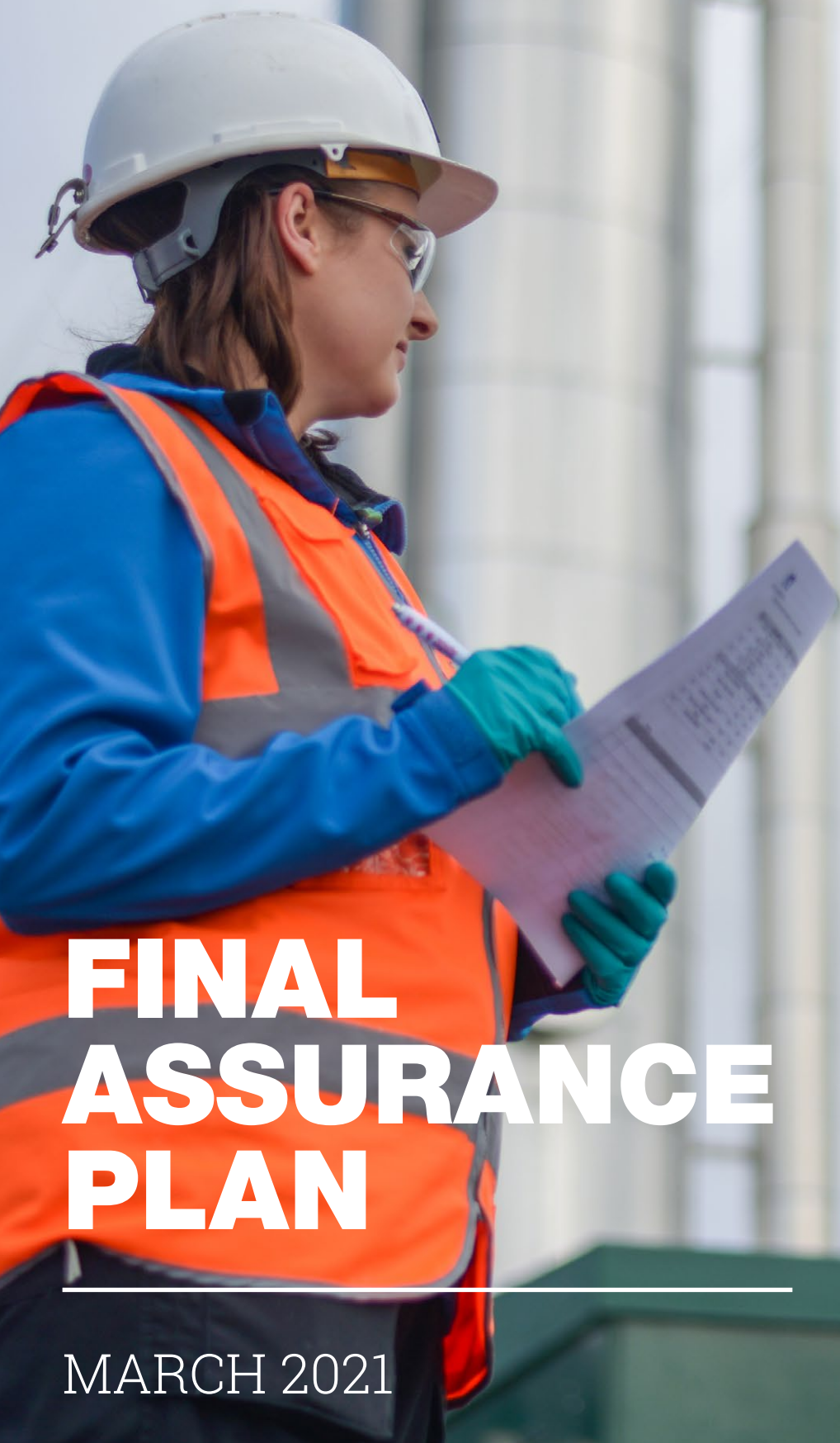


**NORTHUMBRIAN**  
**WATER** *living water*

**ESSEX & SUFFOLK**  
**WATER** *living water*



# **FINAL ASSURANCE PLAN**

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MARCH 2021

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# WELCOME TO OUR ASSURANCE PLAN

Northumbrian Water Limited (NWL) operates in the North East of England as Northumbrian Water, and in the South East of England as Essex & Suffolk Water.

We supply water and wastewater services to around 4.5 million people. Northumbrian Water provides water and wastewater services to 2.7 million people in the north east of England. Essex & Suffolk Water provides water services to 1.5 million people in Essex and 0.3 million people in Suffolk.

We regularly report and publish information about our performance to show how well we are delivering our service promises to you, our customers. This information has robust checking procedures so that you can be sure it is correct. This is what we mean by **assurance**.

## Why have an assurance plan?

The services we provide are essential for life and wellbeing. This means that maintaining the trust and confidence of our customers and stakeholders is absolutely crucial.

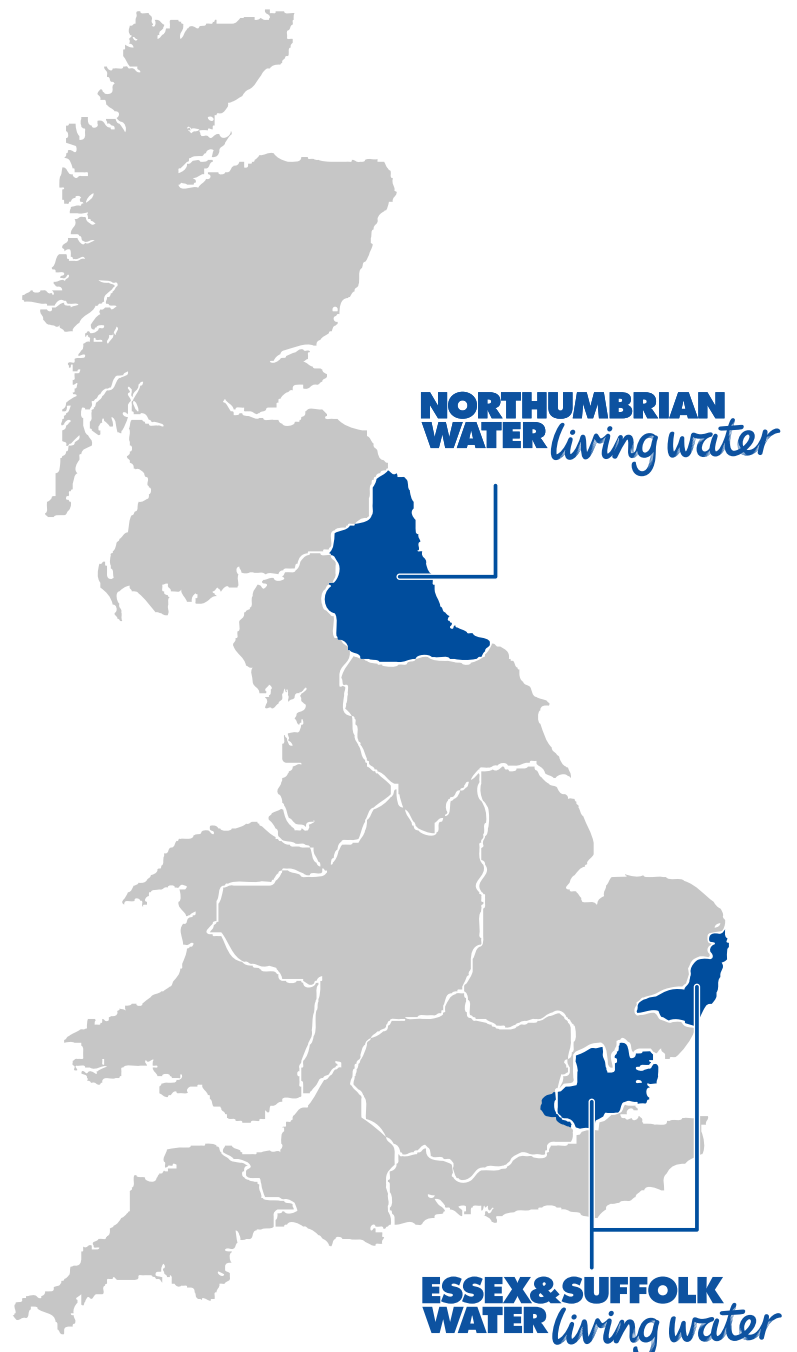
To maintain your trust, we need to ensure that we meet all our obligations and the published performance commitments that we have agreed with the water regulator, Ofwat.

We also need to make sure that we provide transparent, reliable information about our performance to our customers and stakeholders, so that they can hold us to account.

The purpose of this document is to tell you about our **strengths, risks and weaknesses** in relation to:

- Fulfilling our performance commitments and obligations, and
- Providing robust information to customers and stakeholders.

Our **Assurance Plan** follows this assessment, which shows the assurance activities we plan to complete to reduce risks and strengthen weak areas.

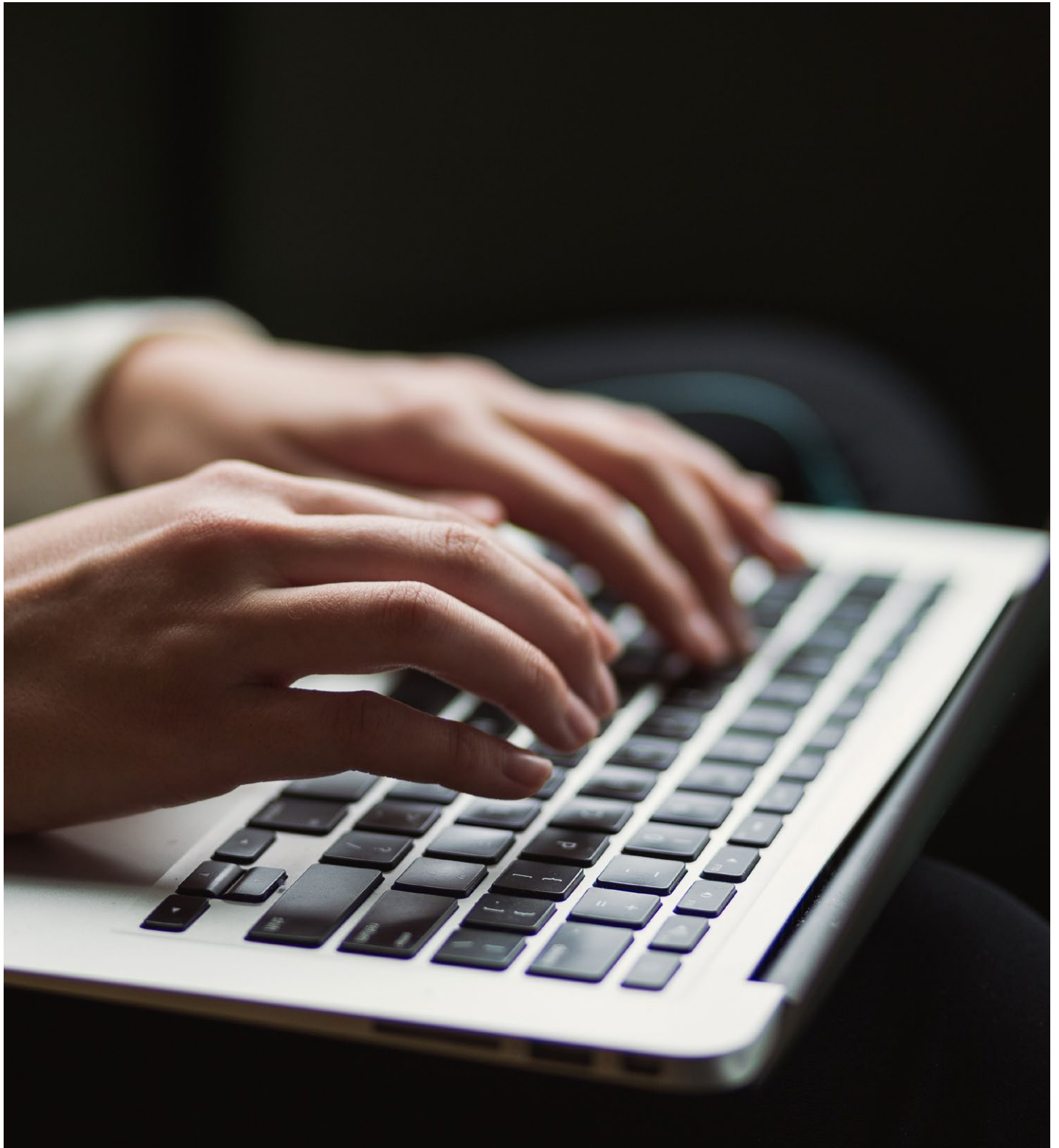


There are two versions of this document to choose from. This is our full assessment, which contains detailed, technical information. We also publish a **shorter summary**, with less technical detail.

Each year, we consult with our customers and stakeholders on our Statement of Strengths, Risks and Weaknesses and our Assurance Plan. More than 3,700 customers and stakeholders commented on our consultation for this 2021/22 plan. This helps us to ensure that this Final Assurance Plan fully responds to customers' and stakeholders' needs and priorities.

This full Final Assurance Plan and a shorter summary document were published on our group website: [nwg.co.uk](https://www.nwg.co.uk) in March 2021.

This plan is then implemented to make sure we provide customers and stakeholders with robust information, including the information in our **Annual Performance Report**, as shown in the diagram on the following page.



# HOW CUSTOMERS AND STAKEHOLDERS INFLUENCED THIS PLAN

## CUSTOMER AND STAKEHOLDER INVOLVEMENT

Our consultation on our strengths, risks and weaknesses and Draft Assurance Plan was published on our websites on 30 November 2020 and closed on 10 January 2021. This included publishing a shorter version of our Draft Assurance Plan, then emailing more than half a million of our customers to invite them to complete an online survey. Eighty two customers were also informed about the consultation through our social media channels and nine members of our **HaveYourSay** online community of customers took part by invitation. Our customer participation report is available [here](#).

We were delighted to receive more than 3,700 responses from our customers (including 12 from stakeholders) and our Water Forum containing rich qualitative insights, as well as quantitative feedback.

More than 400 customers and stakeholders suggested further information that we could include in the plan, which we have used to inform this Assurance Plan. These included:

- More about what we are doing to control levels of leakage from our water supply network. In response, we added this information into our plan;
- How they can reduce bills and the **financial and practical support** we offer. In response, we've added in links to our affordability support and Priority Services Register;
- How we are financed as a private utility company. In response, we've included a link to **Our Finances Explained** document. This was co-created with our customers, to ensure that it was written in plain English and answered their questions;
- More information about drinking water quality in their local areas. In response, we've included links to our online portal where this can be found;
- More detail about our plans to invest, our performance and our targets, as well as our environmental performance. These can be found in our **2020-25 Business Plan**, and
- The work we do for charity and the community. In response, we've included a link to the annual reports we publish about this on our **Our Contribution** web page.



