



# Data Assurance Summary Annual Performance Reporting 2018–19

from  
**Southern  
Water** 

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# Introduction

This document sets out the scope and results of our assurance activities for reporting our performance in 2018–19. It should be read in conjunction with our **Annual Report and Financial Statements 2018–19** and our **Annual Performance Report 2018–19**, which provides full details of our performance during the year.

This Data Assurance Summary sets out the assurance we have performed and the results for our 2018–19 year end reporting.

This document is one of three documents relating to assurance that we publish during the year as part of our annual reporting for customers, stakeholders and regulators:

- Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan for consultation (published in November).
- Final Assurance Plan (March) which takes on board comments from the consultation on the Statement of Risks, Strengths and Weaknesses and Draft Assurance Plan.
- Data Assurance Summary (in July in parallel with our Annual Performance Report).

All three documents focus on the quality of our information reporting and governance. They can be found at [southernwater.co.uk/our-reports](https://southernwater.co.uk/our-reports).

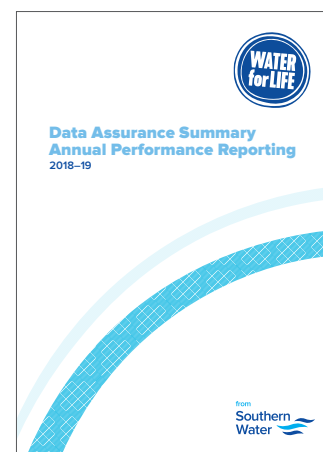
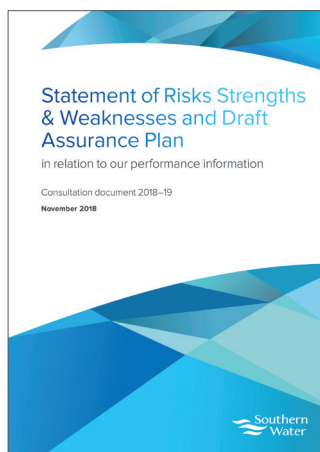
This report incorporates key areas where improvements have been made as well as setting out the governance and assurance frameworks underpinning the assurance provided and taking into account the ‘prescribed’ status under the Ofwat Company Monitoring Framework (CMF).

We have also taken into account the comments made in the Notice published by Ofwat on 25 June 2019 in relation to historic misreporting of the performance of our wastewater treatment works. As reported in previous years, we embarked in 2017 on an improvement plan to make sure our processes and systems are fit for purpose. These are being underpinned by values-based ethical business practices to ensure the importance of doing the right thing is embedded. We have undertaken external review of the effectiveness of our new processes during the year.

We take full responsibility for the information we publish on our performance and seek to provide confidence to customers and stakeholders through a transparent approach to data assurance. The assurance we perform and commission is designed to provide greater levels of trust and confidence in our reported performance and the delivery of promises made in our Business Plan 2015–20.

In addition to our own internal assurance teams and processes which we strive to continually improve, our performance data is assured by an independent technical assurer PricewaterhouseCoopers (PwC), which has completed its third year in this role.

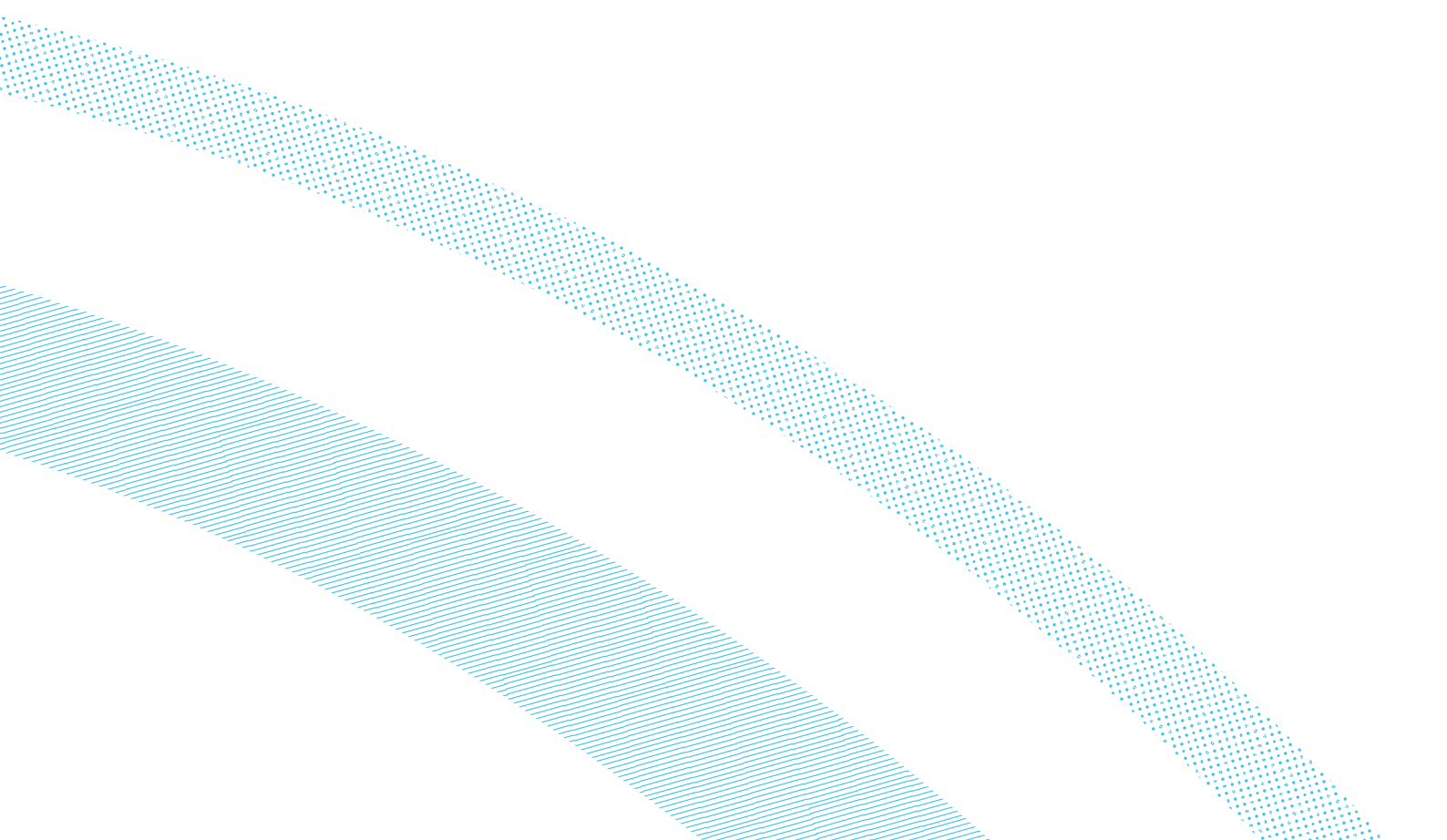
Assurance is rarely able to provide absolute certainty over the quality of reported information, however, we aim that the assurance that we perform and commission provides our internal and external stakeholders with sufficient comfort over the robustness and quality of the information that we report.



# Summary of opinion

We are pleased that internal and external assurance processes did not identify any material issues in the data reported or the processes and controls underpinning our Annual Report and Financial Statements and our Annual Performance Reporting in 2018–19. Both our financial auditor Deloitte LLP (Deloitte) and our technical assurer PwC have provided independent opinions and summaries which we have published. See Appendix 1 for the independent opinion of our technical assurer.

Our technical assurer has issued us with an unqualified limited assurance ISAE 3000 opinion over the reported performance against our high and medium risk performance commitments for the business plan period 2015–20 in the Annual Performance Report. We are also particularly pleased that our improvement plan has delivered significant enhancements to processes and controls which resulted in a substantial reduction in the number of audit findings and an increase in the quality of data in comparison to last year.



# Context

## Wastewater treatment compliance and strengthening our wastewater reporting to the EA and Ofwat

As previously reported, since June 2017, our wastewater treatment compliance has been under investigation by Ofwat due to breaches of our licence conditions and statutory obligations during the period from 2010 to 2017. We fully supported these investigations and completed our own internal review, which highlighted failures of people, processes and systems during that time. We also have an ongoing investigation by the Environment Agency that started in July 2016.

We are profoundly sorry for these failures and we remain fully focused on improving our performance in those areas where we have fallen short of meeting the expectations of our customers, wider stakeholders and regulators.

The Ofwat investigation has since resulted in Ofwat giving notice that it intends to take enforcement action against us. To reflect the seriousness of the breaches identified, Ofwat has issued a Notice stating a proposal to impose a financial penalty of £3 million, details of which were published in June 2019.

In addition, we have agreed to make significant customer bill rebates, totalling £122.9 million (in 2017–18 prices), between 2020–25, in recognition of our failure to meet the expectations of our customers and wider stakeholders, as well as our regulators.

We know that a number of failures of people, processes and systems allowed these breaches to occur and over the past few years we have acted promptly and decisively to make sure that all of the issues identified in the investigation are being addressed.

This has involved making fundamental changes to the way we operate. Over the past two years these changes have included a full company restructure, a new executive team and a strengthened Board. We have also put new systems in place to safeguard our services, our whistle-blowing procedures have been enhanced, and a revised set of company values are being embedded. These actions, along with a modern compliance framework, are already changing the culture in Southern Water.

