



Portsmouth Water's Final Assurance Plan 2015/16

March 2016

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About this document

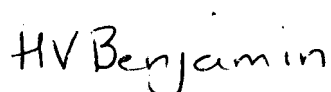
The purpose of this document to publish our Final Assurance Plan for 2015/16.

This is the third and concluding document in this process.

The first stage of the exercise was to consult on a Statement of Risks, Strengths and Weaknesses, where we undertook a risk assessment of all technical data that will be presented in our Annual Performance Review. That consultation closed on the 11 December 2015.

The second stage of the exercise was to consult on our draft Audit Plan. This described our general approach to assurance, addressed some comments from our first consultation and proposed specific assurance actions for some of the key data items. That consultation closed on 4 February 2016.

We would like to thank all of our stakeholders who have commented on the previous two documents. This has allowed us to publish this Final Assurance Plan for the data we will publish on our performance in 2015/16.



Heather Benjamin
Non-Executive Director and Chair of Audit Committee



Helen Orton
Finance & Regulation Director

Who we are

We have been supplying water to Portsmouth and the surrounding area since 1857. The area supplied by the Company extends through South East Hampshire and West Sussex from the River Meon in the west to the River Arun in the east, encompassing 868 sq. km.

Our vision

To supply high quality drinking water whilst providing excellent levels of service for our customers at the lowest price in the country.

Our values

Our values underpin how we behave in delivering all aspects of our work. There are Excellence, Respect & Integrity.

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1. Background

1.1. In recent years, we have published information on the Company performance in the “Risk & Compliance Statement” and for 2015/16 we will report in the new “Annual Performance Report”.

1.2. The report will enable stakeholders to assess how we have performed against those measures of success that are regarded by our customers as being the most important factors (the “Performance Measures”). The targets for the Performance Measures were the commitment the Company made to its customers following an extensive customer engagement exercise carried out when we were preparing our business plans for the 2015-2020 period.

1.3. The Company recognises the importance of providing information to customers and other stakeholders that is; customer-led, relevant, reliable, complete, accurate and timely. Our ongoing objective is to make information available that is easy to understand and which enables stakeholders to see how we are performing; this helps build trust and confidence in the business.

1.4. In 2015 Ofwat published “The Company Monitoring Framework” which formalises the process through which they will oversee that stakeholders can have, in particular, confidence in companies’ published Performance Measures.

1.5. Ofwat have acknowledged that companies and their Boards are best placed to identify the risks, strengths and weaknesses associated with providing such information. To allow us to develop a “targeted” assurance plan, we initially undertook a risk assessment for all relevant non-financial data that will be contained in the Performance Report. This was an important exercise and was the basis of a Statement of Risks, Strengths and Weaknesses upon which we consulted. The consultation closed on the 11 December 2015.

1.6. The second stage of the exercise was to consult on our draft Audit Plan. This described the assurance processes the Company either has or plans to have in place to provide third parties with the confidence that the data we provide is accurate. That consultation closed on 4 February 2016.

1.7. Having regard to all discussions and comments received, we now publish this Final Assurance Plan to explain how stakeholders can be confident that the data we will report in the 2015/16 Annual Performance Report is of reliable and accurate.

2. Assurance Framework

2.1. The information that we publish on our performance will be assured by the Board to maintain and build a high level of trust and confidence from our customers and stakeholders.

2.2. For this to be effective, performance needs to be reported in a clear way. In our draft Audit Plan, January 2016, we proposed to adopt a risk based approach to assurance, using internal and external review, to provide robust challenge and scrutiny of our performance. The feedback we received endorsed our approach.

2.3. In addition, we regularly report performance measures to other bodies including CCWater, Drinking Water Inspectorate, Environment Agency, Health & Safety Executive, Natural England, Ofwat and Water UK. Further, we now report our performance on a regular basis to our Customer Challenge Group. This allows challenge and questioning of the data and performance in a timely manner.

