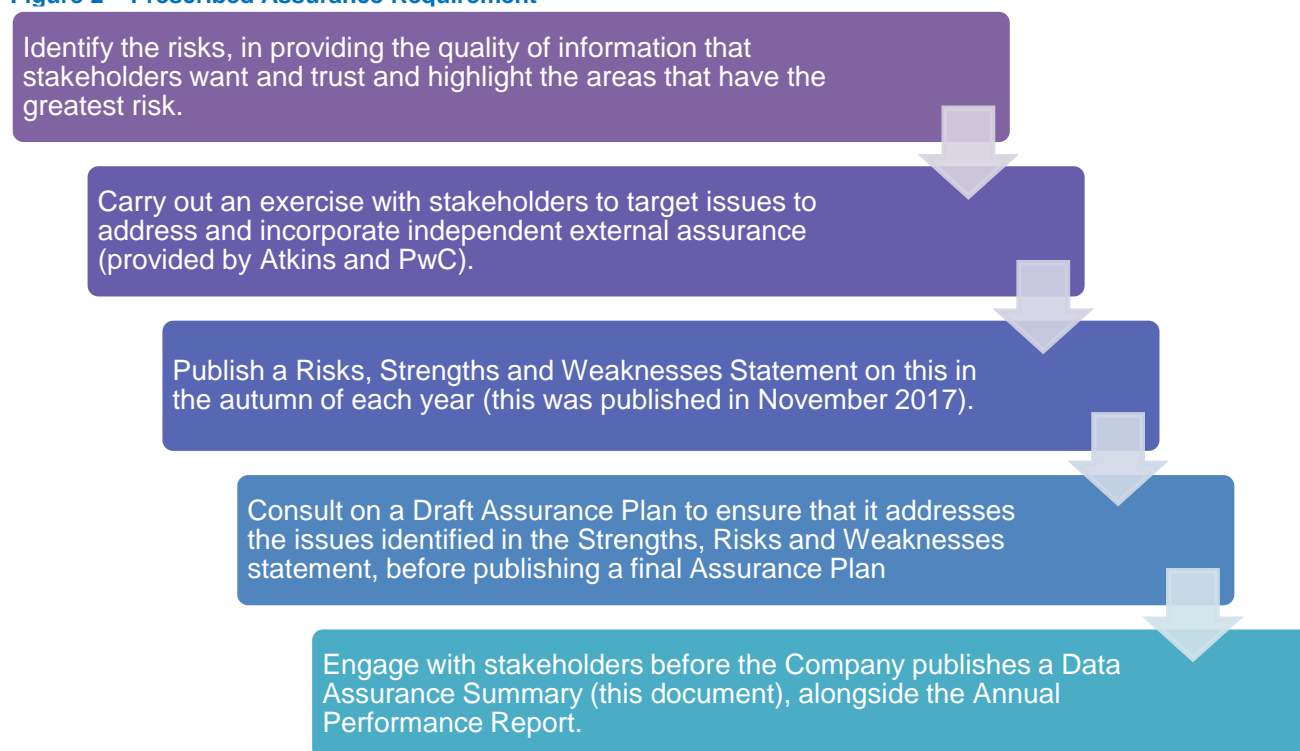
Figure 1 – Assurance Categories



⁴ The full framework is as set out on Ofwat’s website at <https://www.ofwat.gov.uk/publication/company-monitoring-framework-final-position/>

All companies in the prescribed assurance band are required to undertake the requirements identified in Figure 2:

Figure 2 – Prescribed Assurance Requirement



Although we were originally assessed as a ‘targeted’ company, Ofwat confirmed to Bristol Water in December 2015 that it was being moved to the ‘prescribed’ assurance category, with immediate effect from that date. Ofwat published an update to its monitoring framework in November 2016. This update confirmed Bristol Water remained in prescribed status, consistent with the previous decision that companies placed in prescribed status would remain so for a minimum period of two years. The latest update to the monitoring framework was published in November 2017. Ofwat again confirmed that Bristol Water remained within the prescribed category of assurance.

1 presents an overall comparison of the past two assessments Ofwat has taken to date. Although Ofwat noted in its 2017 assessment that it has seen evidence of improvement from the previous year (for example our ‘Assurance Plan’ area of assessment has improved), the regulator does still have concerns, which we continue to address. This document has been written with the intention to respond to the “minor concerns” Ofwat noted in regards to our Data Assurance Summary we published last year (which was included within our Risk and Compliance Statement). We have therefore published our Data Assurance Summary as a stand-alone document for 2017/18.

Table 1 - Ofwat Company Monitoring Framework Assessments

Area of Assessment	2016 Assessment	2017 Assessment
Financial Monitoring Framework	Meets expectations	Meets expectations
Charges schemes assurance/ Charges engagement	Meets expectations	Meets expectations
Financial information	Meets expectations	Not included
Final 2010-15 reconciliation data submission	Meets expectations	Not included
Outcomes	Meets expectations	Serious concerns
Compliance with principles of board leadership, transparency and governance	Meets expectations	Meets expectations
Risk and compliance statement	Meets expectations	Meets expectations
Assurance plan	Minor concerns	Meets expectations
Targeted reviews	Minor concerns	Not included
Data assurance summary	Minor concerns	Minor concerns
Evidence from casework activities	Minor concerns	Minor concerns
Wider assurance and information	Not included	No issues

Ofwat's decision is detailed in section 2.3 of its document, Company Monitoring Framework: 2017 Assessment⁵. In particular, Ofwat had "minor concerns" on the data assurance summary (the same as last year). The concerns reflect:

- The view that the Data Assurance Summary had been written by our technical author, Atkins, which meant the document lacked ownership and a clear statement from the company about proving and reporting robust information
- That the summary had a narrow scope with limited reference to assurance on accounting information.
- That as a prescribed company, Bristol Water should have more explicitly aligned our Data Assurance Summary with our previously published Assurance Plan

Under the Outcomes assessment Ofwat had "serious concerns", in an area which met expectations last year. The concerns reflect:

- The accuracy of completing the outcome performance table in the Annual Performance Report (table 3A), and Atkins not auditing this table.
- Not reporting Leakage figures before and after non-household night use changes, and not using the required process for changing the way outcomes are reported.
- Insufficient evidence of wider assurance, such as a public statement from the CCG on company performance
- Making the performance summary commentary within the annual report less regulator-focused and more accessible to stakeholders.

This was balanced in the assessment by changes to 2015-16 data being made appropriately.

On Casework, Ofwat also retained the "minor concerns" status from last year, due to Ofwat having to seek additional clarification on the self-lay CA98 commitments compliance reporting. We believe we have now addressed Ofwat's concerns in this area.

⁵ Company Monitoring Framework: 2017 assessment, <https://www.ofwat.gov.uk/wp-content/uploads/2017/11/Company-monitoring-framework-2017-assessment.pdf>

Through this document, our Data Assurance Summary, we aim to demonstrate how we have addressed the issues raised in Ofwat's assessment in the Company Monitoring Framework and made our approach to data assurance as transparent as possible for our customers and stakeholders.

3. About this Document – Our Data Assurance Summary

This document is known as Bristol Water's Data Assurance Summary. It sets out the scope and results of our assurance activities that we have put in place to provide reliable, accurate and complete data, together with the wider assurance activities that we have undertaken or initiated to ensure that we can effectively listen to our customers and other stakeholders' views and continue to deliver the services that they want and can afford. It also aims to address the concerns raised by Ofwat as part of its Company Monitoring Framework.

We publish a range of information about our services and performance, including how we are performing against the commitments we made in our 2015-2020 business plan. This helps to provide our customers and stakeholders with assurance that we are delivering what they have told us they need and want from their water company.

It is important that we have robust assurance arrangements in place to ensure that this information is accurate, clear and transparent. This is essential to building and maintaining a high level of trust and confidence with our customers and stakeholders.

