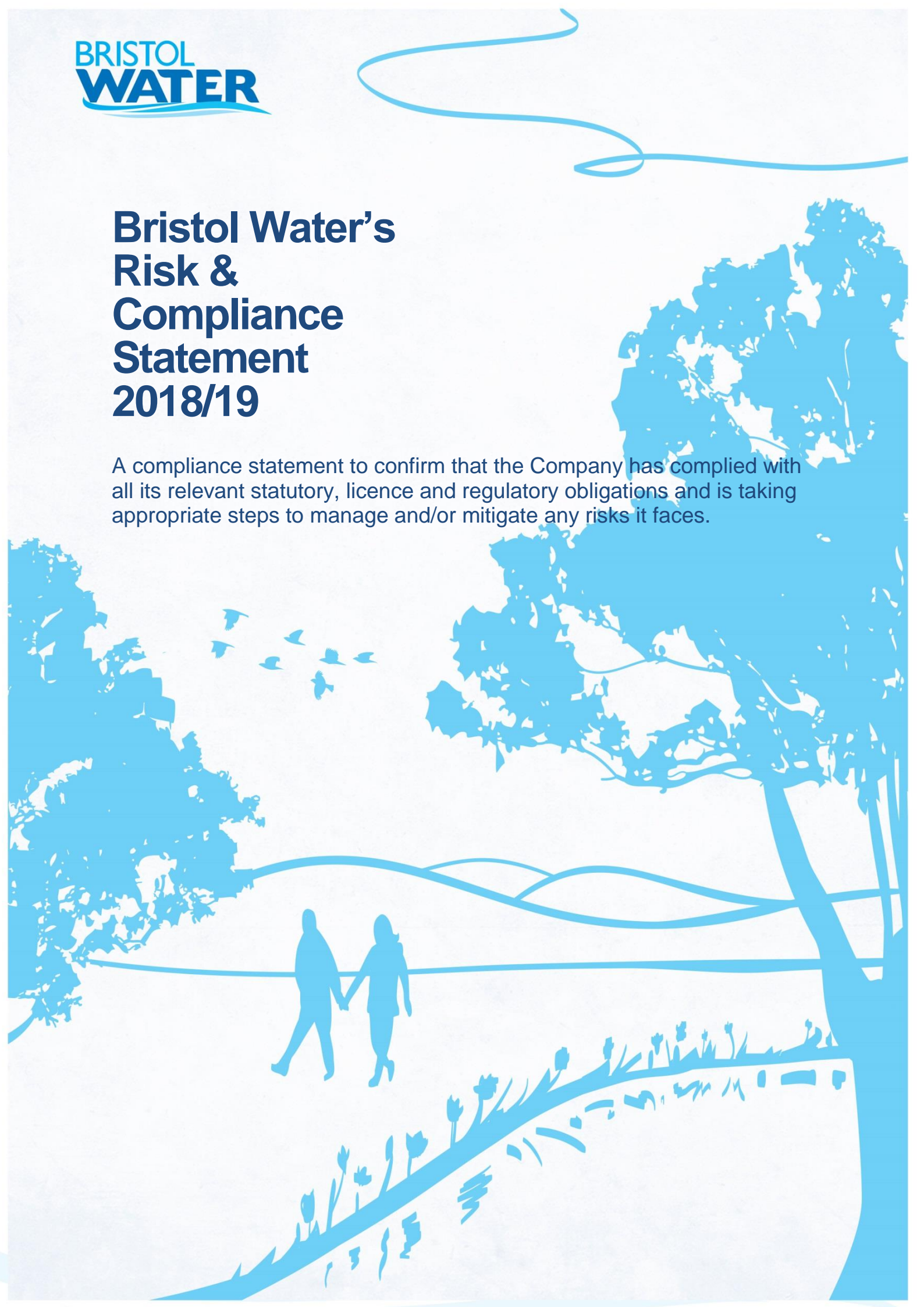


# **Bristol Water's Risk & Compliance Statement 2018/19**

A compliance 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.



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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.

Bristol Water's Board is accountable for the quality and transparency of the information we provide on our performance. This Risk and Compliance Statement is provided in accordance with Ofwat's expectations as set out in Information Notice IN19/06<sup>1</sup>, 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.