87%

understood our plan and said it made them feel informed



91%

were confident that the information we publish in 2021/22 will be correct and true



91%

said that we are a company they trust

## OUR STAKEHOLDERS

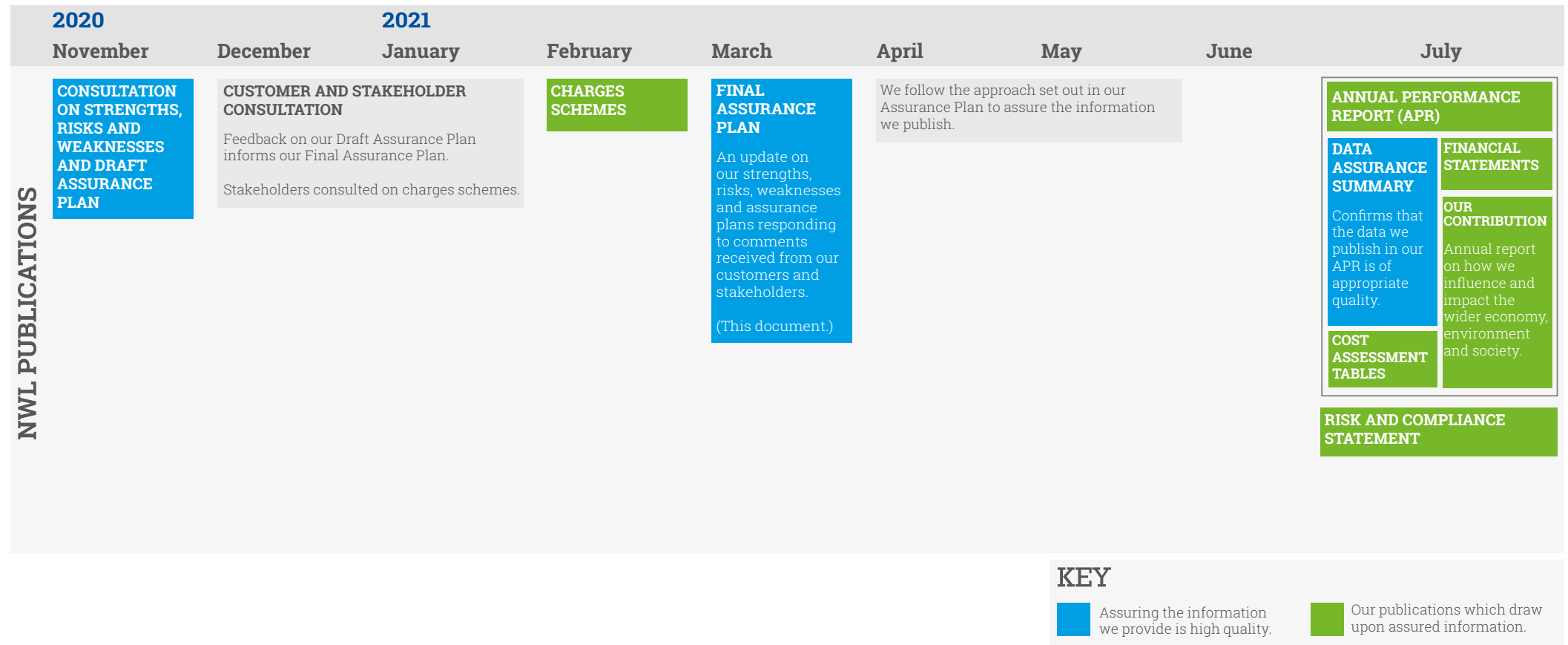
We continuously engage with external stakeholders, through regular conversations and performance reviews. We invited stakeholders to feed back on our consultation on our strengths, risks and weaknesses and our Draft Assurance Plan. Most of the feedback we received was from our Water Forum. Their suggestions (all of which we have implemented) included:

- Explaining how we are ensuring Health and Safety around high risk activities, following the tragic loss of life at Wessex Water's Avonmouth facility;
- Highlighting the water supply/demand pressures in our ESW region, partially due to climate change;
- Detailing the impact of the COVID-19 pandemic on water use and our customers' finances, and
- Providing information about how we will measure our new performance commitment for improving water environments, given that we are unique in the industry for this measure.



# PROVIDING TRANSPARENT AND RELIABLE INFORMATION

**Figure 1:** Our annual cycle for assessing strengths, risks and weaknesses, developing our assurance plans and sharing information with customers and stakeholders.



# OUR APPROACH TO ASSESSING AREAS OF STRENGTH, RISK AND WEAKNESS

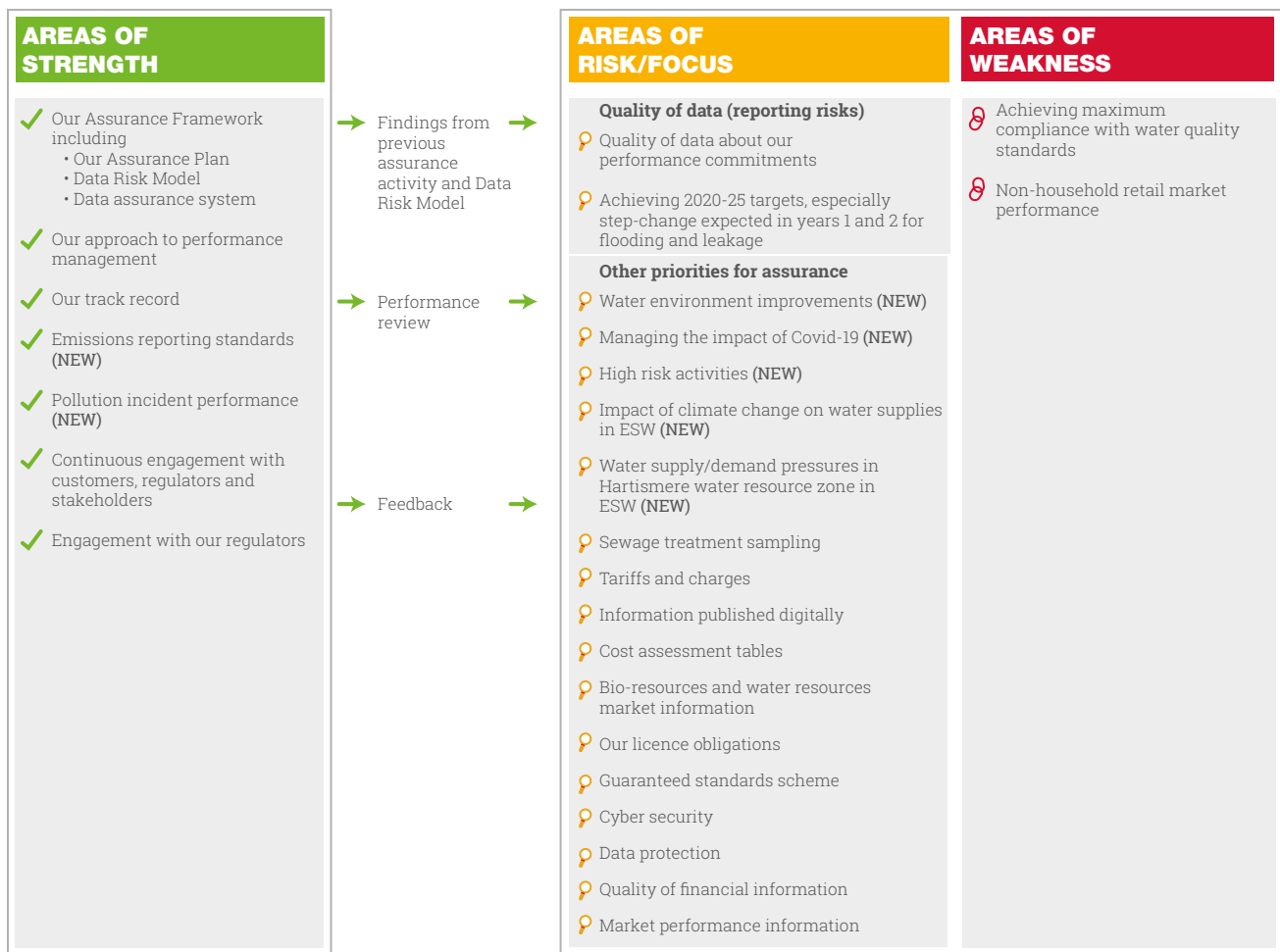
The diagram below summarises the strengths, risks and weaknesses we have identified relating to:

- Delivering our regulatory obligations and the performance commitments we made to customers and stakeholders in our 2015-20 Business Plan, and new 2020-25 Business Plan.
- Providing quality information to customers and stakeholders so they can hold us to account.

As this is the start of a new five-year regulatory period, we've thoroughly reviewed our risks, strengths and weaknesses against the stretching commitments in our latest business plan, which has resulted in more amber 'areas of risk/focus'. This is to be expected at this point in the regulatory cycle and is consistent with our commitment to improving our services. It does not imply that our services to customers face more risk.

Each area's categorisation depends on their level of risk and their importance to our customers and stakeholders. For more detail on each area, please see the following pages.

**Figure 2:** Our view on our areas of strength, risk and weakness:





# AREAS OF STRENGTH

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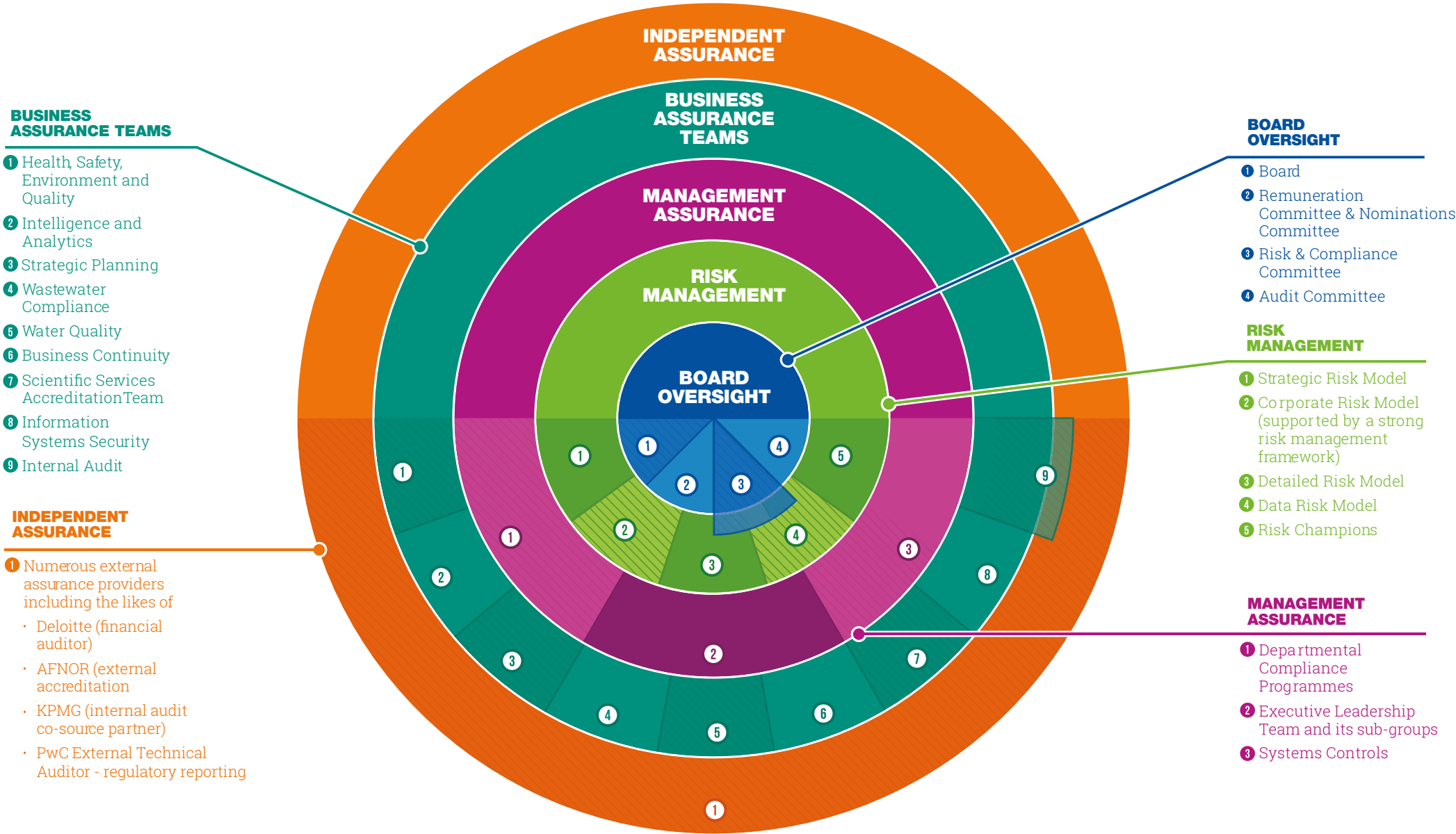
## OUR ASSURANCE FRAMEWORK

We operate a well-established approach to corporate governance and assurance, which is summarised in our Assurance Framework (see [page 10](#)). We use the framework to make sure the information and data we provide to our customers, stakeholders and regulators can be trusted.

Our framework has five tiers of assurance, as follows:

- **Board oversight:** The Board has ownership of the arrangements for governance and assurance of regulatory submissions and reporting. This is monitored and controlled through the Board's Audit Committee and Risk & Compliance Committee, with regular reporting by the committees to the Board.
- **Risk management:** We use a data risk assessment, and a strengths, risks and weaknesses review, to determine levels of risk and target assurance activity. This is a robust and mature process and is embedded within the company's risk activity. The Board sets the tone for risk management, determines the appropriate risk appetite, monitors the management of fundamental risk and approves major decisions affecting the company's risk profile.
- **Management assurance:** Our Executive Leadership Team (ELT) implements the Board's strategies and closely monitors performance. This includes making sure sufficient and suitable resources (human and financial) are applied to scrutinise performance and identify and manage risk. Our ELT makes sure there is appropriate assignment of responsibilities, corporate structures and reporting lines and accountabilities, supported by annual assurances on systems and controls.
- **Business assurance:** We have teams that are separate from operational activities which monitor, capture and manage the data we report. Specifically this includes our Internal Audit Team which is directly accountable to the Audit Committee. The team provides strong, independent assurance. As such their remit sits across this tier and the following one.
- **Independent assurance:** Our business assurance teams are supplemented with external specialist providers where we require technical and/or independent external assurance.

**Figure 3:** Our Assurance Framework.



## OUR DATA RISK MODEL

Two critical parts of our internal approach are the Data Risk Model, and our data assurance system, which sit within the Risk Management tier.

Our Data Risk Model is used to understand and then mitigate risks associated with data errors. It includes the following steps:

1. Applying a formal risk assessment to the data we collect to understand:
  - The likelihood of a reporting error due to the complexity of a performance measure and the manner in which the data is collected.
  - The impact should an error occur, particularly with regard to customers' trust and confidence, financial incentives and penalties and our reputation.
2. Applying checks and balances, in the form of data quality controls to mitigate risks. These controls may be procedural, audit based, or built into our information systems. We review the effectiveness of these controls as part of our risk assessment and they are rated as good, acceptable or ineffective.