We will also be supplying Ofwat with a number of formal undertakings in relation to the numerous changes we have put in place, and are putting in place, to ensure that the issues identified in the investigation have been stopped and cannot be repeated.

These undertakings will be subject to a formal assurance regime reported to both our Audit Committee and to Ofwat on a regular basis. Additional information on the investigation is included in our Annual Report and Financial Statements and our Annual Performance Report.

## Ofwat's Company Monitoring Framework

Ofwat's 2018 CMF assessment summarised its review of our information for 2017–18 including our Annual Performance Report. The 2018 CMF considered 12 areas and, overall, Ofwat concluded that we should retain our prescribed status. Across the 12 areas under the assessment:

- We met Ofwat's expectations in seven assessment areas, including Assurance Plan, Risk and Compliance Statement and Initial Assessment of Business Plan 2020–25 – data quality.
- Minor concerns were identified in three assessment areas (Financial Flows, Cost Assessment and Initial Assessment of Business Plan 2020–25 – data consistency).
- Two areas were identified as raising serious concerns (Water Resources Management Plan and Casework).

In addition Ofwat noted other assurance and information issues:

- We did not meet the new requirement (under Ofwat Information Notice 18/07) to publish a short, annual statement explaining company direction and performance and how we are delivering for everybody who depends on our services and how the company has set its aspirations.

In response to Ofwat's assessment, we have:

- reviewed and addressed each point raised by Ofwat to create an action plan for improving the quality of our reporting, learning from the best
- ensured we make effective use of our technical assurers where relevant to review specific actions taken in response to Ofwat's concerns

- ensured we are fully conversant with all existing Ofwat requirements and ensure we respond appropriately
- identified and responded in a timely manner to all new requirements
- developed a Register of Obligations as part of our Modern compliance Framework to ensure we are up to date with our Ofwat responsibilities.

Where Ofwat's assessment required specific actions to be taken, these have been incorporated into the assurance that has been completed. Based on our Final Assurance Plan this can be summarised in Table 1 below.

Table 1 – Targeted actions following Ofwat's CMF assessment

<b>1 – Financial flows</b>	The financial flows information has been assured by Deloitte LLP (Deloitte) as required by Ofwat as part of the Annual Performance report for 2018/9.
<b>2 – Cost assessment</b>	Where there are significant variances from trends, we have ensured these are identified and appropriate commentary provided by promise and process owners. This has been included in our templates for collecting the reported data and have been considered by our technical assurers PwC as part of its assurance activity.
<b>3 – Initial assessment of business plan 2020–25 – data consistency</b>	Ofwat's initial assessment of the Southern Water Business Plan 2020–25 placed us in the 'significant scrutiny' category. We responded to Ofwat's specific requirements by 1 April 2019.  In line with the original business plan submission, the data provided was externally assured by appropriate technical assurers.
<b>4 – Water Resources Management Plan (WRMP) and Water Resource Market Information (WRMI)</b>	Our final WRMP will be published later in the 2019–20 financial year and will be assured by Jacobs, taking Ofwat's feedback into account, supported by stronger internal assurance.  PwC will be assuring the WRMI tables, which are an Ofwat requirement and are populated with data from the WRMP. The WRMI tables are required to be available and published on our website within 30 days of the WRMP being published.
<b>5 – Casework</b>	We have introduced additional measures to ensure casework information supplied is complete and meets Ofwat's requirements.  An integral part of our Wastewater Action Plan in response to the Ofwat investigation is to action reporting improvements and we have instigated end-to-end process reviews of our key wastewater compliance metrics.  We are now in the process of agreeing a S19 undertaking with Ofwat to ensure that the Wastewater Action Plan delivery is monitored and is subject to regular external assurance.
<b>6 – Annual statement explaining company direction and performance</b>	The required statement has been included within our Annual Performance Report under the heading 'Board Statement of Company Direction and Performance'.

## Engaging our customers and stakeholders

The role of all of our regulators is of paramount importance to the effective operation of the water industry. We engage with them to understand their concerns and to work with them effectively.

Employees at all levels of the company meet with our regulators routinely to share information. We believe that strong working relationships are crucial to helping us to meet our regulatory requirements. We regularly review the effectiveness and strength of our relationships with our different regulators and other stakeholders, including key groups and central and local government.

Our customers have told us that the way we present our information is positive, recognising that there is unlikely to be a single method that will work for every customer and stakeholder. We have improved how we listen to customers about the information we provide, by using a variety of feedback channels, including inviting direct feedback on our reports via a dedicated email address.

In our Annual Report we outline our approach to customer and stakeholder engagement in order to create a resilient future for customers in the South East; our approach seeks to co-imagine and co-create it with them. We have started on a journey, which is building on our solid foundations and moving towards greater active participation with our customers and stakeholders. This is for everything we do – in the design, production, delivery, consumption, disposal and enjoyment of water, water services and the water environment in the home, at work and in the community. We need to engage with more customers than ever before so we've been implementing innovative new ways to increase active customer participation.

Through listening to our customers, stakeholders, reviewing best practice in and outside the water industry we created 12 guiding principles under our three core values which focus how we approach active participation:

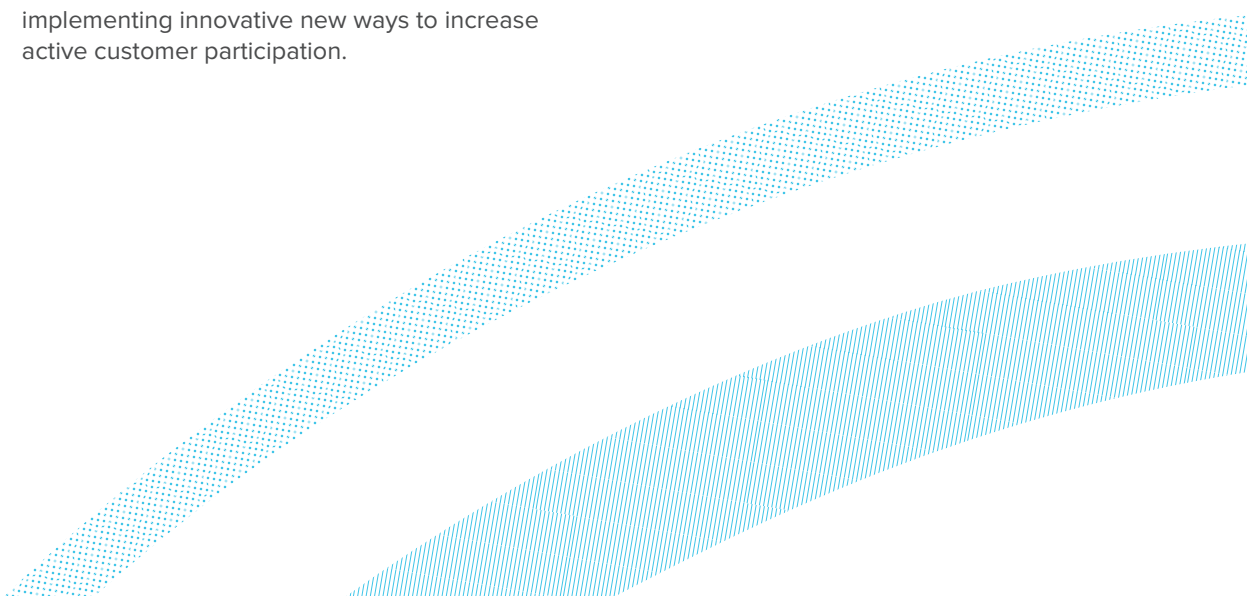
- Succeeding together
- Doing the right thing
- Always improving

In June 2018 we worked with our Customer Challenge Group to develop our Participation Strategy and began implementing it immediately.

In November 2018 we published a written consultation on our Statement of Risks, Strengths and Weaknesses and a Draft Assurance Plan for 2018–19 which took into account our customers' and stakeholders' views, along with our own internal risk assessment. Our assurance plan set out how we proposed to respond to the risks we identified. We asked for our stakeholders' views about our proposals. The responses we received during the consultation were used to shape our Final Assurance Plan for 2018–19, which was published in March 2019 on our website. These are summarised in Appendix 3.

## Our Statement of Risks, Strengths and Weaknesses

Our latest risks, strengths and weaknesses assessment was published in November 2018. It highlighted the areas of reporting that have the most significance or are of greatest risk to customers. For these areas, the company has put in place independent external assurance as part of its plans as required under the Ofwat prescribed assurance category. For more details see Appendix 2.



# Our approach to assurance

At Southern Water we are adopting the ‘three lines of defence’ framework for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control.

We apply internal controls and have improved processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Table 2 below describes the activities undertaken by each line of defence. Ultimately, all assurance activity has oversight from the Board and Audit Committee.