This document is one of a number of documents which, taken together, detail how we assure the information on our performance that we report to Ofwat and other regulators⁶:

Figure 3 – 2017/18 Assurance Documents

Statement of Risks, Strengths and Weaknesses of Information	<ul style="list-style-type: none">• An assessment of the risk of inaccurately reporting information• The assessment informs the Assurance Plan• This document was published as a consultation document at the end of November 2017.
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 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 2018• The final version was published in March 2018
Risk & Compliance Statement	<ul style="list-style-type: none">• Confirmation from our Board that it is compliant with all its obligations• Published July 13th 2018
Data Assurance Summary (this document)	<ul style="list-style-type: none">• Process and findings from assurance of reported data• Published July 13th 2018

This document should also be read in conjunction with our Annual Report and our Annual Performance Report 2017-18, which provide full details of our performance during the year,

⁶ These documents can be found on our website, here: <https://www.bristolwater.co.uk/about-us/performance/>

as well as other statutory and regulatory information. It should also be read alongside the report prepared by the Bristol Water Challenge Panel, on its views of our 2017/18 performance, which can also be found on our website, along with our assurance documents. The publication of this document has been brought forward so that it coincides with the publication of our reports, to provide a complete picture of our performance and assurance to customers and stakeholders.

4. Our Approach to Assurance

We consider it important to demonstrate to our customers and other stakeholders that we report information on our performance that is transparent, reliable, relevant, complete and up-to-date. This is part of our commitment to demonstrate that we take ownership of what we report.

a. Internal Governance

Our approach to assurance utilises our well established and mature governance and assurance arrangements. We use a thorough system of controls to make sure that the information we report and publish is as accurate as possible. Each piece of information has a specific owner and reviewer, responsible for production and updating the reporting methodology statement. Data owners and reviewers are required to provide signed confirmation that the data has been compiled in accordance with the relevant methodology, and that the data is a true representation of the facts. This form provides the opportunity for the data owner to identify any concerns with the quality of the data, for investigation by senior managers and Directors.

A committee of executive Directors reviews key data and information before it is published. Progress against key metrics is reviewed in detail monthly so that emerging trends in both performance and data quality can be addressed. Major regulatory submissions, including annual reports, tariffs, accounts and business plans are subject to Board review and approval prior to submission.

Our approach is set out in Figure 4:

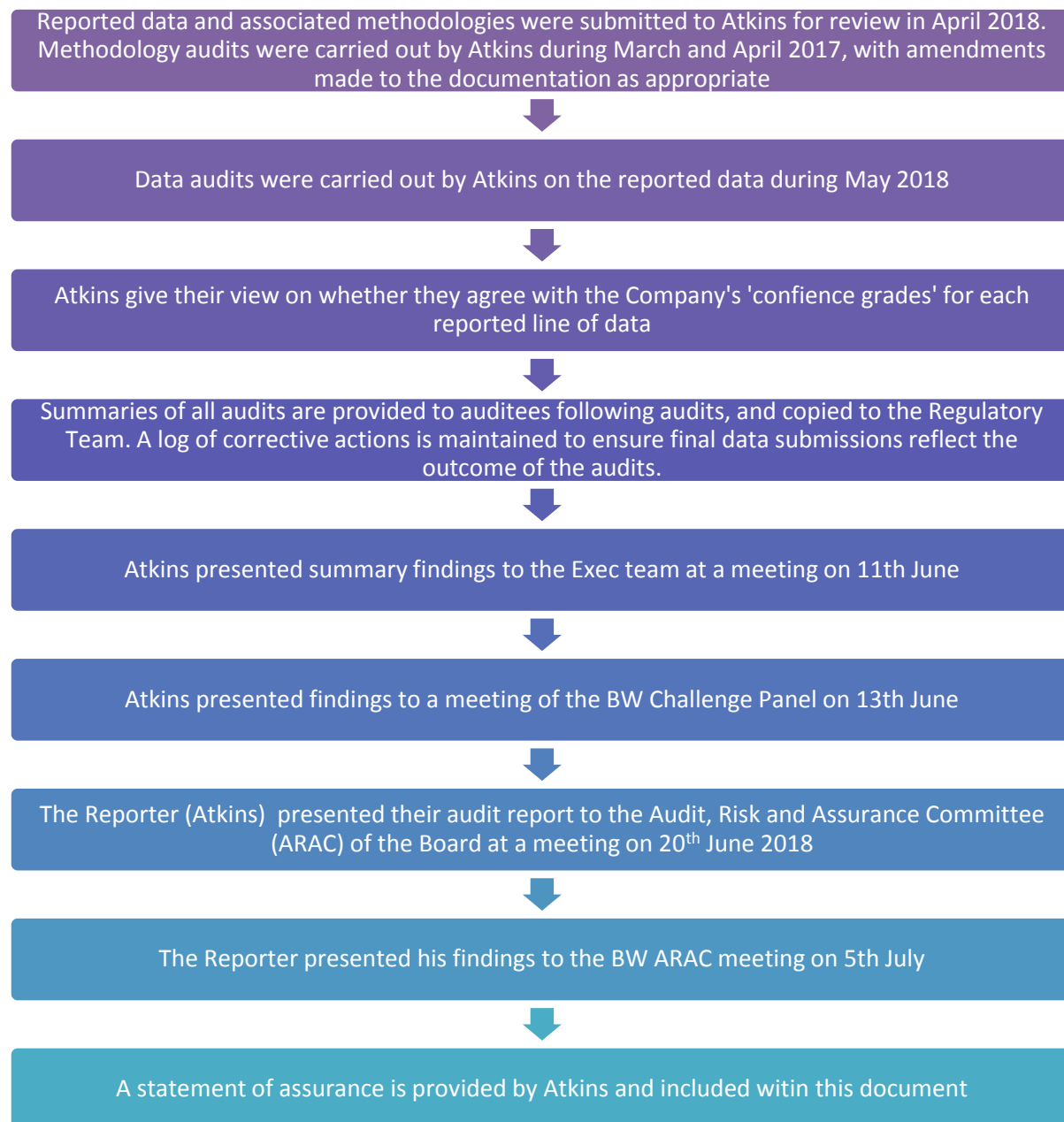
Figure 4 – Internal Approval Process



b. External Assurance

We also use external expert auditors to review our methods, systems and processes for reporting key data and information. In particular Atkins, provides technical assurance on our regulatory submissions, and financial auditors, PwC, audit our key financial data. We also have an internal audit function that reviews our compliance with our governance and assurance procedures. These auditors provide reports to our Board to provide confidence in the accuracy of the information produced. Our approach is set out in Figure 5:

Figure 5 – External Assurance



A summary of the Annual Performance Report tables that have been externally assured are presented in presented in

Table 2 below. The results of the assurance are summarised in the sections 7 and 8. As Bristol Water is a water only company we are not required to complete some tables related to wastewater services⁷.