Findings from previous assurance activity, and outputs from our risk model, are used to identify areas of risk or weakness. These also inform which assurance provider we choose for each item of data, be it our Internal Audit Team or external independent assurance.

We want to make sure we have processes in place that continue to apply a quality assured approach to producing accurate and reliable data.

Confidence grades provide a reasoned basis for us to qualify the reliability and accuracy of the data we publish. Applying confidence grades ensures that we can identify areas where our data is of a high standard. They also make sure that we have action plans in place to improve data that falls below the standard confidence grade level.

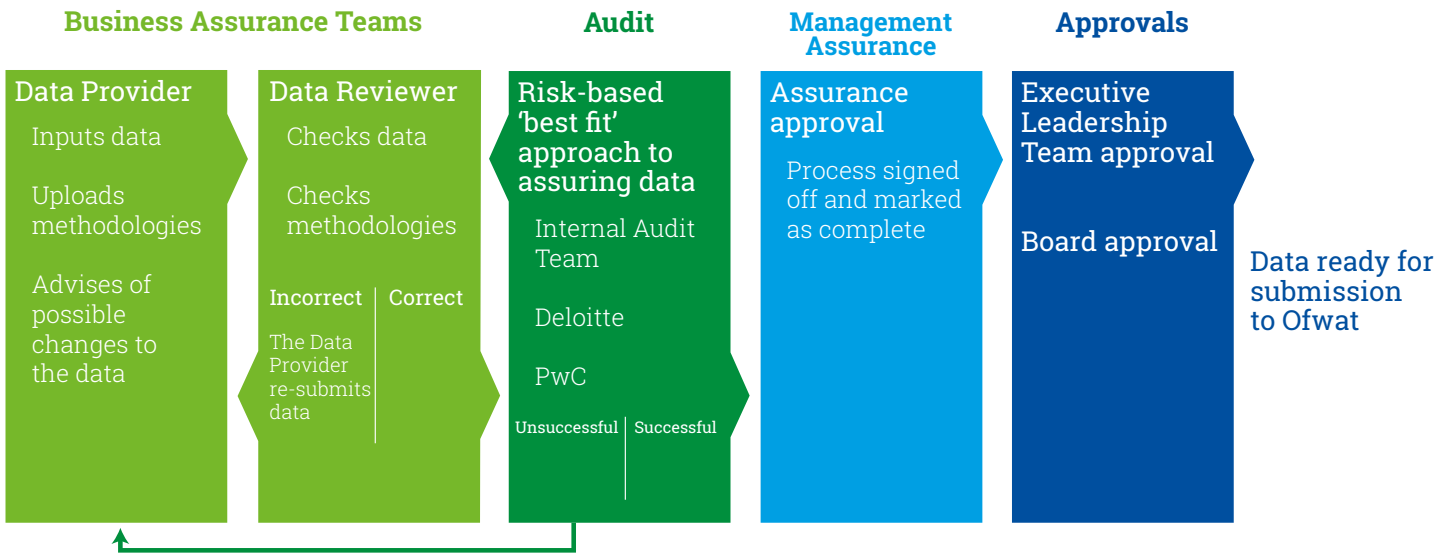
Our assurance of the data we produce will include comments from auditors on the suitability of the confidence grading that has been applied. Assurance providers will also provide their opinion where they differ to that which has been applied by our data teams.



## OUR DATA ASSURANCE SYSTEM

Our data assurance system is an automated workflow system used to upload, manage and assure the data required to produce our APR, providing a robust audit trail for each piece of data. The system is summarised in Figure 4, below.

**Figure 4:** Our Data Assurance System.



## OUR APPROACH TO PERFORMANCE MANAGEMENT

A key part of maintaining trust and confidence is delivering the performance commitments (or service levels) that our customers and stakeholders expect - in particular, the performance commitments we set out in our 2015-20 Business Plan.

We have a robust approach to performance management, which is centred on our balanced scorecard. This is used to track performance against our performance commitments, alongside other key measures such as employee engagement.

Our balanced scorecard is reviewed monthly by our ELT and at our regular Board meetings. It is cascaded throughout the company through bi-monthly team briefings, giving all our employees a clear understanding of our current performance and their role in meeting our targets. It enables action plans to be initiated quickly if performance in any area should start to deteriorate.

This ongoing performance review is used to identify areas of risk and weakness in this assurance plan. Targets are set annually and consider how we compare to other companies' performance.

Effective benchmarking is only possible if robust comparative information is available. We have hence taken an active and leading role in the development of the industry's strategic Dashboard, **Discover Water**. This makes it easier for customers, stakeholders and regulators to view and compare performance information about water and wastewater companies in England and Wales in one place.

We take information from Discover Water and publish it on our own websites. We report how we have performed compared to other water companies and what steps we are taking to keep our performance on track. You can find out more [here](#).

## OUR TRACK RECORD

Another important element of maintaining trust and confidence is our track record. In addition to having a strong focus on meeting our performance commitments, we have been recognised by several independent awarding bodies for exceptional performance in a broader sense including:

- **World's Most Ethical Company List (2021)**

We are the only water company in the world, and one of just five UK-based companies, on this list. It's the tenth time we've received this global recognition from the Ethisphere Institute.

- **Water Industry Awards Company of the Year (2020 and 2018)**

In 2020 judges were impressed with our clear commitment to customer service, innovation, resilience and our people.

- **Business in the Community (2020) Named a Responsible Business Champion for Environment**

Under the 'caretakers of water in our regions' initiative, judges saw our work as rooted in the natural environment and the communities we serve – safeguarding the environment and the water supply for future generations.

- **Sunday Times Best Companies List (2019)**

We achieved nineteenth place in the Top 25 Best Big Companies to work for. This was purely based on feedback from our employees.

- **British Water supply chain top water company (2019)**

We've been voted the UK's top water company by suppliers eight times in the last ten years.

- **Customer Initiative of the Year (Water Industry Awards 2019)**

For our Water Without the Worry campaign to promote the **extra support** – both financial and practical – that we provide to customers in a range of difficult circumstances.

- **Data Project of the Year (Water Industry Awards 2019)**

For our innovative use of 'big data' to support our goal of eradicating water poverty in our areas by 2030.

- **British Quality Foundation UK Excellence Award (2018)**

For our positive impact on the world, through improving the economic, environmental and social conditions in the communities we serve.

- **IT Initiative of the Year Utility Week Awards (Water Industry Awards 2018)**

For our new customer billing system, which modernised and improved the way we service our customers' accounts.

- **Transformation and Innovation Award Utility Week Awards (Water Industry Awards 2018)**

With judges highlighting our "culture in which innovation is everyone's job" and giving special mention to our Innovation Festivals.

- **Competent Operator Scheme national accreditation**

In 2019, we were the first water company accredited by Energy & Utility Skills for meeting these strict quality standards for water quality operations.

- **Leading Utilities of the World**

Since 2018, we have been a member of the world's most forward-thinking network of water and wastewater utilities. Members represent the gold standard of water sector innovation and performance in the developed world.

- **Living Wage**

Since 2017, we have been accredited as a Living Wage employer by the Living Wage Foundation, reflecting our belief that a hard day's work deserves a fair day's pay.

As a responsible business with a strong track record, it's important to us that we demonstrate leadership and make a wider contribution to life within our regions than simply through our core water and wastewater services.

We are particularly proud that our external recognition reflects sustained and leading performance across a broad range of our activities.

## **EMISSIONS REPORTING STANDARDS (NEW)**

Our annual greenhouse gas emissions have more than halved in the last 12 years and the company continues to lead the industry in green energy generation, purchasing and usage. To ensure transparency and underline our commitment to emissions reductions, for 2019/20 NWL has achieved verification of its emission reports to ISO14064-1 by a third-party. This is considered the gold standard for emissions reporting and attaining this standard is a considerable achievement.

## **POLLUTION INCIDENT PERFORMANCE (NEW)**

We are delighted to remain a Frontier Company for pollution incident performance, and are determined to maintain this position. To do so we have developed our **Pollution Incident Reduction Plan** which outlines initiatives that will improve operational performance.

Examples of the work we are doing include:

- Deploying further monitoring, early warning capability and increased business intelligence across our wastewater system, with increased coverage of sites on eSCADA telemetry with appropriate alarm generation;
- Developing innovative new sensors and monitors, such as a rising main burst sensor;
- Targeted customer behaviour-change campaigns with the launch of our 'Bin the Wipe' programme, reducing fats, oils and greases getting into sewers with food outlets, and trade effluent response to reduce pollution risk, and
- Targeted capital maintenance programmes to maintain asset health, such as refurbishing pumping stations and treatment works, lining sewers, reducing the risks of dual manholes and storm overflow ancillary programmes.

## **CONTINUOUS CUSTOMER AND STAKEHOLDER ENGAGEMENT**

We continually engage with our customers and stakeholders to assure them that we are meeting their expectations and to maintain their trust and confidence. Our goal is to give every single customer the opportunity to have a strong voice and engage with us, with at least two million customers participating by 2025.

We carry out a programme of bespoke research and engagement activity around strategic aspects of service, including operations, inclusivity, charges and the future.

This is complemented by regular customer research activity to understand trends in satisfaction, monitor the success of campaigns and understand service priorities. We hold regular conversations and performance review meetings with our stakeholders, to understand their expectations relating to our performance, data reporting and communications. Our key stakeholders in the context of this document are:

- Our customers;
- **The Water Forum** (our independent Customer Challenge Group);
- The Consumer Council for Water (CCWater);
- Ofwat;
- The Drinking Water Inspectorate (DWI), and
- The Environment Agency (EA).

The Water Forum provides independent assurance to Ofwat of our performance and the quality of our customer service (annual reporting); our customer participation and engagement; our work in communities, and with our work regarding the environment and sustainability. Feedback from our customers, including as part of this consultation, is used to inform this Assurance Plan.

## **ENGAGEMENT WITH OUR REGULATORS**

We have a system to capture, log and respond to all regulatory communications.

Our internal team monitors and coordinates responses to requests for information and other correspondence from our regulators.

The team identifies the right internal expert(s) to liaise with, who then deliver a high quality, timely response as required. This process is overseen by a senior manager or Director.

All feedback, determinations and responses from our regulators are logged and stored on our company intranet and are used to inform this Assurance Plan.

# AREAS OF RISK AND HOW WE PLAN TO ASSURE THEM

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This section sets out the areas where data errors, other failures or oversights could have the greatest impact on our customers, and therefore on their trust and confidence in us.

We will focus on these areas in our Assurance Plan. The risks are largely the same as those covered in previous plans, and those areas included for the first time are flagged as (NEW).

## **QUALITY OF DATA RELATING TO OUR PERFORMANCE COMMITMENTS**

Many of our performance commitments have financial incentives associated with them. If we deliver better performance, we could earn a financial reward. If we deliver poor performance, we could incur a financial penalty. Failure to report performance accurately could result in an incorrectly calculated reward or penalty, which could significantly undermine our reputation, as well as reduce customer and stakeholder confidence.

To mitigate this risk, data associated with each of our measures of success will receive the risk-based assurance detailed in our Assurance Plan.

Any penalties or rewards will be calculated using the methodology stated in our Final Determination from the Periodic Review 2019 (PR19) and any updates from the Competition and Markets Authority review of our case. This is subject to robust assurance, involving internal and external audit review and our Water Forum.

Given the recent replacement and upgrade of a number of our IT systems, our assurance approach this year will also incorporate a number of dry runs – to test that robust data can be extracted from the new systems.



### **ACHIEVING OUR 2020-25 TARGETS (NEW)**

We have some extremely stretching performance targets for 2020-2025 and continue to strengthen our plans to achieve them.

These will include the optimum mix of activities, including investing in new infrastructure and changing the way we operate our existing assets. We will also work with our customers to change customer behaviour and develop new and innovative ways of working.

### **ACHIEVING OUR 2020-25 FLOODING TARGETS**

Sewer flooding is a challenging area for us, but we have made significant steps in reducing sewer flooding risk, in line with our targets for the first year of the new investment period.

Our performance and overall sewer flooding position is formally monitored every month, with detailed weekly meetings focussed on key measures like internal flooding, repeat internal flooding and repeat external sewer flooding. This process has already allowed us to identify additional activities to improve this year. These include significantly building on our extremely successful Bin the Wipe pilot to initially target a further 50,000 properties by the end of 2021.

We believe these additional activities, as well as further efficiencies, will improve our overall sewer flooding performance.

### **ACHIEVING OUR 2020-25 LEAKAGE TARGETS (NEW)**

Our goal is to have the lowest level of leakage in the industry in our ESW area, both during and at the end of AMP7 - measured by the number of litres per property per day.

For ESW, our leakage reduction target of 17.5% exceeds Ofwat's requirement for all companies to reduce leakage by a minimum of 15% reduction. Our plans centre on two main interventions to reduce leakage: Pressure management and finding and fixing more leaks.

If there is more than enough pressure in a water supply network, we can install pressure-reducing valves and controls, which reduces leakage. We have determined where pressure management may be feasible. Next, we will carry out more detailed surveys and develop schemes. While pressure management is the best value way of tackling leakage, it is only feasible in areas with excess pressure.

We also plan to find and fix more leaks. This is more expensive than pressure management, but necessary to deliver our target. We are particularly investing in "noise loggers," which help us to find leaks more efficiently.

At the end of December, we were on target to achieve the required leakage reduction in year one of the 2020-25 period. Since then the weather has turned against us, with multiple mini freeze then thaw events causing a notable increase in burst water mains during January and February. We will report on our position in our year end reporting.





## **WATER ENVIRONMENT IMPROVEMENTS (NEW)**

We remain committed to delivering and where possible outperforming our performance commitment for the Water Environment. In the first year we achieved 28km from an investment of around £100k. The feasibility study is currently ongoing and looking for how we can most effectively invest to deliver improvements, leveraging the strengths of innovation, partnerships and collaboration.

With a challenging settlement for this business planning period and a difficult economic backdrop, we need to ensure that we are investing in the most effective ways to deliver the priorities for our customers, communities and the natural environment. Our level of environmental ambition remains high and we will continue to look for opportunities to exceed the 10km per year commitment.

We will engage with partners and interested stakeholders about the progress of the scheme. Given the scale of the accessible water environment and the need to improve it within our regions, we recognise that we will not be able to support every opportunity identified.

Importantly, the Water Environment ODI is one of several ways that we work in partnership with environmental NGOs. There is significant scope for partner collaboration and funding of environmental improvements and projects through other mechanisms, with particular opportunities in our successful Branch Out programme. We have invested more than £530k to help 131 projects through Branch Out since 2013, which has now leveraged £10 million of further investment to benefit the natural environment across our operating areas. Branch Out has been further expanded last year with two new strands of funding added to support projects focussed on the creation or restoration of priority habitats and tackling Invasive Non-Native Species (INNS).

## **MANAGING THE IMPACT OF COVID-19 (NEW)**

During the COVID-19 pandemic, the vital importance of delivering clean water and taking away wastewater has never been so clear. Our teams and partners continue to provide our customers with this essential public service in the face of the pandemic.

