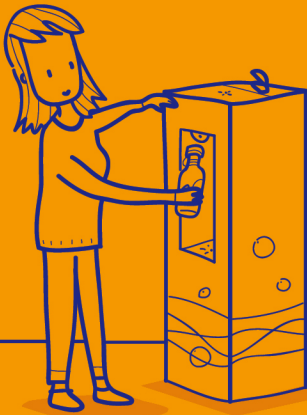



Board Assurance Statement

Structure of our Business Plan Submission

Appointee plan

A1 Bristol Water For All 	A2 Customer summary 
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Wholesale controls

B1 Water resources 	B2 Water network plus 	B3 Residential retail 
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Supporting evidence

C1 Engagement, communication and research Engagement Summary	C2 Addressing affordability and vulnerability	C3 Delivering outcomes for customers	C4 Bristol Water... Clearly Resilient
C5 Cost and efficiency Investment cases	C6 Financeability, risk & return, and affordability	C7 Track record of delivery	C8 Securing Trust, Confidence and Assurance

Introduction

This Assurance Statement forms part of our published business plan **Bristol Water For All** and confirms the actions that we (**the full Board**) have taken to challenge company management and satisfy ourselves that we have done everything we can to secure the trust of our customers and present this in our plan. It is the primary evidence to demonstrate to you how we have arrived at our view that our plan is the best it can be, high quality and that it is deliverable.


Our Assurance Statement is in four parts as follows:

- A. We start our Assurance Statement describing how we are securing trust, confidence and assurance and confirm for each of the initial assessment tests the extent to which we can demonstrate the process, engagement, data, trade-offs and decisions that together form a high quality plan for the business.
- B. We then describe our governance structure and processes in Part B and how they have been used to support the development of our plan.
- C. In Part C we summarise our programme of assurance for the business plan that supports this statement, including a summary of the independent assurance provided.
- D. Finally we set out our **Statements of the Board** based on your requirements and some of our own demonstrating how we are delivering trust on the issues that are relevant to our customers. The areas covered are:
 - 1. Customer Engagement
 - 2. Affordability
 - 3. Outcomes
 - 4. Resilience
 - 5. Cost Assessment
 - 6. Risk and Return
 - 7. Financeability
 - 8. Business Planning
 - 9. Our Additional Requirements

For each area (1 to 9) we have made one over-arching statement supported by a series of more specific statements of actions that we have undertaken. Each of the statements are also supported by evidence that we have reviewed and challenged as part of developing this Assurance Statement. In each case it is the actions that have been taken, together with the evidence, that have enabled us to make the statements that we have.

Board Signatories

The signatures below from each member of the Board are to be taken as providing individual confirmations for the statements in Part D and the overall content of this Assurance Statement.

Board Member	Signature	Date
Keith Ludeman Non Executive Chairman		24/08/2018
Mel Karam Chief Executive Officer		24/08/2018
Paul Malan Non-Executive Director		24/08/2018
Indradoot Dhar Non-Executive Director		24/08/2018
Hajime Ichishi Non-Executive Director		24/08/2018
Jeremy Rudd Interim CFO		24/08/2018
Paul Francis Independent Non-Executive Director		24/08/2018
Tim Tutton Senior Independent Non-Executive Director		24/08/2018

Part A: Securing Trust, Confidence and Assurance

Our plan has securing the trust of our customers at its heart and all four of our outcomes contribute to this. We have included stretching performance commitments for meeting the new **Excellent Customer Experiences** outcome improving the customer experience and the value for money of our service. Performance is already strong in the **Safe and Reliable Water Supply** outcome and we present a plan that will maintain Bristol Water's industry leading water quality compliance, enhance production and network resilience and improve the customer experience of supply interruptions when incidents occur.

Bristol Water is a local company and this is reflected in our **Local Community and Environmental Resilience** outcome. Our customers have told us that they value our local focus. Bristol Water will continue to deliver wider benefits for its local community and the environment in a responsible and cost effective way, whilst creating a small water resource surplus through measures such as reducing leakage and water consumption and improving the habitat around our rivers and reservoirs. Our local community stakeholders are an integral part of our delivery model and form part of the social contract built into **Bristol Water For All**.

Our **Corporate & Financial Resilience** is critical as it provides the environment that enables the transparent delivery of a reliable, cost effective, continually improving and trusted service for our customers and local community. This outcome has been a key focus for the Board during the development of the business plan due to its ambitious nature and our recent performance against some of our key commitments, such as leakage and supply interruptions.

We could not have proposed this plan without implementing significant changes to our financial position and corporate governance and we will continue to implement further changes as required. Significant progress has been made in some areas such as cost efficiency and financial resilience. Although much has been achieved since 2015 the current economic and social climate means that further progress is essential to ensure that we are always striving to serve our customers to the highest possible standard at the lowest possible cost.

Section A1 of our plan includes an explanation of how our business transformation aims to deliver on the promises that we are making to our customers and the community. We also set out the main trade-offs we considered in developing the plan. We do not repeat these considerations here but we do focus on how we can provide confidence to all our stakeholders through our assurance on these matters. Given the hard choices we have had to consider and make in developing our plan, we understand that you will want to carefully consider the support and evidence for the integrity of our proposals as a whole.

We view the trust, confidence and assurance initial assessment tests through the lens of our corporate governance of the company and how we have managed the overall business planning process. We have taken a comprehensive approach to assurance, considering all the elements of the plan given the "prescribed" status under the Company Monitoring Framework and following the challenges to our PR14 business plan.

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 a 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.

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. **Bristol Water For All** is our local interpretation of our social contract with our customers and the community.

The scale of the transformation that Bristol Water is undertaking and the challenges that arise from this have necessitated changes in our Board’s composition and that of our executive leadership during the development of our PR19 business plan. Further organisational changes can be expected as we implement the steps required to deliver the ambition in our plan. Throughout this period of change we have helped to shape the plan and ensure it is driven by customer and stakeholder views. We have had independent support through both third party assurance and strategic advice to assist our challenge of management. This process has been led by our senior independent non-executive director through a specifically established PR19 Board Sub-Committee dedicated to the business planning process. Our non-executive directors have collectively spent over 200 days overseeing the process and understanding, challenging and contributing to the formulation of our plan.

All decisions, including those relating to our draft Water Resources Management Plan, early submissions and the draft business plan public consultation, were made by the full Board.

The contribution of our shareholders to the Board through their experience and expertise has continued to support our business planning process. Moreover the shareholders have provided flexibility with respect to dividend payments and their attitude in supporting the Board to reduce leverage over the course of AMP6. Flexibility in the future is also made possible through, for example, not having third party debt in the holding companies of Bristol Water and the existing financial capacity that Bristol Water group’s majority shareholder group has to commit further funding to Bristol Water group should it be required (and approved in the circumstances required by the governance bodies of those funds).

We have sought to address issues from previous business planning processes through measures including customer engagement, governance structures, assurance processes and separation of function having regard for the steps identified by PricewaterhouseCoopers (“PwC”) following PR14. PwC has provided strategic advice to the PR19 Sub-Committee and Board, inter alia, to help ensure proper implementation of the assurance programme. Our interim CFO continued to provide the independent sponsorship of our internal assurance function and had sufficient overlap with our previous

CFO to inherit the stewardship of financial matters. There is also a robust process of hand-over in place for our new CFO.

Finally, building on some of the lessons for Bristol Water from PR14, this plan has been informed by awareness of the wider challenges to sector legitimacy. We have taken an active interest in the issues affecting other company plans and how this may affect their decisions. Our non-executive directors, supported by independent strategic guidance from PwC, 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 this assurance statement to you.

Over the remaining pages of Part A we provide our commentary for each of the six initial assessment test questions with cross references to the **Statements of the Board** contained in Part D.