Table 2 – Our application of the ‘three lines of defence’ assurance model

Lines of defence	Business function	Activities
<b>First line Business operations</b>	<p>Business management processes and controls</p> <p>Operational and financial monitoring and measures</p>	<ul style="list-style-type: none"> <li>• Developing and maintaining sound processes and controls over operations</li> <li>• Reporting financial and operational performance measures including our performance commitments and other external regulatory measures</li> <li>• Ensuring data quality and integrity over information</li> <li>• Assessing changes in risk profiles and implementing mitigating actions</li> <li>• Integrating all compliance requirements into day-to-day operations and monitoring adherence</li> </ul>
<b>Second line Oversight functions</b>	<p>Risk and Compliance Directorate</p> <p>Audit and risk subject matter experts</p>	<ul style="list-style-type: none"> <li>• Liaising closely with the wider business to ensure activities are controlled and effectively operated</li> <li>• Setting policy and procedures</li> <li>• Ensuring the ongoing challenge, monitoring, assurance and governance of business operations</li> <li>• Reviewing regular and ad hoc performance reporting</li> <li>• Identifying risks and enabling risk management processes</li> <li>• Gathering industry intelligence and linking closely with regulators and stakeholders</li> <li>• Building compliance and resilience into our water and environmental processes</li> </ul>
<b>Third line Independent assurance</b>	<p>Independent assurance providers</p> <p>Internal audit</p>	<ul style="list-style-type: none"> <li>• Completing reviews of processes, control monitoring, data quality and systems through ongoing testing and assurance of key processes using a risk-based approach</li> <li>• Completing third party risk-based assurance of financial and regulatory accounts and performance information</li> <li>• Linking closely with first and second lines of defence and activity on issues identified or reported</li> <li>• Providing independent reports to our Board Audit Committee</li> </ul>

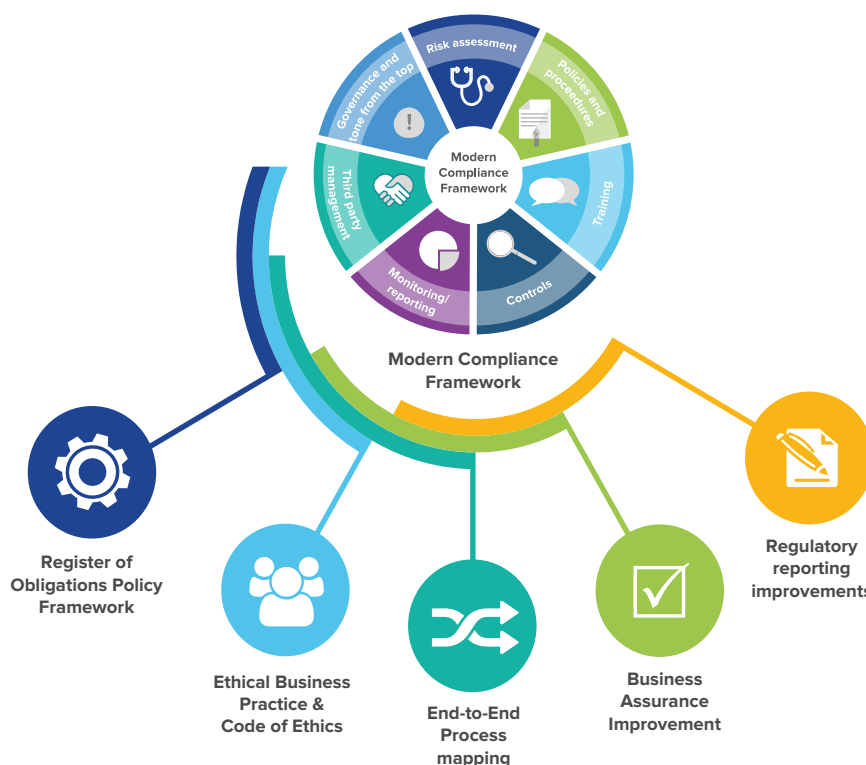


The Audit Committee monitors the integrity of our non-financial information reported by the company in fulfilment of its regulatory, legal and environmental obligations. This includes information required by Ofwat, the Drinking Water Inspectorate (DWI) and the EA. The assurance plans are approved by the Audit Committee, which is responsible for overseeing and challenging the effectiveness of our approach.

Southern Water is committed to driving structural and cultural change to support the development of a modern, transparent and ethical compliance framework. In our Final Assurance Plan we highlighted the ongoing activity and improvements we have made in our performance reporting under our Modern Compliance Framework (see Figure 1). In the last two years, we have significantly strengthened our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the reporting we publish. This leads to improved assurance with fewer issues being identified and increased trust and confidence in our data.

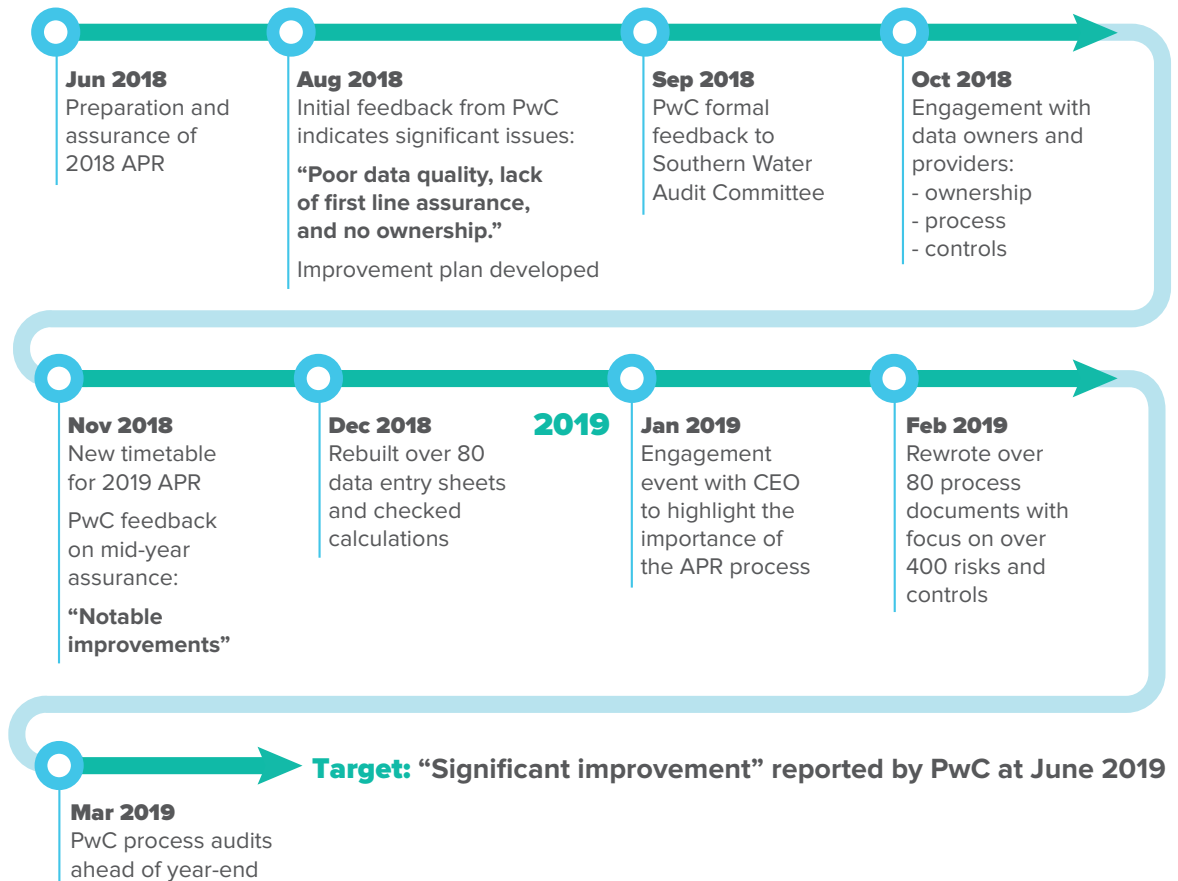
Our improvements as part of the Modern Compliance Framework are part of a wider effort to support our cultural transformation. We have recently refreshed our company values; “doing the right thing” is at the heart of ensuring we rebuild the trust of our customers, our regulators, our work colleagues and other stakeholders. In addition we have launched a new Code of Ethics, which provides all staff with guidance on the behaviours expected of all of us. We have also created a new ‘ethical quick check’ tool which, used alongside the code, sets out the principles for our behaviour, and supports better decision making across the company.

Figure 1 – Performance Improvement under our Modern Compliance Framework



In our Final Assurance Plan we highlighted activity we have undertaken in 2018–19 to improve the quality of our regulatory reporting. This is highlighted in Figure 2.

Figure 2 – Regulatory Reporting Improvement Plan



Following on from the completion of our year-end assurance processes we continue to see varied levels of maturity of business process across the business. This ranges from processes with fully embedded controls that can be fully assured to processes that are still in development where the required controls are being improved and embedded to resolve assurance findings. This has been observed by our second line assurance teams and the PwC technical assurers and highlights the need to ensure we have an integrated approach to process improvement across teams for all our regulatory reporting. As part of the end-of-year assurance programme, a number of priority areas for further improvement have been identified. These are discussed in more detail in the ‘Significant areas of assurance; 1 –

Performance commitments’ section of this report on pages 14-16.

