

1. PURPOSE OF PAPER

The purpose of this paper is to present the outcome of recent PR19 assurance activities for note by the Water Forum.

2. QUALITY ASSURANCE DASHBOARD

2.1 The quality assurance dashboard as updated at the end of March is included as Appendix 1.

2.2 Good progress has been made with the quality status for 'Is Financeable', 'Participation Appropriately Evidenced' and two waste water major objectives of 'Delivering the Outcomes our Customers Want' and 'Stretching Targets on Performance' all moving from amber to yellow.

2.3 Since the last update some of the progress status scores have changed from green to amber and this is due to delays in the narrative development and key milestones being missed in March. A return to green plan is now in implementation with additional resource and re-phased deadlines introduced. It is anticipated that the programme will return to green within the next reporting cycle.

3. PROGRAMME ASSURANCE

PA Consulting (PA) has recently undertaken a programme assurance review in-line with our assurance framework approach. The review focused on the management of the programme covering the following areas: governance, management, plans, resourcing and stakeholders. Overall the review considered the programme to be green with some areas for improvement identified. These recommendations have been accepted by the programme team and action is being taken to address. PA's assurance report is included as Appendix 2 for reference.

4. FUTURE REVIEWS

In the next reporting cycle the Internal Audit team (IA) and PA will be undertaking a further programme assurance review. IA will review the overall quality assurance dashboard looking to establish that previous recommendations have been actioned. PA will be undertaking a deep-dive into the 'at a price they can afford' major objective on the quality assurance dashboard in accordance with our assurance plan. The outcome of these reviews will be shared with the Water Forum at the June meeting.