Ref.	Test Question	Cross-References	Commentary
CA1	To what extent has the company's full Board provided comprehensive assurance to demonstrate that all the elements add up to a business plan that is high quality and deliverable, and that it has challenged management to ensure this is the case?	<i>We consider that this question relates to the entirety of the statements that we have made throughout this document, and in particular in Parts B and D.</i>	<p>The process and engagement described in Part B of this statement and the specific assurances in Part D together provide strong evidence of how we have provided our comprehensive assurance and challenged management. The full Board has been engaged throughout and is satisfied, based on its continuity notwithstanding a period of transition, to make this statement.</p> <p>We set out in Section A1 and in the supporting evidence Section C6 how the considerations of the balance of risk and reward provided us with the basis to understand our options; consider the trade-offs that may need to be made and make final decisions for the plan.</p> <p>We make it clear in the Executive Summary the hard choices that were faced to ensure that the plan was ambitious and deliverable. We make it clear, and justify fully, where we believe you will need to consider how well our proposals align with your expectations for a high quality plan. In particular we highlight our justifications for:</p> <ul style="list-style-type: none"> • The company specific cost of debt adjustment; • The comprehensive and stretching range of outcome delivery incentives; • The evidence used to support our case for in-period ODIs with an annual cap on bill impacts to maintain customer trust and to support financial resilience during AMP7; • Our proposed reinvestment and gearing benefit sharing proposals; and • The risk mitigation we need for the uncertain costs of the Canal & Rivers Trust. <p>These decision-points are also included as specific statements in Part D, for example concerning the company specific cost of capital (statement 7.1).</p>

Ref.	Test Question	Cross-References	Commentary
CA2	To what extent has the company's full Board been able to demonstrate that its governance and assurance processes will deliver operational, financial and corporate resilience over the next control period and the long term?	<i>This question is supported by all of the statements of our actions that we have made in Area 4</i>	<p>Section C4 in the supporting evidence of our business plan "Clearly Resilient" demonstrates how we deliver resilience for current and future customers. Our three customer facing outcomes are enabled by the Corporate & Financial Resilience outcome. We set out how bills at or below inflation for the long-term, after an initial reduction in 2020, can be delivered and that this is acceptable to our customers.</p> <p>The plan reflects a strong water quality, environmental quality and water resource position. Having improved supply resilience and achieved a stable network, we can deliver stretching operational and service improvements through day-to-day operations. Our 25 year Water Resource Management Plan is based on demand management actions, including leakage, water efficiency and metering, which are more resilient in the long term and will create a small surplus of supply over demand.</p> <p>In Part D (Area 4 Resilience) we reference the range of issues that we have considered as part of resilience in the round, including our long term financial viability.</p>

Ref.	Test Question	Cross-References	Commentary
CA3	To what extent has the company's full Board provided assurance that the company's business plan will enable customers' trust and confidence, through appropriate measures to provide a fair balance between customers and investors (which include outperformance sharing, dividend policies and any performance related element of executive pay) and high levels of transparency and engagement, on issues that matter to customers (which extends to their ability to understand corporate and financial structures and how they relate to its long-term resilience)?	<i>We consider that action statements 7.4 and 8.11 in Part D directly relate to this question.</i>	<p>We have provided a high level of transparency of our plan development to our stakeholders and customers through the publication of our long term strategy "Bristol Water...Clearly", which set out the details of our corporate and financial structure for customers, and our draft business plan consultation, which included options for our outcome delivery and associated bill levels.</p> <p>Customer and stakeholder trust has underpinned our plan, which allows for dividends to reflect performance, and includes outperformance sharing for higher gearing, which we do not envisage as a likely planning scenario. Our approach during AMP6, where profits have been retained to enable equity build-up, exemplifies this. We have also proposed a re-investment mechanism in relation to our key customer and community promises.</p> <p>Our executive remuneration policy also reflects stretching cost and outcome delivery and the corporate and financial resilience outcome linked to developing our people (including health and safety, learning and wellbeing). We are clear that remuneration does not incentivise payment of dividends to shareholders.</p> <p>These issues were integral to the Board consideration of the balance of risk and reward presented in the plan. The Board considered these topics in a series of papers from March 2018 onward that incorporated the "putting the sector back in balance" consultation and legitimacy issues in the trade-offs being considered for the plan. The topics were explored for the long-term in "Bristol Water...Clearly" and in the draft business plan, approval of which provided the context for the Board final plan decisions. We set out in support evidence C6 the decision points that were considered by the Board as well as the risk and reward balance framework, which is referred to in Part D.</p> <p>External transparency of our performance is built into our Board Governance process.</p>

Ref.	Test Question	Cross-References	Commentary
CA4	To what extent has the company's full Board provided comprehensive assurance to demonstrate that the business plan will deliver – and that the Board will monitor delivery of – its outcomes (which should meet relevant statutory requirements and licence obligations and take account of the UK and Welsh Governments' strategic policy statements)?	<i>The action statements contained in Area 3 of Part D relate to this question supported by 8.5, 8.6 and 8.10 in Area 8 of Part D. In Part B we outline the Governance and Assurance Process for both planning and delivery of the plan.</i>	<p>We have pledged many service improvements in our plan, improving customer satisfaction, reducing leakage and supply interruptions as well as improving the habitat around rivers and reservoirs to name just a few. We have a transformation programme in place that is organised and undertaking investment so that many of the efficiency and service improvements are in a position to be delivered as soon as practicable. We will monitor, report on and appropriately respond to performance on outcome targets contained in our business plan.</p> <p>We make clear statements that our plan delivers all relevant statutory requirements and licence obligations in a specific statement in Part D. We set out in "Bristol Water...Clearly" how Defra's strategic policy statement was being taken into account. DWI has indicated support for our proposed water quality improvements and no delay to WINEP delivery has been contemplated. We confirmed to Ofwat and the Environment Agency in June 2018 that our biodiversity index approach and community initiatives would go beyond minimum expectations because of the wider benefits they bring to society and the environment.</p>

Ref.	Test Question	Cross-References	Commentary
CA5	To what extent does the company have a good track record of producing high quality data, taking into account the company's data submission, assurance process and statement of high quality, and our 2018 assessment of the company under the company monitoring framework?	We regard that action statements 8.2, 8.3, 8.7 and 8.8 in Part D are relevant to this test question.	<p>This assurance statement recognises the “prescribed” status of Bristol Water in Ofwat’s 2017 Company Monitoring Framework assessment. All data and information submissions are approved by the Board, following internal and external assurance processes as set out in our Assurance Plan.</p> <p>In section C7 we set out the steps we have taken to improve our data and information quality, and the assurance processes that support this. Following the 2017 company monitoring framework assessment where Ofwat had serious concerns on outcomes, we implemented an action plan, which included the specific commitment we made in February 2018 on leakage reporting and ODI calculation to seek to protect customers’ interests. Our 2018 Annual Report and Annual Performance Report, together with our “Trust Beyond Water” separate summary statement on our website, has improved transparency.</p> <p>We acknowledge we have further progress to make on data quality and our Annual Performance Report processes this year identified a number of areas where our assurance processes have improved the quality of historic data. This evidences continuing efforts to improve our data quality.</p>

Ref.	Test Question	Cross-References	Commentary
CA6	How consistent, accurate and assured are the company's PR19 business plan tables, including the allocation of costs between business units, information on corporation tax, and the assurance and commentary provided?	As per CA5 we regard that the <i>action statements 8.2, 8.3, 8.7 and 8.8 are relevant to this test question.</i>	<p>Our Programme of Assurance, described in Part C of this document, has required substantial assurance on all data tables.</p> <p>In respect of the company's PR19 business plan tables, "three lines of defence" have been applied, with the first line being stepped down to data table owners with sign-off from accountable members of the executive team, the second line being comprehensive review from internal experts and external expert reviewers, and the third line being an independent review from a combination of Jacobs, PwC and Atkins. These independent reviews include methodologies, table data and commentaries.</p> <p>The internal review process specifically considered cost allocation between the business units, in particular between residential retail and wholesale and between water resources and water network plus. We considered IFRS16 and the impact on leases and identified this was not a material consideration. Our corporate tax affairs are simple and transparently reported. Consistency checks have been carried out between actual tax computations, our forecast expenditure and business plan tax calculations.</p>

Part B: Our Governance Processes

We have taken collective responsibility for assuring the business plan. We set the values and standards, make the strategic decisions, and provide leadership for the long term success of Bristol Water. We believe this is achieved through having the appropriate governance and assurance processes in place and the development and assurance of our business plan has followed a consistent governance structure for close to two years.