To support delivery of the improvements mentioned above, we are making a number of changes to integrate our approach to reporting process improvement and assurance, including:

- A single approach to reporting across all of our regulators. Currently we have different approaches for Ofwat, EA and DWI.
- Move to a proactive rather than reactive programme of regulatory assurance.
- Support the delivery of the new approach to process improvement and assurance by combining internal and external resource to support the risk-based programme of assurance including:

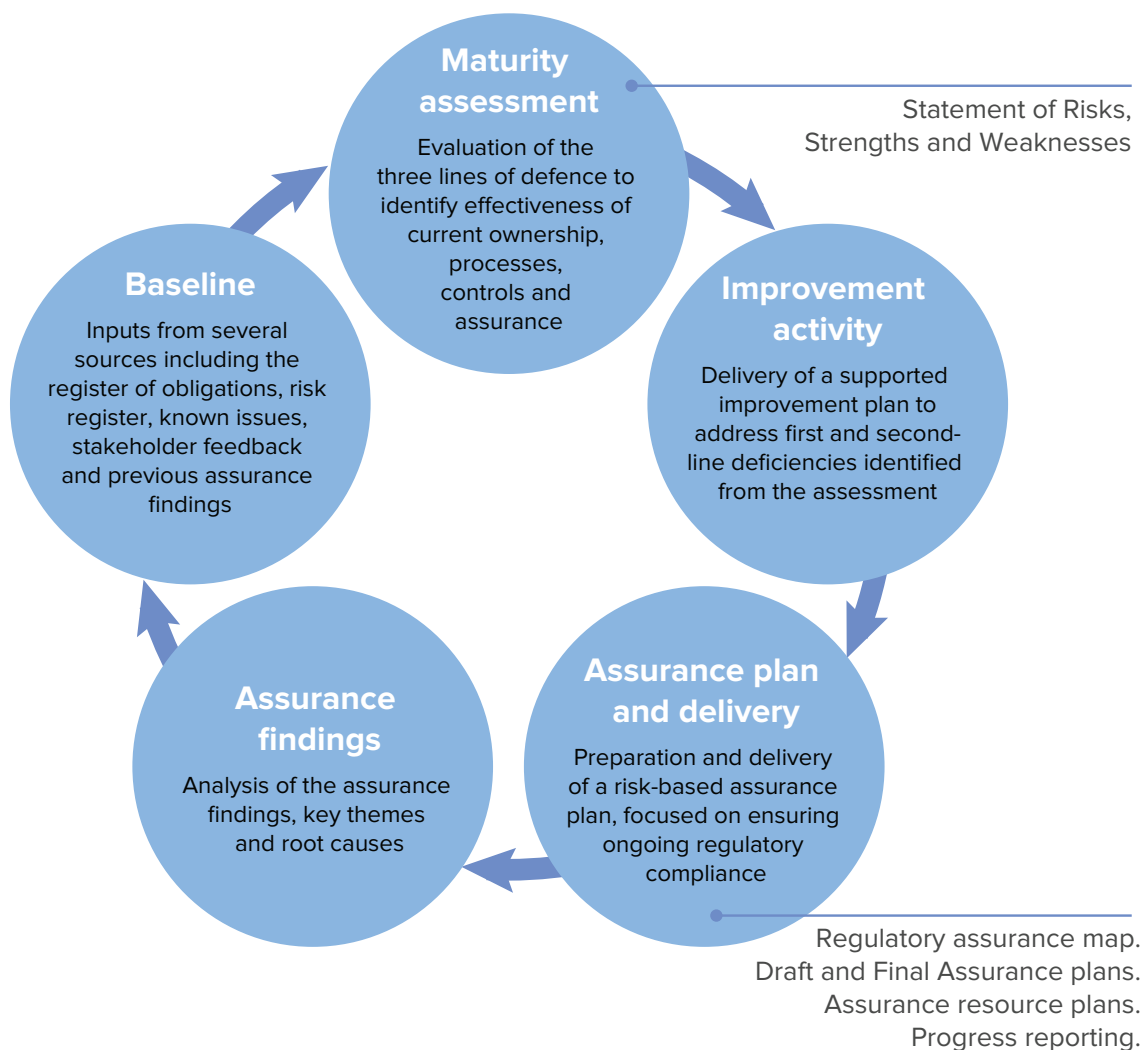
- o Internal teams focusing on process and control improvements across first and second-line teams.
- o Internal teams leading end-to-end process improvement and controls in technical areas supported by external assurance providers where internal teams require additional support.
- o External assurance to carry out risk-based assurance of our end-of-year reporting to all regulators and provide us with an assurance opinion on the outputs.

Our aim is to implement a risk-based approach to assurance planning that delivers core assurance work required by our regulators and proactively

target assurance at emerging areas of risk. The approach includes a continuous improvement process that takes inputs from a number of sources, assesses inherent risk, an assessment of the current level of maturity of our processes, controls and oversight against our three lines of defence and identifies required improvements. Each time some work is completed the assessment can then be updated to understand future assurance requirements.

This moves us from delivering reactive assurance to following a prioritised, risk-focused regulatory assurance plan that will underpin our annual plan of assurance and improvement activity, and an outline of this approach is shown in Figure 3.

Figure 3 – Continuous improvement approach to assurance planning



# Our 2018–19 assurance

## Assurance overview

In the publication of this document we seek to be transparent about our performance, and our processes, by publishing accurate, timely, stakeholder-friendly information. We agree that it is important that we continue to review what information our customers and other stakeholders want and need. We know we are accountable for the quality and transparency of the information we provide on our performance.

Ofwat require us to adopt a proportionate and transparent approach to the data assurance we carry out to give confidence to you, our customers and stakeholders in the information we publish.

Our objective is to provide credible assurance about our ability to deliver, monitor and report performance so that our stakeholders will have trust and confidence in us.

## Assurance of our 2018–19 annual reporting

Our annual reporting is the primary way that we publish our annual performance information and it is made available publicly to all stakeholders. It includes our:

- Statutory accounts – audited separately by Deloitte (Annual Report and Financial Statements)
- Annual performance and how this fares against our commitments (Annual Performance Report)

For 2018–19 Deloitte audited sections 1 and 2 of the Annual Performance Report according to Ofwat’s scope of work and audit requirements, with the exception of table 1F on which it performed Agreed Upon Procedures. It also carried out Agreed Upon Procedures assurance on reported performance data published in section 4 of the APR and the additional financial ‘cost assessment’ tables published alongside the APR. Deloitte also reviewed the Long Term Viability Statement as part of their year-end statutory audit. Deloitte carried out its audit and reported its opinion and findings to the Audit Committee. It provided an unqualified audit opinion that can be found in our Annual Report and Financial Statements.

## Assurance of reporting to other regulators

### Drinking Water inspectorate (DWI) reporting

Southern Water is currently under significant scrutiny from the DWI. As a result we are required to improve our processes and systems

so we can report our performance in a more accurate and consistent manner. We have a specific action focused on how we report our performance on our clean water sampling programme. As part of this work we have carried out detailed reviews of the end-to-end processes for water quality sampling scheduling, programming and reporting. We are also working on a detailed programme of upgrades to improve our information management processes and systems.

We have a varied programme of activity helping to improve our information management systems and process. This package of work, which commenced in 2018 will continue in several phases through to 2020 and beyond, includes:

- Conducting a risk-based review of monitoring, procedures, and manual intervention involved in all critical information systems.
- Carrying out an end-to-end, risk-based review of:
  - o water supply works online water quality monitoring instrumentation and other monitoring infrastructure
  - o water apparatus measuring flow
  - o network communications IT infrastructure
  - o core information management systems
  - o data and information management.

This collaborative programme of work has been designed in consultation with the DWI and allows us to provide more transparency and consistency in our corporate reporting and deliver a stable and sustainable platform under which to manage performance within the business. We ensure that information management is managed in a transparent and open manner; any issues with data provided to the DWI could contribute to the DWI Event Risk Index (ERI), one of its new performance metrics.

For the third year we have carried out comprehensive assurance on the data quality and accuracy of the inputs to the water quality sampling programme and the key outputs for the annual return submitted to DWI. This data is a key component to the delivery of comprehensive water quality monitoring and includes internal assurance on the following inputs:

- Water supply zones
- Volumes into supply
- Asset list

- Process flags and source water
- Water network connectivity.

The outputs of the sampling programme were then checked to ensure that:

- all assets (water supply works, water supply reservoirs and break pressure tanks) and water supply zones are included, and
- the treated and raw tables (annual details, site supply, site details and raw water) that are sent to DWI reflect accurately the relevant inputs.

### **Environment Agency (EA) reporting**

We provide a significant amount of data to the Environment Agency and Ofwat about the performance of our assets, and any wastewater or sewage discharges we make into what is known as the ‘water environment’ such as rivers, streams and coastal waters. We are committed to transparent reporting of high-quality data that can be trusted by our customers, stakeholders and regulators.

During 2018–19 assurance has been undertaken across a number of processes in the following areas for the EA:

- Spills and flows
- Sampling
- Environmental Performance Assessment
- Annual return for abstraction licencing.

We are required to provide the Environment Agency with the number, and details, of Category 3 pollution incidents, and report wastewater treatment works compliance. In our 2016–17 and 2017–18 Annual Reports we indicated that our technical assurer, PwC was unable to obtain the necessary evidence to support the accuracy of the following wastewater metrics:

- WW1a: Category 3 pollution incidents
- WW1: Wastewater asset health wastewater treatment works population equivalent compliance
- WW6: Wastewater treatment works numeric compliance.

While issues remain in relation to the accuracy of our Category 3 pollution data, PwC has been able to provide an assurance opinion on these metrics for 2018–19. A significant focus of our assurance has been on wastewater reporting to the Environment Agency. This is an area

of concern for the business and is a critical part of the improvement plans communicated to Ofwat. A key area of work is focused on wastewater spill and pollution reporting, and this is supported by a continuing programme of the detailed end-to-end process reviews of all our wastewater regulatory reporting and business processes in a key part of Environment+.