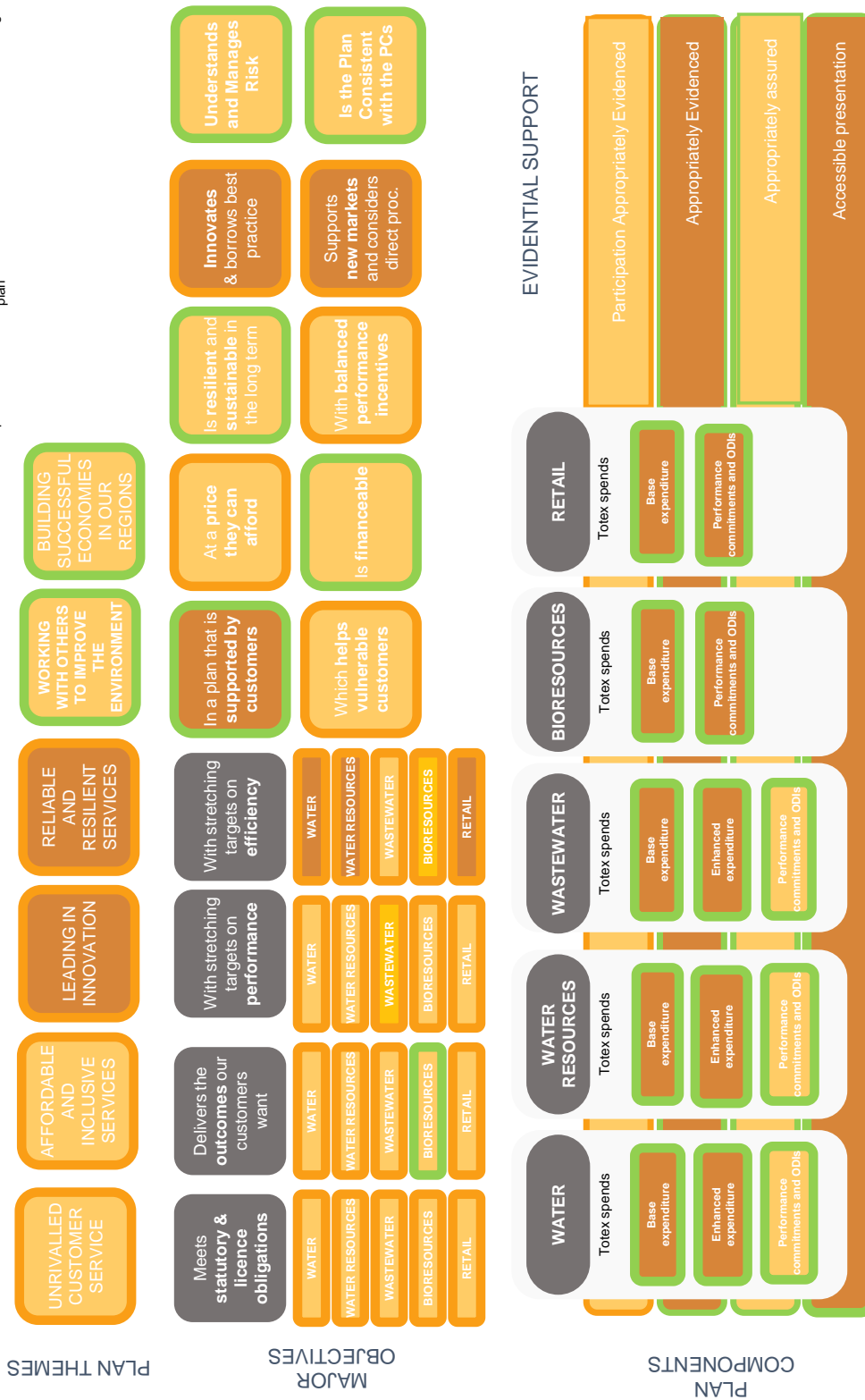
5. RECOMMENDATION

The Water Forum is asked to note the progress made on the programme illustrated through the quality assurance dashboard and the action being taken to address the findings of the assurance reviews.

**CAROL CAIRNS
PR19 Programme Manager**

30 April 2018

- 1 – not yet started
- 2 – some progress
Behind target, no remedial plan
- 3 – substantial progress
Behind target, agreed remedial plan
- 4 – complete
On target / Ahead of target



PURPOSE OF PAPER

As part of Northumbrian Water Limited's (NWL) PR19 Assurance Framework, PA Consulting (PA) has been engaged to provide reviews of the PR19 Programme. These reviews take two forms:

1. **Three Quality Dashboard reviews** at pre-defined points in the Programme, focused on reviewing the justification for the scoring associated with a single element of the completed Quality dashboard in each review – the first two of these have already been completed¹ and the final review is scheduled for April 2018².
2. **Two or three³ Programme reviews** focusing on the management of the Programme⁴.

This report presents the findings of the first Programme review and forms part of the three levels of assurance being applied by NWL to the Programme:

- Level 1 – Management Assurance
- Level 2 – Independent Internal Assurance
- Level 3 – External Assurance.

These three levels of assurance complement the Critical Friend support being provided by KPMG which focuses on the content of the Business Plan.

APPROACH

The review covered five areas:

- Governance
- Management
- Plans
- Resourcing
- Stakeholders

PA's assurance framework would normally also address Business Readiness however it was agreed it was too early in the Programme for a review of this area, given it would look at how ready the business was to implement the outcomes of the price review process. Nonetheless, in discussion with the Programme Manager it was agreed that a focus on communicating the direction and intended content of the Business Plan to the wider business should be an activity the Programme should begin to develop in the coming weeks and months, so as to ensure wider buy-in to the strategic direction and commitments.

The review was based on:

- Programme reports and meeting notes for each of the key governance groups.
- Copies of the Programme Plan, dependency matrix, RAID information and other programme management information.
- Face-to-face discussions with members of the Programme Team.
- Additional evidence and information provided over the course of the review in response to requests.

¹ The first (October 2017) focussed on "Is resilient and stable in the long term" and the second (February 2018) on "Delivers the Outcomes our customers want"

² The final review is currently intended to focus on "At a price they can afford"

³ The precise number is subject to on-going discussions.

