Turner & Townsend

2 July 2021

Full Year Report

APR21 Full Year Assurance Report - final

Ofwat Certifier / Reporter Services
Bristol Water

making the **difference**

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1	Draft final	William Higgins	Nigel Sanders	16 June 2021
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Background

Ofwat requires companies to publish an Annual Performance Report (APR) by 15 July 2021, as set out in 'IN 21/01 *Expectations for monopoly company annual performance reporting 2020-21'* published 01 April 2021. The APRs are an important element of Ofwat's framework for encouraging companies to be transparent about their performance and for collecting information it requires to perform its duties. APRs also allow stakeholders to hold companies to account when they do not deliver against their promises. It is therefore important that customers and stakeholders can have trust and confidence in the information contained in companies' APRs.

This full year report outlines the assurance we have undertaken and summarises our data findings in relation to your APR 2020-21 (APR21) Performance Commitment (PC) reporting and the accompanying asset, activity, and cost data tables we have reviewed.

Scope

You asked us to review the 2020-21 performance figures you propose to report against your Performance Commitments (PCs) and Outcome Delivery Incentive (ODI) calculations in section 3 of APR21 and you also asked us to review agreed 2020-21 asset, activity, and cost information you propose to report in sections 4, 5, 6 and 9 of the APR21 data tables. You also asked us to undertake assurance audits of your Guaranteed Standards Scheme (GSS) payments, Water Resource Management Plan (WRMP) annual update, and voluntary greenhouse gas (GHG) emissions data (as per 'IN 21/02 *Regulatory accounting guidelines 2020-21: Further guidance on reporting of greenhouse gas emissions*' published 01 April 2021).

To fulfil the scope, we agreed we would:

- undertake data assurance audits focussing on the broad question 'Is this information or data that is ready to be published and that can be trusted and relied upon by external stakeholders?';
- test your teams' understanding of regulatory guidance; and
- test that data is competently sourced, processed, reported, and fit for purpose.

For PCs audits, this would include reviewing the data your teams proposed to report in both the main PC performance tables and the supporting information tables.

Prior to this data stage of our assurance, and as part of our three-stage approach to assurance, you had already asked us to review a small sample of your PC methodology documents and all your PC reporting processes. We summarised our findings from the documentation and process stages of our assurance in our interim report dated 20 April 2021.

This full year report focuses primarily on the data assurance stage of our work.

Approach

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

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

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

After each data audit, we provided your teams with detailed feedback that explained our assessment of the risk associated with the audited figures for 2020-21 and set out any actions. We assigned risk-based grades to each PC or data item(s) reviewed (see table 1 below for a summary explanation of the grades). This report provides a summary of our findings.

Table 1 Summary explanation of data audit grades

Data grade	Summary
A	Low risk – no weaknesses or deviations from methodology in production of data and confidence grade is appropriate
B	Low to medium risk - no material weaknesses or deviations in production of data and confidence grade is appropriate
C	Medium to high risk – one of: material weakness or unjustified deviations (or number of minor ones with material effect) or confidence grade is not appropriate
D	High risk – more than one of: material weakness or deviation (or number of minor ones with material effect) or confidence grade is not appropriate

We note that:

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

Findings

Overall

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

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

Appendix A sets out the data grades for each of the PCs and agreed APR items – and the additional GSS, WRMP and GHG data items.

Below, we summarise the main observations from our assurance to date.

Higher risk areas

At the end of our assurance, there remain two areas where we have identified medium-to-high risk (i.e. where we have assigned C grades to data) with the proposed data. We briefly summarise the main points in table 2 below. We note we have provided detailed feedback directly to your teams.