⁷ This includes tables 2G, 2H, 3C, 4E, 4K, 4M, 4N, 4O, 4R, 4S, 4T, 4U and 4W

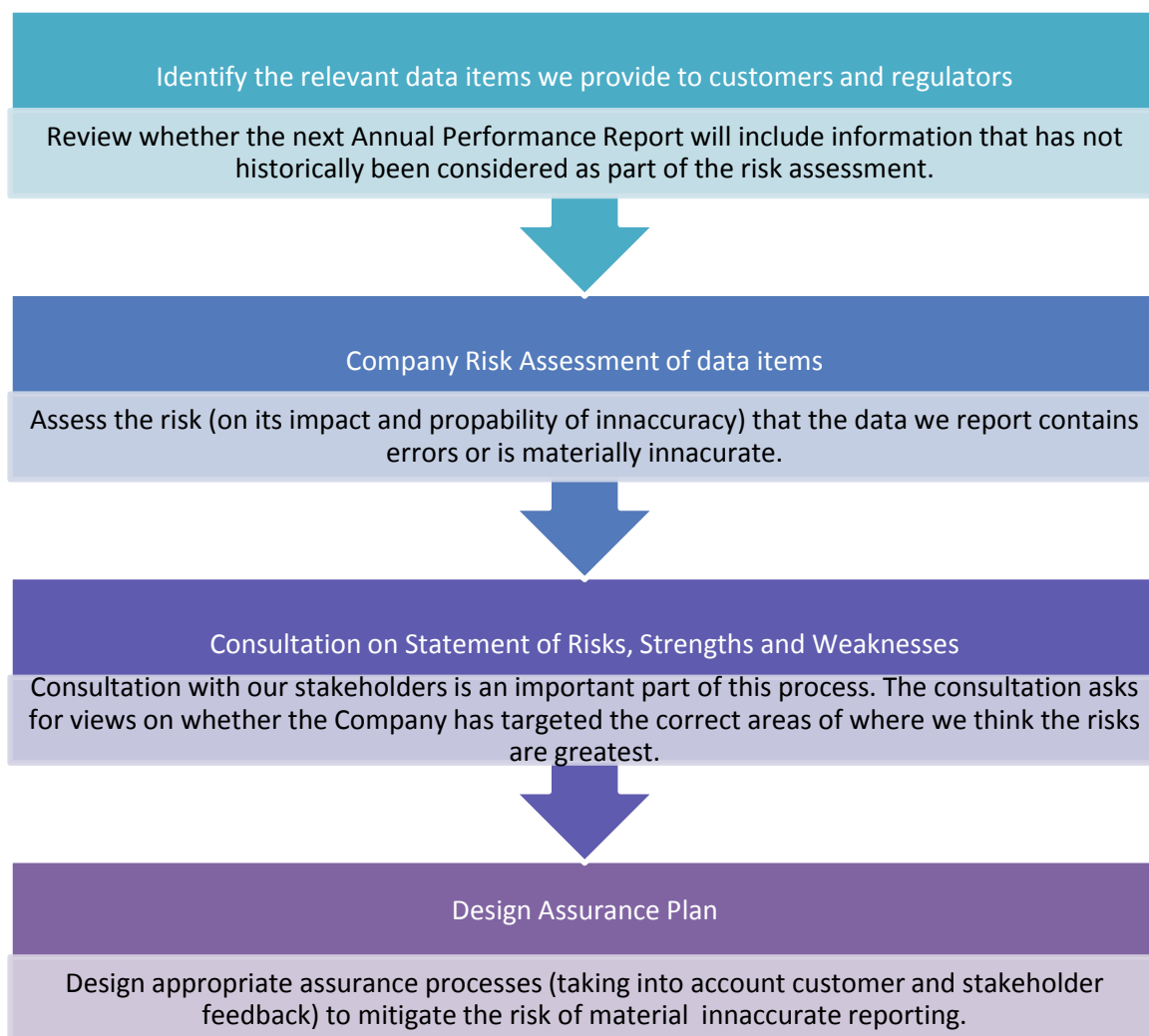
Table 2 - APR Assurance Providers

Table	Auditor
Section 1	
1A - Income statement	PwC
1B - Statement of comprehensive income	PwC
1C - Statement of financial position	PwC
1D - Statement of cash flows	PwC
1E - Net debt analysis at 31 March	PwC
Section 2	
2A - Segmental income statement	PwC
2B - Totex analysis - wholesale	PwC
2C - Operating cost analysis - retail	PwC
2D - Historic cost analysis of fixed assets - wholesale & retail	PwC
2E - Analysis of capital contributions and land sales - wholesale	PwC
2F - Household - revenues by customer type	PwC
2I - Revenue analysis & wholesale control reconciliation	PwC
2J - Infrastructure network reinforcement costs	PwC
Section 3	
3A - Outcome performance table	Atkins
3B - Sub measure performance table	Atkins
3D - SIM	Atkins
3S - Shadow reporting of PR19 performance commitments	Atkins
Section 4	
4A - Non-financial information	Atkins
4B - Wholesale totex analysis	Atkins
4C - Forecast impact of performance on RCV	Atkins
4D - Wholesale totex analysis - water	Atkins
4F - Operating cost analysis - household retail	Atkins
4G - Wholesale current cost financial performance	Atkins
4H - Financial metrics	PwC
4I - Financial derivatives	PwC
4J - Atypical expenditure by business unit - water	Atkins
4L - Enhancement capital expenditure - water	Atkins
4P - Non-financial data for WR, WT and WD	Atkins
4Q - Non-financial data - properties, population and other - water	Atkins
4V - Operating cost analysis - water resources	Atkins

5. Our Risk Assessment

There are many sources of information on which to base the assessment of our risks, strengths and weaknesses and we have used all of these to form our Statement of Risks, Strengths and Weaknesses of Information 2017/18. Information and feedback comes from both internal and external sources throughout the year, and we proactively seek customer feedback. Improvement is a continuous process. The steps involved in the process of establishing what information we need to report needs including in our assurance plan is set out in Figure 5 below.

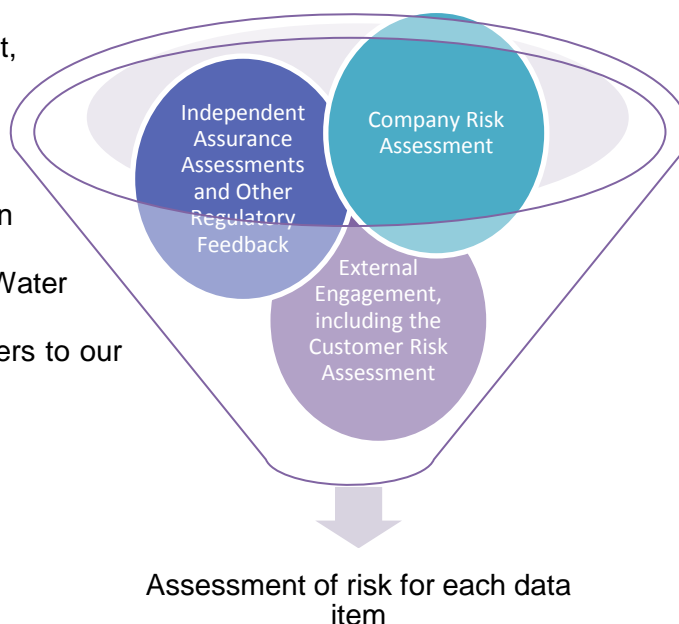
Figure 5 - Identifying Risk Items



We analysed the current risks, strengths and weaknesses of the key information we report and publish on. We included 54 data items for 2017/18 and the Statement took into account various factors when determining the risk ratings for the data items the Company reports on, including:

- Company Risk Assessment:
 - The Company risk assessment has been carried out by the team in Bristol Water responsible for reporting information to customers, regulators and stakeholders. This team has detailed knowledge of our reporting processes and requirements, and the control framework in place for assurance of our information

- The methodology for determining the risk is based on the Data Assurance Guidance for Electricity and Gas Network Companies⁸, published by Ofgem in February 2015
- Independent Assurance Assessments and Regulatory Feedback:
 - We have employed external auditors to audit and assure our key financial and non-financial information for many years.
- External Engagement:
 - The Customer Risk Assessment, a mechanism we introduced for our 2017/18 data, enables customers to indicate whether they agree with the Company's assessment of the 'impact on customers' for each data item
 - Feedback from the Bristol Water Challenge Panel
 - Feedback from other stakeholders to our published consultations



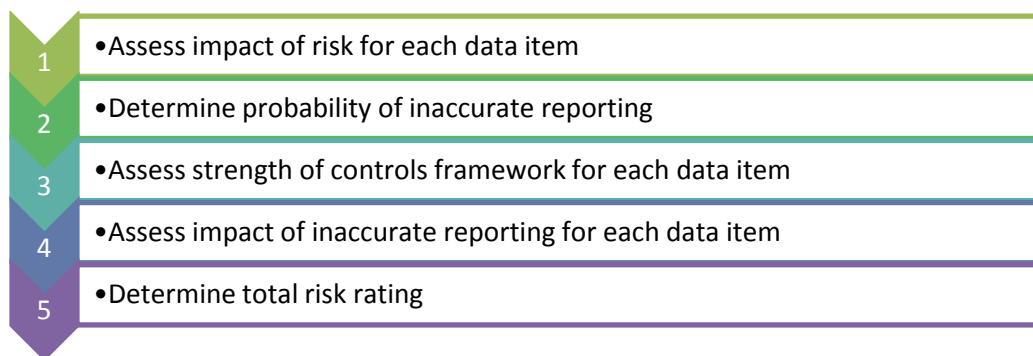
The Company risk assessment has been carried out by the team in Bristol Water responsible for reporting information to customers, regulators and stakeholders. This team has detailed knowledge of our reporting processes and requirements, and the control framework in place for assurance of our information.

To carry out our analysis we have examined the inherent probability of inaccurate reporting this information, the strength of the control framework we have in place to mitigate this risk and the potential impacts of any errors. We have based our methodology on the Data Assurance Guidance for Electricity and Gas Network Companies⁹, published by Ofgem in February 2015. This methodology identifies a five-stage risk assessment process, as set out in Figure 6 below.