⁴ The original approach had been to provide eleven, monthly reports to PRSG based on a one-day review of documentation being presented to each PRSG meeting. In discussion with NWL this approach was replaced with fewer, slightly longer reviews looking more broadly than PRSG papers so as to provide greater value to the NWL PR19 Programme.

FINDINGS

The table below highlights the key findings of the review. To assist the reader, a view of the RAG status has been provided for each reviewed area. Overall, we consider the programme to be Green (with some areas for improvement as identified in the Recommendations). **However, the reported lack of any remaining contingency in the overall plan is a concern.** Whilst progress remains on track there are no immediate concerns but discussions with the Programme office suggest that should an event result in resources being diverted, the programme could be placed at risk. We recommend that contingency position be reviewed and confirmed as a matter of urgency and actions identified (where possible/necessary) to mitigate the associated risks.

FINDINGS	RECOMMENDATIONS	MANAGEMENT COMMENTS
<p>Governance</p> <p>A governance structure has been in place from early in the Programme comprising a Working Group, Programme Board, Steering Group and latterly a Board Sub-Group. Working level meetings below these run weekly and monthly reporting up through the governance groups is working effectively and efficiently.</p> <p>Reporting is succinct and focus on key progress and matters for decision/resolution. Notes provide good traceability of actions and decisions made.</p> <p>Two findings are worth noting: There are no formal criteria applied in determining the workstream RAG status provided in the flash reports. Instead the scores are subjective and open to interpretation. Some challenge is understood to be provided through the reporting process, but there is little evidence in the documentation. For example, when a RAG score changes, in particular when it highlights an increasing concern (from Green to Amber or Amber to Red), no clear explanation of the change in status is given. Without clarity on the reasons for change the value of the scoring is undermined and the extent to which the Governance groups can place reliance on the scores diminished.</p> <p>There is only limited traceability between the planned and completed activities in the reports. Each report contains a section highlighting activities completed in the current period and those planned for the next period. However, reviewing these month on month</p>	<p>Improve the formality of RAG scoring. This could include:</p> <ul style="list-style-type: none"> • Introduce guidelines for workstreams when completing the RAG scores. • Ensure reports identify reasons for changes to RAG scores - for example loss of a key resource, emergence of a new risk yet to be mitigated etc. • Capture the actions required in the reports to establish the path to Green. • Increase the level of challenge provided at Working Group and Programme Board to ensure the RAG scoring is robust. <p>Improve the traceability of workstream progress:</p> <ul style="list-style-type: none"> • Require the workstreams to summarise current and future activities based on the plans. • This should be an easy step given the Programme Office provides the workstreams with a summary of activities to be completed each month for the purposes of tracking progress against the plan. 	<p>We will introduce RAG guidelines and insert them onto the PRPB progress templates.</p> <p>We will maintain the challenge at the PRWG and PRPB and record any discussion or change.</p> <p>The PMO will repopulate the progress this month slide with the previous months four week look ahead to provide a context from which to report progress.</p>