Table 2 Summary of higher risk areas by audit area

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

General observations

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

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

- Teams' initial commentaries on performance were often clear and appeared to cover our understanding of regulatory expectations. Where we advised additions or changes to commentary for your APR submission, this was generally to further clarify reporting approach(es) in cases of uncertainty and/or interpretation (eg: risk of severe restrictions in a drought; water poverty; voids).
- The majority of your teams provided a range of background information to us ahead of the audits. Where we had time to review this, we consider it materially aided the smooth running of the assurance process. We also note that during the audits, and through any follow up activity, your teams were open and constructive.
- Your teams appeared to have a good understanding of the data interdependencies within their operational areas, though there is potentially some scope to strengthen the understanding of data interdependencies across areas. We observed some initial misalignment between some water resource asset and cost allocations for instance, and cost inconsistencies across tables in relation to developer services.
- For some PCs and data items, we recommended your teams review the confidence grades they assigned to reportable figures so that they more accurately reflect the underlying uncertainty in the input data or process(es). And in some cases, teams would ideally be able to strengthen processes over time to support higher confidence grades (eg: 6A.12 – length of raw and pre-treated transport mains for supplying customers and 6A.13-19 treatment works complexity). We also note PC21 Raw water quality of sources has out and underperformance payments associated with it, but a confidence grade of B4. We acknowledge in this case the team is unlikely to be able to materially improve the accuracy of the external model in the short-term.
- We note that our assurance meetings were held with Bristol Water employees. Where processes rely on data from your partners, we were not always able to fully sample back to source data and systems. This was the case with underlying Pelican customer data for example, though we understand this is consistent with your approach of alternating assurance of Pelican data between you and Wessex Water (and that for 2020-21 Wessex's assurance partner will have reviewed the Pelican data). And it was the case for some standalone PCs (eg: Ovarro provide some of your leakage component data).
- For some data items, whilst we did not identify material issues this year, we have identified risks that might emerge in future years. For your supply interruptions and mains repairs PCs for example, we consider there is scope to strengthen the evidence base for events/incidents so that you can robustly evidence performance in the event of any outperformance. And for individual bulk supply exports for example, you may need to develop more granular assessments of your costs if these lines become an area of focus for Ofwat as it looks to facilitate a water resources market.
- In a number of audits, whilst our risk-based sampling did not identify any issues teams did acknowledge there had been limited internal independent checking of the data production process – suggesting there is scope to further mitigate reporting risk. We note this was mainly the case for the asset, activity and financial data rather than your PC reporting.
- For your voluntary GHG emission reporting under IN 21/02, as part of our audit of your APR energy consumptions lines we carried out high level checks on the traceability of the main figures (eg: ticking and tying sample totals and figures back through the workbook), identifying no material issues in doing so.
- For several asset and activity lines in the APR, you use the number of residential meters installed as a proxy for the numbers of metered residential customers (eg: properties, connections, new connections, etc). This assumption is not strictly compliant with the applicable line definitions, but your teams consider it is unlikely to be material as very few residential properties have more than one meter.
- During our sampling of your 2020-21 Guaranteed Standards Scheme (GSS) payments we observed some non-material scope to improve the auditability of the payments information by, for example,

recording the property type at the time of an event/payment because these can change over time in your live system.

- During our sampling of your updated 2019 WRMP tables and your 2020-21 WRMP annual review data table, we identified some non-material issues your team will address before submission (eg: ensuring the reported micro-components of PCC are updated and sum to the total that has been used). We note our audit took place before your independent internal checks of the data, which you plan to complete before submission to DEFRA/EA.
- We identified no material issues during our sampling of your ODI payment calculations. During our assurance of the calculations, we also checked that the final PC performance figures you had used to populate APR tables 3A and 3E matched those we assured, and you explained any variance e.g., post audit updates. For your meter penetration PC we understand you have taken a management decision to forecast meeting your end of period target. We recommended you include a clear action plan to catch up performance in your supporting commentary to strengthen confidence in the forecast, particularly given recent performance trends in this area.
- Finally, and consistent with this being the start of a new regulatory period, we note there are a number of new lines and table reconfigurations for APR21 and companies have raised a substantial number of queries with Ofwat – some of which were still outstanding at the time of our assurance. This has meant your teams have had to develop new processes in some cases, or adapt existing ones – and sometimes at short notice. Across the industry, there is a therefore probably a higher level of inherent reporting risk compared to when data tables and reporting requirements are stabilised later in the period.

Conclusions

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

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

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Appendix A. Summary of assurance grades

As we set out in the report above, our assurance approach focuses on the level of risk associated with your PC performance figures and wider asset, activity, and cost information. The result of our approach is a grade of A, B, C or D for each item and detailed feedback to explain our assessment. In assessing each data item we used a standard scoring framework to produce results that are comparable across the items we reviewed. Table A.1 below summarises this framework.

Table A.1 Meaning of assurance grades for the data stage of our assurance

Data grade	Summary
A	Low risk – no weaknesses or deviations from methodology in production of data and confidence grade is appropriate
B	Low to medium risk - no material weaknesses or deviations in production of data and confidence grade is appropriate
C	Medium to high risk – one of: material weakness or unjustified deviations (or number of minor ones with material effect) or confidence grade is not appropriate
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The assessments resulting from our assurance are set out in the tables below. Table A.2 sets out our final PC grades for each assurance stage as well as your 2020-21 performance figures. For the items within our scope, Table A.3 sets out the final data grades we assigned to the 2020/21 asset, activity, and cost information you propose to report in sections 4, 5, 6 and 9 of the APR21 data tables, and to your GSS payments, annual WRMP update and GHGs data.

Table A.2 Summary of assurance stage grades for each performance commitment

PC Code	Description	Document grade	Process grade	Data grade	2020/21 performance
PR19BRL_PC01	Compliance Risk Index (CRI)		B	B	3.02[1]
PR19BRL_PC02	Water Supply Interruptions		B	B	00:30:17
PR19BRL_PC03	Mains Repairs		B	B	150.1
PR19BRL_PC04	Unplanned outage		C	B	0.20 unplanned 2.70 planned
PR19BRL_PC05	Risk of severe restrictions in a drought		B	B	56.86
PR19BRL_PC06	Customer contacts about water quality – appearance	B	B	B	1.07
PR19BRL_PC07	Customer contacts about water quality – taste and smell	B	B	B	0.35
PR19BRL_PC08	Properties at risk of receiving low pressure		C	B	57
PR19BRL_PC09	Turbidity		B	B	0
PR19BRL_PC10	Unplanned Maintenance - non-infrastructure		B	B	3,134
PR19BRL_PC12	C-MeX (Customer Measure of Experience)		B	B	83.31
PR19BRL_PC13	D-MeX (Developer Services Measure of Experience)		B	B	86.81
PR19BRL_PC14	Percentage of customers in water poverty		B	B	1
PR19BRL_PC15	Value for money		B	A	83