These improvements are being led by our Risk and Compliance directorate which is ensuring compliance reporting to our regulators is subject to increased internal review and assurance. The process reviews are prompting action plans, which are strengthening first and second-line assurance processes for all our regulatory reporting.

### **External assurance of non-financial reporting**

We have engaged PwC to undertake testing and a walk through of our non-financial reporting processes. Non-financial reporting was verified and checks were undertaken for completeness, accuracy and validity of the data and compared against internal source data.

We have highlighted the effort we have put into building an improved approach to data assurance. These improvements are ongoing and continue to be an area of significant attention from the business. This year’s work has identified a significant improvement in the outcomes of the audits of our non-financial performance data, in particular around engagement across the business and the quality of data and controls. However, both PwC and our in-house assurance teams have identified areas where there is scope for further improvement and we do not yet consider ourselves to have reached a point where we are wholly content with the quality of data we produce or the processes and controls that are operated to produce that data.

The issues identified during year-end assurance will be a key focus for follow-up and improvement in 2019–20. Whilst we have made progress in some areas, we need to work hard to embed changes throughout the organisation. Central to this is work to ensure that data quality is the responsibility of everyone in the organisation rather than specialist data and assurance teams. In addition we are making data assurance a continuous activity, rather than just an end-of-year process.

## Significant areas of assurance

### 1 – Performance commitments

#### Why is it significant?

We believe customers and other stakeholders should be able to trust our reporting of our non-financial performance information and we have now completed the fourth year of delivery of our Business Plan 2015–20. We have committed to obtaining third-party assurance over our non-financial information in this business plan period on a risk-assessed basis and this is provided by PwC as our technical assurer.

For 2018–19 mid-year assurance was undertaken for key metrics as well as the full end-of-year audits.

#### Outline assurance process

The performance commitment data is initially provided alongside a process document that explains how the data is collated, the risks associated with the collection of the data and the controls that are operated to mitigate these risks.

The level and extent of the assurance applied to each performance commitment is determined by a risk assessment that considers how prone the data may be to error, the impact associated with the data and the outcomes of previous assurance activity.

All critical, medium and high-risk performance commitments are subject to an audit by our technical assurer PwC, some lower risk areas are assured by our Business Assurance team. The assurance approach adopted for our performance commitments can be broken down into key stages:

- Process and promise owners are identified for each of the areas to be reported.
- Documentation for the processes risks and controls utilised to produce the relevant data to be reported that is consistent with the performance commitment definitions, the production of these documents is supported by the Business Assurance team.
- Improvements and changes in processes and controls from previous assurance rounds are clearly identified and reviewed.

These documents are reviewed by the designated assurance provider via desktop reviews and face-to-face interviews.

We then focus on the data produced and the associated commentary which explains our performance in more detail. Audits are then conducted of the data provided, in person with the identified promise and process owners as well as other data providers. These audits focus on:

- checking whether internal checks have been performed
- considering if material actions from previous audits have been addressed
- demonstrating how the reported number and supporting data has been produced, sampled back to source inputs
- testing the understanding of performance trends in relation to previous years where this is appropriate
- considering the appropriateness of the confidence grades assigned to the data
- considering the assumptions and commentary that explains the performance for the year that is provided with the data.

#### Assurance results

##### Mid-year

The scope of PwC's mid-year review concentrated on high risk and high priority performance commitments for the current and next business plan periods, 2015–20 and 2020–25. The work over these performance commitments specifically focused on a number of areas, which include:

- Process: Identification of gaps and weaknesses in the current processes to understand 'what could go wrong.'
- Control environment: Independent challenge of the control environment for each process to identify areas of weakness.
- Data: Validation of the confidence level assigned to each performance commitment through testing a small sample of data items to source.
- Methodology: Southern Water is required to report progress against aligning the methodology for the 2020–25 common performance commitments to Ofwat's methodology in the final years of this business plan period 2015–20. This is known as shadow reporting. We have assessed and verified the progress made in aligning the methodologies to the new industry-wide methodologies as set out by Ofwat.



- Review of the management actions to PwC’s findings from 2017–18 to ensure their recommendations were actioned appropriately.

Of the 14 performance commitments PwC reviewed it noted there have been a number of improvements in both the regulatory reporting and processes.

#### **Year-end**

PwC has confirmed that it has issued an unqualified limited assurance ISAE 3000 opinion over our AMP6 Performance Commitments (PCs) in Section 3 of our Annual Performance Report. (See Appendix 1 for more detail).

In addition PwC carried out Agreed Upon Procedures on our reporting of Guaranteed Standards Schemes (GSS). The work was initially scoped in as part of the PwC ISAE 3000 opinion, however, due to issues identified by management over the completeness of data provided by third-party contractors, PwC revised its scope of work and this was performed under an Agreed Upon Procedures engagement in line with the International Standards on Related Services (ISRS) 4400. PwC did not identify any findings from its work.

#### **Good practices:**

In the Technical Audit report in June 2018, PwC reported five high level risk themes over the regulatory reporting process. This led to the development and implementation of the ‘Regulatory Reporting Improvement Plan’ to improve the regulatory reporting process over the course of this year. PwC reported that the plan has continued to deliver significant improvements to processes and controls which has resulted in a substantial reduction in the number of audit findings and therefore an increase in the quality of the data provided compared to last year. In particular PwC noted improvements in the following areas:

- **Ownership and engagement:** In most cases, improvement in the ownership and engagement from the promise owners was observed. This led to a comparatively smoother delivery of the audits undertaken as well as discussions around areas where the process owners and data providers are not expected to have visibility.
- **Significant reduction in the number of audit findings.** PwC identified 68 audit findings this year, of which 9 (13%) have been ranked as high priority; 17 (25%) have been ranked as medium priority and 42 (62%) are low

priority. This compares to 111 findings in the prior year, an overall reduction of 38%. This is a significant improvement and is a result of the efforts made by the Business Assurance and Strategy and Regulation teams over the Regulatory Reporting Improvement Plan.

- **Timely provision of information requests:** For the majority of areas, the timely provision of information requests was significantly better. As a result, the audits were completed one month earlier compared to last year.

#### **Themes for improvement**

PwC and our internal assurance team have identified a number of areas where improvements could still be made, particularly over the following areas:

- **Repeat findings from prior audits:** In some cases PwC found similar findings to those identified in the prior year or during its mid-year assurance review in October 2018. This shows that remediation actions were either not taken or not effective. Improvements to our follow up processes to ensure management actions have been embedded into our “Business As Usual” will be implemented for future reporting.
- **Further improvement in the quality of data:** A number of data findings were made where incorrect figures or units were provided to the auditors, these were all corrected during the course of the audit process. This indicates that the first and second lines of defence had failed to identify these and more depth is required in some of the first and second-line controls.
- **Further improvements to the control environment:** We have noted considerable improvement around the awareness and documentation of controls, however there remains opportunities to continue to improve these. Some findings identified where controls had not been effective. We recognise the need for increased focus on the risk and controls around source data to capture upstream processes in addition to a focus on reporting.
- **Removing the over-reliance on spreadsheets and making better use of core IT systems.** This includes automation of key elements of the process.
- **Compensation payments are made to customers for failures to deliver against a number of commitments within Southern Water’s Customer Charter some of which are covered by the “Water Supply and Sewerage**

Services (Customer Service Standards Regulations” as amended in 2017. As part of the year-end reporting assurance process, we have confirmed that the number reported in our Report and Accounts is consistent with the number of payments made. We have included within our transformation plan a review of the processes and controls in relation to these compensation payments. We will be improving the processes for making and recording customer appointments within some functions that undertake tasks on a customer’s premises. A team has been set up to review the Customer Charter, policy, procedures and monitoring in relation to appointments, which will focus on identifying past, current and future compliance with the regulations and further improving the customer experience.

## 2 – Business Plan 2020–25

### Why is it significant?

Our business plan for the period 2020–25 was a key deliverable for the business in 2018–19. Our plan describes our proposed strategy to create a resilient water future for our region, detailing our pricing and strategy for the 2020–25 period.

Ofwat published its IAP response to our plan in January 2019, and we supplied our responses to its initial assessment at the start of April 2019.

We also noted the minor concern raised by Ofwat under the 2018 CMF regarding the consistency of performance and financial data reported in the company’s business plan tables with previous data submissions; and inconsistencies between the company’s business plan tables and Annual Performance Report in some specific areas.