3. Sources of Assurance

3.1 We consider that we already have robust processes and systems of control that provide the necessary assurance in respect of the reliability and completeness of the information published. For each of the Performance Measures, we will continue to apply these. However, in making this assessment we have performed robust challenges and sought feedback, as described in Section 1.

3.2 We have four levels of review. Our high level performance measures are reviewed at our monthly Board meeting, which the non-Executive Directors attend, with other performance measures reviewed at the monthly management Board meeting. Internally there is a weekly Operations meeting where certain KPIs are reviewed. This allows peer review to be undertaken. Further, the Audit Committee has a programme in place to improve the quality of our data.

3.3 All our performance measures are subject to external review. This includes audits undertaken by our technical Reporter and our financial auditor. Details of our approach was published in our draft Audit Plan in January 2016.

4. Feedback from stakeholders

4.1 In total we have received feedback from 9 stakeholders, namely:

- Environment Agency
- CCWater
- Ofwat
- Lakh Jemmett - CCG Chairman
- Councillor Kirk Phillips – Winchester City Council
- John Hall Consulting – West Sussex Growers Association
- Havant & District Citizens Advice Bureau
- Federation of Small Businesses
- South Downs National Park

Their feedback is reflected in our Assurance Plan shown in Section 5 which the Board of Portsmouth Water have endorsed.

5. Final Assurance Plan 2015/16

5.1 Our Annual Performance Report is the primary way that we will document our annual performance and hold ourselves publicly to account. The Annual Performance Report includes:

- our Statutory Accounts – audited separately by Saffery Champness;
- our Annual Performance Report audited by WS Atkins
- other information to explain more broadly our performance against our commitments and responsibilities to stakeholders and customers

Performance Commitments and Outcome Delivery Incentives (ODIs)

5.2 Our Business Plan for the period 2015–20 made 13 promises to our customers with a clear set of targets to deliver by 2020. Ofwat also set out a small number of additional targets or performance commitments in its determination, some of which included financial rewards and penalties.

5.3 In addition, our stakeholder engagement exercise highlighted opportunities to improve reporting in specific areas namely;

- Providing trend performance data, where appropriate
- Providing comparative performance data for key areas;
- Delivering against the National Environment Plan; and
- Reporting on the management of our one Site of Special Scientific Interest at the river Itchen (SSSIs) and the delivery against our Water Resources Management Plan;

5.4 The points 1 to 4 above will be specifically included within the Annual Performance Report and will be reviewed and commented upon by the Reporter (WS Atkins).

Cost Allocation Reporting

5.5 The allocation of costs between business units and segments is often subject to interpretation of Ofwat accounting guidelines. As a result, and with the pending introduction of competition, this is an area that will require assurance.

- We propose to engage Saffery Champness to review our methodologies and application of regulatory accounting guidelines as part of our assurance requirements.

Tariffs and Charges (2015/16)

5.6 Water companies are required to publish their tariffs and charges, to comply with legal obligations, and to have appropriate systems of control in place. For 2015/16 we achieved this by:-

- Engagement with CCWater given their statutory role
- Third party assurance received on appropriateness of charges from Frontier Economics and the underlying data from WS Atkins
- Explicit board assurance statement made public.

5.7 We propose that this process will continue in subsequent years.

Financability

5.8 At PR14 the Ofwat price setting methodology required companies to assure that its plans were “financeable” relative to a notional balance sheet rather than its own financial situation.

5.9 We will revisit this area in our reporting and obtain:-

- External audit opinion from Saffery Champness, as part of the Annual Performance Report recognising the need for the Board to confirm in its Viability Statement that it has sufficient financial and management resources (licence condition F6A)

6. Next Steps

6.1 This plan will be published on our website and distributed to our stakeholders. We will discuss it explicitly with the chair of our Customer Challenge Group and will then develop a detailed audit programme to meet the expectation of all stakeholders.

6.2 Our Annual Performance Review for 2015/16 will then be published by 15 July 2016.