<p>shows limited traceability between the activities identified as being planned for the next period, and the subsequent reporting of completed activities for the same period. Discussions suggest that in some cases these sections are completed without reference to planned activities.</p>		
<p>Management</p>		
<p>A Programme Manager and supporting team are in place and have recently been strengthened to facilitate Evidence Management. Good co-ordination and guidance is provided by the team to the workstreams (for example in only raising matters requiring decisions to Programme Board/Steering Group). Although in its early stages progress is being made on Evidence Management and a process for the management of Data Table production has been launched.</p> <p>RAID management is relatively new and focuses more on Risks – there are currently no Issues in the log. A documented RAID process does not exist – rather the Company’s current “custom and practice” approach is used. Some risks are not well articulated and need improvement. Similarly some of the decisions sought from the Governance Groups are vague. For example a risk raised to the Programme Board for decision in September 2017 stated:</p> <ul style="list-style-type: none"> • Risk – “Progress”. • Outcome/Decision sought – “Acknowledge that there is a substantial amount of activity to be delivered in the next three months”. 	<p>Document the risk management process and ensure it is clearly understood by all parties. Without this, risks may not be properly understood and mitigating actions may not achieve their intended results. It would also help the Governance groups to understand the risks, the mitigating actions and the residual risk the Company faces (after application of the mitigation) and provide confidence in the process. Clearly communicating the process and applying good management disciplines will improve risk articulation and clarity in decisions sought.</p> <p>As part of the above ensure the distinction between risks and issues is clearly understood and that each are being managed correctly.</p>	<p>A documented process will be prepared to reflect current practice and communicated to the programme teams to support risk management.</p> <p>Distinction between risks and issues to be documented as above.</p>
<p>Plans</p>		
<p>A Programme Plan has been developed and is updated each month. This has been developed in close co-operation with the workstreams to breakdown the activities required to achieve the end deliverables. Recognising the complexity, the Programme Office provide workstreams with simple monthly summaries of planned activities against which workstreams can report progress. Any changes are entered as latest completion dates in the plan (which has been</p>	<p>The Milestone Plan should be reviewed and formally approved by the Programme Board (based on recommendations from the Working Group) to give confidence the identified Milestones are the correct ones and to provide a clear mechanism for monitoring key/critical programme activities.</p> <p>The contingency position should be reviewed and confirmed as a matter of</p>	<p>The Milestone Report has recently been updated and will be submitted to the PRPB for formal approval.</p> <p>Progress against plan is under constant review and where</p>

<p>baselined) and the planning tool used to identify impacts on critical activities/milestones. Time available and complexity of the Plan has not permitted a detailed review of the plan but same checks on paper copies suggest it is reasonably robust.</p> <p>A Milestone Report is provided monthly to the Programme Board. The content of the Milestone Report has been developed by the Programme Manager and Planner using judgement, rather than being driven from the plan itself. While the Milestone Plan is reported each month it has not been approved by any governance group. Furthermore it remains subject to further changes.</p> <p>Both the Programme Manager and Planner highlighted that all contingency in the Plan has now been used up.</p>	<p>urgency, and formally reported to the Programme Board and Steering Group. In doing so any actions that can be taken to mitigate the associated risks should be clearly identified.</p>	<p>appropriate resulting risks and issues are escalated to the PRPB and PRSG. An issue with delivery of cycle 1 Business Plan content and a risk of failing to deliver cycle 2 as planned alongside the mitigation responses have been included in the March PRSG pack for review.</p>
<p>Resourcing</p>		
<p>As the Programme is being resourced largely from business as usual, establishing a true picture of resource requirements and availability has not been possible. However, resourcing is raised regularly in reviewed documents and does receive attention at the Programme Board. Discussions with the Programme Manager indicate that resourcing is regularly discussed at the working level and only where this cannot be resolved “locally” is the matter escalated to the Programme Board for resolution (generally with a recommended course of action).</p> <p>Reviewed reports identify resourcing as a cause for concern on a number of occasions, sometime for several months which could suggest the matter is not being given sufficient attention. However, discussions with workstreams and Programme personnel suggest this is not the case.</p>	<p>Continue to keep resources under review and when risks arise ensure they are correctly captured, articulated and actions to mitigate clearly identified and implemented.</p>	<p>Recommendation noted.</p>
<p>Stakeholders</p>		
<p>Decision making bodies are well engaged with the Programme. In particular the Board, as the primary decision making body has a</p>	<p>Update the Plan to include the necessary communication of the direction and intended content of the Business Plan to the wider</p>	<p>Key themes arising from the PR19 Programme have been communicated to the business via Teamtalk and to the</p>

<p>dedicated sub-group who have been engaged regularly with progress reports and specific subject areas for several months.</p> <p>Engagement with the wider business is understood to be limited at present and discussions with the Programme Manager have identified this as an area needing more focus going forward so as to improve Business Readiness.</p>	<p>business. This will help support future business readiness.</p>	<p>leadership group at Leadership Conference. A communications plan for 2018/19 has been prepared and includes communicating with the business at key points leading up to the final determination.</p>
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**JOHN PARSONAGE
PA Consulting**

15 March 2018