### Outline assurance process

A detailed assurance plan was in place for the 2020–25 business plan submission and was contained in the 2020–25 business plan Assurance Framework Technical Annex. The Annex contained a breakdown of the different areas under an assurance framework, identified the three lines of defence for each area and, where appropriate, independent assurance was provided by a range of external assurance providers selected for their expertise to deliver the third independent assurance line of defence as described in the table on page 17:



Table 3 – Third independent assurance line of defence

Third Party Assurer	Activity	
<b>PwC</b>	Performance commitments (PC)	PwC reviewed our PC definitions and targeted level of performance against Ofwat's published criteria and guidance.
	Outcome Delivery Incentives (ODI)	PwC reviewed the type and form of ODIs against Ofwat's published guidance.
	Data tables (non-financial)	PwC undertook a risk-based review of non-financial data tables following Agreed Upon Procedures.
	Legacy mechanisms	PwC reviewed our proposed reconciliations (and data tables) against Ofwat's published guidance and source data. It also conducted a targeted review of forecasts to the end of AMP6.
<b>Deloitte Jacobs Oxera</b>	Bio resources RCV allocation (phase 1)	Deloitte reviewed consistency of published source data, internal source data and submission to Ofwat. Jacobs reviewed detailed information on sludge treatment centres. Data was sampled from specific sites, with capacity and throughput data on sludge treatment centres reviewed.
<b>Deloitte Jacobs</b>	Water RCV allocations	Deloitte reviewed the consistency of published and internal source data, and our submission to Ofwat. Jacobs reviewed relevant data tables and commentary against Ofwat guidance.
	Data tables (Financial)	Deloitte undertook a risk-based review of relevant data tables following Agreed Upon Procedures, including the allocation of costs into the correct price controls. Jacobs carried out sample checks on the transfer of information from the final Investment Plan to Ofwat tables WS1, WS2, WWS1 and WWS2.
<b>Deloitte</b>	Retail cost-to-serve model	Deloitte reviewed and commented on the cost-to-serve model, including alignment to accepted practice for Excel-based models, and the appropriateness of sign-off procedures.
<b>Jacobs</b>	Cost estimation	Jacobs reviewed the methodology and application of our cost estimation strategy. It tested whether the methodology was fit for purpose and commented on any opportunities for improvement (which we implemented). Jacobs also conducted a risk-based deep dive on cost models and cost curves and reviewed the appropriateness of efficiency assumptions adopted in the plan.
	Cost Adjustment Claims	Jacobs reviewed and commented on the evidence to support our CACs, including customer support.
	Business/investment cases	Jacobs reviewed and commented on the justification for business cases, and the robustness of evidence. It also reviewed the source of costs back to outputs from the SWS cost estimation team.
	WRMP	Jacobs undertook a risk-based review of the draft Water Resources Management Plan (WRMP). This included a deep dive review of consistency against regulatory priorities and guidance. Jacobs also reviewed the revised WRMP, ensuring revisions set out in the Statement of Response were addressed.
	Statutory and legal obligations (within business cases)	Jacobs undertook a risk-based review regarding the extent to which investment cases enable the delivery of obligations. Herbert Smith Freehills LLP provided expert advice on statutory and licence obligations more broadly.
	Bio resources RCV allocation (phase 2)	Jacobs reviewed detailed information on sludge treatment centres. Data was sampled from specific sites, with capacity and throughput data on sludge treatment centres reviewed.
<b>Oxera</b>	Affordability Model	Oxera reviewed and commented on inputs and outputs of the model. It also reviewed the modelling approach against Ofwat's expectations, and the robustness of the method.
<b>Rand</b>	Customer Research	RAND undertook a technical peer review of research methods, and the quality of outputs. The CCG reviewed and commented on the quality of our customer and stakeholder engagement.
<b>KPMG</b>	Financeability	KPMG reviewed financeability of the plan on an actual and notional basis, and our plans for financial resilience.

For our resubmission in April 2019 we also undertook further extensive external assurance activity, which was summarised in a table supporting our resubmission as shown below:

**Table 4 – External assurance activity to support our resubmission**

Third party assurer	Activity	New/repeat activity
PwC	IAP action plans	New
	Assessment of performance commitments and outcome delivery incentives	Repeat
	Amended data tables (non-financial)	Repeat
	Legacy performance	Repeat
	Board Statements	Repeat
Deloitte	Amended data tables (financial)	Repeat
Jacobs	Cost estimation/investment plans (and associated data tables)	Repeat
	Amendments to cost adjustment charts	Repeat
KPMG	Financeability	Repeat
	Value for money assessments	Repeat

### Assurance results

The work of all the assurance provision around our business plan submission and subsequent resubmission following Ofwat's initial assessment supports the accuracy, quality and completeness of our submissions and ensures consistency across our original submission and the subsequent re-submission.

Within our submissions we have committed to a number of specific action plans. We have also stated where we will provide one-off or ongoing assurance over these actions plans and these will be included in our assurance plans going forward and will be included in subsequent data assurance summaries.

### 3 – Regulatory reporting end-to-end process assurance

#### Why is it significant?

In order to ensure the accuracy of the data that is provided to our management, regulators and other stakeholders we must have sound processes that operate effectively and that are well controlled. We have identified a specific risk around our understanding of the end-to-end processes (including over complex data flows) which require mapping and in some places additional controls.

### Outline assurance process

The in-house assurance teams are undertaking end-to-end process reviews of our regulatory reporting processes to all our regulators. These reviews are mapping the processes that we use and the associated risks to accurate data reporting. Existing controls are recorded and where no control exists, improvement plans are developed. External Assurance – and where necessary data correction – occurs over high risk annual reports to the EA and the DWI.

The efficacy of existing controls and progress with improvement plans are monitored on a periodic basis. As we continue to develop our assurance processes we will be undertaking process maturity assessments against first and second-line risk defences as part of our assurance planning and this will further refine our selection of specific areas that require improvement in their control environment.

### Assurance results

This assurance has been targeted on the most critical regulatory reporting to the EA and DWI to ensure we have confidence in the data submitted in the following areas:

- Clean water sampling, programme set up
- Wastewater sampling, programme set up, and effluent and groundwater reporting

- Storm and emergency overflow discharges
- Daily flows
- Sludge quality and quantity
- Abstractions
- Security of Supply.

Where our assurance work identified any data issues, corrective actions were completed prior to submission.

This assurance work, coupled with the ongoing process mapping work, has highlighted a number of improvement opportunities that are being fed into our continuous improvement cycle. This improvement work has been captured in action plans as part of Initial Assessment of Plan responses to our Business Plan for 2020–25 submission and S19 undertakings with Ofwat; as such the progress and delivery of this work will be reported to the Audit Committee and Ofwat on a regular basis. Additionally, our external assurers have looked at those areas of reporting that overlap between the EA and Ofwat, including missed and rescheduled samples from our wastewater sampling programme and reporting of pollution incidents.



#### 4 – Other assurance completed

Significant areas for assurance	Rationale	Assurance activity	Results
Changes to new appointments and variations (NAVs) and developer charges	Revised guidance covering developer charges has been produced so we need to ensure our charging structure aligns to Ofwat guidance and the correct charges are being applied in the correct circumstances.	An external assurer, Oxera, has completed a review over development connection charges. The completion of actions contained in its report will be closely monitored to ensure they are completed.	Oxera provided its detailed report in January 2019. The report concluded that our approach appeared reasonable. A number of specific findings were provided to us which will be followed through to ensure they are implemented, including issues that had been raised previously.
Freeze/Thaw	Ofwat required us to submit a report covering the events and proposed improvements in response to the Freeze/Thaw event of March 2018. Our response to Ofwat's 'Out in the Cold' report dated June 2018 was submitted and published on 28 September 2018. We committed to ongoing assurance activity over the action plan that was put in place.	Jacobs undertook independent assurance of our report. Internal quarterly assurance is ongoing by our in-house assurance team to focus on progress made on the action plan arising from the report.	Jacobs confirmed it considered that our action plan took significant steps to better serve our customers in the future. Our in-house team is assuring when actions have been completed by seeking evidence to support managements' assertions that actions have been completed. A quarterly programme of internal assurance is underway and we are due to report external assurance back to Ofwat in September 2019.
Annual Report to CCWater	On a quarterly and annual basis we report operational performance data on a number of customer-related topics including value for money and customer satisfaction.	Each quarterly and year-end (Q4) submission is subject to first and second-line internal assurance. Substantial components of the annual submission are additionally subject to third line assurance through the performance commitment reporting.	No issues were identified during these processes.
Water Resources Management Plan (WRMP)	WRMP updated every five years and aspects align to the Business Plan 2020–25.	Atkins and Jacobs provided assurance over technical aspects of the plan. As part of our Statement of Response to the WRMP we have commissioned Jacobs to externally assure the technical aspects of the response.	A number of specific findings were provided which will be incorporated in our revised plan, to be published later in 2019.
Market Information (bioresources and water resources)	Ofwat requires that we publish details of our water and bioresources operations on our website.	PwC reviewed the Bioresources Market Activity Information as part of the year-end technical assurance. It also reviewed the Water Resources Market Information Tables that supported our draft WRMP.	Specific findings were addressed prior to publication of both sets of tables.  The Water Resources Market information tables will be reviewed once the revised WRMP has been published.

# Appendix 1

## Independent Limited Assurance Report to the Directors of Southern Water Services Limited

The Board of Directors of Southern Water Services Limited ('Southern Water') engaged us to provide limited assurance on the information described below and set out in Southern Water's Annual Performance Report 2019 for the year ended 31 March 2019.

### Disclaimer

- PwC accepts no liability (including liability for negligence) to each recipient in relation to PwC's report. The report is provided to each recipient for information purposes only. If a recipient relies on PwC's report, it does so entirely at its own risk;
- No recipient will bring a claim against PwC which relates to the access to the report by a recipient;
- Neither PwC's report, nor information obtained from it, may be made available to anyone else without PwC's prior written consent, except where required by law or regulation;
- PwC's report was prepared with Southern Water's interests in mind. It was not prepared with any recipient's interests in mind or for its use. PwC's report is not a substitute for any enquiries that a recipient should make. PwC's report is based on historical information. Any projection of such information or PwC's opinion or views thereon to future periods is subject to the risk that changes may occur after the report is issued. For these reasons, such projection of information to future periods would be inappropriate;
- PwC will be entitled to the benefit of and to enforce these terms; and
- These terms and any dispute arising from them, whether contractual or non-contractual, are subject to English law and the exclusive jurisdiction of English courts.