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<sup>1</sup> IN19/06 'Expectations for company annual performance reporting 2018-19, [https://www.ofwat.gov.uk/wp-content/uploads/2019/03/IN1906-Expectations-for-monopoly-company-annual-performance-reporting-2018-19\\_updated-20190404pdf.pdf](https://www.ofwat.gov.uk/wp-content/uploads/2019/03/IN1906-Expectations-for-monopoly-company-annual-performance-reporting-2018-19_updated-20190404pdf.pdf)

This statement covers the reporting year 1 April 2018 to 31 March 2019 for all obligations, except for water quality parameters. These obligations are reported on a calendar year basis, from 1 January 2018 to 31 December 2018. 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 2018/19.

This Risk and Compliance Statement is designed to confirm that the Board considers that the Company has complied with all relevant statutory, licence and regulatory obligations. The Board has also approved an additional ‘trust beyond water’ statement, which further explains our long-term ambitions, which can be found on our website and at the beginning of the Annual Performance Report. These statements demonstrate our accountability to customers and stakeholders that we have complied with our obligations. This document should be read in conjunction with the following documents:

Statement of Risks, Strengths and Weaknesses of Information	<ul style="list-style-type: none"> <li>• An internal assessment of the risks of data items we publish that are could be inaccurately reported</li> <li>• The assessment informs the Assurance Plan</li> <li>• This document was published as a consultation document at the end of November 2018</li> </ul>
Assurance Plan	<ul style="list-style-type: none"> <li>• 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)</li> <li>• Our draft Assurance Plan was published as a consultation document at the end of January 2019</li> <li>• The final version was published in March 2019</li> </ul>
Data Assurance Summary	<ul style="list-style-type: none"> <li>• Summarises the processes and findings from the assurance activities on our reported data items to demonstrate the information provided in accurate</li> <li>• Published July 12th 2019 (alongside the Annual Performance Report)</li> </ul>
Trust Beyond Water Statement	<ul style="list-style-type: none"> <li>• Confirmation from our Board about our long-term ambitions</li> <li>• The statement is not a regulatory requirement, but an example of how our Board are taking ownership of the impact of their decision-making</li> <li>• Published July 12th 2019 (both as a separate document and within the Annual Performance Report)</li> </ul>

All of these documents can be found on our website at <http://www.bristolwater.co.uk/about-us/performance/>.

The strength of our Board will drive and deliver our ambitions for improved performance and the reputation of Bristol Water at a national level. Our support for the “putting the sector back in balance” consultation proposals and the recent licence change consultation exemplify this. We also support revisions to the Board Leadership, Transparency & Governance principles. 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.

### 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 Corporate Governance Code (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 also notes the Government's proposals on corporate governance reform and 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. Additional detail is also provided within our Annual Report 2018/19.



## 2.4 Principles of Board Leadership, Transparency and Governance

In 2014 the economic regulator, Ofwat, issued its principles document entitled “Board leadership, transparency and governance” (“Ofwat’s Principles”). Ofwat set out a series of principles that companies’ Boards can build on in developing their own leadership and governance codes. In January 2019 Ofwat published their final Board Leadership, Transparency and Governance (BLTG) principles<sup>2</sup>, which updates those published in 2014. The final approach is based on four overarching **objectives**, which company Boards must explain how they comply with through annual reporting and in governance arrangements. Each objective is supported by a number of provisions, which companies are expected to comply with or explain why the approach the Board take achieves the objectives. The four objectives, and how the Board of Bristol Water has followed the provisions to achieve them, are considered below. For 2018/19 reporting we continue to comply in full with the 2014 principles. We also set out how we are complying with the new 2019 objectives.

A statement of the approach the Bristol Water Board take to Corporate Governance is included in our Annual Report 2018/19, with a statement and supporting information set out on our [website](#).

### 2.4.1 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<sup>3</sup>”, which we launched in January 2019. Our social contract is a framework for how we will deliver for the well-being of society to build the trust of our customers and local stakeholders.

The 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.

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<sup>2</sup> [Board Leadership, transparency and governance – principles](#)

<sup>3</sup> [Bristol Water for All](#)

## 2.4.2 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 2018/19 and Annual Performance Report 2018/19, described in our "Trust Beyond Water" statement.

## 2.4.3 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 2018/19 and the Disclosure and Transparency section of our Annual Performance Report 2018/19.

#### 2.4.4 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, companies 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 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 2018/19 and the Disclosure and Transparency section of our Annual Performance Report 2018/19.