As a Board we delegate certain roles and responsibilities to committees and these committees assist us by focussing on specific areas and making recommendations in line with their terms of reference. We formally constituted the PR19 Board Sub-Committee (the Sub-Committee) with terms of reference approved by the Board during November 2016.

The Sub-Committee played a key role in supporting the Board with its responsibility for oversight of the development of the business plan. The Sub-Committee is chaired by our senior independent non-executive director (Tim Tutton) and also comprised:

- The independent non-executive Chair of our Audit & Risk Assurance Committee (Paul Francis);
- A non-executive director (Paul Malan);
- Our Chief Executive Officer (Mel Karam); and
- Our CFO (Jeremy Rudd).

The Sub-Committee is routinely attended by our Director of Strategy & Regulation and PR19 Programme Director supported by wider management as required. Other non-executive directors have an open invitation to attend Sub-Committee at their discretion and Indradoot Dhar has attended regularly.

The primary function of the Sub-Committee is to ensure that the business plan is governed appropriately, diligently developed and robustly challenged to ensure that it meets the expectations of customers, regulators and stakeholders. In particular, the Sub-Committee, supported by management, has taken steps to ensure that the voice of our customers has been reflected in its agenda. PwC were appointed as Board assurance partner to support the Sub-Committee in all the above functions and the programme of assurance described in Part C.

The Sub-Committee is not a decision making forum and the Chair of the Sub-Committee is responsible for reporting to, informing and consulting the Board as appropriate to enable it to meet its obligations. The development of the PR19 business plan has been a standing item on Board meetings since the Sub-Committee was constituted, with programme updates provided by the Chair of the Sub-Committee, with specific items provided to Board to approve.

The table below confirms Sub-Committee and Full Board meetings that have taken place since January 2017 and the key (non-exhaustive) agenda items. The Sub-Committee also meet to delve more deeply into specific elements of the business plan that require greater attention (“Deep Dives”).

Customer feedback has been considered throughout the period so we have also identified where this formed a significant part of the agenda items listed.

Sub-Committee / (Full Board)	Key Agenda Items	Customer Feedback Considered
11 th January 2017	PwC Review of PR19 Governance; PR19 Strategic Objectives.	<i>Customer research under development and subject to PwC review.</i>
7 th March 2017	PwC Review of PR19 Programme; Asset Management Capability Review and Initial Plan; Initial View of Cost Efficiency;	<i>Customer research under development and subject to PwC review.</i>
24 th May 2017	Initial Business Plan Summary; Strategic Issues Discussion Paper; PwC Assurance Review of the PR19 Programme; Board Engagement Plan; Ofwat Engagement Plan	<i>The Strategic Issues Discussion Paper presented initial customer priorities from qualitative research undertaken and emphasised the need for a customer-led business plan.</i>
30 th June 2017 (Deep Dive)	Review of Botex and Implications for Plan	<i>The Review of Botex included customer research and results from annual surveys from 2014 to 2017 in order that emerging investment cases are grounded in customer priorities.</i>
27 th July 2017 (Deep Dive)	Customer Consultation Deep Dive; Strategic Implication of Output Delivery Incentives; PR19 Strategy- Discussion on Key Drivers; and Review of Ofwat Methodology	<i>The Customer Consultation Deep Dive explained how customer views would feed into the plan including an example using real customer feedback concerning unplanned interruptions.</i>
17 th and 24 th August 2017	Board teleconferences to approve Company response to Ofwat Consultation	N/A
31 st August 2017	Programme Update PR19 Preparedness - Risk Based Review	<i>Preparedness review highlighted additional research requirements based on existing customer framework and feedback from customers to date.</i>
22 nd September 2017 (Deep Dive)	Retail- Initial Benchmarking Results- Costs and Bad Debt; Company Benchmarks and Special Cost Factors; and draft WRMP and Supply Demand Balance	<i>dWRMP development involved formal and detailed pre-consultation with stakeholders and customers before the draft plan was created. Feedback from target workshops to identify customer preferences on water resources management e.g. willingness to pay on metering and leakage reduction evidenced to the PR19 Sub Committee.</i>
4 th October 2017	Bristol Water PR19 PwC Programme Review and Review of Assurance Framework	<i>Verbal update provided (on request of the Sub Committee) on the Willingness to Pay customer research outcomes.</i>

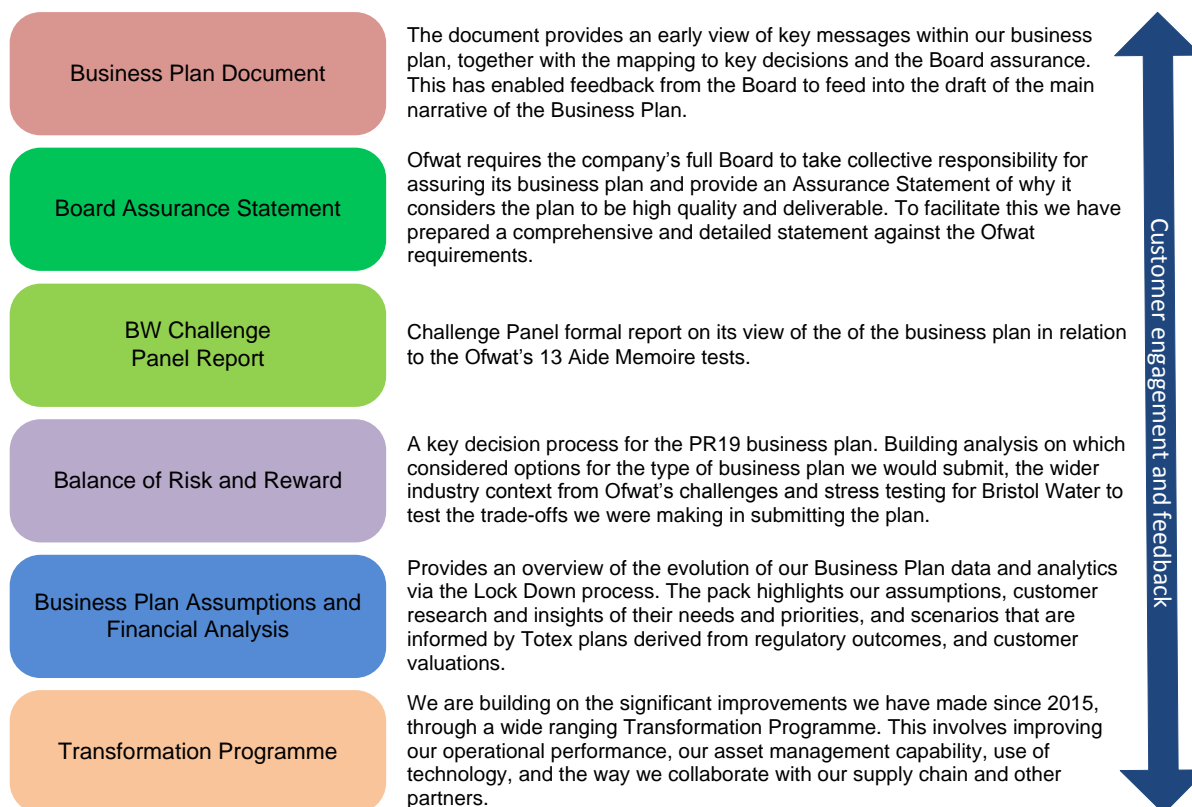
Sub-Committee / (Full Board)	Key Agenda Items	Customer Feedback Considered
26 th October 2017 (Deep Dive)	Water Resource Management Plan Options; Outcomes Framework- Interim Update	<i>The dWRMP options paper considered the customers preferences gained to inform the decisions document presented. Outcomes Framework considered based on customer engagement requirements and research to date including the process of incorporating WTP valuations and the results from the 'online panel' customer testing of ODI definitions.</i>
22 nd November 2017	Update on Water Resource Management Plan Options; and Retail Service Benchmarking	<i>The dWRMP options paper considered the customers preferences gained to inform the decisions document presented. Retail – Briefing included research into customers in vulnerable circumstances and initial stakeholder engagement on joined up resource efficiency strategy.</i>
23 rd November 2017 (Full Board)	Water Resources Management Plan approval Tariff Approval and RCV allocation submission,	<i>The dWRMP options paper considered the customers preferences gained to inform the decisions document presented.</i>
21 st December (Deep Dive)	PWC Quarterly Review; Review of Ofwat Final Methodology; DWI Submissions; Strategy Narrative Outcomes and ODI Incentives; Capital Programme; and plans for Efficiency and Innovation	<i>Strategy Narrative - Our strategy is based on extensive customer and stakeholder engagement supporting the development of our strategic objectives. Outcomes and ODI targets – evidence provided on setting of targets based on customer WTP research.</i>
25 th January 2018 (Deep Dive)	Initial Business Plan Summary; PR19 Strategic issues discussion paper. Board Engagement Plan; Ofwat Engagement Plan; and Assurance Framework Update	<i>PR19 Strategic issues discussion paper includes our customer priorities and perceptions; limitations and gaps and affordability evidence to date in a strategic context.</i>
13 th February 2018 (Full Board)	Bristol Water...Clearly (Long-term Strategic Vision)	<i>This was the key deliverable to engage with stakeholders in the development of the long-term strategic vision.</i>
22 nd February 2018	Key Financial Assumptions- Lock Down 2	<i>Key Financial Assumptions briefing included the latest customer feedback on WTP research. The monthly PR19 Board report highlights key customer research undertaken in January e.g. Youth Board.</i>
28 th February 2018 (Deep Dive)	PWC Review of Assurance Framework Paper; Business Plan Detailed Review (Lock Down 2); Ofwat Cost Model Consultation; and Update on Lock Down 3	<i>The Business Plan Detailed Review LD2 briefing chapter 3 on Customer Views included the customer research on; segmentation, priorities, valuations and stakeholder views to date.</i>
16 th March 2018	PR19 Draft Business Plan – Lockdown 3 Financial Review; and Cost Adjustment Claims	<i>PR19 Draft Business Plan LD3 briefing presented how we have taken customers views into account in setting our three plan scenarios and how they will be incorporated as we develop our final plan.</i>