### Our conclusion

**Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 March 2019 has not been prepared, in all material respects, in accordance with the Reporting Criteria.**

This conclusion is to be read in the context of what we say in the remainder of our report.

### Selected Information

The scope of our work was limited to assurance over the following information in Southern Water's Annual Performance Report 2018–19 (the "Selected Information").

- 3A – Outcome performance table – wholesale water, wholesale wastewater and retail, excluding the following low risk PCs:
  - W2: Water use restrictions
  - WW12: Avoiding blocked drains
  - R2: Dealing with customers' individual needs
  - R3: Awareness of water hardness measures
  - R4: Where your money goes
  - R6: Take up of assistance schemes
  - R7: Value-for-money
- 3B – Sub-measure performance table;
- 3C – AIM table;
- 3D – SIM table;
- 4A – Non-financial information;
- Greenhouse gas emissions – KgCO<sub>2</sub>e;
- KgCO<sub>2</sub>e per person supplied with treated water;
- KgCO<sub>2</sub>e per person supplied with wastewater services;
- Odour Complaints (Total);

The Selected Information and the Reporting Criteria against which it was assessed are summarised in our full report which is disclosed online at [southernwater.co.uk/dataassurance-summary](https://southernwater.co.uk/dataassurance-summary) and in Appendix 2 of the Annual Performance Report. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Southern Water Annual Performance Report 2018–19.

### Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Our Independence and Quality Control

We have complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We also apply International Standard on Quality Control (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Understanding reporting and measurement criteria

The Selected Information needs to be read and understood together with the Reporting Criteria, which Southern Water is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 31 March 2019.

### Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- checked the calculation of the performance level arising from Southern Water's PCs in the year against Southern Water's reporting criteria;
- through limited testing on a selective basis, verified the underlying data or supporting information used to calculate each PC in 'selected information';
- made enquiries of relevant company management, personnel and third parties; and

- considered significant estimates and judgements made by management in the preparation of the selected information.

### Southern Water's responsibilities

The Directors of Southern Water are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and,
- the content of the Southern Water Annual Performance Report 2018–19.

### Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Southern Water.

This report, including our conclusions, has been prepared solely for the Board of Directors of Southern Water in accordance with the agreement between us dated 19 December 2018, to assist the Directors in reporting Southern Water's performance and activities. We permit this report to be disclosed in the Southern Water Annual Performance Report 2018–19 for the year ended 31 March 2019, to assist the Directors in responding to their regulatory responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Southern Water for our work or this report except where terms are expressly agreed in writing.



**PricewaterhouseCoopers LLP**  
Chartered Accountants  
Gatwick  
15 July 2019

### Selected Information subject to limited assurance procedures

The Selected Information subject to limited assurance procedures are set out below. The Reporting Criteria “Southern Water’s reporting criteria” as outlined in Appendix 2 of the Annual Performance report of the Annual Performance report, has been used to prepare and report the Selected Information.

Promise commitments			
Selected information	Reporting criteria	Reported performance	2018–19 Committed performance level met?
Greenhouse gas emissions – KgCO <sub>2</sub> e	Scope 1, 2 and 3 Greenhouse Gas Emissions expressed as kilograms carbon dioxide equivalent (KGCO <sub>2</sub> e).	200	Yes
KgCO <sub>2</sub> e per person supplied with treated water	Scope 1, 2 and 3 Greenhouse Gas Emissions expressed as kilograms carbon dioxide equivalent (KGCO <sub>2</sub> e) per person supplied with treated water.	17.72	Yes
KgCO <sub>2</sub> e per person supplied with wastewater services	Scope 1, 2 and 3 Greenhouse Gas Emissions expressed as kilograms carbon dioxide equivalent (KGCO <sub>2</sub> e) per person supplied with wastewater services.	29.9	Yes
Odour complaints total	Number of customer odour complaints (written and call) from smells from Southern Water wastewater treatment works and pumping stations.	543 Complaints	No



<b>Table 3A – Outcome performance table</b>			
<b>Selected information</b>	<b>Reporting criteria</b>	<b>Reported performance</b>	<b>2018–19 Committed performance level met?</b>
<b>3A – Outcome performance table – wholesale water</b>			
<b>W1: Water Asset Health</b>			
Mains bursts	Number of mains bursts in the Southern Water main distribution network pipeline in the reporting year.	Stable	Yes
Water quality compliance (TIM)	The percentage of water supply zones compliant with the Distribution Maintenance Index (TIM). TIM distribution index is measured as the arithmetic mean for turbidity, iron and manganese measured in Water Supply Zones (%).		
WSW coliform compliance	The number of compliant water treatment works with tests containing zero coliforms as a percentage of the number of determinations of water leaving treatment works.		
WSR coliform compliance	The number of compliant water service reservoirs with no more than 5% of samples containing coliforms as a percentage of the number of service reservoirs in supply during the year.		
Turbidity compliance	The number of non-compliant water treatment works tested for turbidity levels.		
<b>W3: Leakage (five-year average)</b>	The total level of leakage, including customer supply-pipe leakage, expressed in mega litres per day (Ml/day).	101.8 (Ml/day)	No
<b>W4: Interruptions to supply</b>	Average minutes per property lost through water supply interruptions of greater than three hours.	7 minutes/property	Yes
<b>W5: Drinking water quality – Mean Zonal Compliance (MZC)</b>	The percentage of water supply zones compliant with the Water Supply (Water Quality) Regulations as measured by mean zonal compliance (MZC) (%) and reported by Drinking Water Inspectorate.	99.98%	No
<b>W5a: Drinking water quality – discolouration contacts</b>	The number of customer contacts regarding yellow, black, brown or orange discoloration of their drinking water, expressed as the number of contacts per 1,000 population.	0.68 contacts/1000 population	Yes
<b>W6: Low water pressure</b>	Number of connected properties that receive pressure below the reference level and are on the DG2 low water pressure register.	209 properties	Yes
<b>W7: Distribution input</b>	The average daily amount (Ml/day) of potable water entering the distribution system.	558.75 Ml/day	No
<b>W8: Per capita consumption (five-year average)</b>	Average per capita consumption. Per capita consumption is the average amount of water used by each of the company's household consumers each day, measured as litres per head per day (l/h/d).	129.9 (l/h/d)	Yes



### 3A – Outcome performance table – wholesale wastewater

#### WW1: Wastewater asset health

Sewer collapses	The number of sewer collapses.	Stable	Yes
Wastewater treatment works population equivalent compliance	The percentage of population equivalent served by sewage treatment works discharges which were sampled during the calendar year and found to be non-compliant with look-up table consents conditions Water Resource Act look-up table consent conditions or non-compliant with Urban Wastewater Treatment Directive look-up table consents for biochemical oxygen demand (BOD) and/or phosphorus (P).		
External flooding – other causes	The number of external flooding (other causes). Other causes are defined as equipment failures, blockages and collapses.		
<b>WW1a: Category 3 pollution incidents</b>	The total number of category 3 pollution incidents, including transferred assets and excluding private pumping stations.	144 Incidents	Yes
<b>WW2: Internal flooding incidents</b>	The total number of internal flooding incidents (all causes, including private sewers).	389 Incidents	Yes
<b>WW3: External flooding incidents</b>	The total number of external flooding incidents (all causes).	8,255 Incidents	Yes
<b>WW4: Sewer blockages</b>	The total number of sewer blockages per km of sewer length.	0.52 Blockages/km	Yes
<b>WW5: Odour complaints (Portwood and Tonbridge treatment works)</b>	The number of customer complaints relating to odour from Portwood and Tonbridge treatment works, annually, between 2015–16 and 2019–20.	54 Complaints	No
<b>WW6: Wastewater treatment works numeric compliance</b>	The percentage of wastewater treatment works that are compliant with their numeric environmental consents as reported by the Environment Agency on MD109 (%).	99.7%	No
<b>WW7: Proportion of energy from renewable sources</b>	The proportion of total energy consumption that is from renewable sources.	15.8%	No
<b>WW8: Bathing waters with ‘excellent’ water quality (part 1)</b>	The number of bathing waters categorised as ‘excellent’ water quality in the reporting year. The measure of ‘excellent’ water quality is no more than 100 Intestinal Enterococci cfu/100ml and 250 Escherichia coli cfu/100ml based on the 95th percentile of a log normal distribution of samples taken over a single bathing water season.	57 beaches at excellent condition	Yes
<b>WW9: Bathing waters with ‘excellent’ water quality (part 2 – additional number of bathing waters)</b>	The number of bathing waters categorised as ‘excellent’ water quality in the reporting year. The measure of ‘excellent’ water quality is no more than 100 Intestinal Enterococci cfu/100ml and 250 Escherichia coli cfu/100ml based on the 95th percentile of a log normal distribution of samples taken over a single bathing water season.	5 beaches at excellent condition	Yes
<b>WW11: Serious pollution incidents (Category 1 and 2)</b>	The total number of category 1 and 2 pollution incidents, as reported by the Environment Agency on MD109.	7 Incidents	No