⁸ Data Assurance Guidance for Electricity and Gas Network Companies, https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/dag_guidance_document_v1.1_clean_version_0.pdf

⁹ Data Assurance Guidance for Electricity and Gas Network Companies, https://www.ofgem.gov.uk/sites/default/files/docs/2015/04/dag_guidance_document_v1.1_clean_version_0.pdf

Figure 6 – Internal Risk Assessment Process



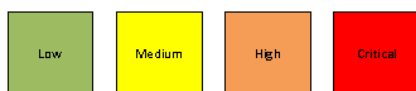
A total risk rating relates to the level of expectation that inaccurate or incomplete data will be submitted to our stakeholders in the future and the possible consequences. The probability score is taken as the maximum of any of the scores given in that assessment. The control score is taken as the average of the scores given in that assessment. A post-control probability score is taken by deducting the control score from the probability. Where this produces a result of zero, a score of one is applied. The post-control probability and impact scores are taken together to ascertain a position on a risk matrix. New data items identified for 2017/18 are highlighted in blue.

The risks identified as critical or high do 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 results of the risk assessment are shown in Figure 7 below.

Figure 7 - results of risk assessment (published November 2017)

Impact Metric Score	4	DWI Data Meter Penetration Mean Zonal Compliance Unplanned Maintenance Events Feeder Models Negative Water Quality Contacts Service Incentive Mechanism Wholesale Totex Return on Capital Reportable Accidents Regulatory Accounts	Unplanned Customer Minutes Lost Bursts Low Pressure Tariffs and Charges Per Capita Consumption GSS Payments Population at Risk from Asset Failure Supply Interruptions Developer Services Info Water Turbidity Water Resources Market Info	Leakage	None
	3	Customer Satisfaction Surveys Credit Rating Hoses pipe ban frequency Value for Money Ease of Contact Negative Billing Contacts Customers in Water Poverty	Financial Data (info not covered by regulatory accounts) NHH Market (Performance) Data CCW Water Complaints Data Total Carbon Emissions AIM (NEP) SOSI EA Data Raw Water Quality of Sources Compliance Risk Index Drought Risk Unplanned Outage Waste Disposal Compliance Stakeholder Survey Non-Financial Data (Properties and Population) Non-Financial Data (Water Resources, Treatment and Distribution)	Special Cost Factors NHH Market (Operational Performance) Data Biodiversity Index	None
	2	Staff Satisfaction	None	RCV Allocation Training Matrix Compliance Vulnerable Customer Satisfaction	Energy Efficiency
	1	Pumping Efficiency	None	None	None
		1	2	3	4
		Probability Metric Score			

Key :



6. Targeted Assurance Activities

Following our data items' risks assessments, Table 3 below explains our targeted assurance activities, which will be undertaken in 2018/19. In our 2018/19 Assurance Plan we identified 16 data items that required targeted assurance activities. These data items have been targeted for one of the following reasons:

- The risk of inaccurate reporting has significantly increased compared to 2016/17, to the extent that the data item has deteriorated in its overall risk assessment i.e. it has moved from a 'medium risk' in 2016/17 to a 'high risk' in 2017/18
- The data item was reported as either 'high' or 'critical risk' in 2016/17 and has remained within either of these categories for 2017/18
- The data item is a new reporting requirement for 2017/18 and has been identified as either a 'high' or a 'critical' risk

Following our external audits, we have added SIM, bringing the total number of targeted data items to 17. Our GSS payments data item had already been identified prior to the external audit as a high risk.

The outcomes of our external audits have also been included in Table 3.

Table 3 - Risk Assessments and Assurance Activities

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
Leakage	High	High	<p>In its 2017 assessment of the Company Monitoring Framework, Ofwat identified that it had concerns about our reporting of leakage. Ofwat recognised we had been transparent about the technical changes to leakage that could affect performance. As this reflected transparency of reporting rather than the quality of the data being measured, we will report both before and after technical changes (by dual-reporting). As we had anticipated this Ofwat concern in our Risk, Strengths and Weaknesses assessment, we have maintained the “High” risk assessment for the assurance plan. As we are committed to dual-reporting this performance commitment, we will extend the scope of Atkins’ audit to review both reported leakage figures.</p> <p>We ‘dual-reported’ our leakage figure as part of our Mid-Year Performance Report for 2017/18. The results can be found on our website¹⁰.</p> <p>In February 2018 we engaged with the Bristol Water Challenge Panel and informed them on our intention to dual-report our leakage performance. We have asked the CCG to write an independent statement on the Company’s approach to include within our APR for 2017/18, 2018/19 and 2019/20.</p> <p>As this is a performance commitment with a financial outcome delivery incentive (ODI), we have extended the</p>	<p>Atkins assessed our methodology and data for this performance commitment as ‘green’ (see section 7).</p> <p>We will continue to dual-report on this performance commitment for 2018/19, and 2019/20. We have provided explanatory commentary within our APR as to the rationale behind this approach. Customers will be able to view our performance by accessing our new graphical webpage.</p>

¹⁰ Mid-Year Performance Report, <https://www.bristolwater.co.uk/wp/wp-content/uploads/2017/12/2017-18-Bristol-Water-Mid-year-Report.pdf>

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
			scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance payments. From 2020/21 we will report on a new definition of leakage (as part of an industry project to standardise the assumptions used) and so dual-reporting will no longer be necessary.	
Unplanned Customer Minutes Lost	High	High	As this is a performance commitment with a financial outcome delivery incentive (ODI), we have extended the scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance payments.	Atkins assessed our methodology and data for this performance commitment as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.
Bursts	High (Infrastructure Asset Reliability)	High	As this is a performance commitment sub-indicator with a financial outcome delivery incentive (ODI), we have extended the scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance payments.	Atkins assessed our methodology and data for this performance commitment sub-indicator as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.
Low Pressure	High (Infrastructure Asset Reliability)	High	As this is a performance commitment sub-indicator with a financial outcome delivery incentive (ODI), we have extended the scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance	Atkins assessed our methodology and data for this performance commitment sub-indicator as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
			payments.	
Tariffs and Charges	Critical	High	Following a review of our tariff method in 2016/17 we introduced additional assurance and external reviews of key data, which we will continue into 2017/18.	Although not part of the audit process, following the identification of this data item as a critical risk, we provided additional explanation of our charges with the assurance statement provided by our Board, which was published in January 2018
Per Capita Consumption (PCC)	Medium	High	As we are committed to dual-reporting for leakage, this will impact our PCC reported figures and so we will also extend the scope of Atkins' audit to review both reported PCC figures.	Atkins assessed our methodology and data for this performance commitment as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.
GSS Payments	High	High	In our 2016/17 Assurance Plan we proposed an additional audit for this data item. This will be undertaken by our independent technical auditors, Atkins, and is due to take place in early 2018.	The additional process audit took place in February 2018. The issues identified at the additional audit are an example of how a thorough review identified issues that have since been corrected before reporting data, and ensuring no impact on customers (as explained in section 2a).
Population at Risk from Asset Failure	High	High	As this is a performance commitment with a financial outcome delivery incentive (ODI), we have extended the scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance payments.	Atkins assessed our methodology and data for this performance commitment as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.
Supply Interruptions	Not included	High	This is included in the scope of Atkins' audit of Unplanned Customer Minutes Lost.	Atkins assessed our methodology and data for this performance commitment

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
				as 'green' (see section 7).
Developer Services Information	Medium	High	Our revised charging framework for new connections will be implemented in April 2018. In 2017 we held two 'market engagement' days to discuss with our developers and self-lay providers our proposals for the proposed charging mechanism. We also consulted with our developers, self-lay providers and new appointments and variations (NAVs) via a published consultation on the Bristol Water and WaterUK websites. We will publish a summary of the responses we receive to this consultation before finalising our approach.	This information was included in table 2J of the APR. It was externally assured by PwC, ahead of publication.
Water Turbidity	High	High	As this is a performance commitment sub-indicator with a financial outcome delivery incentive (ODI), we have extended the scope of our independent technical auditors, Atkins, to include the audit of our performance commitments' underperformance penalties and outperformance payments. Atkins will also produce an independent opinion on the calculation of underperformance penalties and outperformance payments.	Atkins assessed our methodology and data for this performance commitment sub-indicator as 'green' (see section 7). Customers will be able to view our performance by accessing our new graphical webpage.
Water Resources Market Information	Not included	High	Ofwat is promoting new markets in the water industry such as water resources. This will allow companies to provide and trade services between each other at a fair and competitive price. To help these markets grow successfully, it is important that customers and potential market participants can trust our costs are accurate in these areas for activities such as demand management, treatment, transport and other 'search costs'. We will support these new market areas and ensure our data is accurate and follows the same approach to internal assurance as our other data items before publication.	Atkins assessed the information included within our WRMP as 'green'.
Special Cost Factors	Not included	High	Our Special Cost Factors (also known as Cost Adjustment Claims) will be due for early submission to Ofwat in May, ahead of our PR19 business plan submission in September.	Although we were not required to do so, we asked NERA to undertake a peer review of our Special Cost Factors ahead of the early submission to Ofwat on 3 rd May.