Sub-Committee / (Full Board)	Key Agenda Items	Customer Feedback Considered
22 nd March 2018 (Full Board)	Draft Business Plan	<i>This was a key deliverable to engage with customers in the development of the final business plan.</i>
21 st March 2018 (Deep Dive)	Cost of Capital, Cost Adjustment Claims; Draft Business Plan Document	<i>Cost Adjustment Claims customer research feedback was included within the Cost Adjustment Claim briefing e.g. 12 'top trump' cards game looking at management control and the extent to which customer believe we should be able to make a claim.</i>
16 th April 2018	Investment Planning; Cost Adjustment Claims- Early Submission to Ofwat; Performance Commitment Definitions; Retail Plan Review; and PWC Quarterly Programme Review.	<i>Briefing papers on early submission topics (May 2018) Cost Adjustment Claims and Performance Commitment Definitions included customer views and feedback to inform decision process.</i>
23 rd April 2018 (Full Board)	PR19 Early Submission: Performance Commitments and Company Specific Cost Adjustment Claims, Evolving Regulatory Framework and PR19	<i>Cost Adjustment Claims and Performance Commitment Definitions included customer views and feedback to inform decision process.</i>
23 rd May 2018	Lockdown 4 Business Plan & Appendix; PR19 Outcomes Framework – Targets and Incentive	<i>Lockdown 4 Business Plan evidence presented included customer views on plan scenarios and the initial outputs from the Draft Business Plan consultation. The Outcomes Framework included customers' willingness to pay and the impact of customer research and how we have incorporated in the development of our framework.</i>
23 rd May 2018 (Full Board)	Balance of Risk & Reward; Transformation Programme (Supply Chain)	N/A
24 th May 2018 (Full Board)	Ofwat and Sector legitimacy - Putting the sector back into balance and noting of Ofwat letter or consultation response	N/A
20 th June 2018 (Full Board)	Business Plan Decision Framework; Board Assurance Statement; Business Plan Risk & Reward; Feedback from Customer Challenge Panel; PR19 Business Plan Assumptions and Financial Analysis; and Transformation Programme.	<i>The Board Committee were presented the full outputs from the Draft Business Plan consultation including customers' views on; consultation outputs, ambitions, impact of bill changes: econometric survey, vulnerability assistance. Peaches Golding (CCG Chair) provided the Board with an update against the Ofwat Aide Memoire tests, described managements approach to customer engagement and the challenges that the CCG have made.</i>

Sub-Committee / (Full Board)	Key Agenda Items	Customer Feedback Considered
5 th July 2018 (Deep Dive)	Business Plan Assumptions and Financial Analysis - Lock Down 5 Investment Programme Balance of risk and reward	<i>The Business Plan Assumptions and Financial Analysis report included: customers' views on; consultation outputs, ambitions, impact of bill changes: econometric survey, vulnerability assistance and recommendations.</i> <i>Balance of Risk and Reward: The briefing takes account of customer feedback to support decision making, for example; Small Company Cost of Capital Adjustment – the impact on customer bills and customer testing outcomes including their support or otherwise for the options.</i>
25 th July 2018 (Full Board)	Board Assurance Statement; Assurance provider feedback; Assurance Framework Update; Balance of Risk and Reward; Business Plan Assumptions and Financial Analysis; BWCP Aide Memoire; Business Plan Document.	<i>Peaches Golding (BWCP Chair) provided the Board with an update against the Ofwat Aide Memoire tests and the Final Business Plan Acceptability Testing results were presented.</i>
26 th July 2018 (Full Board)	Transformation Programme	N/A
24 th August 2018 (Full Board)	Approval of Business Plan.	<i>Clear line of sight from customer priorities to the investment cases through mapping Customer Priorities to Performance Commitments to Investment Case Spend</i>

The programme of agenda items demonstrates how the elements of our plan, including our published draft and the early submissions, and importantly the customer feedback on these elements have been considered by the Sub-Committee and the Full Board.

To enable the decision making required for the final plan, our decision making framework distils the six key elements (set out below) for us to review, consider and approve following amendments that we considered appropriate. Customer engagement and feedback was considered as part of all of these elements.



This structure provided us with the information and evidence that has enabled us to make effective decisions on the development of the business plan and the table overleaf shows at what meetings these key elements were considered to finalise the plan.

Date	Agenda Items	Element Considered
23 May 2018 Board Meeting	Balance of Risk and Reward Transformation Plan	
20 June 2018 Board Meeting	Business Plan decision framework Balance of Risk and Reward Board Assurance Statement Feedback from the BWCP Business Plan Assumptions and Financial Analysis - Lock Down 5 Transformation Plan	
5 July 2018 PR19 Board Sub Committee Deep Dive	Programme Update Business Plan Assumptions and Financial Analysis - Lock Down 5 Investment Programme Deep Dive	
25 July 2018 Board Meeting	Board Assurance Statement Final Business Plan (Document A1) Balance of Risk and Reward Business Plan Assumptions and Financial Analysis - Lock Down 5 Final Acceptability Testing Feedback Customer Challenge Panel Aide Memoire	
24 August 2018 Board Meeting	Board Assurance Statement Customer Challenge Panel Report Final Business Plan (Document A1) Approval subject to agreed changes	

Part C: Our Programme of Assurance

Our ambition is to ensure that all the information we communicate externally is accurate and secures the trust and confidence of our customers, stakeholders and Ofwat's assessment of our business within the Company Monitoring Framework. For the business plan, we must engender confidence and demonstrate how our governance processes and programme of assurance have delivered high quality data.