## 2.5 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) 2018/19 Annual Performance Report (including our regulatory accounts and our 2015-2020 performance commitments)
- 2) Information of PR14 reconciliation performance, provided in feeder models for wholesale revenue, retail revenue and totex
- 3) 2019/20 Customer tariffs and charges schedule
- 4) 2018/19 Annual Report (including our statutory accounts)
- 5) 2018/19 Guaranteed Standard Scheme (GSS) payments
- 6) Data on performance on New Connections, reported via Water UK
- 7) Complaints reporting to CCWater
- 8) Water quality information provided to the Drinking Water Inspectorate
- 9) Information provided to the Environment Agency (including the annual update to our Water Resources Management Plan)
- 10) Data provided to the Discover Water website, an industry-backed dashboard designed to provide clear and trustworthy information for customers

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 potential 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.

## 2.6 Board Signatures

Signed by the Board of Bristol Water:

Name	Role	Signature	Date
Keith Ludeman	Non-Executive Chairman		5 July 2019
Mel Karam	Chief Executive Officer		5 July 2019
Laura Flowerdew	Chief Financial Officer		5 July 2019
Paul Malan	Non-Executive Director		5 July 2019
Indradoot Dhar	Non-Executive Director		5 July 2019
Hajime Ichishi	Non-Executive Director		5 July 2019
Jeremy Bending	Independent Non-Executive Director		5 July 2019
Paul Francis	Independent Non-Executive Director		5 July 2019
Jim McAuliffe	Independent Non-Executive Director		5 July 2019
Tim Tutton	Senior Independent Non-Executive Director		5 July 2019

## 3 Risk & Compliance Statement Approval Explained

### 3.1 Background

Ofwat requires the Company to produce an annual Risk and Compliance statement which confirms 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 Statement is therefore just one of Ofwat's key regulatory tools and allows the Company to demonstrate accountability to our customers and demonstrate to the regulator that we are complying with their obligations. Ofwat set out its expectations for monopoly company annual performance reporting 2018/19 in Information Notice 19/06<sup>4</sup>.

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

- Our Annual Report and Annual Performance Report for 2018/19: 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 2018/19: 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.
- Assurance Plan 2019/20: this sets out our proposed approach to assurance of the information that we will publish during 2018/19 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 2018/19: this document summarises our assurance activities (both internal and external) that we have put in place to provide reliable, accurate and complete data, together with the wider assurance activities that we have undertaken
- Trust Beyond Water Statement 2018/19: this document is not a regulatory requirement, but an example of how our Board are taking ownership of the impact of their decision-making. It presents our Board's view on our long-term ambitions and on how we have effectively listened to our customers and other stakeholders' views and continue to deliver the services that they want and can afford in 2018/19.

All these documents can be found on our website at <http://www.bristolwater.co.uk/about-us/performance/>.

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<sup>4</sup> [IN 19/06 - Expectations for monopoly company annual performance reporting 2018-19](#)

## 3.2 Risk Assessment and Audit Plans

In November 2018 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 exercise calculated for each key data item 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.

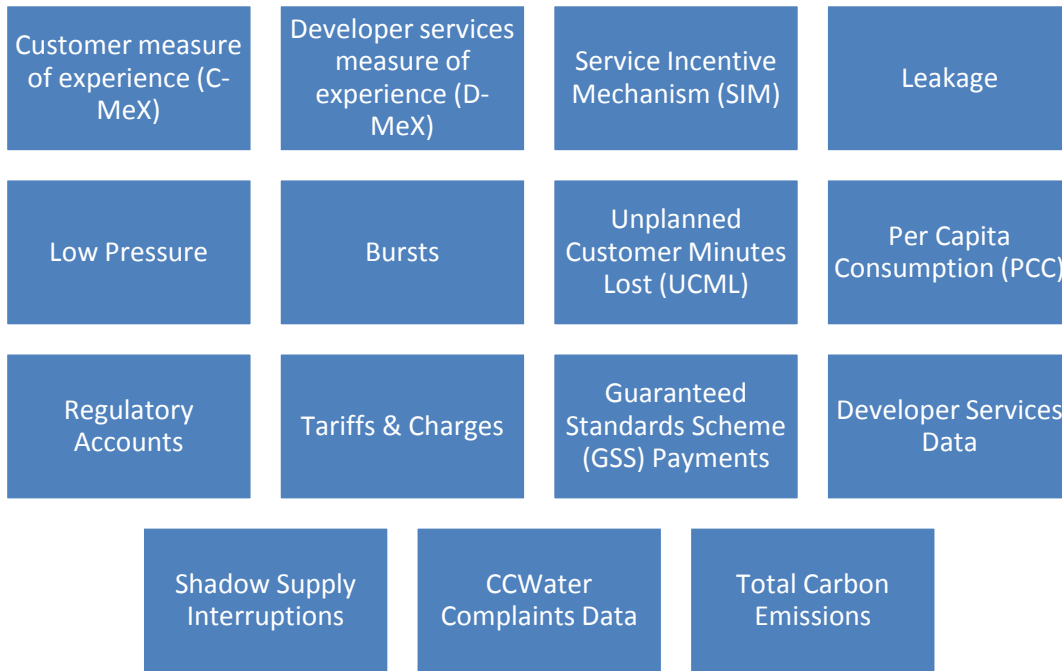
The risk assessment methodology was approved by the Audit & Risk Assurance Committee (ARAC) and noted by the Bristol Water Board in November 2018. Following our risk assessment, we engaged with our key stakeholders to seek their views on our proposals. We also discussed our risk strengths and weaknesses 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 2019, 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 2018/19 performance and included our updated risk assessment. We published our final Assurance Plan on our website in March 2019 after incorporating the outcome of our consultation process and the results of the 2018 Company Monitoring Framework, which was published after our draft Assurance Plan. 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 2019.