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
			Internally, a technical challenge of each claim will be undertaken by the Head of Economic Regulation and the Director of Strategy and Regulation. External assurance of our claims will likely take place in July.	We adopted a number of their recommendations before our early submission.
NHH Market (Operational Performance) Data	High	High	The non-household retail market opened in April 2017 when Bristol Water exited the market. Our focus is now on gaining a greater understanding and building knowledge of how the market operates from a wholesaler perspective. As the water industry opens new markets, we have identified that there is an increasing risk of non-compliance with some service level metrics. We continue to ensure we are fully compliant with both the market code and spirit of the market code.	This is an on-going risk; we continue to monitor the development of the market.
Biodiversity Index	High	High	The Company has few comparators for this data item, as there are few companies who are adopting a similar approach. The Company aims to recruit an additional member of staff in the Environment Team. By continuing our effort to better understand how best to use the Biodiversity Index, we further develop scalable processes and this work has the potential to lead the water industry in documenting and implementing biodiversity opportunities and achievement.	Atkins assessed our methodology and data for this performance commitment as 'green' (see section 7). In April 2018 Ofwat agreed with our approach to updating how this performance commitment is reported on and customers will be able to view our performance by accessing our new graphical webpage.
Energy Efficiency	Not included	High	A new Energy Manager will be appointed within Bristol Water and s/he will have responsibility for reporting this data. This will provide new challenge to data improvements.	An Energy Manager has now been hired, who will assist in the reporting of a number of our environmental data items.
Service Incentive Mechanism (SIM)	Medium	Medium	Not applicable – this was not identified in our Assurance Plan as requiring targeted assurance activities.	Atkins assessed our methodology and data for this performance commitment as 'amber' (see section 7). Our original assessment of a medium risk of inaccurate reporting reflected the low probability of this taking place. As a result of the issues identified at the external audit we have taken immediate

Data Item	2016/17 Risk Assessment	2017/18 Risk Assessment	Targeted Assurance Activity Outlined in Assurance Plan	Outcome of External Audit
				<p>action to resolve these, as explained in section 2a. The impact was in line with the risk assessment, but additional targeted assurance activity was triggered by the assurance process.</p> <p>Customers will be able to view our performance by accessing our new graphical webpage.</p>

7. Technical Assurance Statement - Atkins

Section 8 of our 2018/19 Assurance Plan explained 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 document is Atkins Limited's assurance statement that encapsulates observation we made during the technical audit of aspects of Bristol Waters Annual Performance Report for 2017/18. We presented our findings to the Bristol Water's Executive Team on 11 June 2018, the Bristol Water Challenge Panel on 13 June 2018 and to the full Board of Bristol Water on 5 July 2018.

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.

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 Risk & Compliance Statement 2017/18 and associated documentation.

Bristol Water has 21 Performance Commitments (PCs), ten of which have associated financial penalties and rewards. We note that since last year's report, Bristol Water has reached agreement with Ofwat for corrigenda to the company specific appendix that accompanied its final determination for AMP6.

As part of our independent assurance of Bristol Water's Annual Performance Report 2017/18, we have been engaged to audit the following tables and submissions to be published in Bristol Water's 2017/18 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 leakage, customer supply interruptions, unplanned outage, PCC, mains bursts and risk of severe restrictions in a drought (included in separate report)
 - Tables 4J, 4L, 4P, 4Q and 4V (formerly Wholesale Cost Tables)
- WRMP Annual Review
- GSS payments

In a series of 35 meetings and six remote audits in May and June 2018, 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 nine of its 21 committed performance levels for 2017/18 and will incur financial penalties on four of the 12 PCs where it has underperformed. Nevertheless, meter penetration, total carbon emissions, biodiversity index, waste disposal compliance, raw water quality of sources, population in centres >25,000 at risk from asset failure, negative water quality contacts, general satisfaction from surveys and negative billing contacts all show an improvement since 2016/17. Notable observations on Bristol Water's performance are set out below.

- Unplanned customer minutes show a significant increase since 2016/17 (from 13.1 minutes to 73.7 minutes) due to several incidents, including the burst at Willsbridge in July 2017. The commentary sets out the new operational measures in place to improve recovery times, and provided there are no such incidents in the next two years, the Company should be able to meet its committed performance levels.
- Performance on infrastructure asset reliability has been adversely affected by the severe weather conditions experienced in February and March 2018, which has resulted in the sub-indicator bursts exceeding the target resulting in an overall marginal assessment.
- The evidence provided demonstrated that the Southern Resilience Scheme was fully operational before 31st March 2018. We were therefore able to confirm that Performance Commitment B1 (population in centres >25,000 at risk from asset failure) had been fulfilled.
- The Company has not met its metering penetration target for the current year or the past two years; however, it has forecast to meet the target for 2019/20. There is strong senior management ambition to meet this and there is a plan in place to achieve this.
- The Company has developed a new method of dual-reporting leakage to accommodate both leakage performance based on the original non-household night use (NHHNU) assumptions on which the ODI was based, and leakage performance based on more recent NHHNU data, which we believe is more robust. The commentary sets out the Company's efforts to meet the 12% reduction in leakage, which we confirm from our experience is a challenging target to achieve.
- The Company's Service Incentive Mechanism (SIM) score has declined since 2016/17 and the Company has missed its committed performance level. The Company's commentary explains that this is primarily due to four significant incidents, and sets out how it has undertaken lessons learnt research and implemented improvements for the incident at Clevedon, leading to improved customer satisfaction. Based on the actions taken by the Company we believe the Company should be able to improve its performance next year. Our audit of Bristol Water's reporting against Performance Commitment J1: Service Incentive Mechanism identified a potential for process errors when calls were in a managed process, which cannot be precisely quantified after the fact, but our assessment based on the available information is that this is not material to the reported figure. The Company has implemented an action plan to address the problem and will make changes to its process and methodology documentation to reinforce this.
- The Company has improved its customer satisfaction in relation to the general satisfaction from surveys Performance Commitment, although it has not yet met its challenging target of 93% for all years of the AMP. As with SIM, the Company has attributed this to four significant incidents, and we concur that this was an exceptional year. We believe the Company should be able to improve its performance through the measures set out in the commentary.

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 2017/18 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 2017/18 and progress towards achieving its 2020 targets.

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

A summary of the assessments undertaken by our technical assurers, Atkins, are included in the tables below.

Table 4 – Atkins' Data Categories for each Performance Commitment

Performance Commitment	Data				
	2015/16	2016/17 Mid-Year	2016/17	2017/18 Mid-Year	2017/18
Unplanned customer minutes lost	Green	Green	Green	Green	Green
Asset reliability - infrastructure (bursts and DG2 low pressure)	Green	Green	Green	Green	Green
Asset reliability - non-infrastructure (turbidity and unplanned maintenance)	Green	Green	Green	Green	Green
Population in centres >25,000 at risk from asset failure	Green	Green	Green	Green	Green
Security of supply index (SOSI)	Green	Not included in audit	Green	Not included in audit	Green
Hosepipe ban frequency	Green	Not included in audit	Green	Not included in audit	Green
Mean zonal compliance (MZC)	Green	Green	Green	Green	Green
Negative water quality contacts	Green	Green	Green	Green	Green
Leakage	Green	Green	Green	Green	Green
Per capita consumption (PCC)	Green	Green	Green	Green	Green
Meter penetration	Green	Green	Green	Green	Green
Total carbon emissions	Green	Green	Green	Green	Green
Raw water quality of sources	Green	Not included in audit	Green	Green	Green
Biodiversity index	Green	Not included in audit	Green	Green	Green
Waste disposal compliance	Green	Green	Green	Green	Green
Percentage of	Green	Not included	Green	Not included	Green