For these reasons we engaged early in formulating the required elements for assurance of the business plan, culminating with the Sub-Committee endorsing an approach in October 2017. An Assurance Framework was developed by an internal assurance function with support from PwC and was used consistently for all the elements of our business plan. The Assurance Framework was based upon three principles:

- Targeted – at the areas that will determine the acceptability of the business plan and deliver a high quality plan
- Risk-based – assessing the risk for each element based on its impact on the business plan and its level of complexity
- Planned and Measurable – to provide the means of oversight as assurance of the business plan progresses.

The Assurance Framework utilised the 'three lines of defence' risk management model utilising a first line of operational assurance followed sequentially (and as required) by a second line of internal assurance and a third line of independent third party assurance.

The Assurance Framework was used consistently for the entire business plan programme and applied to the quality of the data that goes into the plan and also the quality of our activities, processes and judgements that are associated with generating that data. We applied the same approach and methodology to our draft WRMP.

The elements of the plan were identified, which were termed "Building Blocks", each with a corresponding operational business owner and sponsor in the executive team. Operational business owners assessed each building block using a consistent methodology based on the above principles and developed an Assurance Plan accordingly. The Assurance Plans specified the planned level of assurance to be achieved and the activities required to do so for each individual Building Block.

Levels of assurance were defined for consistency across the programme by reference to the extent, depth and completeness of assurance. The levels were informed, but not solely driven, by the number of lines defence used. Limited assurance required that internal and external expertise be reviewed by the operational business owner and the corresponding sponsor (a first line of defence). Moderate assurance required demonstrating a further process of assurance by management or a function with a degree of separation (a second line of defence) and may have included some independent assurance (a third line of defence). Substantial assurance required a wide scope of more detailed testing and validation including all three lines of defence. Full definitions are included in section C8.

The assurance plans were peer reviewed and challenged by both our internal assurance function and PwC and approved individually and as a whole for the programme by the executive team. The assurance function within the company was set up separately from the business planning programme team and with independent reporting lines.

This planned and consistent approach for each building block enabled oversight and challenge of the plan and is how we can be confident that our approach to assurance is comprehensive.

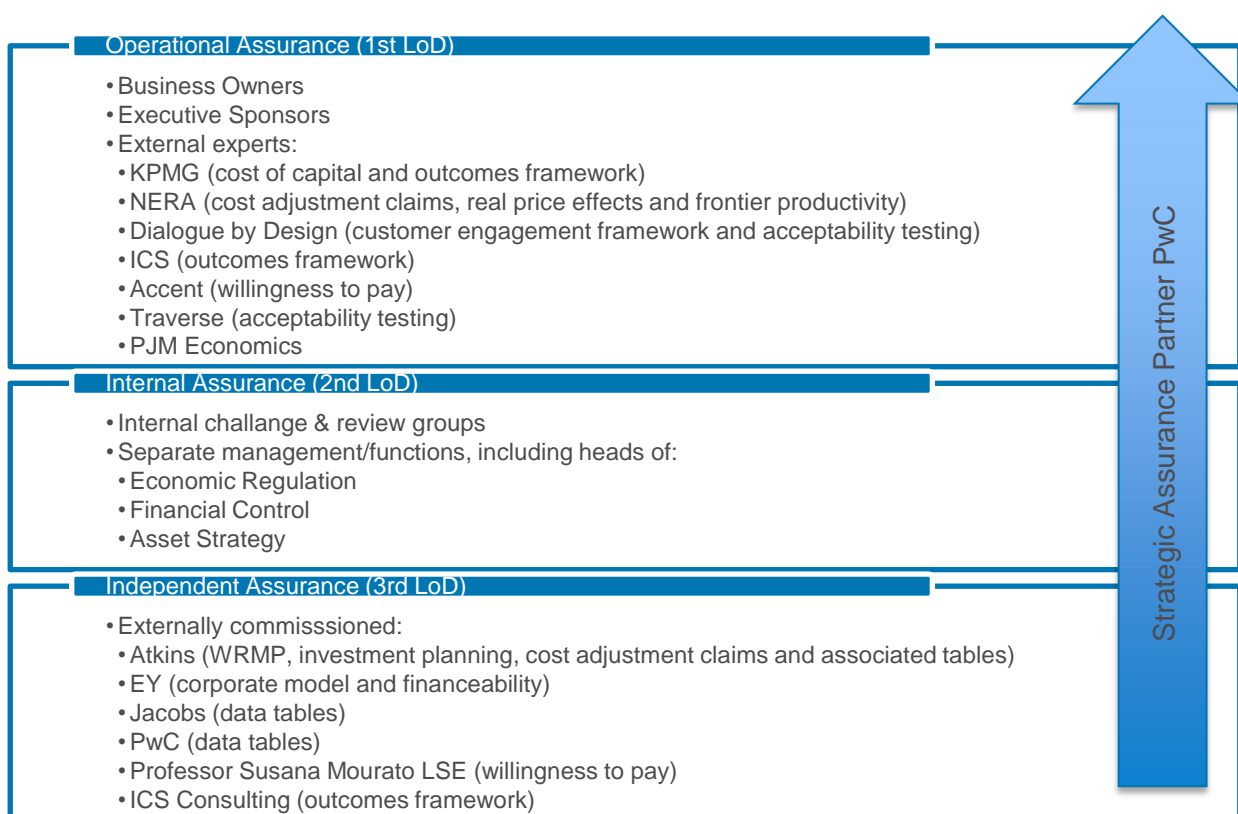
The programme of assurance was substantially completed as planned and where assurance needed to be tailored this was carefully considered and appropriate mitigations implemented. The full set of building blocks confirming the level of assurance planned and achieved for each is listed in appendix A.

All building blocks planned and demonstrated a first line of operational assurance explaining how assurance activity was carried by the business owner and their executive sponsor as the building block developed and finalised its contribution to the plan. The assurance completed at this first line of defence, whilst classified as Limited, were regarded as sufficient for some building blocks that included, for example, extensive input from external experts that had in turn their respective assurance processes.

The majority of building blocks also planned and demonstrated a second line of internal assurance undertaken by a separate management/function, or relevant challenge & review groups. The programme of internal assurance provided confidence in the development of the plan with the building block outputs being checked for accuracy and also consistency with other elements of the plan.

Finally (and where the requirement was clear) a number of building blocks also demonstrated a third line of independent assurance.

Our key providers of assurance for each line of defence are set out below. PwC provided strategic support for the overall process.



By virtue of the structured approach taken, the independent assurance carried out relates to those areas that have been judged and demonstrated to be critical to our plan and where the risk of deficiency was greatest. The independent assurance has been undertaken at a level assessed as appropriate to the risks and necessary to give us the requisite degree of comfort in the area of the plan. Given the importance of the elements covered by independent assurance in our statement, many of which are referenced in Part D, we have provided a more detailed summary in appendix B.

Based on the outcome of our Assurance Framework we can confirm that the extent that we can provide comprehensive assurance is appropriate.

Part D: Statements of the Board

For each area (1 to 9) we have made one over-arching statement supported by a series of actions that we have undertaken. Each of the actions is also supported by evidence that we have reviewed and challenged as part of developing this Assurance Statement. It is the actions that we have taken, together with the evidence, that have enabled us to make the statements that we have.