Keeping our employees safe continues to be our priority. We have enabled our customer and support teams to work from home, in line with government guidance. We have also taken measures to make sure that our operational and field workers can continue to carry out their essential work safely.

We understand how difficult this time has been for many of our customers, and this year we've built on our 'Water without the Worry' campaign through direct communications to customers about our **financial support**. We've been able to offer payment breaks to more than 5,000 customers and offer discounts to 2,000 customers who were struggling to afford their bills. We also signed up 1,700 extra customers to our **Priority Services Register**.

In addition, we built on other customer messages such as 'Bin the Wipe' to reinforce that, even during toilet roll shortages, other materials should not be flushed down the toilet.

Our purpose is not only to deliver this essential service for customers, but also to support our communities more widely and enhance the environment we all depend on. The impact of the pandemic has brought this responsibility into even sharper focus. Recognising this, we were one of the first businesses to sign the 'C-19 Business Pledge.' This pledge commits us to helping our customers, employees and communities pull through the COVID-19 crisis.

We chose not to furlough any employees. Those who could not carry on their normal work were either trained to support other parts of the business or given the opportunity to help others in our communities.



This included delivering essential food and prescriptions, and making welfare phone calls to vulnerable, isolated people.

The COVID-19 situation is not over yet. We will continue to respond to government guidance as it develops, ensure that we keep delivering our key services safely, and look after our employees, customers and communities.

We will also continue to work with our regulators to understand how best to reflect the impact of COVID-19 in relation to our performance commitments for 2020-25 and any other aspects of our regulatory framework.

### **IMPACT OF COVID-19 ON WATER CONSUMPTION PER PERSON (PER CAPITA CONSUMPTION)**

We committed to reduce water consumption by 5.3% by 2025 and to 118 litres per person per day by 2040 in our business plan. This year, we have so far witnessed an increase in domestic water use of around 20 litres per person per day. We expect an increase of around 10 litres per person per day on average for the whole of 2020-21 as a result of people being at home due to Covid-19.

We've worked hard to ensure we have a robust and deep understanding of the impact Covid-19 has had on PCC, as outlined below. We have:

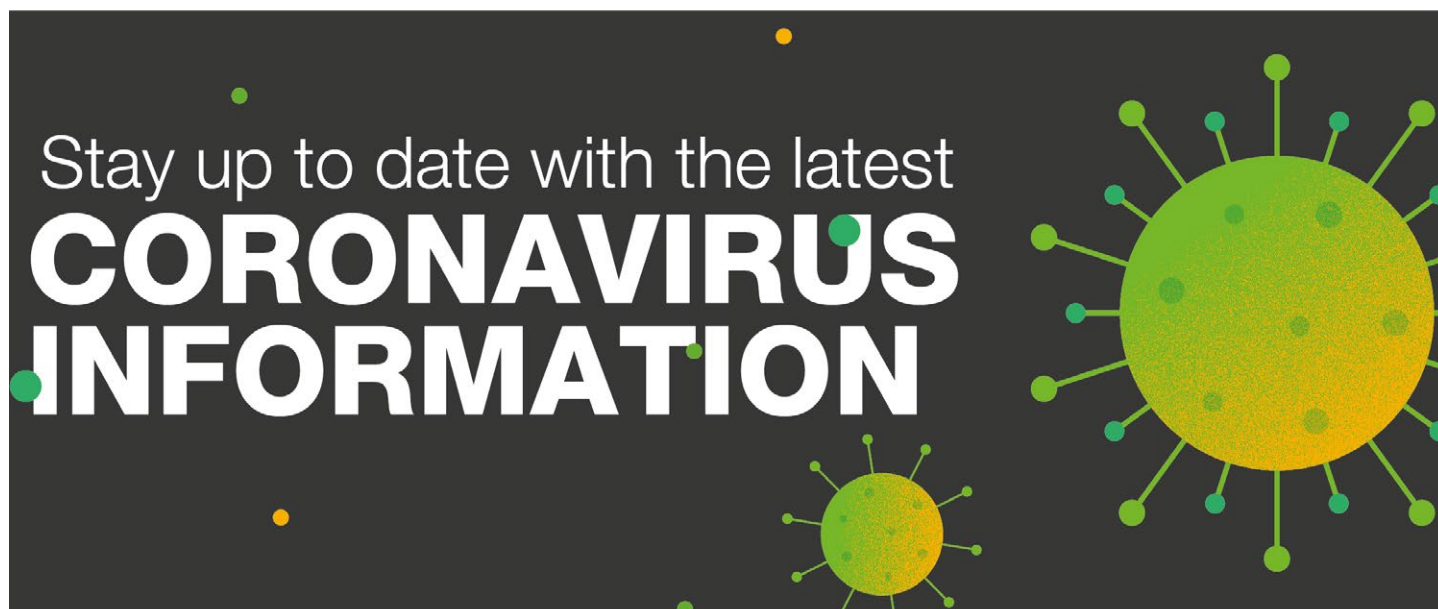
- Undertaken customer research about changes in water use and working from home;
- Joined industry-wide research which aims to disaggregate the impact of Covid-19 on household demand from other factors like weather, and
- Maintained dialogue with other water companies to understand their insight - particularly those with large smart metering programmes.

The impact of Covid-19 on PCC continues to evolve. For example, this further period of lockdown has resulted in greater working from home and pauses to our plans to retro-fit water saving devices in customers' homes. Achieving our PCC targets for 2020-21 will be challenging – as it is for all water companies.

We have continued to adapt and innovate, developing new ways of effectively encouraging customers to save water despite such challenges. For example:

- Virtual water saving audits which aims to complete 1,500 online 'visits' to customers' homes by the end of February, where we can also offer water saving devices when appropriate. We will test different communication methods and behavioural science techniques to identify the most effective ways of engaging customers, and quantify the measurable water savings associated with this new approach, and
- Launching an e-learning platform to support teachers with topics like the water cycle, the value of water and how to use less water.

We also continue to lobby Government for policy changes to support steeper reductions in water use. Examples include mandatory water labelling on household products and more stringent building regulations. Defra has delayed its announcements on policy change and national targets for household water consumption while their team works on their Covid-19 response and Brexit. In the meantime, we have started an industry wide group to develop policies that could support delivering water and energy efficiency together. Lastly, we remain integral to Water UK's Water's Worth Saving national water efficiency campaign.



## IMPACT OF COVID-19 ON PROVIDING AFFORDABLE AND INCLUSIVE SERVICES

Our business plan set out a range of commitments in affordability and inclusive services, with the headline of eradicating water poverty by 2030.

We remain on track to deliver these commitments, however our plan to do so continues to evolve to reflect changing circumstances.

In particular we forecasted that demand would exceed funding for our financial support schemes this year because of the pandemic. We therefore carried out a further piece of customer research on social tariffs, in line with Defra guidance. The results enabled us to agree with CCWater an extension to our allowed cross subsidy for 2021-22 to increase to £3 for ESW (an additional £1.25) and £3.75 for NWL (an increase of £1.50). This will allow us to help up to a further 22,000 customers.

In addition, we are supporting benefit eligibility checks (such as signposting customers to a [benefits calculator](#) on our websites) and investigating how smart metering and whole area metering can help reduce water poverty. For example, whole area metering could provide customers who don't have water meters with predicted bills, when their charges would be lower if they had a water meter, and therefore encourage them to take up a metered tariff when that would make them better off.

Our plans also include commitments to increase the proportion of our customers using our Priority Services and increase customer awareness of the additional non-financial support we have available to customers. We've promoted our priority services internally and externally, via advertisement campaigns and emails linked to Covid-19 support.



## EMPLOYEE HEALTH AND SAFETY – FOCUS ON HIGH RISK ACTIVITIES (NEW)

In response to stakeholder feedback, we are sharing details of assurance activities already planned for 2021 in relation to high risk activities.

Our H&S team will focus each month on one type of high-risk activity to assess the compliance against company policy, legal standards and best practice and assess the effectiveness of the 'control of work processes.' Risk assessment, training, supervision and change management will be reviewed against each area of focus.

The 12-month assurance programme will be made up of the following risk-based topics with 14 assurance visits conducted against each of the subjects below:

- Chemicals (from delivery to dosing);
- Working in Excavations and street works;
- Construction site activities (CDM);
- Confined Spaces;
- Lifting Equipment;
- Working at Height;
- Electrical isolations;
- Contractor Activities;
- Asbestos;
- Work equipment and machinery (PUWER);
- Workplace transport and plant, and
- Legionella.

In addition, we are reviewing our wastewater plants against the Dangerous Substances and Explosive Atmosphere Regulations (DSEAR), to make sure we have no gaps – especially in light of the recent tragic incident at Avonmouth in December 2020.

## **IMPACT OF CLIMATE CHANGE ON FUTURE WATER RESOURCES (NEW)**

We remain committed to maintaining the future resilience of our water supplies in the face of climate change, particularly in our water stressed ESW region. This is therefore an important aspect of our Water Resources Management Plans (WRMPs) and is being considered for both NWL and ESW WRMPs which we will publish in 2024, as well as by both regional Water Resources Groups (WReN and WRE) that we are members of.

We consider climate change in both our supply and demand forecasts, as required by the Environment Agency's (EA's) Water Resources Planning Guidelines and Supplementary Guidance.

In terms of the supply forecast, we are taking into account the CP18 climate change projections provided by the Met Office, as well as the worst droughts on record. We will input the Met Office's predicted rainfall sequences, taking account of climate change, into our new rainfall runoff models to predict river flows over time. These will then be imported into our water resources models to predict how much water we can abstract and supply.

We will compare these predictions with predictions of our water supplies without climate change to confirm the effect of climate change. We'll make sure a similar process for our groundwater sources, using our own Berwick and Sunderland models in the North East, and using the EA's regional model for the ESW region.

## **SUPPLY SHORTFALL IN HARTISMERE (ESW) ZONE (NEW)**

In our Water Resource Management Plan for 2020-25, in line with Local Plans, we had allowed for a modest increase in demand from new light industry on Eye Airfield Industrial Estate in our Suffolk Hartismere water resource zone. However, instead of the forecast light industry, new meat and herb processing facilities have been built which have much higher water demands for processing. Consequently, this has now fully used up what non-domestic

supply headroom we had. We are therefore currently unable to agree to either supply new non-household customers or increase supplies to existing non-household customers. We are aware of potential demand from three businesses that are looking to expand on Eye Airfield.

Consistent with the approach described above, in our latest WRMP our new demand forecasts for 2025-30 will incorporate these factors. We will accordingly design the demand and supply schemes required to meet future demand and provide enough headroom for any unpredicted demand.

These will be included in our final Water Resources Management Plan and in our 2025-30 Business Plan. Subject to the plan being approved, funding for these schemes will be available from April 2025, with new supply schemes most likely to be operation in 2026/27.

## **SEWAGE TREATMENT SAMPLING**

We were disappointed with our 2019 two-star Environmental Performance Assessment from the Environment Agency. This was predominantly due to a technical issue around supplying too few accredited laboratory results to demonstrate sewage treatment work compliance, rather than causing any environmental damage. We have put various measures in place to prevent this from happening again. These include a revised sample programme, providing duplicate back-up results and improving our regulatory analysis reporting. We aim to be a four-star company in 2020 by demonstrating excellent performance across all factors, including pollution.

## **TARIFFS AND CHARGES**

Water and wastewater services should be affordable for all customers, whatever their circumstances. The amounts our customers pay for their water (and wastewater) services change on 1 April each year and are determined by the Charges Schemes we publish in January and February each year. When we change our charges, we follow the rules set out in legislation and by Ofwat.



We have a well-established timetable for the production and approval of our tariffs and charges scheme. Our timetable includes key stages for producing our charges, assurance from our internal audit team and external assurance experts, and review and approval by our charges steering group and the Board.

Starting in 2022/23, we will need to apply the CMA's findings to customer bills for the remainder of the five year regulatory period to 2025. We will communicate this to customers and work with our Water Forum. For more information about our finances, please read [Our Finances Explained](#).

### **INFORMATION PUBLISHED DIGITALLY**

Our customers and stakeholders look up information on our websites. Our newly designed and much improved websites went live in October 2019 and are now well established.

Our internal audit team worked closely with our Think Digital group during their development. They continue to ensure we retain good governance and assurance processes, so that accurate and up to date information is always published on our websites.

### **COST ASSESSMENT TABLES**

Since 2016, we've provided cost assessment tables to Ofwat which cover all aspects of our performance. This information helped inform Ofwat's cost modelling for their 2019 Price Review (PR19). We follow the same process we have for our Annual Performance Report (APR) to provide governance and assurance to the cost assessment tables.

As part of the PR19 process, we resubmitted some data about pumping stations. Further assurance was applied to this.

In 2020-21, all cost assessment data will be submitted as part of our [APR](#). We set out the steps we'll take to assure this data on [page 42](#), which include checks by our internal and external audit teams, alongside extensive testing.

## **BIORESOURCES AND WATER RESOURCES MARKET INFORMATION**

Companies are also required to provide Ofwat with certain standardised information on bioresources and water resources activities. This is to enable potential competitors and contractors to identify opportunities to supply these services.

We update our water resources market information on our website annually. Our most recent update invited any parties that could supply water to our Hartismere resource zone to contact us.

These are relatively new requirements, so are included as areas of risk. Our internal audit team continues to work with our bioresources and water resources teams to improve our information.

### **OUR LICENCE OBLIGATIONS**

This area of risk is based on our need to comply with our licence obligations including those introduced following the opening of the non-household retail market.

Companies that fail to meet their legal obligations are failing their customers. In referring to obligations, we mean those covered by the Water Industry Act 1991 and our Instrument of Appointment (the Licence).

To make sure that we comply with these obligations, we will follow a robust process to review and approve:

- The duties and obligations covered by the relevant legislation.
- The business owners and sponsors for each of the obligations.
- A risk assessment of each duty/obligation.
- Documentation of the policies and procedures which we rely on to ensure compliance.
- The effectiveness of the governance of these policies and procedures.



## **GUARANTEED STANDARDS SCHEME**

We believe world class customer service is about getting it right first time, every time. We must meet certain standards by law. However, we aim to improve on many of these and include others that we believe demonstrate an unrivalled customer experience. The guaranteed standards scheme (GSS) sets out the minimum standard of service our customers can expect, and how we will compensate them if things go wrong. 'Our Promise' contains all our guaranteed standards, including those required by legislation as minimum.

Any miscalculation of GSS payments, a failure to pay or misreporting our performance would be considered a breach of the regulations. Formal investigation and subsequent fines from the regulator could have a significant financial and reputational impact.

Following Ofwat's 'Out in the Cold' review of water companies' performance in response to the 'Beast from the East', the regulator expressed concern that customer compensation was not enough. We have acted on Ofwat's recommendations and made changes to our GSS payments from 1 October 2019.

Therefore, this area remains a risk and consequently a priority for assurance. Our processes for identifying, reporting and issuing failure payments to customers are well established. We have a full time GSS Compliance Auditor to focus on this specific area.

