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## PURPOSE OF PAPER

The purpose of this paper is to brief the Water Forum on Northumbrian Water's (NWG) approach to quality and assurance on the PR19 programme.

## BACKGROUND

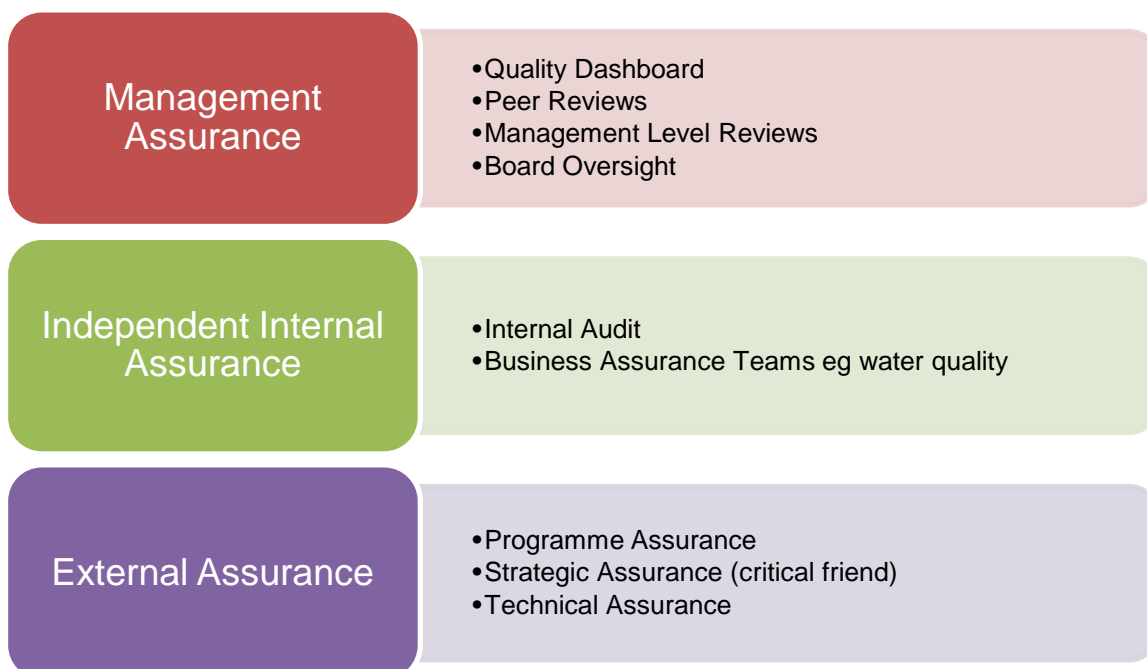
Since privatisation, monopoly water companies have traditionally been subject to prescribed assurance by Ofwat through the use of Reporters. They provided independent assurance that gave Ofwat confidence that companies were meeting their obligations. In the last price review Ofwat changed their approach and incentivised companies to take ownership of their plans expecting companies to assure their own plans and for their Boards to explicitly endorse them. NWG actively supported this regulatory change and successfully implemented a risk based approach to assurance at PR14, building on the annual reporting approach.

Expectations for PR19 are that Ofwat will build on the approach taken through the Annual Performance Report and Company Monitoring Framework with strong focus on self-assessment and Board governance.

NWG aim to build on our PR14 and annual performance reporting approach to provide a robust evidence based assurance framework that engenders confidence from our Board, the Water Forum and Ofwat.

## ASSURANCE FRAMEWORK

In-line with our company Assurance Framework, we plan to employ a three-lines of defence approach for PR19 as illustrated below:



This assurance approach will be closely integrated with the Quality Plan (QP), well targeted with a strong focus on areas of risk and aligned to our company assurance processes to avoid unnecessary duplication. It will be compliant with PR19 methodology and be fully transparent.

## PROGRAMME ASSURANCE

We have appointed PA Consulting as our PR19 Programme Assurance partner and, to date, they have supported by undertaking an initial review of the programme and providing recommendations and developing the Quality Dashboard (QD). We are currently finalising plans for their ongoing assurance role which are likely to include a number of targeted programme reviews at key stages of the programme to provide an independent view on how well the programme is progressing and our capability to deliver against our QP. Early indications are that these reviews will take place in September 2017, January and June 2018.

The outcomes of these reviews will be shared with the programme governance groups and action plans put in place where appropriate.

### **QUALITY PLAN**

We have developed a QP that represents the first line of defence in our assurance framework and is designed to give a clear vision for the content and presentation of the plan structured around four broad themes:

- alignment with stakeholder requirements;
- supported by compelling and accurate evidence;
- a plan that is compliant and assured; and
- a plan that is presented in the most accessible way.

Based on this vision and four broad themes, we are currently developing a QD with associated scoring guidelines which we propose to use to monitor development of the plan submission. The QD will provide a high level overview of the key elements required to produce a high quality business plan and the current draft is included in the attached Appendix for reference.

The QD will be updated on a monthly basis and areas falling short of the required quality identified for targeted action. A report will be provided to the Price Review Steering Group to allow monitoring of the plan development and the status of action plans.

We plan to have the QD finalised and briefed by the end of June with the first issue in July.

### **FORWARD LOOK PLAN**

We plan to share the results of our quality and assurance plan with the Water Forum throughout the plan development process and will ensure that we integrate the timing of our outputs with Water Forum activity.

### **WATER FORUM ACTION**

The Water Forum is requested to consider our approach and suggest areas of particular interest to allow them to fulfil their duties.

**CAROL CAIRNS  
PR19 Programme Manager**

**25 May 2017**

# Quality assurance dashboard