Area 1: Customer Engagement

Statement:

- 1 We are satisfied that our customer engagement is of high quality, it is reflected in our business plan and it is an embedded on-going business practice that will secure the trust of our current and future customers

Actions taken:

- 1.1 We have been informed of the customer research programme as set out in Customer Engagement Framework and a shareholder representative (now a member of the Board) attended a Bristol Water Challenge Panel sub-group to review its application
- 1.2 We have had access to the independent assurance of our innovative “Willingness to Pay” customer research to be confident it produces valid and defensible outputs
- 1.3 Management has explained to us how the valuation data from our customer research has been “triangulated” to improve its integrity and fed into the development of the performance commitments and the investment cases
- 1.4 Management has explained to us how our customer research has understood the needs and requirements of different customers, including those in vulnerable circumstances and rural settings
- 1.5 We have challenged how our customers views on long term issues including resilience and the impact on future bills and longer term affordability have been taken account in our decisions for the final plan
- 1.6 We have had the consultation results of our published draft plan presented to us in a summarised format that allowed us to understand and question the key elements of feedback from that consultation and the approach that the company is taking in incorporating the responses in the final plan
- 1.7 The Chair of the Bristol Water Challenge Panel attended Board to provide an interim view of how our developing plan was being informed by our customer engagement
- 1.8 Two of our Board members attended the Bristol Water Challenge Panel at which the outcomes of the business planning process were discussed and explored
- 1.9 We have received and reviewed an interim report from the Bristol Water Challenge Panel concerning the quality status of our customer engagement and how it has been incorporated into our plan and the Chair of the Panel attended the Board twice to explain her findings to us and we have challenged management on these findings
- 1.10 We have received commentary from Atkins, our independent technical assurer, in relation to the level to which customer engagement is reflected in the investment plan and we are satisfied that the investment plan is appropriately linked to customer outcomes
- 1.11 Our strategic advisor PwC has provided independent comment on how we have reflected customer engagement in the plan

Area 2: Affordability

Statement:

- 2 We are confident that our plan will improve affordability for our customers now and in the longer term and our proposals for assistance should ensure affordability for those who might otherwise struggle with their water bills

Actions taken:

- 2.1 We have challenged company management to explain what affordability means for our customers as a whole which has given us an understanding of the relevant considerations to take into account in approving the plan
- 2.2 We have reviewed the customer engagement process and the final acceptability testing and how they relate to the issue of affordability and specifically the support for those who are likely to have problems in paying their bills
- 2.3 We have considered options for bills levels and approved the approach and profile of bill levels over the next price control period, considering them to have customer support in the context of the overall package of measures in the plan
- 2.4 We have specifically reviewed and approved our social tariffs and are satisfied that they provide the appropriate assistance for those struggling or at risk of struggling to pay
- 2.5 Company management has explained to us affordability considerations for those customers that are at risk or struggling to pay, including identification, improving awareness and communication as well as support measures contemplated
- 2.6 We have considered long term bill profiles implied by our long term planning and have not identified issues which will give rise to long-term affordability issues for the customer base, viewed as a whole
- 2.7 Board members have attended customer forums and workshops to hear unfiltered customers views about the plan, including on subjects of affordability and value for money (in context of, inter alia, proposed performance levels, historic bill levels and expected inflation)

Area 3: Outcomes

Statement

- 3 We are satisfied that the outcomes set out in our plan over the next price control period are stretching, they are also the outcomes our customers want to pay for and we consider that management is putting in place adequate plans to position the Company to deliver those outcomes with an appropriate level of risk (given the nature, breadth and ambition of the targets).

Actions taken

- 3.1 We have reviewed assurance of our outcomes framework and investment plan and together with our transformation plans they provide reasonable confidence in our ability to deliver the outcomes and performance commitments contained within the plan
- 3.2 We considered the options and approved the final decisions for how customer feedback informed our updated outcomes package
- 3.3 We are confident that management has identified the areas which are most important to our customers and used that to inform priorities and targets
- 3.4 We have challenged management to set ambitious but realistic targets on the outcomes that are most important to our customers
- 3.5 We have monitored our actual and relative performance during the current price control period and considered the proposed levels of performance during the next price control period in this context, including identifying risk to achievability
- 3.6 We have reviewed the report of the Bristol Water Challenge Panel and the commentary it provides regarding our outcomes is consistent with the conclusions that we have reached

Area 4: Resilience

Statement:

- 4 We are satisfied that we have met Ofwat's requirement to plan for delivering resilience in the round in our customer's long term interest

Actions taken:

- 4.1 We have considered resilience of the business during both the plan period and, where appropriate in the long term, across a range of areas including operations, outsourcing, asset management (and investment) planning, water resources, IT, human resources, compliance, financial as well as community engagement and support
- 4.2 We have reviewed and challenged the Drought Plan and draft Water Resource Management Plan and consider them to be appropriate and balanced plans for the long term resilience of water resources for our supply area
- 4.3 We have reviewed consultation feedback received from customers and stakeholders in relation to the elements of our published long term strategy document and our published draft plan which relate to resilience
- 4.4 We have critically appraised the approach taken with the long term viability assessment in our annual performance report and the business plan

Area 5: Cost Assessment

Statement:

- 5 We are satisfied options have been assessed for large investments and that the forecast total expenditure is suitably robust and reflects an efficient level of cost for Bristol Water to deliver the service levels contained in the plan with an acceptable level of risk

Actions taken:

- 5.1 We have considered the approach and methodology for internally assuring that our expenditure forecasts are robust and have received confirmation from management on the satisfactory assurance. This includes the quality control of financial modelling and consistency with regulatory requirements.
- 5.2 We reviewed our approach to assurance of our investment programme costing (including the quality assurance of external costing partners) and have discussed findings with management and our assurance provider Atkins.
- 5.3 We approved the final cost adjustment claims having reviewed the details of the assurance in place for the options considered. We have also considered our options for the Canal & River Trust fees and have adopted a risk sharing mechanism that we consider to embody a reasonable sharing of risk by the company vis-à-vis customers.
- 5.4 We have reviewed the evidence in place and the independent assurance with our strategic assurance advisor PwC concerning the assessment of options for larger investment proposals and we have challenged management to explain how it has made the assessment that those selected are the optimal solutions in the circumstances, having regard for customer's best interests.
- 5.5 We have heard directly from our independent assurer of our investment programme (Atkins) regarding their assessment of over 50% of our investment cases. We have also received the results of our strategic assurance adviser's review of management's responses.
- 5.6 We have challenged management to demonstrate that there are plans for delivering the efficiency assumed in the business plan. We have received, reviewed and challenged managements plans contained within the transformation programme demonstrating actions and initiatives which are intended to deliver efficiency assumptions.
- 5.7 We have challenged management to ensure expenditure forecasting is founded upon the outcomes that customers have indicated they want and ensure that the optimal level of expenditure is identified to deliver outcomes. This has incorporated challenge on optioneering as well as capex versus opex solutions.
- 5.8 We have approved the efficiency in the business plan having reviewed and challenged the historical and forecast performance as well as cost and efficiency benchmarking information prepared by third party advisers in order to provide us with comfort that the expenditure forecasts represent an efficient level. This included examination of BW's position in relation to water resources where it has a higher cost position, which we have satisfied ourselves is attributable to characteristics of the company.

Area 6: Risk and Return

Statement:

- 6 We have identified the key risks associated with the plan and have plans to seek to manage these risks

Actions taken:

- 6.1 We have decided upon the risk reward trade-offs in the plan identified by management, having regard for, inter alia, customer objectives feedback, regulatory requirements, deliverability and financeability constraints
- 6.2 We have challenged management on the robustness of the plans for managing adverse business planning scenarios including total scope for rewards and penalties the inclusion of risk mitigation and sharing proposals which are supported by customers.
- 6.3 We have been presented likely scenarios and the consequent impact on the company's return on regulated equity and our financeability position, as well as regulatory stress tests. This is supplementary to, and informed further by, the 10 year LTVS assessment undertaken in July 2018 for the Board.
- 6.4 We have considered risks to achievement of outcomes contained in the plan, including by reference to improvements required to current performance levels and in the context that the nature of the regulatory requirements and methodology mandated, which build in an element of underperformance bias
- 6.5 We have discussed risks in the transformation plan to achieving efficiency levels, along with risks to cost levels over time arising from factors such as input cost inflation as well as the relative efficiency of the company today and views on efficiency going forward
- 6.6 We have considered risks implicit in investment planning, including costing / efficiency assumptions and fitness of purpose of investment plans to deliver the outcomes supported by customers.
- 6.7 We have discussed with customers (at forums and workshops attended by board directors) the risk to them arising from volatility through risk/reward elements of the plan and have taken them into account their views in the formulation
- 6.8 We have discussed risks arising from management and governance processes, including succession processes, board constitution and have put in places processes to address
- 6.9 We have discussed with the CCG the ambition in the plan (including at a meeting attended by two Board directors), and the resulting risks to the failure to meet performance targets in the plan