## **CYBER SECURITY**

Customers have indicated that they would like to know more about how we protect their personal data and prevent and manage cyber-attacks on our information systems.

We take cyber security extremely seriously and are committed to making sure we manage our systems securely by continuing to invest in our Technology, People and Processes.

As a Critical National Infrastructure company, we must also comply with the Networking and Information Systems Directive to make sure our systems that control the production and distribution of water are secure.

To mitigate the risk associated with this area, we:

- Make sure information is protected to an appropriate level, based upon the impact of its disclosure, modification or loss.
- Comply with all relevant information management legislation, regulations and standards.
- Make sure that employees are trained and clear about their responsibilities around cyber security, and that we expect them to take their legal and moral role seriously.
- Manage the security of all computer systems and supporting infrastructure through the implementation of appropriate technical security controls.
- Control access, through the implementation of user names, passwords and system privileges.
- Make sure that security is an integral part of information systems, including segregation of duties, change control procedures and approval processes.
- Ensure that the measures described here apply equally to data that is held in the cloud, as well as to data we hold on our own premises.
- Make sure information security events and weaknesses are formally managed, to allow timely corrective action to be taken.
- Have processes to encrypt data, where appropriate.
- Protect critical information systems from the effects of major failures or disasters, by deploying appropriately resilient infrastructure.
- Ensure redundant equipment, media and papers are disposed of securely.
- Use regular and up to date training to make sure a robust Cyber Security culture is embedded right across the business and is led from the top.
- Ensure Board review and approval of the Cyber Security policy.
- To assure this, we comply with ISO270001 for cyber security, liaise with the National Cyber Security Centre to ensure that we are responding appropriately to new and emerging threats, and take action to reduce any risks identified by the regular external audits and independent security tests we will commission.

For more information see our [Information Security Policy Statement](#).

## **DATA PROTECTION**

We are committed to protecting information (personal data) about our customers and employees. Meeting our data protection obligations is essential in the protection of this information and respecting the privacy rights of individuals. To ensure we are meeting our obligations and maintaining our reputation as an ethical and trustworthy company we are:

- Making sure we are ethical, fair, transparent and lawful when we use personal data;
- Only using personal data where we have a specified, explicit and legitimate reason for doing so;
- Making sure we have the personal data we need, but no more, to make the right decisions;
- Keeping personal data accurate and up-to-date;
- Only keeping personal data for as long as we need it to meet our purposes, and disposing of it promptly, and securely, afterwards;
- Allowing everyone access to their personal data when they wish, not using it in a way which may cause inappropriate harm or distress, and respecting their rights under the GDPR;
- Making sure that personal data is always protected under our Information Security Policy, and following best practice procedures and guidance to prevent its unauthorised use, disclosure, damage or loss, and
- Ensuring that personal data is not transferred to another country, unless privacy rights are adequately protected in the recipient territory.

To assure this, we have an Information Access Team which works across the business on continuous compliance improvement, and it makes sure departments follow our privacy policy, procedures and training.

For more information see our [Data Protection Policy Statement](#).

## **QUALITY OF FINANCIAL DATA**

Under our assurance framework, the following will be externally assured: Our Annual Report and Financial Statements, Regulatory Accounting Statements, Statement of Sufficiency, Long Term Viability Statement and any additional regulatory information.

## **MARKET PERFORMANCE INFORMATION**

The Water Act 2014 set out the legal framework for the opening of the competitive non-household retail market. The market commenced operation on the 1 April 2017. The market codes that govern the operation of the market have a performance framework within them – the Market Performance Framework (MPF). The MPF details a range of performance standards that all trading parties must comply with and it also details the reporting requirements for trading parties that are applicable. All trading parties are responsible for the assurance and submission of the required data. The market operator, Market Operator Services Ltd (MOSL), has responsibilities for the operation of the central market and the collation and presentation of market performance related information. Market and operational performance metrics are collected by MOSL and published to all trading parties. This is intended to provide confidence to all parties that companies are complying with their obligations.

Providing this performance data is a relatively new requirement. It was therefore initially identified as a risk for us. The reporting processes involved are now established and subject to review by our Internal Audit Team. While still not a fully matured process, confidence is well enough established to no longer consider this a risk.

# AREAS OF WEAKNESS

We have ongoing, robust governance, assurance and risk management arrangements which cover operations, planning and regulatory reporting. Our processes highlight details which we address in the spirit of continuous improvement, to enhance the robustness of our data and the quality of information we provide to customers and stakeholders.

We've identified three areas of weakness associated with meeting our performance commitments this year. These are achieving maximum compliance with drinking water quality standards, and our performance in the non-household retail market. This section details this area of weakness, and the arrangements we have in place to strengthen our performance.

## ACHIEVING MAXIMUM COMPLIANCE WITH WATER QUALITY STANDARDS

We supply drinking water that must meet strict quality standards. Performance against these standards is monitored by us and reported to the Drinking Water Inspectorate, in line with the regulations they stipulate.

A perfect Compliance Risk Index (CRI) score would be 0. This is equivalent to 100% compliance with all standards at all times. We routinely score very high levels of compliance – greater than 99.9%.

Each year a small number of water sample test failures impact our performance. Of the 80,000 or so tests carried out each year, only a small number fail.

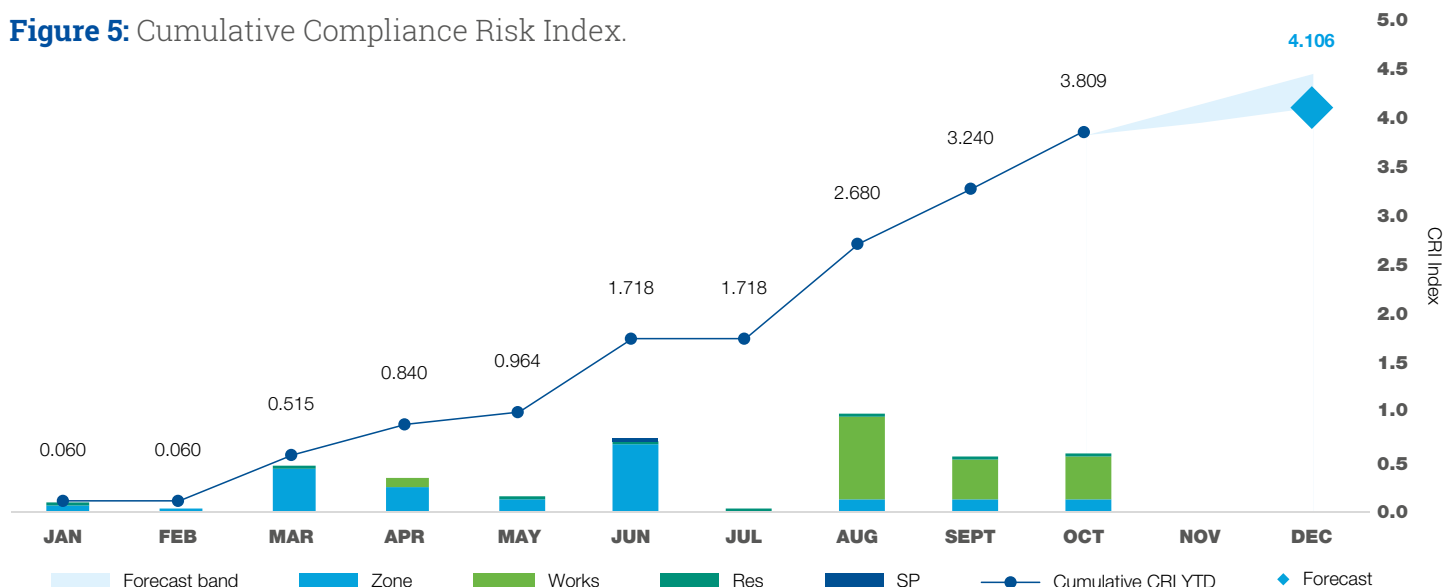
The compliance calculation considers the nature of the test failed, the location that the sample was taken from and the company response to any issues identified by our investigations. The CRI is a cumulative score with each failure adding to the annual total. It is possible to reduce the overall number of failures, but still achieve the same or worse score, depending on the type and location of failures that have occurred.

The CRI is a relatively new measure introduced in 2017 and is one of our common performance commitments. As can be seen from **figure 5**, our performance has varied over time.

We're committed to sustaining, and where possible improving, water quality. We developed and published our Long-Term Water Quality plan in May 2018. This sets out what we are doing in the short, medium and long-term to deliver water quality improvements.

We work hard to deliver improvements to our treatment works and distribution network, and keep our water close to customers' properties healthy by regularly flushing the system.

**Figure 5:** Cumulative Compliance Risk Index.





Our current improvements include managing the land surrounding where we abstract water from, and ensuring we take the right amount of water from each source. This ensures we take the best quality raw water for treatment.

We are also investing £89 million to replace four water treatment works, improve chemical dosing, and install new filters and other treatment equipment.

Some of our investment highlights include:

- Investing £21 million to build two new water treatment works in north Northumberland to help improve drinking water quality for more than 25,000 people;
- Refurbishing our water treatment works, including £60 million to modernise our Horsley works, which supplies Tyneside, and
- Abstraction management projects in Essex, to reduce the risk of water samples failing drinking water quality tests because of pesticides.

We are also removing iron pipes from our networks, and lead pipes (which connect the water main to the kitchen tap in properties built before 1970), and we carry out routine maintenance of our whole network. From 2015 to 2019, these network improvements will have cost £59 million.

All these actions will improve the quality of water entering our network and maintain that quality throughout our water's journey.

This will help ensure that when tested at the end of the network in customers' homes, it achieves 100% compliance with drinking water quality standards.

Investment in our network is only a part of the picture. Our systems and processes are just as

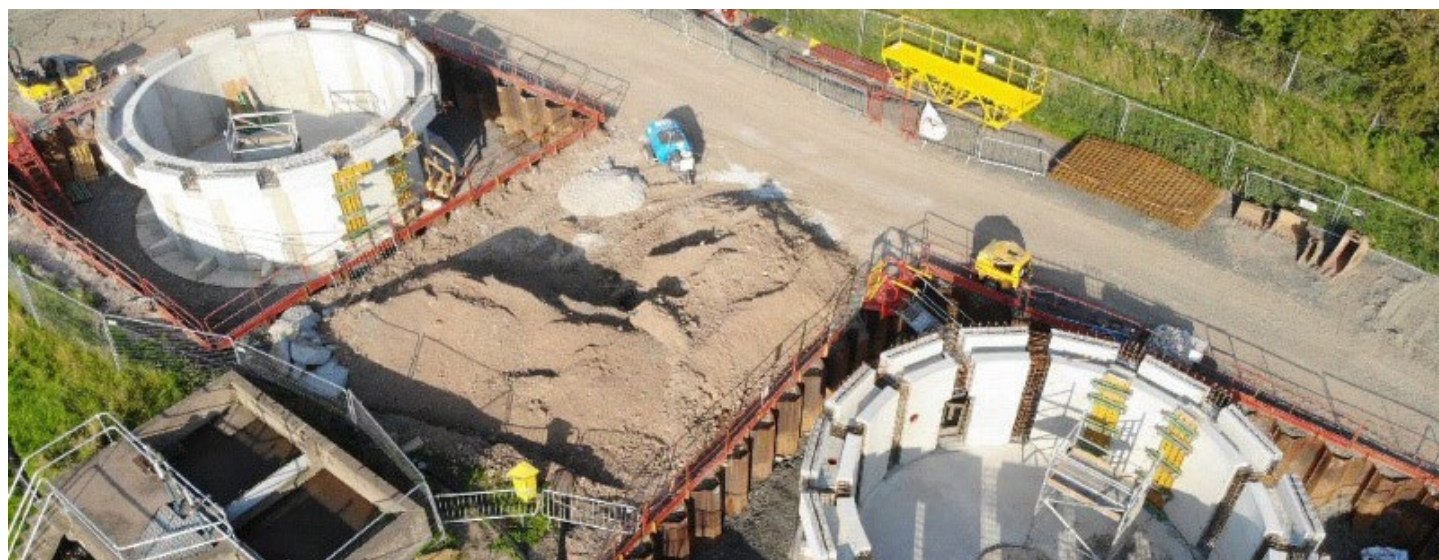
important. We want our people to have the right skills, values and behaviours to deliver our ambitious goals around water quality.

We therefore have a programme of continuous improvement for our treatment and network teams, to make sure we always make the right decisions to provide safe water, of a consistent quality. In 2018, we were one of the first companies to be awarded the revised Competent Operator Scheme certification by Energy & Utility Skills, which assesses operators against 'trailblazer' standards.

We have a food factory vision for water treatment. This makes sure that everyone complies with strict food hygiene standards and understands their performance every day. We have embedded continuous improvement techniques and lean manufacturing processes into these teams. For example, our performance framework encourages behavioural conversations about site scorecards. These ensure that everyone is aware of company targets and takes responsibility for caring for our equipment.

As water leaves our treatment works, our 'Keep It Right' principle encourages network teams to sustain these high standards, right up to our customers' taps.

To minimise the amount of lead and nickel entering our drinking water, we optimise the amount of phosphate we add at our treatment works. Phosphate forms a protective mineral layer within plumbing systems and therefore reduces how much our water comes into contact with metals like lead or nickel which are often found in older systems or those recently refurbished.



However, drinking water quality is not just about samples passing analysis in a laboratory. The scope and scale of the work we carry out, as well as the Drinking Water Inspectorate's remit, are both much wider. It includes programmes of work to improve assets and services, audit activity, event management, training and competency.

The Drinking Water Inspectorate (DWI) introduced a measure called the Event Risk Index (ERI) in 2017/18. This index was introduced to recognise that nationally around 500 water quality events were occurring nationally each year, but they were unrecognised by performance measures.

A water quality event is when things haven't gone quite right and there is a potential or actual impact on water quality. For example, this could be a customer experiencing discoloured water. An event could also be a technical issue in operating a treatment works and completely invisible to customers. The DWI provides water companies with guidance about when a water quality event must be declared. These events may or may not be noticed by our customers and therefore customer communications are only used when necessary.

The index measures how the company limits any impact and puts remedial measures in place and how quickly we do that. It is sensitive to scale and duration. It's a national comparative measure and our 2019 performance was impacted adversely by one event at Whittle Dene water treatment works. Because the works provides a large volume of water to the network and the time interval between samples was quite long, this resulted in a high score. Our 2018 performance was significantly better.

The DWI also carries out annual audits. These inspections are carried out on site and allow the DWI to see how assets are functioning and operated first-hand. The audits are far reaching, covering chemical deliveries, training, process monitoring and validating control measures.

In 2019 the DWI audit programme focused on four themes: Investment; staff competence; contamination, and significant risks. So far, the themes for 2020 include disinfection monitoring, validation and policies; unmitigated risk (from water safety plan risk assessments); borehole site operation and maintenance; and notice compliance.

DWI publishes its audit findings and learning points for the sector. It rightly expects companies to act on the information to drive sector-wide improvements. In addition, the DWI also expects every company to have an asset improvement programme to make sure their asset base can deliver the right quality and quantity of drinking water to customers.