Data					
Performance Commitment	2015/16	2016/17 Mid-Year	2016/17	2017/18 Mid-Year	2017/18
customers in water poverty		in audit		in audit	
Service incentive mechanism (SIM)	Green	Green	Green	Green	Amber
General satisfaction from surveys	Green	Not included in audit	Green	Not included in audit	Green
Value for money	Green	Green	Green	Green	Green
Ease of contact from surveys	Green	Green	Green	Green	Green
Negative billing contacts	Green	Not included in audit	Green	Green	Green

Table 5 – Atkins' Methodology Categories for each Performance Commitment

Methodology					
Performance Commitment	2015/16	2016/17 Mid-Year	2016/17	2017/18 Mid-Year	2017/18
Unplanned customer minutes lost	Amber	Amber	Green	Green	Green
Asset reliability - infrastructure (bursts and DG2 low pressure)	Amber	Amber	Amber	Green	Green
Asset reliability - non-infrastructure (turbidity and unplanned maintenance)	Amber	Green	Green	Green	Green
Population in centres >25,000 at risk from asset failure	Amber	Amber	Green	Green	Green
Security of supply index (SOSI)	Amber	Not included in audit	Green	Green	Green
Hosepipe ban frequency	Amber	Not included in audit	Green	Green	Green
Mean zonal compliance (MZC)	Green	Green	Green	Green	Green
Negative water quality contacts	Green	Green	Green	Green	Green
Leakage	Amber	Green	Green	Green	Green
Per capita consumption (PCC)	Amber	Green	Green	Green	Green
Meter penetration	Green	Green	Green	Green	Green
Total carbon emissions	Green	Green	Green	Green	Green
Raw water quality of sources	Amber	Not included in audit	Green	Green	Green
Biodiversity index	Amber	Green	Amber	Green	Green
Waste disposal compliance	Green	Green	Green	Green	Green
Percentage of customers in water poverty	Green	Not included in audit	Green	Not included in audit	Green
Service incentive mechanism (SIM)	Green	Green	Green	Amber	Amber
General satisfaction from surveys	Green	Not included in audit	Green	Not included in audit	Green
Value for money	Green	Amber	Green	Green	Green

Methodology					
Performance Commitment	2015/16	2016/17 Mid-Year	2016/17	2017/18 Mid-Year	2017/18
Ease of contact from surveys	Green	Amber	Green	Green	Green
Negative billing contacts	Green	Not included in audit	Green	Green	Green

Table 6 - Atkins' Data Categories for each table in section 3 of the APR

Data			
Table	2015/16	2016/17	2017/18
3A - Outcome performance table (including underperformance penalties and outperformance payments)	Not included in audit	Not included in audit	Green
3B - Sub-measure performance table	Not included in audit	Not included in audit	Green
3D - SIM (Service Incentive Mechanism)	Not included in audit	Not included in audit	Amber

Table 7 - Atkins' Methodology Categories for each table in section 3 of the APR

Methodology			
Table	2015/16	2016/17	2017/18
3A - Outcome performance table (including underperformance penalties and outperformance payments)	Not included in audit	Not included in audit	Green
3B - Sub-measure performance table	Not included in audit	Not included in audit	Green
3D - SIM (Service Incentive Mechanism)	Not included in audit	Not included in audit	Amber

Table 8 - Atkins' Data Categories for each table in section 4 of the APR (financial and non-financial information)

Data			
Table	2015/16	2016/17	2017/18
4A – Non-financial information	Not included in audit	Covered in APR and WRMP update audits	Green
4B – Totex analysis	Not included in audit	Green	Green
4C – Impact of AMP6 Performance to date on RCV	Not included in audit	Green	Green
4D – Wholesale totex analysis – wholesale water	Not included in audit	Green	Green

Data			
Table	2015/16	2016/17	2017/18
4F – Operating Cost analysis – household retail	Not included in audit	Green	Green
4G – Wholesale current cost financial performance	Not included in audit	Green	Not included in audit

Table 9 - Atkins' Methodology Categories for each table in section 4 of the APR (financial and non-financial information)

Methodology			
Table	2015/16	2016/17	2017/18
4A – Non-financial information	Not included in audit	Covered in APR and WRMP update audits	Green
4B – Totex analysis	Not included in audit	Green	Green
4C – Impact of AMP6 Performance to date on RCV	Not included in audit	Green	Green
4D – Wholesale totex analysis – wholesale water	Not included in audit	Green	Green
4F – Operating Cost analysis – household retail	Not included in audit	Amber	Green
4G – Wholesale current cost financial performance	Not included in audit	Green	Not included in audit

Table 10 - Atkins' Data Categories for each table in section 4 of the APR (previously wholesale cost tables)

Data					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
4J - Atypical expenditure by business unit	Operating Expenditure	1 to 11	Not included in audit	Green	See 4D
	Capital Expenditure	12 to 21	Not included in audit	Green	See 4D
	Cash Expenditure	22 to 24	Not included in audit	Green	Green
	Atypical Expenditure	25 to 30	Not included in audit	Green	N/a
	Total Expenditure	31	Not included in audit	Green	See 4D

Data					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
4L - Enhancement capital expenditure by purpose	Enhancement expenditure by purpose	1 to 30	Not included in audit	Green	Green
4P - Non-financial data for WR, WT and WD: Resources	Proportion of distribution input by source type	1 to 6	Not included in audit	Green	Green
	Number and capacity of sources	7 to 19	Not included in audit	Green	Green
	Length of raw mains	20	Not included in audit	Green	Green
	Pumping head	21 to 22	Not included in audit	Green	Green
4P - Non-financial data for WR, WT and WD: Treatment	Total water treated	23 to 37	Not included in audit	Green	Green
	Number of treatment works	38 to 52	Not included in audit	Green	Green
	Zonal population receiving water treated with orthophosphate	53	Not included in audit	Green	Green
	"Average pumping head - treatment / Average pumping head - resources	54	Not included in audit	Green	Green
4P - Non-financial data for WR, WT and WD: Distribution	Main lengths	55 to 64	Not included in audit	Green	Green
	Capacity	65 to 67	Not included in audit	Green	Green
	Distribution input	68	Not included	Covered in FL: Leakage	Green

Data					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
			in audit	audit	
	Water Delivered	69 to 72	Not included in audit	Covered in FL: Leakage audit	Green
	Leakage	73 to 75	Not included in audit	Covered in FL: Leakage audit	Green
	Comms pipes	76 to 78	Not included in audit	Green	Green
	Network	79 to 81	Not included in audit	Green	Green
	Age of Network	82 to 89	Not included in audit	Green	Green
	Pumping head	90	Not included in audit	Green	Green
	WTW in size bands	91 to 98	Not included in audit	Green	Green
	Proportion of Total DI band	99 to 106	Not included in audit	Green	Green
4Q - Non-financial data - Properties, population and other	Properties, population and meters	1 to 14, 16 to 17	Not included in audit	Green	Green
	Total Population Served	15	Not included in audit	Green	Green
	Company area	18	Not included in audit	Green	Green
	Lead Communication pipes	19	Not included in audit	Green	Green
	Supply / Demand	20 to 23	Not included in audit	Green	Green
	Energy	24 to 26	Not	Green	Green

Data					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
	Consumption		included in audit		
	Peak factor	27	Not included in audit	Green	Green
	Mean zonal compliance	28	Not included in audit	Covered in D1: MZC audit	See D1: MZC
	Volume of leakage	29	Not included in audit	Covered in FL: Leakage audit	Green
4V - Operating cost analysis	Opex	1 to 17	Not included in audit	Green	Green

Table 11 - Atkins' Methodology Categories for each table in section 4 of the APR (previously wholesale cost tables)

Methodology					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
4J - Atypical expenditure by business unit	Operating Expenditure	1 to 11	Not included in audit	Green	See 4D
	Capital Expenditure	12 to 21	Not included in audit	Amber	See 4D
	Cash Expenditure	22 to 24	Not included in audit	Green	Green
	Atypical Expenditure	25 to 30	Not included in audit	Green	N/a
	Total Expenditure	31	Not included in audit	Green	See 4D
4L - Enhancement capital expenditure by purpose	Enhancement expenditure by purpose	1 to 30	Not included in audit	Amber	Green
4P - Non-financial data for WR, WT and WD: Resources	Proportion of distribution input by source type	1 to 6	Not included in audit	Amber	Green
	Number and capacity of sources	7 to 19	Not included in audit	Amber	Green