Area 7: Financeability

Statement:

- 7 We consider that our plan is financeable on both the notional and actual basis and that the plan protects customers interests in both the short and the long term

Actions taken:

- 7.1 We have reviewed and critically appraised the options for a company specific adjustment relating to the cost of capital including reviewing all of the independent advice and the customer acceptability and on that basis regard the option selected as both required and justified.
- 7.2 We have obtained an independent view of our methodology for determining financeability and are satisfied it is appropriate.
- 7.3 We have had the financeability of the business plan presented to us, both on a notional and actual basis, including stress testing through scenario analysis, and have been able to challenge the key assumptions that our financeable plan is based upon
- 7.4 We have consulted with customers in relation to financing of investment, including views on intergenerational responsibility for investment, and have reflected these views in arriving at appropriate PAYG / IRE / CPIH adjustment rates from a range of scenarios which have been incorporated in the plan
- 7.5 We have critically appraised the approach taken with the long term viability assessment in our annual performance report and the business plan
- 7.6 We have considered long term outcome targets and potential resilience related investment requirements to assess total expenditure profiles over the longer term and have not identified step changes in expenditure levels over AMP7 and AMP8 in the short term, and at a higher level over the period of the WRMP, which would be required to deliver service levels and which could give rise to material changes in bill levels, including their acceptance and affordability (our interpretation of protecting customers in the long run).
- 7.7 One of our Board directors has met with Moody's following finalisation of the price review methodology (and putting the sector back in balance) in order to understand key areas of focus and how these will be addressed. We have considered the existing rating position of Company, in particular with Moody's where we have benefited from de-levering and also a Baa1 rating which provides a buffer.
- 7.8 We have undertaken Ofwat IAP stress testing of the plan (along with Board's own scenario and stress testing as per LTVS assessment) and considered RORE analysis in relation to penalties and returns, and have also incorporated mitigation measures to meet customer preference for reduced volatility in bill pricing from year to year, as well as giving increased assurance of financial viability.

Area 8: Business Planning

Statement:

- 8 We have collectively owned the overall strategy and direction of the plan, we are satisfied it is of high quality, that it is ambitious yet deliverable with an acceptable degree of risk and we have provided our customers with transparency and engagement throughout

Actions taken:

- 8.1 We have approved the final business planning decisions including bills levels, outcome targets, the risk and reward package and efficiency plans
- 8.2 In light of current prescribed status we endorsed an assurance framework for our business plan that was delivered independent from the production of the plan, we have reviewed the outcome (supported by PwC our strategic assurance partner) and on that basis we believe that the extent that we have undertaken comprehensive assurance is appropriate for our plan
- 8.3 We have challenged management to ensure that the plan has been developed in accordance with Ofwat's published methodology and guidance statements and are satisfied with the assurances received that it has been and that any exceptions have been suitably explained and justified
- 8.4 We have reviewed our plan alongside Ofwat's characteristics of a high quality business plan for each of Ofwat's test areas and challenged company management to demonstrate the extent that they are addressed in the plan
- 8.5 We have considered the deliverability of the elements of the plan and company management has demonstrated to us that the business plan considered as a whole should be deliverable with an acceptable degree of risk.
- 8.6 Performance related pay will be linked to long term outcomes consistent with those outlined in the plan in accordance with current practice, having regard for market for securing management talent necessary to deliver the plan
- 8.7 In light of current prescribed status we have reviewed the overall strategy for data assurance and governance processes and we understand how together they can deliver high quality data.
- 8.8 We have considered the following independent advice pertaining to the quality of our data:
- Advice from Jacobs regarding our methodology for data table population and audit of specific tables
 - Audit opinion of our financial data tables from PwC based upon agreed upon procedures
 - Assurance statement from Atkins regarding the data assured for our Annual Performance Report and the application of our data assurance methodology used in our investment planning processes and the preparation of our draft Water Resource Management Plan.
- We have considered all of this advice, meeting with independent assures as necessary, and have formed an overall view of the quality of the data in our business plan.
- 8.9 We have received confirmation from management that the work of the above external assurers should ensure that there is consistency between our financial and feeder models and the data tables.

- 8.10 We have obtained independent legal advice regarding our statutory and licence obligations and we have challenged management as to how the business plan and the trade offs involved in its development allow us to be confident we can meet them
- 8.11 We have published the entirety of our business plan including an explanation of our current corporate and financial structures, including details of the dividend policy and performance related pay policies that we have considered and approved for the next price control period.
- 8.12 We have been able to own the overall strategy and direction of the plan through our sub-committee governance structure, a key objective of which was to ensure detailed involvement of board members in the process

Area 9: Our Additional Requirements

Statement:

- 9 We have reviewed how we have addressed our past performance, we are confident that we have the capability to deliver the plan and that our customers can trust us to do so

Actions taken:

- 9.1 We have challenged management to convince us there is enough evidence to support major business planning decisions
- 9.2 We have challenged management to demonstrate the extent that we have considered Ofwat's tests
- 9.3 We have formed our own view of the right level of ambition for our plan
- 9.4 We have conducted a lesson learnt exercise from the Company's previous business plan submission and reflected the findings in our plan
- 9.5 We have challenged Company management regarding the overall deliverability of the plan

Appendix A: Plan Building Blocks

The table below sets out the planned assurance for each building block and the outcome, in terms of the lines of defence and the level of assurance achieved. In some instances the third line of defence was targeted and specific in its scope and we have explained where this had a bearing upon the level of assurance planned and achieved. We have also explained the mitigations for any changes made to the plan.

Whilst assurance completed by the first line of defence (and in some cases by first and second) was classified as Limited, this was regarded as sufficient for some building blocks that included, for example, extensive input from external experts that had in turn their respective assurance processes.

The programme of assurance was substantially completed as planned and where assurance needed to be tailored this was carefully considered and appropriate mitigations implemented. Based on the outcome of our Assurance Framework we can confirm that the extent that we can provide comprehensive assurance is appropriate for our circumstances.

Building Block	Planning	Assurance Outcome				
Title	Planned Assurance	1 st LoD	2 nd LoD	3 rd LoD	Assurance Achieved	Commentary (including any mitigations for any plan changes)
Customer Engagement Framework and Triangulation by Attribute Report	Moderate	✓	✓	✓	Moderate	Assurance completed as planned. The third line of defence related to the willingness to pay research.
Acceptability Testing Outputs	Moderate	✓	✓		Moderate	Assurance completed as planned.
Customers in Vulnerable Circumstances	Moderate	✓	✓		Moderate	Assurance completed as planned.
Bristol Water...Clearly / Long Term Strategic Vision	Moderate	✓	✓		Moderate	Assurance completed as planned.
Bid Assessment Framework	Moderate	✓	✓		Moderate	Assurance completed as planned.
Drought Plan	Moderate	✓	✓		Moderate	Assurance completed as planned.
Draft Water Resources Management Plan	Moderate	✓	✓	✓	Moderate	Assurance completed as planned.
Investment Planning Risk Identification, Verification and Needs Assessment	Moderate	✓	✓	✓	Moderate	The independent assurance of Atkins identified several improvements to be made and activities to address them are on-going.
Investment Planning Optioneering and Intervention Development	Moderate	✓	✓	✓	Moderate	The independent assurance of Atkins identified several improvements to be made and activities to address them are on-going.