Water companies focus on managing water quality risks, and where DWI see's a lack of progress with these risks it will issue enforcement notices. These notices formalise remedial steps and ensure risks to water quality are managed.

In 2019, we experienced a handful of water quality incidents at our water supply sites which impacted our Events Risk Index (ERI) score. In addition, our northern region also recorded a small number of water quality failures at service reservoirs, which together have increased scrutiny from DWI.

While our performance against the ERI measure has improved considerably this year, we have now agreed the measures required with DWI. We'll be working closely with them over the next few months on the details to develop short, medium and long-term plans for water quality.

To find out more about the water quality in your local area, visit the postcode checker on our website:

**For Northumbrian Water customers.**  
**For Essex & Suffolk Water customers**

## **NON-HOUSEHOLD (NHH) RETAIL MARKET PERFORMANCE**

Following the introduction of this market which enables NHH water customers to choose their retailer, a performance framework has put in place to monitor the performance of the market and the individual companies who participate. The previous section outlines how we provide robust information to support this.

Ofwat's recent review of effective markets outlined a small number of areas where our performance needs to improve. We fully accept that these areas require improvement. Action plans have now been established which Ofwat is supportive of.

This is a key area of focus for us and we've continued to report our progress against these plans during the current Covid-19 related suspension period.

We're confident that, now we've completed substantial investment in our corporate systems, we're well placed to address these issues, and we are already seeing improvements. Most recently and directly applicable is commissioning our new work and asset management system.



# OUR RECENT ASSURANCE ACTIVITY AND PLAN FOR FUTURE ASSURANCE ACTIVITY

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Our governance and assurance processes are embedded into the management and culture of the company and are designed to make sure risks are promptly identified, updated on a regular basis and appropriate mitigation prioritised to meet the risk appetite.

We also use our risk based approach to ensure that an appropriate balance of varied assurance providers are selected. These include our own Internal Audit Team as well as external technical assurance by PwC and financial assurance provision by Deloitte.

In general, areas of risk that already form part of our annual or cyclic audit activity are assured by our Internal Audit Team. For example, assurance of the Guaranteed Standards Scheme (GSS) entails coverage across many processes and systems (e.g. Interruptions to water supply, sewer flooding) and we therefore include these in the Internal Audit Team's annual assurance programme.

Newly emerging areas of risk are assured by our external auditors, PwC. Similarly, areas of risk that require a more technical approach (e.g. leakage) also form part of PwC's agreed assurance programme.

Our financial auditor, Deloitte, provides independent audit and assurance on financial reporting in our **Annual Report and Financial Statements** and our **Annual Performance Report**.

The following tables contain a summary of the findings of the assurance activity we carried out for the reporting period 2018/19. The tables also detail our planned assurance activity that will apply to the reporting period 2019/20.



## QUALITY OF DATA RELATING TO MEASURES OF SUCCESS AND PERFORMANCE COMMITMENTS FOR 2021-25

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>CUSTOMER MEASURE OF EXPERIENCE (C-MEX)</b></p> <p>This is an Ofwat common definition. C-MeX is a mechanism to incentivise excellent levels of service for residential customers. Each company receives a C-MeX score based on results from two surveys. These are a customer service survey and a customer experience survey. A company's overall score is out of 100.</p>	<ul style="list-style-type: none"> <li>Our Internal Audit Team carried out an assurance audit of the reporting processes that contribute to C-MeX reporting. Some concern was raised regarding the failure to include some customer contact data in the reporting. This was quickly resolved and processes put in place to ensure the contact information was corrected and reporting going forward checked regularly. Ofwat was also made aware of this matter</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for C-MeX by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>DEVELOPER SERVICES MEASURE OF EXPERIENCE (D-MEX)</b></p> <p>This is an Ofwat common definition. D-MeX is a mechanism to incentivise companies to provide developer services customers with excellent levels of service. These customers include small and large property developers, self-lay providers, new appointees and some residential customers.</p> <p>Each company receives a D-MeX score based on two components; qualitative and quantitative surveys. These are a customer service survey and a customer experience survey. A company's overall score is out of 100.</p>	<ul style="list-style-type: none"> <li>Our Internal Audit Team has carried out assurance activities throughout the 'shadow reporting' period for D-MeX (2016-2020).</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for D-MeX by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>WATER QUALITY COMPLIANCE (CRI)</b></p> <p>This is an Ofwat common definition. The Compliance Risk Index (CRI) is a measure designed to illustrate the risk arising from treated water compliance failures. It aligns with the approach taken by DWI. A CRI score is calculated for every individual compliance failure.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the CRI reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for CRI by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>INTERRUPTIONS TO SUPPLY GREATER THAN THREE HOURS.</b></p> <p>This is an Ofwat common definition. This measure the performance of companies in terms of the average number of minutes lost per customer for the whole customer base for interruptions that lasted three hours or more.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the interruptions to supply reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for interruptions to supply by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>LEAKAGE</b></p> <p>This is an Ofwat common definition. This measure enables all companies to report annual average leakage for the defined year. Average annual leakage is defined as the sum of distribution system leakage, including service reservoir losses and trunk main leakage plus customer supply pipe leakage. It is reported as the annual arithmetic mean daily leakage expressed in mega-litres per day (Ml/d).</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the leakage which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for leakage incidents by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>PER CAPITA CONSUMPTION (PCC)</b></p> <p>This is an Ofwat common definition. PCC allows companies to report annual average per capita consumption for the defined year following a reasonable level of accuracy, applying consistent and reliable methods and common assumptions.</p> <p>Annual average per capita consumption is the sum of measured household consumption and unmeasured household consumption divided by the total household population. This is reported at the whole company level for this PC.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the PCC reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for PCC by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>POLLUTION INCIDENTS</b></p> <p>This is an Ofwat common definition. The Environmental Performance Assessment (EPA) was introduced in 2011 and updated in February 2017. There was some adjustments to wording in version 3 in 2019.</p> <p>This measures the total number of pollution incidents (category 1 - 3) in a calendar year emanating from a discharge or escape of a contaminant from a company sewerage asset affecting the water environment. We report the total number of pollution incidents (cat 1-3) per 10,000km of sewer length.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the pollution incidents reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for pollution incidents by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>RISK OF SEVERE RESTRICTIONS IN A DROUGHT</b></p> <p>This is an Ofwat common definition. The drought resilience metric measures the percentage of the customer population the company serves who are at risk of experiencing severe restrictions (for example, standpipes or rota cuts) in a 1 in 200 year drought, on average, over 25 years.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the risk of severe restrictions in a drought reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for risk of severe restrictions in a drought by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>MAINS REPAIRS</b></p> <p>This is an Ofwat common definition. Companies report mains bursts repairs per 1,000km of mains. Mains bursts include all physical repair work to mains from which water is lost. This is attributable to pipes, joints or joint material failures or movement, or caused by conditions or original pipe laying or subsequent changes in ground conditions.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the mains repairs reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for Mains Repairs by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>UNPLANNED OUTAGE</b></p> <p>This is an Ofwat common definition. The measure is used as a means of assessing asset health for abstraction and water treatment activities. It is defined as the annualised unavailable flow, based on the peak week production capacity (PWPC) for each company.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the unplanned outage reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for Unplanned Outages by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>SEWER COLLAPSES</b></p> <p>This is an Ofwat common definition. It measures the number of sewer collapses per 1,000km of all sewers that have not been identified proactively by the company and causing an impact on service to customers or the environment.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the sewer collapse reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for Sewer Collapses by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>TREATMENT WORKS COMPLIANCE</b></p> <p>This is an Ofwat common definition. This measures performance of sewerage assets to treat and dispose of sewage in line with the discharge permit conditions imposed on sewage treatment works.</p> <p>The discharge permit compliance metric is reported as the number of failing sites and not the number of failing discharges.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the treatment works compliance reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for treatment works compliance by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>PRIORITY SERVICES REGISTER – REACH</b></p> <p>This is an Ofwat common definition. The PSR measures the number of households on the company's PSR as a proportion of all households in the company's region. In order to meet the performance commitment, companies must comply with two criteria on data checking:</p> <ol style="list-style-type: none"> <li>1. Companies will attempt to make contact with a minimum of 45% households on the PSR in the first year and 90% of households every two years of subsequent years to 2025.</li> <li>2. Companies will need to ensure that details, including any change in circumstances, are reconfirmed for at least 17.5% of households in the first year and 35% of households every two years for all subsequent years to 2025.</li> </ol>	<ul style="list-style-type: none"> <li>• This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the priority services reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will confirm understanding of the reporting process for the priority services register by performing interviews, walkthroughs and evidence inspection.</li> <li>• Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>• Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>SATISFACTION OF CUSTOMERS WHO RECEIVE ADDITIONAL NON-FINANCIAL SUPPORT</b></p> <p>This measures the customer satisfaction score of customers who receive non-financial support through the PSR. This performance measure applies to households only. The score will be determined from a telephone survey where customers who are on the PSR are asked to rate their overall satisfaction with the PSR services the company provides.</p> <p>Customers score their satisfaction with the company's performance between one and ten, with a greater score indicating a greater level of satisfaction. 1,000 customers will be surveyed throughout the year to provide an annual score.</p>	<ul style="list-style-type: none"> <li>• This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will verify customer survey numbers used for publishing are consistent with the customer surveys carried out by our accredited external organisations and recognised industry bodies.</li> </ul>
<p><b>SATISFACTION OF CUSTOMERS WHO RECEIVE ADDITIONAL FINANCIAL SUPPORT</b></p> <p>This measures the customer satisfaction score of customers who receive additional financial support through one of the company's SupportPLUS tariffs or WaterSure. This performance measure applies to households only. The score will be determined from a telephone survey where customers who are receiving financial support for either water arrears or ongoing charges are asked to rate their overall satisfaction with the services the company provides. Customers score their satisfaction with the company's performance between one and ten, with a greater score indicating a greater level of satisfaction. 1,000 customers will be surveyed throughout the year to provide an annual score.</p>	<ul style="list-style-type: none"> <li>• This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will verify customer survey numbers used for publishing are consistent with the customer surveys carried out by our accredited external organisations and recognised industry bodies.</li> </ul>



Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>AWARENESS OF ADDITIONAL NON-FINANCIAL SUPPORT</b></p> <p>The percentage of household customers who, when asked, have awareness of the company's additional non-financial support service, the PSR. The annual calculation is (total number of customers who answer yes / total number of customers surveyed) x 100.</p> <p>The measure is determined annually through market research conducted by an external third party used to determine if customers are aware of the PSR. The higher the percentage score, the better the performance. The score is based on a telephone survey to ask customers if they are aware of the PSR that the company can offer to those customers who need extra support. Customers score their awareness with a yes/no answer.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will verify customer survey numbers used for publishing are consistent with the customer surveys carried out by our accredited external organisations and recognised industry bodies.</li> </ul>
<p><b>AWARENESS OF ADDITIONAL FINANCIAL SUPPORT</b></p> <p>The percentage of household customers who have awareness of the company's additional financial support services. This includes customers that are signed up to one of the company's SupportPLUS tariffs or WaterSure. The score is based on a telephone survey to ask customers if they are aware of the additional financial support services that the company can offer to customers who need extra support. This includes the company's SupportPLUS tariffs and WaterSure. Customers score their awareness with a yes/no answer. 2,000 customers are surveyed annually (500 quarterly) and the results are presented as an annual % of awareness.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will verify customer survey numbers used for publishing are consistent with the customer surveys carried out by our accredited external organisations and recognised industry bodies.</li> </ul>
<p><b>RESPONSE TIME TO WRITTEN COMPLAINTS</b></p> <p>This is the annual average time taken to respond to written complaints in working days. The duration to respond to a complaint is from the date of receipt into the business to the date a response is issued. This measure uses the CCWater definition of a written complaint, which covers complaints by post, email, web or fax. The company will align with any changes to the definition by CCWater.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for written complaints by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>VISIBLE LEAK REPAIR TIME</b></p> <p>This measure is the average number of calendar days that it takes to find and fix visible leaks reported to us by customers. This is measured over the April to March year. A customer report of a visible leak will be recorded at the time the contact with the company started in the company's corporate systems. Once the leak is found and then the job to fix the leaking pipe is completed, the time and date of the completion will also be recorded in the company's systems. The difference between the two gives the time taken to repair the leak. The CMA has confirmed that this measure excludes leaks on customer owned supply pipes.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for Visible Leak Repair Times by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>CUSTOMERS' PERCEPTION OF TRUST</b></p> <p>Customers' perception of trust. The 'mean' customer satisfaction score out of ten based on a quarterly independent customer tracking survey.</p> <p>The survey covers only household customers and consists of 500 completed interviews each quarter, a total of 2,000 interviews annually. The sample size should be selected to give a reasonable statistical significance for the purpose of the performance commitment.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will verify customer survey numbers used for publishing are consistent with the customer surveys carried out by our accredited external organisations and recognised industry bodies.</li> </ul>
<p><b>PERCENTAGE OF HOUSEHOLDS IN WATER POVERTY</b></p> <p>Percentage of households spending more than 3% of their disposable income on their water and sewerage charges, after housing costs. The measurement calculation is (number of households whose bill &gt; 3% of income / total number of households) x 100.</p> <p>The number of total households is the number of connected households held within the company's billing databases. The database will be validated against income values to identify those in water poverty using credit reference data.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for assessing the percentage of households in water poverty by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>GAP SITES</b></p> <p>The percentage of properties on the Valuation Office Rating list which have been matched to our corporate database of connected non-household properties. Those which don't match are investigated as gap sites.</p> <p>The number of properties on the VOA rating list which have been matched to the company's corporate database (ie are connected and either classified as void or billed) as a percent of the total number of properties on this list. The number of properties on the VOA rating list which have been matched to the company's corporate database (ie are connected and either classified as void or billed) as a percent of the total number of properties on this list.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for gap sites by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>VOIDS</b></p> <p>The number of household properties classified as void as a percentage of the total number of household properties served by the company.</p> <p>Void properties are defined as properties, within the company's supply area, which are connected for either a water service only, a wastewater service only or both services but do not receive a charge, as there are no occupants. Additionally, a property connected for both services that is not occupied, only counts as one void property.</p> <p>The proportion of void properties will be measured as an average over the year. The same method to calculate the average will be used each year.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. We have previously reported the number of voids which were included in our Cost Assessment tables as part of APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for voids by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>INTERRUPTIONS TO SUPPLY GREATER THAN 12 HOURS</b></p> <p>This measure is a count of the total number of properties that experience an interruption of 12 hours (or more) in each year. All properties interrupted that are identified through the common measure (interruptions greater than three hours) that are impacted for 12 hours or more are recorded.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the interruptions to supply information which already exists and reported in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for interruptions to supply greater than 12 hours by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>DISCOLOURED WATER CONTACTS</b></p> <p>The number of customer contacts of discoloured water – brown/orange/black recorded in a calendar year in line with DWI information letter IL01/2006. The number of times the company is contacted by consumers due to drinking water not being clear, reported per 10,000 population. The calculation is the number of contacts for appearance multiplied by 10,000 divided by the resident population as reported to the DWI.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the discoloured water contacts which already exists and reported in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for discoloured water contacts by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>TASTE AND SMELL CONTACTS</b></p> <p>The number of customer contacts of taste and smell (odour) of drinking water recorded in a calendar year in line with DWI information letter IL01/2006. This is reported per 10,000 people. The number of times the company is contacted by consumers due to the taste and odour of drinking water, reported per 10,000 population. Calculation is the number of contacts for all taste and odour contacts multiplied by 10,000 divided by the resident population as reported to the DWI.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the taste and odour contacts which already exists and reported in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for taste and smell contacts by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>EVENT RISK INDEX (ERI)</b></p> <p>The Drinking Water Inspectorate (DWI) monitor water company water quality events through the event risk index. This index measures water company response to water quality events. The Event Risk Index (ERI) is a measure of the risk arising from water quality events, as defined by the DWI.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the bioresources market information which already exists and reported in our Cost Assessment Tables in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for ERI by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>INTERRUPTIONS TO SUPPLY BETWEEN ONE AND THREE HOURS</b></p> <p>Percentage that the average time the water supply is interrupted is greater than one hour and less than three hours in the report year as a proportion of the baseline. The baseline is the average of the years 2018-19, 2019-20 and 2020-21. This bespoke measure aligns with the common interruptions measure but is calculated for all interruptions above one hour and less than three hours.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the interruptions to supply information which already exists and reported in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for interruptions to supply between one and three hours by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>INTERNAL SEWER FLOODING</b></p> <p>This is an Ofwat common definition. This definition covers two measures of flooding incidents, both of which include flooding due to overloaded sewers (hydraulic flooding) and due to other causes (FOC). We report the number of internal sewer flooding incidents per 10,000 sewer connections including sewer flooding due to severe weather events.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the internal sewer flooding reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for internal sewer flooding by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>RISK OF SEWER FLOODING IN A STORM</b></p> <p>This is an Ofwat common definition. This measure requires companies to report on the risk of sewer flooding during an extreme wet weather event for the defined year. The metric is based on some complex information.</p> <p>This measure will record the percentage of the regions population at risk from internal hydraulic flooding from a 1 in 50 year storm.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the risk of sewer flooding in a storm reporting which already exists and included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for risk of sewer flooding in a storm by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>SEWER FLOODING RISK REDUCTION</b></p> <p>This measure counts the number of properties where we have proactively reduced the risk of internal and/or external sewer flooding. A reduction in risk will be counted towards the measure when the risk to a property reduces by at least one level between risk bands.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> <li>Note that inclusion of this performance commitment is dependent on the outcome of the Competitions and Markets Authority (CMA) appeal.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for sewer flooding risk reduction by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>SEWER BLOCKAGES</b></p> <p>The total number of sewer blockages on the company's sewer network (including sewers transferred in 2011) in a reporting year. A blockage is an obstruction in a sewer which causes a reportable problem (not caused by hydraulic overload), such as flooding or discharge to a watercourse, unusable sanitation, surcharged sewers or odour.</p> <p>The company will not include proactively cleaned silt or other blockages that are removed which are not reported to it by customers or stakeholders and have no customer impact. The company will include blockages that are as a result of third-party interference.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the sewer blockages information which already exists and reported in our Cost Assessment Tables in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for sewer blockages by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>EXTERNAL SEWER FLOODING</b></p> <p>This measures the absolute number of the company's external sewer flooding incidents per year including incidents caused by severe weather. External flooding is defined as flooding within the curtilage of a building normally used for residential, public, community and business purposes. Flooding event: is defined as the escape of water from a sewerage system, irrespective of size as evidenced by standing water, running water or visible deposits of silt or sewage solids. It includes flooding due to overloaded sewers (hydraulic flooding) and due to other causes (FOC). Number of incidents is defined as the number of curtilages flooded during each flooding event from a public sewer including incidents on sewers transferred under the Transfer of Private Sewers Regulations 2011 and pumping stations transferred in 2016. Severe weather is defined as individual rainfall events with a storm return period greater than 1 in 20 years. Flooding incidents caused by severe weather should be included in this measure.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the external sewer flooding information which already exists and reported in our Cost Assessment Tables in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for external sewer flooding by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>REPEAT SEWER FLOODING</b></p> <p>The number of internal sewer flooding incidents in properties which have flooded internally more than once in the last five years. It includes flooding from the public and transferred network and includes severe weather events. Repeat flooding incidents are defined as internal flooding more than once within a five-year period. This is calculated as five years prior to the most recent flooding incident, i.e. if an incident occurred on 24 April 2018, the company would check back to and include 25 April 2013 to determine if this classed as a repeat for this measure.</p> <p>A flooding incident is the escape of water from a sewerage system, irrespective of size as evidenced by standing water, running water or visible deposits of silt or sewage solids. Any flooding due to jetting is included, unless the water is fully contained within a toilet bowl. Flooding due to third party action shall be included in all cases.</p>	<ul style="list-style-type: none"> <li>This is an existing performance commitment agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on repeat sewer flooding information which already exists and reported in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for repeat sewer flooding by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>ABSTRACTION INCENTIVE MECHANISM (AIM)</b></p> <p>The abstraction incentive mechanism (AIM) reduces abstraction of water at environmentally sensitive sites when flow or levels are below an agreed point otherwise known as a trigger. The trigger point is based on a level or flow, below which the AIM is considered to be 'switched on'. This trigger will usually be related to the point at which damage is caused and is intended to prevent this from happening or ameliorate the negative impacts.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on AIM reporting and is included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for AIM by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>BATHING WATER COMPLIANCE</b></p> <p>The percentage of designated bathing waters in the company's northern operating area which are classified as Good or Excellent status each year, as reported by Defra. The classifications are based on a four-year average of sample results at each beach.</p>	<ul style="list-style-type: none"> <li>This is an existing performance commitment agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the bathing water compliance reporting and is included in our APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for bathing water compliance by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>WATER ENVIRONMENT IMPROVEMENTS</b></p> <p>Length of publicly accessible water environment in kilometres in the reporting year which has had improvements delivered across at least two aspects of access, facilities and recreation, water quality, wildlife and biodiversity. Each of these aspects of the water environment has an associated length measured in kilometres. The length of water environment enhanced as measured under this performance commitment will relate to lengths of publicly accessible water environment areas in the company's regions where improvements have been delivered in the year.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>We consider that the planned assurance activity for the new 'water environment improvement' performance commitment should include company support for the robustness of the data, such as distances improved, ecological results, water quality results etc – as NWL is leading the way with this ODI, this will enable all water companies to follow its lead in the future. We suggest that assurance could include information about customer support for improved environments, which is extracted from CMEX and the new customer survey.</li> </ul>
<p><b>GREENHOUSE GAS EMISSIONS</b></p> <p>This measures the annual reductions in operational greenhouse gas emissions from a 2019-20 baseline expressed in tonnes CO<sub>2</sub>e (carbon dioxide equivalent). Emissions are calculated through the UK Water Industry Research Ltd (UKWIR) Carbon Accounting Workbook published on 8 May 2019. The company will provide external third party assurance that all data relating to operational greenhouse gas emissions is compliant with the version of the international carbon reporting standard (ISO 14064, Part 1) which is in effect at the time of PR19 final determinations publication, and assured following an audit by an appropriately qualified independent third party. For avoidance of doubt the scope of assurance excludes data sourced from the carbon accounting workbook. The scope of the assurance includes the 2019-20 baseline</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our third party external assurance partner, CEMARS will ensure that all data relating to operational greenhouse gas emissions is compliant with the version of the international carbon reporting standard (ISO 14064 Part 1).</li> <li>The scope of the assurance provision excludes data sourced from the carbon accounting workbook and includes the 2019-20 baseline.</li> <li>Any areas identified as not yet compliant will be noted and included in plans that set out actions and timescales to achieve compliance when reporting.</li> <li>We have become aware of some instances where the May 2019 version of UKWIR's Carbon Accounting Workbook is not itself compliant with the ISO 14064 standard. These are resolved in later versions, and we are discussing the implications of this with Ofwat.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>BIORESOURCES</b></p> <p>Percentage of the total amount of sludge, in tonnes dry solids (tDS), produced each year that has been effectively treated by an advanced sludge treatment process (Advanced Anaerobic Digestion) and beneficially recycled to land. The performance commitment will include sludge and organic wastes imported from other WaSCs or third parties that have been traded under the bioresources price control. The traded quantities of sludge would be added to the raw tDS figures treated and produced.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025. It builds on the bioresources market information which already exists and reported in our Cost Assessment Tables in the APR.</li> </ul>	<ul style="list-style-type: none"> <li>PwC will confirm understanding of the reporting process for bioresources by performing interviews, walkthroughs and evidence inspection.</li> <li>PwC will ascertain how regulatory guidance for this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by PwC will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>BRITISH STANDARDS INSTITUTION AWARD FOR INCLUSIVE SERVICES</b></p> <p>This measure assesses the quality of the Priority Services scheme using the British Standard for Inclusive Service Provision certification BS 18477. To meet its targets for this performance commitment the company must maintain the BS 18477 standard throughout the 2020 to 2025 period. If this certification from BSI is not in place on 31 March of the reporting year, the performance commitment is reported as not maintained.</p> <p>The performance commitment applies each reporting year, and demonstration that the certification is in place must be tested and reported each reporting year. The BS 18477 certification is awarded by BSI Group (also known as the British Standards Institution).</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>There are no specific assurance requirements set out for this measure other than to confirm we have 'maintained' or 'not maintained' certification of BS18477.</li> </ul>
<p><b>DELIVERY OF WATER RESILIENCE ENHANCED PROGRAMME</b></p> <p>This performance commitment measures the delivery of the company's water resilience enhancement programme. Completion is determined on full completion of the respective milestones when the measures are in operation and providing clear benefit to customers. The required scope of the milestones are as set out by the company in submissions to Ofwat in advance of draft determinations.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>For this measure, we are required to provide an assurance report at the next price review (PR24) from a third party assurance partner to: <ul style="list-style-type: none"> <li>Confirm that the scope expected to be delivered for each milestone is equivalent or greater to the required scope.</li> <li>Confirm expected completion of each scheme and assesses any likely delay in any individual milestone beyond 31 March 2025.</li> </ul> </li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>DELIVERY OF LEAD ENHANCEMENT PROGRAMME</b></p> <p>This performance commitment measures the percentage delivered of the company's lead enhancement programme. This is limited to delivering pipe replacements on the customer side (supply pipe) in the following categories; vulnerable groups, rural supplies, hotspots. To reflect the different unit costs involved with replacing lead pipes for these groups, each category has a different contribution to the overall scheme delivery measure.</p> <p>For the purposes of this performance commitment, no property can be counted in more than one category. Replacement of lead pipes covers all activities, including pipes whose long-term lead health risk is removed through the use of innovative technologies developed in the future and approved by the DWI.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for the lead replacement programme by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>DELIVERY OF SMART WATER METERING ENHANCEMENT PROGRAMME</b></p> <p>This measures the percentage delivered of the company's smart metering programme. This is limited to installing new smart meters and replacing existing basic meters with smart meters. To reflect the different unit costs involved, each category has a different contribution to the overall scheme delivery measure. For the purposes of this performance commitment, no double counting is permitted between categories.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for the smart metering programme by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> <li>We are currently clarifying with Ofwat whether smart meters installed for non-household customers can contribute towards our target.</li> </ul>
<p><b>DELIVERY WASTEWATER RESILIENCE ENHANCEMENT PROGRAMME</b></p> <p>This covers the cumulative number of sites in the company's wastewater resilience enhancement programme where the required scope of flood mitigation work has been delivered. The programme measure covers 141 sewage treatment sites. The company will publish an Assurance Report in advance of the next price review from an appropriately qualified external third party.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>For this measure, we are required to provide an assurance report at the next price review (PR24) from a third party assurance partner to: <ul style="list-style-type: none"> <li>Confirm that the scope expected to be delivered for each milestone is equivalent or greater to the required scope.</li> <li>Confirm expected completion of each scheme and assesses any likely delay in any individual milestone beyond 31 March 2025.</li> </ul> </li> </ul>



Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>DELIVERY OF CYBER RESILIENCE ENHANCEMENT PROGRAMME</b></p> <p>This performance commitment measures the delivery of the company's cyber resilience enhancement programme. The relevant milestones are:</p> <ul style="list-style-type: none"> <li>• Creation of a Security Operations Centre and incident management response capability.</li> <li>• Enhancing the company's cyber security function through various solutions.</li> </ul> <p>Delivery is determined by full completion of the respective milestones when the measures are in operation and providing clear benefit to customers.</p>	<ul style="list-style-type: none"> <li>• This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will confirm understanding of the reporting process for the cyber resilience programme by performing interviews, walkthroughs and evidence inspection.</li> <li>• Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> </ul>
<p><b>DELIVERY OF HOWDON STW ENHANCEMENT</b></p> <p>This performance commitment measures the progress of the delivery of the company's Howdon STW expansion scheme. Progress will be expressed in the number of months delivered late. The scheme comprises of building new assets which will complement existing treatment processes on site at Howdon STW to accommodate future growth and also to build in redundancy when required to safeguard from loss of service now and into the future. Completion of the upgrades is scheduled for 2024-25.</p>	<ul style="list-style-type: none"> <li>• This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>• The assurance requirements for this measure sets out that an independent report by a third party is published by July 2024 setting out the expected dates that all milestones will be functionally completed and successfully commissioned.</li> </ul>
<p><b>NWL INDEPENDENT VALUE FOR MONEY SURVEY</b></p> <p>The measures take the mean score of responses from household customers asked about their overall satisfaction with the service the company provides. The measure is the annual score from the 'value for money' question taken from this independent domestic customer survey. Customers score their satisfaction with performance between one and ten, and a greater score indicates a greater level of satisfaction. Two thousand customers will be surveyed throughout the year to provide an annual result. Five hundred interviews will be completed quarterly in line with the Market Research Society code of conduct.</p>	<ul style="list-style-type: none"> <li>• This is an existing performance commitment agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will confirm understanding of the reporting process for sewer flooding risk reduction.</li> <li>• by performing interviews, walkthroughs and evidence inspection.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>DRAINAGE AND WASTEWATER MANAGEMENT PLANS (DWMPs)</b></p> <p>This covers the cumulative percentage of catchments in which Northumbrian Water operates, the company implements the Level 1 water company DWMP in accordance with the guideline: A framework for the production of Drainage and Wastewater Management Plans, published September 2018 and updated May 2019. The percentage will be calculated as a simple average of the catchments that are completed according to the guidelines and published divided by the total number of catchments and expressed as a percentage.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for the DWMP by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>DELIVERY OF WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME REQUIREMENTS</b></p> <p>This measure assesses whether or not the company 'met' or 'not met' all of its requirements for WINEP, in the reporting year. This measure tracks the completion of required schemes in each year, as per the latest WINEP programme published by DEFRA. If any scheme is not delivered by the time specified in the WINEP tracker titled 'Completion Date (DD/MM/YY)', the company will report 'not met'. All WINEP schemes will be included including those reported under other performance commitments. The performance commitment will measure against the latest WINEP tracker in the year in which performance is being reported. Therefore, performance for 2020-21 will be reported based on the latest WINEP programme on the 31 March 2021 and the schemes which have been delivered by this date.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>The performance commitment will measure against the latest WINEP tracker in the year in which performance is being reported. Performance for 2020-21 will be reported based on the latest WINEP programme as at 31 March 2021 and the schemes that have been delivered by that date.</li> <li>The Environment Agency (EA) will confirm that performance has been correctly reported.</li> <li>We will set out our APR any areas that have not been met and include any interactions this performance measure has with any other performance measures.</li> </ul>
<p><b>WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME (WINEP)</b></p> <p>The cumulative number of schemes completed each year. The performance commitment is limited to schemes that were confirmed on 1 April 2019 within the Water Industry National Environment Programme (WINEP) and therefore had green status. Each scheme completed by the company must be signed off by the Environment Agency for it to count towards the measure.</p>	<ul style="list-style-type: none"> <li>This is a new performance commitment developed and agreed with Ofwat for the regulatory reporting period 2020-2025.</li> </ul>	<ul style="list-style-type: none"> <li>Each scheme completed by the company requires sign off by the Environment Agency (EA) in order for it to be counted towards the measure.</li> <li>We will secure confirmation from the EA that performance has been correctly reported. The view of the EA will be definitive.</li> <li>There is currently a lack of provision in the final determination for changes agreed with the EA to be reflected in the Ofwat performance commitment. We are in discussions with Ofwat on this matter.</li> </ul>