[1] CRI is a provisional figure at time of publication

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PC Code	Description	Document grade	Process grade	Data grade	2020/21 performance
PR19BRL_PC16	Percentage of satisfied vulnerable customers		B	B	82
PR19BRL_PC17	Void properties		B	B	1.80
PR19BRL_PC18	Leakage		C	B	6.9
PR19BRL_PC19	Per Capita Consumption		C	B	-2.7
PR19BRL_PC20	Meter Penetration		B	A	60.26
PR19BRL_PC21	Raw water quality of sources		C	B	155
PR19BRL_PC22	Biodiversity Index		B	B	17,668
PR19BRL_PC23	Waste disposal compliance		B	B	98
PR19BRL_PC24	Water Industry National Environment Programme Compliance		B	A	100
PR19BRL_PC25	Local community satisfaction		B	B	88.2
PR19BRL_PC26	Abstraction Incentive Mechanism		B	A	N/A (AIM not triggered)
PR19BRL_PC27	Priority Services Register		C	B	2.6 (reach) 48.6 (Attempted contacts) 35.5 Actual contacts)
PR19BRL_PC28	Glastonbury Street network resilience		C	B	0
PR19BRL_PC29	Total customer complaints (household)		B	A	58.9
PR19BRL_NEP01	Delivery of water industry national environment programme requirements		B	A	met
ODI calculations	Outcome Delivery Incentive payment calculations			B	

Table A.3 Summary of data stage grades for 2020-21 APR, GSS, WRMP and GHG data

APR table and line references	Description	Data grade
4A		
All lines	Water bulk supply information for the 12 months ended 31 March 2021	B
4B		
All lines	Analysis of debt	B
4C		
All lines	Impact of price control performance to date on RCV	A
4D		
All lines	Totex analysis for the 12 months ended 31 March 2021 - water resources and water network+	B
4F		
All lines	Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2021	B
4J		

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APR table and line references	Description	Data grade
All lines	Base expenditure analysis for the 12 months ended 31 March 2021 - water resources and water network+	B
4L		
All lines	Enhancement expenditure for the 12 months ended 31st March 2021 - water resources and water network+	B
4N		
All lines	Developer services expenditure for the 12 months ended 31st March 2021 - water resources and water network+	B
4P		
All lines	Expenditure on non-price control diversions for the 12 months ended 31 March 2021	B
4Q		
All lines	Developer services - New connections, properties and mains	B
4R		
1-4, 10-12, 15-16, 19-25	Customer, property and meter numbers	B
5-9, 13-14	Average business customers and properties	C
17-18	New properties connected	B
26	Resident population	B
5A		
1-8	Distribution input – volume by source type	B
9-21	Water resources, sources and assets	B
22	Length of raw water abstraction mains and conveyors	B
23	Average pumping head – raw water abstraction	B
24	Energy consumption – raw water abstraction	B
25-28	Raw water abstraction imports and exports	B
29	Water resources capacity (measured using water resources yield)	B
5B		
All lines	Water resources operating cost analysis for the 12 months ended 31st March 2021	B
6A		
1-4	Reservoirs and transport stations	B
5, 12	Lengths of raw water transport mains	B
6, 31	Average pumping head – raw water transport & water treatment	B
7, 32	Energy consumption – raw water transport & water treatment	B
8-11, 33-36	Raw water transport and water treatment imports and exports	B
13-19	Surface and ground water works by treatment complexity	B
13-28	Surface and ground water works: complexity by volumes and DI size band and water treated at more than one type of works	B
29	Number of treatment works requiring remedial action because of raw water deterioration	A

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APR table and line references	Description	Data grade
30	Zonal population receiving water treated with orthophosphate	A
6B		
1-3, 20-26	Treated water distribution assets and capacity	B
4, 12-19	Distribution input - proportion by source type	B
5-11	Water balance	B
27	Energy consumption – treated water distribution	B
28	Average pumping head – treated water distribution	B
29-32	Treated water distribution imports and exports	B
6C		
1-20	Mains lengths, ages, diameters & communication pipe materials & company area	B
21	Lead communication pipes replaced for water quality	B
22-25	Supply demand balance	B
26	Event Risk Index (ERI)	B
6D		
1-10, 15	Metering expenditure, activities and penetration	B
11, 13	Residential meter installation and renewals – supply demand benefit	B
12, 14	Business meter installation and renewals – supply demand benefit	C
16	Total leakage activity	B
17-18	PCC measured and unmeasured customers	B
9A		
All lines	Innovation competition	A
Additional data		
GSS	Guaranteed Standards Scheme payments	B
WRMP	Water Resources Management Plan annual update	B
GHG	Greenhouse gas emissions voluntary data reporting	B