Building Block	Planning	Assurance Outcome					Commentary (including any mitigations for any plan changes)
Title	Planned Assurance	1 st LoD	2 nd LoD	3 rd LoD	Assurance Achieved		
Investment Planning Interventions Costing	Moderate	✓	✓	✓	Moderate		Costing was provided by external costing partners or from internal Bristol Water data. Internal assurance was informed by an additional and independent engineering review that considered the robustness of costs to achieve the planned assurance.
Investment Planning Benefits Quantification	Moderate	✓	✓	✓	Moderate		Assurance completed as planned.
Investment Planning Optimiser	Moderate	✓	✓	✓	Moderate		The independent assurance of Atkins identified improvements to be made and activities to address them are on-going.
Investment Planning Data Assurance	Moderate	✓	✓	✓	Moderate		An additional assessment methodology was applied over and above the checks and balances within the above investment planning building blocks and improvement identified that are being embedded within our asset management function.
Wholesale Cost Assessment	Limited	✓			Limited		Assurance completed as planned. The wholesale cost assessment was undertaken by an external party and assured by the internal business owner; it does not directly form part of the plan but informs the level of efficiency.
Cost Adjustment Claims	Substantial	✓	✓	✓	Substantial		Greater assurance was completed than originally planned as the independent assurance was accelerated to support the early submission and updated for the final plan.
Real Price Effects & Frontier Productivity	Moderate	✓	✓		Moderate		The building block outputs have been developed by external input and we have internally ensured that the assumptions have been appropriately included in the financial modelling, internal benchmarking was completed to the extent possible based upon available comparator data.
Company Specific Adjustment to Cost of Capital	Moderate	✓	✓		Moderate		Assurance completed as planned.
Outcomes Framework (Performance Measures and ODI Framework)	Substantial	✓	✓	✓	Substantial		The programme of assurance has been delivered as planned. There has been significant external input provided as part of the first line of defence and internal assurance has been carried out by the Executive Team. Jacobs has reviewed the associated data table.

Building Block	Planning	Assurance Outcome				
Title	Planned Assurance	1 st LoD	2 nd LoD	3 rd LoD	Assurance Achieved	Commentary (including any mitigations for any plan changes)
Pre 2020 RCV Allocation	Limited	✓	✓	✓	Limited	Assurance completed as planned, whilst three lines of defence were used these were limited to agreed upon procedures.
AMP 6 Delivery	Moderate	✓	✓	✓	Moderate	Assurance completed as planned.
Innovation Framework & Evidence Base and Menu of Efficiencies	Moderate	✓	✓	✓	Moderate	Assurance completed as planned. The third line of defence whilst independent was undertaken concurrently and in conjunction with operational assurance and was targeted to the Menu of Efficiencies.
Bottom-Up OpEx model (Wholesale and Retail)	Moderate	✓	✓		Moderate	Both the retail and wholesale model had internal assurance for accounting treatment and regulatory review and challenge. The planned model reviews were mitigated by additional operational checks and an extended scope of data table reviews by PwC including checking back to calculations.
Financial Modelling – includes Ofwat and Corporate Finance Model and Model Data-Book	Moderate	✓	✓	✓	Moderate	Assurance completed as planned. The third line of defence undertaken was targeted in its scope in terms of financial model logical integrity and application of financeability methodology.
Corporation Tax	Moderate	✓		✓	Moderate	Assurance completed as planned.
Data Tables	Substantial	✓	✓	✓	Substantial	Assurance being completed as planned.

Appendix B: Independent Assurance

Building Block	Assurance Provider/s	Assurance Provided
Water Resources Management Plan	Atkins	Atkins conducted an audit of the draft Water Resources Management Plan and supporting information concluding that whilst they observed a number of issues for comment within their report, these did not impact materially upon the potential to sign-off the Company's draft Water Resources Management Plan 2019 submission.
Willingness to Pay (within Customer Engagement Framework)	Prof. Susana Mourato (London School of Economics)	Professor Mourato reviewed the stated preference study carried out by Accent and PJM Economics with the aim of estimating customer priorities and willingness to pay for a range of potential improvements in water service attributes. Professor Mourato concluded that overall, the research team had designed, implemented and analysed an innovative, comprehensive, and well-thought-out valuation exercise that seemed to produce largely credible and robust valuations, that stand up to the scrutiny of multiple validity tests.
Investment Planning Building Blocks	Atkins	Atkins reviewed six major investment cases (representing >50% of the total value of the capital investment programme) focussing on the application of our investment planning methodologies. Atkins confirmed that the individual methodologies are both appropriate and are being implemented as intended to produce defensible outputs as part of a high-quality business plan. They raised several areas where improvements in explanations provided could be made and these have been actioned by the company.
Investment Planning review of selected interventions	Red Team Engineering Review	David Port of Options Energy and Ian Kircaldy an independent consultant were engaged to provide a review of five selected investment cases considering: whether the scope was sufficient to meet performance commitments, the robustness of capital cost estimates and change to base opex; the options and decisions made, the scope to test need, completeness and assess if all options have been considered to deliver the desired performance.
Corporate Finance Model (within Financial Modelling)	Ernst & Young ("EY")	Ernst & Young was engaged to review the logical integrity and arithmetic of our in-house corporate finance model used to assess the real world impact of our business plan, for example it was used to perform the analysis for the long term viability statement. Ernst & Young reached an opinion that the model has been constructed appropriately in so far as the logical integrity and arithmetic are concerned.
Data Tables	Jacobs	Jacobs audited 22 of the data tables and concluded that: <ul style="list-style-type: none"> We have processes in place to produce data that are consistent with the PR19 line definitions and Ofwat Q&A documents; Our interpretations of the PR19 line descriptions and definitions are reasonable and the data submission has been prepared in a manner compliant with your interpretation; Our business planning evidence is available to support material forecasts; and We have processes in place to maintain consistency of the tables.

Building Block	Assurance Provider/s	Assurance Provided
Data Tables	PwC	<p>In summary, PwC have found that:</p> <ul style="list-style-type: none"> • There is clear accountability for each of the data tables and the data sets contained therein, with each table having an owner, and executive sponsor, and a delegated individual charged with completion; • Data and table owners have a good understanding of the subject matter and risks relevant to their specific data tables; • The processes used to collate the information are well understood and the controls within those processes appear to operate as expected; • Table owners have a strong understanding and rationale for any assumptions used, in particular with regard to forecast data for the remaining AMP period; • The PR19 project team are implementing a well formed sign-off process for each table to ensure that data table owners, and executive sponsors are evidencing their review and approval of final tables ready for submission; and • The project team are also operating a robust change management process for any updates to tables that are required after initial lock-down.
Cost Adjustment Claims (and associated Data Tables)	Atkins	<p>Atkins reported that:</p> <ul style="list-style-type: none"> • The submission is consistent with the Ofwat requirements; • The methodology is appropriate for deriving robust costs to support the claims; • The Company has generally used its own data; this is supported by data from robust sources such as ONS, company comparative data in the public domain and other industry published sources. Cost modelling data is derived through OXERA models; • The costs are derived from an appropriate analysis of this data; • Tables, commentaries and CAC pro-formas are complete and consistent with the submission and Ofwat requirements.
Outcomes Framework	ICS Consulting	<p>ICS Consulting conducted an assurance review to:</p> <ul style="list-style-type: none"> • Assure Bristol Water's ODI incentive calculations and inputs that feed into App1 and confirm alignment with Ofwat's methodology; and • Review the ODI design and confirm alignment with Ofwat's methodology. <p>The concluding comments were as follows:</p> <p>Bristol Water has developed a clear process around the development of the incentives, which has involved the estimation of WTP values to use alongside solution costs and combining these to form incentive rates.</p> <p>We believe that Bristol Water has spent considerable time and effort ensuring the triangulated WTP value, costs and incentive calculations are robust and in line with the views of customers. We recognise that during the review further evidence was obtained from customers with the view to this being used to support the package of incentives further.</p> <p>We have found Bristol Water to be very receptive to recommendations and challenges. We are therefore assured that set of outcome delivery incentives developed by Bristol Water is compliant with the Ofwat methodology.</p>