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 2018/19 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 2018/19 APR

Our 2019/20 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 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 2018/19. Our findings were presented to Bristol Water’s Executive Team on 17 June 2019 and the Bristol Water Challenge Panel on 13 June 2019.

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 are pleased to note that Bristol Water has 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 Risk and Compliance Statement 2018/19 and associated documentation.

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

As part of our independent assurance of Bristol Water’s Annual Performance Report 2018/19, we have been engaged to audit the following tables and submissions to be published in Bristol Water’s 2018/19 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)
- WRMP Annual Review
- GSS payments

In a series of approximately 25 meetings and 10 remote audits in May and June 2019, 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 9 of its 21 committed performance levels for 2018/19 and will incur financial penalties on 4 of the 12 PCs where it has underperformed. Nevertheless, unplanned customer minutes lost, asset reliability sub-indicators (infrastructure and non-infrastructure), mean zonal compliance, leakage, meter penetration, total carbon emissions, raw water quality of sources, biodiversity index, service incentive mechanism, general satisfaction from surveys and negative billing contacts all show an improvement since 2017/18. Notable observations on Bristol Water's performance are set out below.

- Unplanned customer minutes show a significant reduction since 2017/18 (from 73.7 minutes to 14.7 minutes); however, due to ongoing impacts from the 'beast from the east' in early 2018, the hot, dry summer of 2018 and a supply interruption event at Frenchay in November 2018 the reported performance remains above the target and the Company will therefore incur a financial penalty. The commentary sets out the Company's planned transformational activities, through which it is anticipating that it will meet the committed performance levels for the final year of the AMP and AMP7 targets.
- Performance on infrastructure asset reliability has improved since 2017/18; however, due to the 'marginal' assessment last year, the Company can only report a 'marginal' assessment for the current year. However, the Company is forecasting to meet its committed 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 fourth year in a row and is on track to meet its targets for the final year of the AMP.
- Despite continued focus on metering activity, the Company has not met its metering penetration target for the current year or the past three years and is now forecasting to underperform against the target for the final year of the AMP. The Company has a number of initiatives planned to meet its targets for AMP7.
- The Company has significantly improved its leakage performance from 2017/18 although its performance remains slightly above the target level due to the hot weather and high summer demand experienced in 2018. The Company has introduced a new leakage strategy since 2017/18 and this should allow the Company to meet its leakage targets for the final year of the AMP.
- The Company's Service Incentive Mechanism (SIM) score has improved since 2017/18 although the Company has missed its committed performance level. The Company's commentary explains that this is primarily due to poor pressure caused by high demand in the long hot summer during the first half of the reporting year. It sets out activities it is undertaking to improve customer satisfaction as part of its transformation programme. Based on the actions taken by the Company we believe the Company should be able to continue to improve its performance next year. Our audit of Bristol Water's reporting against Performance Commitment J1: Service Incentive Mechanism highlighted improvements in the Company's reporting of unwanted calls since 2017/18 and we would anticipate the accuracy of telephone reporting to continue to improve with the quality assurance checks that have been implemented.
- The Company has continued to improve 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. We believe the Company should be able to continue 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 2018/19 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 2018/19 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

## **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 2018/19.