#### 3A – Outcome performance table – retail

<b>R1: First-time resolution of customer contacts</b>	The percentage of customer contacts resolved first time, as measured by a third party.	65%	No
<b>R5: Billing queries</b>	Number of customer queries related to the understanding of their bills.	131,726 Billing queries	No
<b>R8: Service Incentive Mechanism (SIM)</b>	A customer service quality score out of 100. The scoring is made up of the following: <ul style="list-style-type: none"> <li>quantitative component consisting of four customer handling metrics – unwanted phone contacts, written complaints, escalated written complaints, and Consumer Council for Water (CCWater) investigated complaints; and</li> <li>qualitative component based on the results of customer satisfaction surveys with a recent resolved contact (by any media for any reason).</li> </ul>	80	N/A

<b>Table 3B – Sub-measure performance table</b>			
<b>Selected information</b>	<b>Reporting criteria</b>	<b>Reported performance</b>	<b>2018–19 Committed performance level met?</b>
<b>W1: Water Asset Health</b>			
Mains bursts	Number of mains bursts in the Southern Water main distribution network pipeline in the reporting year.	1,917 Bursts	Yes
Water quality compliance (TIM)	The percentage of water supply zones compliant with the Distribution Maintenance Index (TIM). TIM distribution index is measured as the arithmetic mean for turbidity, iron and manganese measured in Water Supply Zones (%).	99.97%	Yes
WSW coliform compliance	The number of compliant water treatment works with tests containing zero coliforms as a percentage of the number of determinations of water leaving treatment works.	99.93%	Yes
WSR coliform compliance	The number of compliant water service reservoirs with no more than 5% of samples containing coliforms as a percentage of the number of service reservoirs in supply during the year.	100%	Yes
Turbidity compliance	The number of non-compliant water treatment works tested for turbidity levels.	0	N/A
<b>WW1: Wastewater asset health</b>			
Sewer collapses	The number of sewer collapses.	245 Collapses	Yes
Wastewater treatment works population equivalent compliance	The percentage of population equivalent served by sewage treatment works discharges which were sampled during the calendar year and found to be non-compliant with look-up table consents conditions Water Resource Act look-up table consent conditions or non-compliant with Urban Wastewater Treatment Directive look-up table consents for biochemical oxygen demand (BOD) and/or phosphorus (P).	100%	Yes
External flooding – other causes	The number of external flooding (other causes). Other causes are defined as equipment failures, blockages and collapses.	7,791 Incidents	Yes

<b>Table 3C – Abstractive Incentive Mechanism</b>		
<b>Selected information</b>	<b>Reporting criteria</b>	<b>Reported performance</b>
<b>3C – AIM table</b>		
2018–19 AIM performance (MI)	The AIM performance for the current reporting year.	-82.8
2018–19 normalised AIM performance (nr)	The normalised AIM performance for the current reporting year.	-0.04
Cumulative AIM performance 2016–17 onwards (MI)	Cumulative AIM performance for the years 2016–17 onwards.	36.9
Cumulative normalised AIM performance 2016–17 onwards (nr)	Cumulative normalised AIM performance for the years 2016–17 onwards.	0.08

<b>Table 3D – Service Incentive Mechanism</b>			
<b>Selected information</b>	<b>Reporting criteria</b>	<b>Reported performance</b>	<b>2018–19 Committed performance level met?</b>
<b>3D – Service Incentive Mechanism</b>			
<b>Qualitative performance</b>	Qualitative component based on the results of customer satisfaction surveys with a recent resolved contact (by any media for any reason).	61.55	N/A
<b>Quantitative performance</b>	Quantitative component consisting of four customer handling metrics – unwanted phone contacts, written complaints, escalated written complaints, and Consumer Council for Water (CCWater) investigated complaints.	18.59	N/A
<b>Service Incentive Mechanism (SIM)</b>		80.14	N/A

<b>Table 4A – Non-financial information</b>		
<b>Selected information</b>	<b>Reporting criteria</b>	<b>Reported performance</b>
<b>Retail Household</b>		
Number of void households (unmeasured)	Average total number of unmeasured household properties, within the supply area, which are connected for either a water service only, a wastewater service only or both but do not receive a charge as there are no occupants. Expressed in 000's.	11.735 properties
Number of void households (measured)	Average total number of measured household properties, within the supply area, which are connected for either a water service only, a wastewater service only or both but do not receive a charge as there are no occupants. Expressed in 000's.	25.793 properties
Per capita consumption excluding supply pipe leakage (unmeasured)	Estimated per capita consumption of households that are supplied with unmeasured water excluding supply pipe leakage. Per capita consumption is the average amount of water used by each of the company's household consumers each day, measured as litres per head per day.	168.17 (l/h/d)
Per capita consumption excluding supply pipe leakage (measured)	Estimated per capita consumption of households that are supplied with measured water excluding supply pipe leakage. Per capita consumption is the average amount of water used by each of the company's household consumers each day, measured as litres per head per day.	124.20 (l/h/d)
<b>Wholesale</b>		
Bulk supply export (water)	Volume of water (treated and untreated) exported to other companies in bulk supplies.	18.217 MI/day
Bulk supply export (wastewater)	Volume of bulk wastewater volumes (MI/day) exported to Newly Appointed Variations (NAVs).	0.663 MI/day
Bulk supply import (water)	Volume of water (treated and untreated) imported from other companies in bulk supplies.	0.137 MI/day
Distribution input	The average daily amount (MI/day) of potable water entering the distribution system.	558.75 MI/day

# Appendix 2

## Summary of Statement of Risk, Strengths and Weakness

In our Statement of Risks Strengths and Weaknesses we identified the significant improvements we have already made to the collection, reporting and presentation of our performance information. This was based on feedback from our customers, stakeholders and regulators and our own internal assessment. However, we are fully aware that we need to continue to improve and identified the following risks, strengths and weaknesses in our performance reporting:

<p><b>Our risks</b></p>	<ul style="list-style-type: none"> <li>• Maintaining high-quality regulatory and statutory reporting</li> <li>• Meeting the stringent assurance and reporting requirements for the next five-year business plan</li> <li>• Ensuring we respond in an effective and timely manner to feedback from our regulators both on their concerns and new requirements</li> <li>• Continuing to not meet regulator expectations around the CMF and in our 2020–25 business plan submissions</li> </ul>
<p><b>Our strengths</b></p>	<ul style="list-style-type: none"> <li>• Increased internal and external resources and focused leadership on improving assurance in relation to the performance information we collect and publish</li> <li>• A continuous improvement programme for annual assurance which includes data returns to Ofwat, the DWI and EA</li> <li>• Improved quality and transparency in respect of our reporting in our annual report and on our website</li> <li>• Engagement with our stakeholders and regulators and more collaborative relationships, which includes regular updates on compliance and performance with our Customer Challenge Group (CCG)</li> </ul>
<p><b>Our weaknesses</b></p>	<ul style="list-style-type: none"> <li>• Fragility of our information management systems and the complexity of processes which underpin some of our difficulties in reporting our performance</li> <li>• Detailed end-to-end process reviews have identified complex data flows which require simplification and additional controls, improvements to IT systems and to improve data accuracy</li> <li>• A previous lack of clarity of roles and responsibilities in our first and second lines of assurance</li> <li>• A need to reinvigorate our overall framework for regulatory reporting including training supported by ethical business practices and culture change</li> <li>• Previous incidents where we have been unable to fully assure all of our data returns and had to re-state performance in relation to our wastewater treatment compliance metrics</li> <li>• Our communication with customers during major incidents needs to be improved</li> </ul>

# Appendix 3

## Feedback from our survey of customers, employees and stakeholders

Feedback from our key stakeholders	
Stakeholder groups	Feedback
Customer Challenge	The CCG indicated its interest in the quality of the integrity of key performance information relating to outcome delivery incentives (ODIs) and performance commitments. The CCG agreed with the proposed areas of focus of our mid-year assurance for 2018–19 and requested more visibility of the content of the Draft Assurance Plan in early 2019.
Environment Agency	The EA were updated on the content of our mid-year assurance programme. The EA highlighted our Abstraction Incentive Mechanism (AIM) as an area that it would like us to provide more assurance over. In addition the EA indicated that we should look to carry out assurance of new Southern Water specific metrics that will apply to us from 2020 onwards.
CCWater	<p>We provide data to CCWater on a quarterly basis as well as our annual performance reports. It values both the data and the associated commentary which is used to discuss performance and they expect us to highlight changes and issues. CCWater expect this data to be accurate and provided in a timely manner. It noted that there have been occasions where we have provided incorrect data although no more than other companies and last year there was only one amendment to the internal flooding figure.</p> <p>CCWater believe that the customer facing communications are good sources of information and publications are generally engaging and clear. It also use the website and highlighted that this is important to customers. The messaging is generally clear and they liked our communication during the summer in relation to using water wisely. However, CCWater would like us to improve the speed of updates when incidents take place and specifically referred to the Freeze/Thaw event.</p>

In our Statement of Risks Strengths and Weaknesses we identified the significant improvements we have already made to the collection, reporting and presentation of our performance information. This was based of feedback from our customers, stakeholders and regulators. However, we are fully aware that we need to continue to improve and identified the following risks, strengths and weaknesses in our performance reporting.





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