Methodology					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
	Length of raw mains	20	Not included in audit	Amber	Green
	Pumping head	21 to 22	Not included in audit	Amber	Green
4P - Non-financial data for WR, WT and WD: Treatment	Total water treated	23 to 37	Not included in audit	Green	Green
	Number of treatment works	38 to 52	Not included in audit	Green	Green
	Zonal population receiving water treated with orthophosphate	53	Not included in audit	Green	Green
	"Average pumping head - treatment / Average pumping head - resources	54	Not included in audit	Amber	Green
4P - Non-financial data for WR, WT and WD: Distribution	Main lengths	55 to 64	Not included in audit	Amber	Green
	Capacity	65 to 67	Not included in audit	Green	Green
	Distribution input	68	Not included in audit	Covered in FL: Leakage audit	Green
	Water Delivered	69 to 72	Not included in audit	Covered in FL: Leakage audit	Green
	Leakage	73 to 75	Not included in audit	Covered in FL: Leakage audit	Green
	Comms pipes	76 to 78	Not included in audit	Amber	Green
	Network	79 to 81	Not included in audit	Green	Green
	Age of Network	82 to 89	Not included in audit	Amber	Green
	Pumping head	90	Not included in audit	Amber	Green

Methodology					
Table	Lines	Line numbers	2015/16	2016/17	2017/18
	WTW in size bands	91 to 98	Not included in audit	Green	Green
	Proportion of Total DI band	99 to 106	Not included in audit	Green	Green
4Q - Non-financial data - Properties, population and other	Properties, population and meters	1 to 14, 16 to 17	Not included in audit	Green	Green
	Total Population Served	15	Not included in audit	Green	Green
	Company area	18	Not included in audit	Green	Green
	Lead Communication pipes Supply / Demand	19	Not included in audit	Amber	Green
	Supply / Demand	20 to 23	Not included in audit	Amber	Green
	Energy Consumption	24 to 26	Not included in audit	Amber	Green
	Peak factor	27	Not included in audit	Amber	Green
	Mean zonal compliance	28	Not included in audit	Covered in D1: MZC audit	Covered in D1: MZC
	Volume of leakage	29	Not included in audit	Covered in FL: Leakage audit	Green
4V - Operating cost analysis	Opex	1 to 17	Not included in audit	Amber	Green

Table 12 - Atkins' Data Category for GSS payments

Data			
Report	2015/16	2016/17	2017/18
GSS Payments	Not included in audit	Green	Green

Table 13 - Atkins' Methodology Category for GSS payments

Methodology			
Report	2015/16	2016/17	2017/18
GSS Payments	Not included in audit	Green	Amber

Table 14 - Atkins' Data Category for WRMP Annual review

Data			
Report	2015/16	2016/17	2017/18
WRMP Annual Review	Not included in audit	Green	Green

Table 15 - Atkins' Methodology Category for WRMP Annual review

Methodology			
Report	2015/16	2016/17	2017/18
WRMP Annual Review	Not included in audit	Not included in audit	Green

Atkins has published a report that further explains their assessments for all the information state above for 2017/18. The full report can be found on the Bristol Water website, [here](#).

8. Financial Assurance Statement - PwC

Section 8 and of our 2018/19 Assurance Plan explained 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 financial assurers, PwC, is summarised below:

Opinion on Annual Performance Report

In our opinion, Bristol Water plc's Regulatory Accounting Statements within the Annual Performance Report have been properly prepared in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSR (RAG1.08, RAG2.07, RAG3.10, RAG4.07 and RAG5.07) and the accounting policies (including the company's published accounting methodology statement(s), as defined in RAG 3.10, appendix 2) set out in the Annual Performance Report.

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) and the net debt analysis (table 1E) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of capital contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis and wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J) and the related notes.

We have not audited the Outcome performance tables (tables 3A to 3S) and the additional regulatory information in tables 4A to 4W.

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 have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements under the FRC Ethical Standard. 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

In forming our opinion on the Regulatory Accounting Statements within the Annual Performance Report, which is not modified, we draw attention to the fact that the Annual Performance Report has been prepared in accordance with Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the company's published accounting methodology statement(s), as defined in RAG 3.10, 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.

The Annual Performance Report is separate from the statutory financial statements of the Company and has 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 10-89 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.

The Regulatory Accounting Statements are prepared in accordance with a special purpose framework for the specific purpose as described in the Responsibilities for the Annual Performance Statement and the audit section below. As a result, the Regulatory Accounting Statements may not be suitable for another purpose.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is not appropriate; or
- the directors have not disclosed in the Regulatory Accounting Statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Regulatory Accounting Statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements within the Annual Performance Report and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements within the Annual Performance Report does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the Regulatory Accounting Statements within the Annual Performance Report, 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 within the Annual Performance Report 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 within the Annual Performance Report 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 in the Annual Performance Report 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 3.10, 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 Annual Performance Report as a whole is 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 this Annual Performance Report.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Annual Performance Report are consistent with those used in the preparation of the statutory financial statements of the company.

The Company has presented the allocation of operating costs and assets in accordance with the accounting separation policy set out in the Annual Performance Report and its accounting methodology statement(s) published on the Company's website. We are not required to assess whether the methods of cost allocation set out in the Methodology Statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK).

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 WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements within the Annual Performance Report is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2018 on which we reported on 13 July 2018, 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 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.

Other required reporting

Opinion on other matters prescribed by Condition F

Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

9. Issues Identified at Audit

Following external audits from Atkins and PwC, we are confident that the final assessments, summarised in sections 7 and 8 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 for reporting on our performance measures.

We would however like to highlight that a number of issues have been identified as part of the audits and to provide some context behind the initial actions we have taken to address these issues to date. These are in addition to the risks we identified as part of our 2018/19 Assurance Plan.

Performance Commitment: Service Incentive Mechanism (SIM) – Logging of unwanted calls

- Atkins noted that for the SIM our performance had been robustly reported for the qualitative component of the SIM and written complaints.
- However Atkins also concluded that there were weaknesses in the process for calculating the overall SIM score and for managing and reporting unwanted calls were identified. The audit process identified that some wanted and unwanted contacts are unlikely to have been recorded correctly (a process known as 'logging').
- An estimate of the potential number of unwanted calls not logged correctly has been made, based on an estimate of the number of follow-up calls received which would not be classified as wanted and captured within managed processes. This estimate amounts to 400 unwanted calls and would therefore have less than 0.1 impact on the overall SIM score reported for 2017/18 (reported as 83.4). We have however undertaken the following in order to improve on our SIM reporting for 2018/19:
- We now have call recording in place for the teams which handle the largest volumes of customer calls and we have started to train the managers on how to listen to the recorded calls and increase the sample that they review;
- The New Supplies team now have a process to log contacts which do not have an address – they log as 'out of area'; and
- The metering team have all been re-briefed that every customer contact must be logged.
- This will be identified as a 'high risk' data item for our 2018/19 reporting

Guaranteed Standards Scheme (GSS) - Appointments made by contractors

- The mid-year process review of our GSS payment process identified that one of our third party contractors was not fully compliant with the GSS regulations and had not followed our contractual requirements.
- Specifically, in some instances appointments were offered only for a particular day, rather than an identified two-hour timeslot or morning/afternoon, as required by the regulations.
- As these appointments were deemed to be in breach of the GSS regulations, we have made the relevant payment (including late payment penalty) to each customer. The process has been amended to reflect our instructions so that all-day appointment slots are no longer offered.
- An audit at another contractor identified one member of staff who had made two all-day appointments outside of the agreed process. This was a specific exception and the relevant GSS payments were made.
- Missed payment penalties have since been made to those customers affected.
- This will be identified as a 'high risk' data item for our 2018/19 reporting

10. Restatement of prior reporting years' data

Our audit processes have identified that there are a number of areas where data reported on in prior years requires a restatement of the actual performance, due to improvements in data processes. These changes are also noted in the Annual Performance Report. A summary of the changes is presented below for each line we have re-submitted. These proposed re-submissions of historic data are the result of improved audit processes.