## OTHER RISKS

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>COST ASSESSMENT TABLES</b></p> <p>Since 2016, we have provided cost assessment tables to Ofwat which cover all aspects of performance, including financial and operational metrics. The cost assessment information helps inform Ofwat's cost modelling for the Periodic Review process.</p> <p>Our approach to providing governance and assurance to the cost assessment tables follows the same process as we currently have in place for Annual Performance Reporting (APR).</p>	<ul style="list-style-type: none"> <li>Audit programmes are allocated to both PwC and our Internal Audit team in line with our Data Risk model. This helps inform the choice of assurance provider for each item of data in the Cost Assessment Tables.</li> <li>PwC and our Internal Audit team confirmed understanding of the reporting processes for their agreed audit programmes by performing interviews, walkthroughs and evidence inspection.</li> <li>This was followed by performing test procedures to agree data back to underlying systems and undertaking sample testing to verify that data had been appropriately measured, recorded, collated and reported.</li> <li>Confidence grades provide a reasoned basis for us to qualify the reliability and accuracy of the data we publish and helps us identify areas where our data is of a high standard and to have action plans in place to improve data where it falls below the standard confidence grade level. We work with the reporting teams to improve the data going forward where these fall below the standard level. We collected these internally as they are not required by Ofwat.</li> <li>Intelligent Asset Programme (iam), will enable us to have better quality, more reliable and readily available asset data to enable us to make better, faster, more proactive decisions and help us to become a leading performer in asset management. Working closely with the iam programme has delivered some improvements in the quality of our asset data but further collaboration will be needed to improve our data going forward.</li> </ul>	<ul style="list-style-type: none"> <li>Both PwC and our Internal Audit Team will confirm understanding of the reporting processes for the cost assessment metrics. This will include performing interviews, walkthroughs and evidence inspection.</li> <li>PwC and our Internal Audit Team will ascertain how regulatory guidance has been interpreted and assess whether it is appropriate.</li> <li>Test procedures will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>TARIFFS AND CHARGES</b></p> <p>The bills paid by our customers and the wholesale charges paid by non-household customers in both our areas of supply are determined by the tariffs and charges published in January and February each year.</p> <p>We are required to publish our tariffs and charges to comply with our legal obligations. These set out the company's charges for the services we provide and the terms and conditions of those charges.</p>	<ul style="list-style-type: none"> <li>Review of our tariffs and charges production and subsequent approval was provided by our Charges Steering Group and Board.</li> <li>Assurance checks by an independent firm of accountants were performed as part of the programme.</li> <li>Assurance checks of allowed revenue and charge multiplier inputs by our Internal Audit Team resulted in no exceptions being reported.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for tariffs and charges by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>CUSTOMER CONTACT</b></p>	<ul style="list-style-type: none"> <li>Our assurance process discovered some under-reporting of customer contact data through our new app, which has been addressed (page 23).</li> <li>We have therefore included additional scrutiny to the relatively new Customer Contact and Billing (CC&amp;B) system to be assured that there are no other hidden issues.</li> </ul>	<ul style="list-style-type: none"> <li>As part of an annual assurance programme, our internal audit team reviews end to end processes and both financial and regulatory reporting controls in our key systems. This includes several audits of the Customer Contact and Billing system (CC&amp;B) as it holds both key financial and regulatory data.</li> <li>For CC&amp;B regulatory reporting, the key audits we carry out annually include GSS audits (particularly account queries and complaints and appointments) and C-MeX and priority services reporting which is included in our APR assurance programme. As for all audits, findings are reported to management and our audit committee, with agreed actions being tracked to completion.</li> </ul>
<p><b>BIORESOURCES AND WATER RESOURCES MARKET INFORMATION</b></p> <p>Companies are required to provide Ofwat with standardised and defined information to enable potential market participants to identify opportunities to supply services in these areas.</p> <p>We publish market information so that stakeholders can have trust and confidence in the information and to reflect current market status.</p>	<ul style="list-style-type: none"> <li>Our audit programme for these reporting areas allowed both PwC and our Internal Audit team to undertake reviews in their respective areas of responsibility. As part of their ongoing programme PwC performed independent assurance procedures in relation to Bioresources market activity'.</li> <li>Assurance checks of the Water Resources Market Information by our Internal Audit Team found no material issues or exceptions.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for bioresources and water resources market information by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>MARKET PERFORMANCE INFORMATION</b></p> <p>The Market Performance Framework (MPF) is intended to provide confidence to trading parties and the Market Operator (MOSL) that they and their peers are complying with their obligations.</p> <p>The MPF consists of a number of elements that monitor and report performance against a range of pre-defined standards and timescales. These standards are the Market Performance Standards (MPS) and the Operational Performance Standards (OPS).</p> <p>The MPS measure both retailer and wholesaler performance, while the OPS solely measure wholesaler performance.</p> <p>We are required to submit key performance indicators to the market operator MOSL who then publish the information on their website. The information is used by retailers, Ofwat and MOSL to ensure service to all customers in the market is compliant.</p>	<ul style="list-style-type: none"> <li>Our Internal Audit Team carried out an audit of the key controls and processes in place within our Wholesale Operations and Compliance Teams. This looked at the effectiveness of processing retailer requests and performance reporting to ensure we meet market framework compliance.</li> <li>The findings from the audit were shared with our Audit Committee and recommendations made monitored by our Internal Audit Team through to completion.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for market performance information by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>OUR LICENCE OBLIGATIONS</b></p> <p>As part of our Risk and Compliance Statement we must make sure we have a full understanding of and are meeting all our relevant statutory license and regulatory obligations.</p> <p>We must also ensure that there are sufficient processes and internal systems of control to fully meet those obligations and have appropriate systems and processes in place to allow us to identify, manage and review key risks.</p>	<ul style="list-style-type: none"> <li>Our Internal Audit Team prepared each obligation document which were reviewed by senior managers for compliance. These were shared with our ELT members for approval.</li> </ul>	<ul style="list-style-type: none"> <li>Our Internal Audit Team will confirm understanding of the reporting process for meeting our licence obligations by performing interviews, walkthroughs and evidence inspection.</li> <li>Our Internal Audit Team will ascertain how regulatory guidance for reporting has been interpreted and assess whether it is appropriate.</li> </ul>

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>GUARANTEED STANDARDS SCHEME (GSS)</b></p> <p>Customers of water and sewerage companies are entitled to guaranteed minimum standards of service, as set out by the Secretary of State.</p> <p>Where a company fails to meet a standard then it is required to make a specified payment to the customer affected. The scheme applies to all customers of water and sewerage companies.</p> <p>Some companies operate schemes that go further than GSS.</p> <p>Following Ofwat's 'Out in the Cold' review of water companies' performance in response to the 'Beast from the East', they expressed concern that the compensation customers were getting was not enough. Ofwat made recommendations designed to address these concerns and expected companies to reflect on them when setting their own compensation schemes.</p> <p>We have acted on the recommendations made by Ofwat and have implemented changes to our GSS payments with effect from 1 October 2019. This involves changes to our systems for recording failures and the automation of payments to customers.</p>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team carried out a review of GSS compliance. This activity forms part of their annual audit programme and covers areas such as customer contact, complaints and supply interruptions.</li> <li>• Results from the audits have highlighted some recommendations to improve the service we provide to our customers.</li> <li>• We report these to our GSS Compliance Group and Audit Committee. Agreed actions are monitored by our Internal Audit Team through to successful completion.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Internal Audit Team will confirm understanding of the reporting process for GSS by performing interviews, walkthroughs and evidence inspection.</li> <li>• Our Internal Audit Team will ascertain how regulatory guidance for reporting this measure has been interpreted and assess whether it is appropriate.</li> <li>• Test procedures by our Internal Audit Team will agree data back to underlying systems as well as sample testing to verify that it has been appropriately measured, recorded, collated and reported. Testing will take into account the accuracy and completeness of the reported data.</li> </ul>
<p><b>DATA PROTECTION</b></p> <p>This measure was also highlighted by customers as a concern. Information about our customers and employees (personal data) is one of our most valuable assets.</p> <p>We include data protection as a Corporate 'Risk' and are committed to protecting privacy rights.</p>	<ul style="list-style-type: none"> <li>• The Information Access Team is making sure strong links are built with teams across the business. This has included adding extra Data Protection Champions in departments, regular slots on leadership team meetings and monthly newsletters for teams to make sure privacy is regularly on the agenda. Spot audits this year have focused on the implementation and understanding of the company's secure desk policy in high risk areas.</li> <li>• Privacy Impact Assessments have been carried out where needed across the business to make sure privacy is considered and privacy by design takes place where necessary.</li> <li>• We continued to invest in technical security controls to ensure personal data is kept secure.</li> <li>• All employees receive robust and up to date training and refreshers. In addition, we have started to build upon our e-learning bespoke training to include additional modules for our customer facing teams.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Information Access Team will continue to work closely with teams across the business to ensure processes and procedures are implemented with privacy in mind. They will also carry out 'spot' audits to ensure compliance. By continuing to use Privacy Impact Assessments, we will maintain good visibility of our data processing.</li> <li>• Content security tools help provide the visibility we need to protect personal data. We will continue to focus on employee awareness of data protection. Ensuring all employees receive robust and up to date training.</li> </ul>

## QUALITY OF FINANCIAL DATA

We also have a number of financial areas where assurance is provided by our financial auditors, Deloitte. These are included in our Annual Report and Financial Statements and elements of our Annual Performance Report (APR).

Areas of risk	Assurance activity completed during 2020/21	Planned assurance activity for 2021/22
<p><b>ANNUAL REPORT AND FINANCIAL STATEMENTS</b></p> <p>We have a legal obligation, under the Companies Act, for our Annual Report and Financial Statements to be externally audited. This is to make sure that they are properly prepared in accordance with Generally Accepted Accounting Principles and the Companies Act and that they represent a true and fair view of our financial position and profits.</p>	<ul style="list-style-type: none"> <li>Deloitte carried out its audit and reported its findings to our Audit Committee.</li> <li>They produced an unqualified audit opinion which can be found in the Annual Performance Report and Financial Statements on our websites.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte will audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).</li> </ul>
<p><b>REGULATORY ACCOUNTING STATEMENTS</b></p> <p>We have a requirement under our Instrument of Appointment and Ofwat's Regulatory Accounting Guidelines, for the Regulatory Financial Statements in the APR to be externally audited. This covers:</p> <ul style="list-style-type: none"> <li>The regulatory policies and disclosures.</li> <li>Regulatory Financial Statements (tables 1A to 1E).</li> <li>Appointed business taxation.</li> <li>Price review and other segmental reporting (tables 2A to 2J).</li> <li>Transactions with associated companies.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte carried out their audit and reported their findings to our Audit Committee.</li> <li>They produced an unqualified audit opinion which can be found in the Annual Performance Report and Financial Statements on our websites.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte will audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland).</li> </ul>
<p><b>ADDITIONAL REGULATORY INFORMATION</b></p> <p>We report additional regulatory information in tables 4A to 4I of the APR. This includes:</p> <ul style="list-style-type: none"> <li>Non-financial information on households billed and volumes of water produced.</li> <li>Additional analysis of totex and unit costs.</li> <li>Key financial metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte carried out the agreed upon procedures. No exceptions were noted.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte will carry out the agreed procedures which broadly comprise confirming that the information contained in the tables has been calculated in a consistent manner with Ofwat's Regulatory Accounting Guidelines, agreeing information back to supporting documentation and verifying the accuracy of calculations.</li> <li>For tables <b>4D to 4F</b> Deloitte will also confirm that the information has been prepared in accordance with the Company's accounting separation methodology.</li> </ul>
<p><b>STATEMENT OF SUFFICIENCY OF FINANCIAL RESOURCES</b></p> <p>We have a requirement, under our Instrument of Appointment, to submit a certificate from the Directors stating that we have available sufficient financial resources and facilities to allow us to carry out our regulated activities for at least 12 months and sufficient management resources to enable us to carry out our functions.</p>	<ul style="list-style-type: none"> <li>Deloitte carried out the agreed upon procedures.</li> <li>Deloitte confirmed that no matters had come to their attention to indicate any inconsistency between this Statement and information obtained during the course of their audit work on the Regulatory Financial Statements, in respect of financial resources.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte will carry out the agreed upon procedures.</li> <li>Deloitte will review the statement of sufficiency of financial resources and identify any inconsistencies between the statement and information obtained during its audit of the Regulatory Financial Statements.</li> </ul>
<p><b>FINANCIAL RESILIENCE</b></p> <p>We have a requirement, under Ofwat's Regulatory Accounting Guidelines, to produce a long-term viability statement, confirming that the Company is financially viable over the longer term.</p> <p>This includes stress testing our forward-looking financial plans under a number of adverse scenarios. Our viability statement can be found in the <b>Annual Report and Financial Statements</b> on our websites.</p>	<ul style="list-style-type: none"> <li>Deloitte carried out the agreed upon procedures. No exceptions were noted.</li> </ul>	<ul style="list-style-type: none"> <li>Deloitte will carry out the agreed procedures to review the impact of the stress test scenarios on the Company's financial plan and key financial ratios.</li> </ul>

**NORTHUMBRIAN**  
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Northumbrian Water Limited (registered in England and Wales with Company No. 02366703) trades and operates as 'Northumbrian Water' in the North East of England and as 'Essex and Suffolk' in the South East of England.