Table 3A (outcome performance)

- Our review of the reporting process for the meter penetration performance commitment identified that the calculation for our 2016/17 performance excluded properties within our change of occupier metering programme, where a meter is identified to be fitted but the process has not yet completed. These properties are identified as having a “void” status within our billing system, but for the calculation of meter penetration they should be included within the number of unmeasured occupied households.
- There were 3,080 such properties as at 31/3/17, the point at which our 2016/17 meter penetration figure is calculated. Including these properties within the calculation for our 2016/17 performance reduces the level of meter penetration for that year from 49.6% (our reported figure in our 2016/17 APR) to 49.3%. As the change of occupier metering programme had just commenced, although they were not reported in voids, the number of unmeasured occupied households were not adjusted to reflect the change of occupier properties where a meter was outstanding to be fitted at 31/3/17.
- There is no financial ODI impact of this change as the reported performance was already at the level of maximum penalty.

Table 4A (non-financial information)

- Our review of the industry data published in September 2017 on the number of voids identified that the figure reported in our 2015/16 APR included a transposition error, in that the total number of voids (9,032) had been included in the measured voids column. The correct figure is 2,788.

Table 4P (non-financial data for water resources, water treatment and water distribution)

- Based on 2017/18 data cleansing activities it has been necessary to revise historic figures, as new figures or corrected figures have become available
- We have therefore restated our historic numbers for the Capacity and Number of Booster Pumping Stations and Service Reservoirs
- Historic figures (2011/12 to 2016/17) for the reporting of “Total Capacity of Intake and Source Pumping Stations” has been restated to reflect improvements in data reporting capabilities with regard to accuracy compared to last year
- Our assurance processes also identified the need to restate historic figures for the reporting of average pumping head.

Table 4P and 3A (reporting of leakage)

- We have reported leakage in 4P and 3A using different methodological assumptions. The differing assumptions specifically refer to the non-household night use (NHHNU) component of the leakage calculation. The methodology changes are explained in detail in our APR commentary for table 3A
- Whereas leakage in 3A is based on data before assumptions to the NHHNU component are taken into account, the leakage figure reported in 4P reflect our leakage using the updated NHHNU assumptions
- In table 4P a number of lines are dependent on the reported leakage figure and therefore the updated NHHNU assumption. Water delivered, distribution losses and water taken unbilled in 4P for 2016/17 and 17/18 have been reported consistent with the NHHNU assumptions for leakage

Table 4Q (non-financial data - properties, population and other information)

- We identified an error in the 2015/16 figure for the Volume of Water above / below the Economic Level of Leakage reported last year (16/17). The calculation of our 15/16 value (-12.779 MI/d) included a formula error that set the economic level of leakage as 57MI/d instead of the correct figure of 56MI/d as used for all other years of reporting. Therefore the 15/16 value has been restated as -11.779MI/d.
- We have re-stated historic values for the reporting of the total demand side enhancements to the supply demand balance (dry year critical / peak conditions) supply / demand balance (for the historically reported years 2011/12 to 2016/17).
- We have restated the historic 2011/12 to 2016/17 values for energy consumption, reflecting two improvements in the reporting process for these lines with regard to the gas conversion factors used
- Our assurance process for reporting of Communication Pipes Replaced for Water Quality identified differences between the numbers identified on our works management system and the record of activity held by our Water Quality team. A reconciliation process between the two sets of data has now been carried out, resulting in changes to the historic data reported for 2011/12 to 2016/17.

Table 4D, 4V and 4P (Distribution Input)

- In October 2017, Bristol Water engaged with Ofwat on a number of queries with regard to the allocation of our Distribution Input (DI) and Costs by source type with regard to the reporting of Table 4D, 4V and 4P.1-15.
- Our reporting of Table 4D, 4V and Lines 4P.1-15 reflects the agreed allocations
- We have also restated the historic 2011/12 to 2016/17 values for the Proportion of DI by source type, reflecting improvements after an error was identified in the previous reporting

11. Our Response to the Outcome of our Data Assurance Activities

Assurance is a year round activity for us. 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 (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. To provide our customer and stakeholders confidence that we have followed our published Assurance Plan we will do the following:

1. If during 2018/19 we plan to not meet a performance commitment, because we consider doing so would be in the best interests of our customers, we guarantee that we will:

- Be proactive and seek to engage with our customers and stakeholders at an early opportunity (for example by publishing our forecasts and management decisions in a mid-year performance report);
- Explain how our plans are in the best interests of customers; and
- Explain how customers are not worse off (for example, demonstrating in practice how customers rather than the Company will benefit from targets not met, particularly if there are impacts on bills).

2. If during 2018/19 we consider that there are errors in data we publish, even if they are not significant to customers, we guarantee that we will:

- Be proactive and seek to engage with our stakeholders at an early opportunity;
- Be able to demonstrate that the issues are not the result of failings in our assurance procedures; and
- Set out in a timely fashion how we will address the errors.

In addition to the targeted areas of assurance identified as part of the Assurance Plan in March 2018, as a result of the external audits we have committed ourselves to the following:

3. As the SIM audit has an ‘amber’ rating on its data assessment from Atkins, we will:

- Review the staffing levels in the operations room to ensure we are resourced adequately for all customer contacts
- Ensure further training is given to managers on how to listen to customer calls and to ensure that call logging is undertaken correctly
- Continue to undertake mid-year audits for all our performance commitments, including the SIM. We will publish our mid-year performance near the end of 2018 and provide an update on our SIM assurance activities within this report.

Our 2017/18 Assurance Plan also identified a number of other improvements we will be making this year, including:

- Continuing to publish mid-year performance reports
- Publishing on our website graphical summaries of our performance in an easily-accessible format, building upon the design of the Discover Water infographics. This can now be found on the ‘performance’ section of our website.

- Publishing more information on our bill changes on our website
- The three lines of defence approach to the assurance of our business plan data

These measures reaffirm our continuing commitment to providing reliable and accurate information to our customers and stakeholders.

12. Glossary

Item	Description
Annual Performance Report	This report is the principal way we will document our yearly performance and hold ourselves publicly to account. The report will include inputs from other areas covered by this assurance plan (e.g. financial accounts) and require some forecasts of performance.
Assurance	Assurance is about providing confidence and a level of certainty that a piece of information or data is correct.
Assurance Plan	A document that aims to provide customers and stakeholders with the information to understand how confident we are as a company that the data we publish is accurate and can be trusted.
Business Plan	A document summarising our wholesale and retail plans. Our PR14 business plan covers the period 2015 to 2020. Our PR19 business plan will cover the period 2020 to 2025.
Company Monitoring Framework	Ofwat's framework that sets out the way in which companies provide performance information to their customers and stakeholders between 2015-2020. It is a tool Ofwat use to challenge all companies to demonstrate information is reliable, timely and appropriate.
Customer Challenge Panel	Known as the Bristol Water Challenge Panel (BWCP), this is an independent group of representatives who ensure we continue to be held to account for delivering our commitments and meeting the promises we make to our customers.
Drinking Water Inspectorate (DWI)	The independent regulator of drinking water in England and Wales, ensuring that water companies supply safe drinking water that is acceptable to consumers and meets the standards set down in law.
Environment Agency (EA)	Regulator for the natural environment in England.
Guaranteed Standards Scheme (GSS) payments	All customers of water and sewerage companies are entitled to guaranteed minimum standards of service, as laid down by the Government, known as the guaranteed standards scheme. Where a company fails to meet any of these standards of service then it is required to make a specified payment to the affected customer. Ofwat monitor the scheme and recommend charges.
Methodology	A system of processes and procedures for collecting data and calculating our performance commitment measures. Formal methodologies make sure our approach to reporting performance is consistent.
Non-household competition	The Coalition Government introduced a legislative framework for a reformed retail market for non-household customers (businesses, charities and public sector), which commenced in England in April 2017.
Ofwat	The colloquial term often used to refer to the Water Services Regulation Authority, which acts as the economic regulator of the water industry.
Outcomes	Higher-level objectives that company actions, activities and achievements are intended to help deliver, representing what customers and society really value.
Performance commitments	Our outcomes are supported by associated performance commitments that identify our committed level of performance under each outcome.
Price controls	The limits set by Ofwat on the charges that appointed companies can make for their services
Water Resources Management Plan (WRMP) 2019	The Water Resource Management Plan is an appointed water undertaker's strategic plan for managing water supply / demand balance over a 25 year period.